



Mayor/Council Breakfast

October 31, 2023

Updated 11/01/2023



Verification of FY 2025 Operating Gap

- FY 2024 vs FY 2025
- Review of business model FY 2018 - FY 2025
- Understanding State Contributions

FY 2025 Planned Costs

- Review of identified ongoing and one-time savings
- High-level review of salary increases

FY 2025 Cash Flow and Cash Balances

Assess Impacts of Proposed Alternatives

Summary

Verify Operating Gap



- Confirmed annual operating gap of \$750M/year
- Key drivers
 - Federal pandemic relief revenue stops (used to offset fare revenue decline)
 - Operating expenses grow by nearly 5%

Operating Revenue - Sources and Uses				
	FY 2024 Budget	FY 2025 Plan	Difference	%
Operating Revenue	506,723,000	490,000,000	(16,723,000)	-3.3%
Jurisdictional Subsidy (Base)	1,252,251,000	1,290,000,000	37,749,000	3.0%
Federal COVID \$	561,046,000	-	(561,046,000)	-100.0%
Total	2,320,020,000	1,780,000,000	(540,020,000)	-23.3%
Personnel Expense	1,568,430,000	1,647,000,000	78,570,000	5.0%
All Other Expenses	751,590,000	784,000,000	32,410,000	4.3%
Total	2,320,020,000	2,431,000,000	110,980,000	4.8%
Gap *	-	(651,000,000)		
* Includes all WMATA proposed changes; FY 2024 Revenue, one-time cost savings etc.				

Business Model



- **Operating expenses have grown at a rate of 4.5% annually**
- **Revenues remain the same**
 - Operating revenue **declined** by 6.5% annually
 - in FY2018, fare revenue covered 45% of operating expenses
 - In FY2025, revenues are 20% of expenses
- Jurisdictional Subsidy increased by 4.0% annually

FY 2018 - FY 2025 Annual Average Growth (AAG)			
	FY 2018 Budget	FY 2025 Plan	FY 2018 - FY 2025 AAG
Operating Revenue	786,955	490,000	-6.5%
States' Subsidy	1,003,740	1,290,000	4.0%
Federal COVID \$	-	-	0.0%
Total	1,790,695	1,780,000	-0.1%

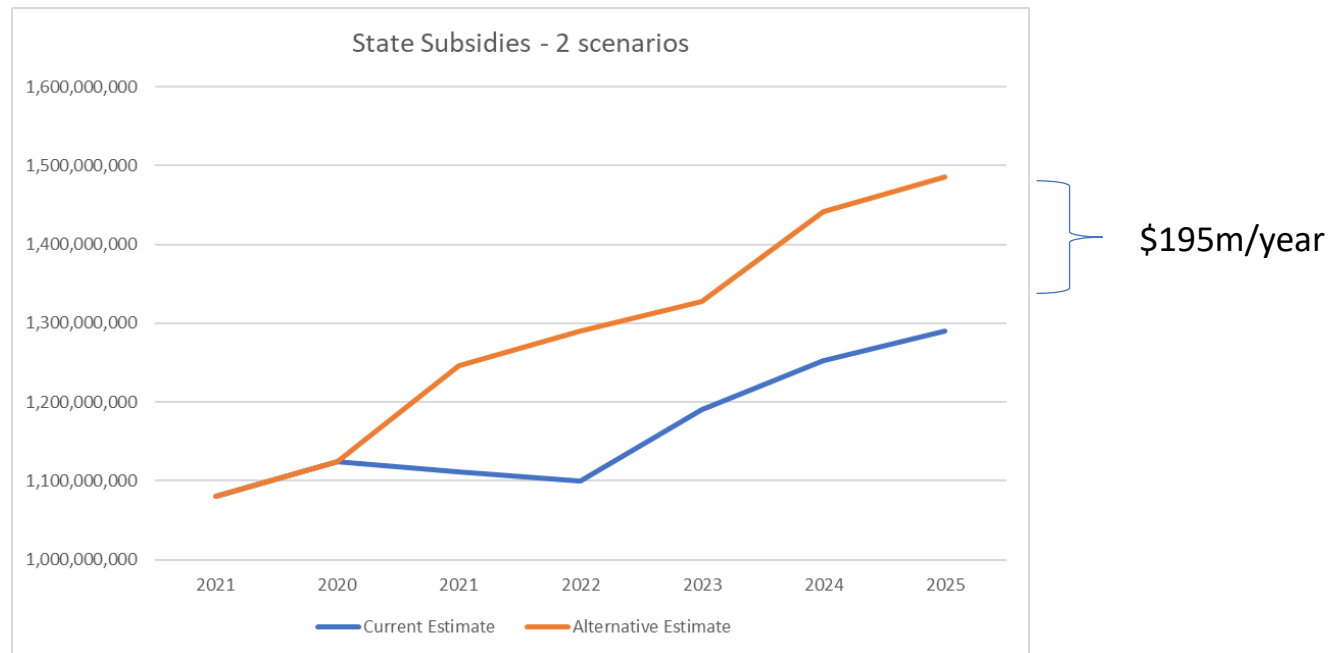
Personnel Expenses	1,262,144	1,647,000	3.9%
All Other Expenses	528,553	783,000	5.9%
Total	1,790,697	2,430,000	4.5%

