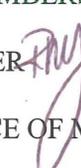


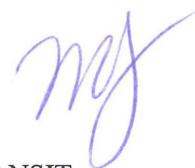
# City of Alexandria, Virginia

## MEMORANDUM

**DATE:** APRIL 21, 2014

**TO:** THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

**THROUGH:** RASHAD M. YOUNG, CITY MANAGER 

**FROM:** NELSIE L. SMITH, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET 

**SUBJECT:** BUDGET MEMO #28: FY 2015 WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY (WMATA) OPERATING AND CAPITAL BUDGETS

---

On March 27, 2014, the Washington Metropolitan Area Transit Authority (WMATA) approved their FY 2015 Operating Budget. The total net operating subsidy for the City of Alexandria is \$31.5 million, which represents a \$3.3 million or 11.6% increase over the net operating subsidy in FY 2014 (excluding audit adjustments). While the overall subsidy increases in FY 2015, the City's General Fund contribution decreases \$1.7 million from the Adopted FY 2014 Operating Budget due to the use of new Northern Virginia Transportation Commission (NVTC) state transit aid and gas tax revenues and Northern Virginia Transportation Authority (NVTA) 30% revenues.

The FY 2015 operating subsidy includes \$1.8 million in costs associated with operating the new Metroway service on the Route 1 Transitway, for which the City will utilize NVTA 30% revenues. When excluding the cost of this new service, the City's net operating subsidy increases \$1.5 million or 5.2%, comparable to increases experienced by other jurisdictions in the region.

Provided in this memorandum are changes to account for the final budget numbers provided by WMATA on March 27, 2014. Based on the adopted WMATA budget, and available state transit aid and gas tax revenues available through the NVTC and prior year City WMATA Capital Improvement Program (CIP) balances, no adjustments need to be made to the City Manager's Proposed General Fund budget or CIP for FY 2015.

### **WMATA Subsidy Increases and Funding Sources**

The City's net operating subsidy for the FY 2015 WMATA Operating Budget is \$31.5 million. The tables on the next page provide details on the funding sources City staff recommends utilizing to account for the WMATA operating budget subsidy in FY 2015. The two tables on the following pages compare year over year changes (from FY 2014 to FY 2015) and changes from the City Manager's Proposed FY 2015 Operating and Capital Budgets to account for the final budget numbers provided by WMATA on March 27, 2014.

**Table 1: City of Alexandria WMATA Operating Budget Subsidy Adopted FY 2014 City Budget to Revised FY 2015 City Budget**

	City of Alexandria Operating Budget		
	<i>FY 2014 Adopted</i>	<i>FY 2015 Revised</i>	<i>*Increase/Decrease FY 2015 Revised - FY 2015 Proposed</i>
<b>WMATA Operating Budget</b>			
Base Net Operating Subsidy	\$ 28,268,756	\$ 29,737,525	\$ 1,468,769
New Metroway Service	\$ -	\$ 1,800,000	\$ 1,800,000
Audit Adjustment	\$ (1,176,920)	\$ (544,927)	\$ 631,993
<b>Net City Subsidy</b>	<b>\$ 27,091,836</b>	<b>\$ 30,992,598</b>	<b>\$ 3,900,762</b>
<b>Funding Sources</b>			
City General Fund	\$ 8,026,156	\$ 6,375,156	\$ (1,651,000)
NVTC (State Aid/Gas Tax)	\$ 19,065,680	\$ 22,817,442	\$ 3,751,762
NVTA (30% Funds)	\$ -	\$ 1,800,000	\$ 1,800,000
<b>Total, All Funding Sources</b>	<b>\$ 27,091,836</b>	<b>\$ 30,992,598</b>	<b>\$ 3,900,762</b>
* The total Net Operating Subsidy submitted by WMATA increases by \$3.3 million over FY 2014. When accounting for the decrease in the Audit Adjustment in FY 2015, the net City Subsidy increases to \$3.9 million.			

The net City subsidy increase of \$3.9 million (including audit adjustments) over the Adopted FY 2014 Budget, as noted in Table 1, is primarily due to three factors: the base operating budget increase of \$1.5 million; the expanded Metroway service along the Route 1 Transitway with an estimated cost of \$1.8 million; and a decrease in the audit adjustment – a credit back to the City from prior year payments, which is \$0.6 million lower than previously projected.

WMATA’s base operating budget increase can be attributed to several factors:

1. **Labor:** New Collective Bargaining Agreements have been executed between Metro and three unions that represent a majority of Metro’s employees. While the new agreements are expected to result in long-term savings as labor begins to contribute to pension plans, there are short-term costs due to increases in salaries and benefits. The FY 2015 budget incorporates the fiscal impact of these agreements. In addition, step increases and fringe benefits contribute to the operating budget growth in FY 2015.
2. **Other Post-Employment Benefits (OPEB):** WMATA will begin contributing to an OPEB fund in FY 2015. This is a best practice adopted by many transit agencies across the country, as well as jurisdictions in the metropolitan area, and is expected to realize savings over the long term.
3. **FY 2015 Initiatives:** The FY 2015 operating budget advances several key initiatives including:
  - a. Establishment of a system-wide customer care program, quarterly customer satisfaction surveys, additional training for front line employees, and communication tools and equipment.
  - b. A full year of operations for the Silver Line Phase 1.
  - c. Advancement of several State of Good Operations improvements to Metrobus lines.
  - d. Continued implementation of National Transit Safety Board recommendations, such as a Fatigue Management System.

**Table 2: City of Alexandria WMATA Operating Budget Subsidy  
City Manager's Proposed FY 2015 Budget to Revised FY 2015 City Budget**

	City of Alexandria Operating Budget		
	*FY 2015 Proposed	FY 2015 Revised	Increase/Decrease FY 2015 Revised - FY 2015 Proposed
<b>WMATA Operating Budget</b>			
Total Net Operating Subsidy	\$ 30,767,920	\$ 31,537,525	\$ 769,605
Audit Adjustment	\$ (1,176,920)	\$ (544,927)	\$ 631,993
<b>Net City Subsidy</b>	<b>\$ 29,591,000</b>	<b>\$ 30,992,598</b>	<b>\$ 1,401,598</b>
<b>Funding Sources</b>			
City General Fund	\$ 6,375,156	\$ 6,375,156	\$ -
NVTC (State Aid/Gas Tax)	\$ 21,415,844	\$ 22,817,442	\$ 1,401,598
NVTA (30% Funds)	\$ 1,800,000	\$ 1,800,000	\$ -
<b>Total, All Funding Sources</b>	<b>\$ 29,591,000</b>	<b>\$ 30,992,598</b>	<b>\$ 1,401,598</b>
* At the time of the City Manager's Proposed Budget, WMATA had not adopted their operating budget. The City Manager's budget assumed a \$700,000 increase over FY 2015 as a preliminary budget number, and did not make changes to the FY 2014 Audit Adjustment amount. Additionally, while \$1.8 million was assumed in NVTA 30% funding, the Accounting structure to record those revenues was not created at the time of the Proposed Budget. NVTA 30% funding will be included as a technical adjustment as part of the Adopted Budget.			

Given the March 27, 2014 approved WMATA operating budget, the increase from the City Manager's FY 2015 Proposed Operating Budget is \$1.4 million as noted in Table 2. To account for this increase without impacting the FY 2015 Proposed General Fund budgeted amount of \$6.4 million, City staff recommends increasing the use of NVTC funding by \$1.4 million over the City Manager's Proposed FY 2015 Operating Budget as noted in Table 2.

City Council is not required to appropriate the additional NVTC funds for specific expenditures; it is intended that this memorandum will serve as authorization to staff to utilize those additional funds.

**FY 2015 WMATA Capital Year Budget**

As of April 14, 2014, WMATA has not yet formally approved their Capital Budget. City staff has worked with WMATA and has an estimate of FY 2015 capital costs of \$9.1 million. As part of the Proposed Capital Improvement Program (CIP), City staff recommends appropriating \$2.9 million in City funds, \$2.5 million in NVTA 30% funds, and \$3.7 million in NVTC funds to fully fund the WMATA base capital request for FY 2015. City and NVTA funds are already included in the CIP and the use of NVTC funds is referenced on page 11-21 of the Proposed FY 2015-2024 CIP.

In addition to the base capital program, WMATA is proposing an expansion of their CIP. *Metro 2025* is a \$6.5 billion, 10-year program that will implement the infrastructure and enhancements identified in *Momentum 2025, a Strategic Plan for Metro*. On March 17, the Governors of Virginia and Maryland and the Mayor of D.C. sent a letter to WMATA General Manager Richard Sarles pledging \$25 million from each State and the District to support *Metro 2025* in FY 2015. No commitment has been made to fund future year investments. Because the current Capital Funding Agreement between the jurisdictions and WMATA expires at the end of FY

2015, any future investment in *Metro 2025* will be negotiated in FY 2015 as part of the development of a new Capital Funding Agreement which would start in FY 2016.

The Northern Virginia region will fund its portion of Virginia’s \$25 million FY 2015 commitment through jurisdictional contributions and a 56% match from Virginia’s Department of Rail and Public Transportation. The City’s FY 2015 contribution – based on the WMATA subsidy allocation model – is \$2.6 million.

The total FY 2015 investment of \$75 million from the region will support continued implementation of infrastructure to support 100% 8-car trains across the rail system. In FY 2015, this will include investment in rail car storage and maintenance facilities, power upgrades, station capacity improvements, and automatic train control. **These are stand-alone projects – provision of funding in FY 2015 does not commit the City or the region to future investment in *Metro 2025*.**

City staff recommends approving the additional contribution of \$2.6 million in FY 2015 to support the implementation of new WMATA infrastructure. A balance in the City’s WMATA CIP account (City funds appropriated on an annual basis) of \$3.4 million is available to fund the additional \$2.6 million. The balance is available due to the lag time of WMATA approved budgeted amounts and actual project implementation. The balance drawn down will be added to the base capital budget for a total FY 2015 WMATA capital year contribution of \$11.7 million as detailed in Table 3. Should the base FY 2015 Capital Year Budget of \$9.1 million increase (City staff does not anticipate an increase), available project balances in the City’s WMATA CIP account will be accessed to address any funding gap.

Since City Council has previously appropriated the additional funds for the specific purpose of WMATA capital contributions, no adjustments to the City’s FY 2015 Capital Year Budget are required. It is intended that this memorandum will serve as authorization to staff to utilize the prior year balances in FY 2015 to support the additional infrastructure needs.

**Table 3: City of Alexandria WMATA FY 2015 Capital Year Budget Sources and Uses**

Uses	City of Alexandria Capital Year Budget
FY 2015 CIP Plan	\$9.1 million
<b>Add: WMATA 2025</b>	\$2.6 million
<b>Total Uses</b>	<b>\$11.7 million</b>
<b>Sources</b>	
FY 2015 GO Bonds	\$2.9 million
NVTC (State Aid/Gas Tax)	\$3.7 million
NVTA 30% Funds	\$2.5 million
<i>Subtotal, FY 2015 CIP Plan</i>	<i>\$9.1 million</i>
<b>Add: Prior Year City Balance for WMATA 2025</b>	\$2.6 million
<b>Total Sources</b>	<b>\$11.7 million</b>