- State Contributions limited in Maryland and Virginia law
 - 3% growth per year
- *Plus*, “Exclusions”: Other expenses that add to base
 - Costs as a result of changes in law
 - Costs arising from legal disputes
 - Services increase
 - Additional capital expenses from service increases
- Since 2018, “Exclusions” equal about \$250m annually
 - *Hence, growth of 4% annually*

Jurisdictional Subsidy – a Twist



- WMATA did not increase contribution requests in 2021 and 2022
 - “Credit” – Federal Covid Relief revenues used in place of increasing jurisdictional contributions
 - Contributions would be \$195m per year higher without “Credit”



- Without “Credit”, contributions would have increased 6% annually
- **District General Fund revenue growth in the same period is 4.0% annually**

One-Time Savings:
\$95M

- All savings identified by WMATA are carry-over of unspent federal allocations

Annual Savings offset
by revenue forecast
changes

- Savings of \$50m per year
 - No reduction in FTEs
 - Most savings identified are from removing duplicative processes

Salary Review: Collective Bargaining Unit (CBA) Costs



Table: Local 689 CBA Annual Increases

Year	GWI	COLA	PBP	Annual Increase
FY2021*	2.00%	N.A.	N.A.	2.00%
FY2022	2.50%	3.15%	0.00%	5.65%
FY2023	2.50%	6.76%	1.00%	10.26%
FY2024	2.50%	1.10%	1.00%	4.60%



**FY2021 annual increase was a flat 2.00% per the CBA*

General Wage Increase (GWI) of 2.5% per year; COLA equal to CPI-W minus GWI; and a Performance Base Pay (PBP) adjustment that provides a 1% wage increase when combined Metrorail and Metrobus systemwide ridership increases by an average of 2% or more from the prior fiscal year.



Cash Flow – Subsidies at Current Payment Level

Potential FY 2025 Cash Flow Forecast

(Subsidies are driven by current base payments made - including the credits)

(\$ in millions) *	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	FY 2025
Operating Receipts	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6	44.6	535.0
Subsidy/Grants/Debt	313.0	-	-	322.5	-	-	322.5	-	-	322.5	-	-	1,280.5
Gross Revenue - Debt Service Funding				36.1						36.1			72.2
Total Sources	357.6	44.6	44.6	403.2	44.6	44.6	367.1	44.6	44.6	403.2	44.6	44.6	1,887.7
Operating Expenses	215.4	215.4	210.4	210.4	210.4	210.4	210.4	210.4	210.4	210.4	205.4	205.4	2,525.0
Debt Service	51.9	-					19.5						71.4
Total Uses	267.3	215.4	210.4	210.4	210.4	210.4	229.9	210.4	210.4	210.4	205.4	205.4	2,596.4
Net Cash Flow	90.3	(170.9)	(165.8)	192.8	(165.8)	(165.8)	137.2	(165.8)	(165.8)	192.7	(160.8)	(160.8)	(708.7)
Total Ending Unrestricted Cash	375.8	264.5	98.7	255.3	89.5	(76.3)	80.5	(85.4)	(251.2)	(94.5)	(255.4)	(416.2)	
LOC Outstanding Balance													
LOC Undrawn Amount	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	
LOC Commitment	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	500.0	

* Totals may not sum due to independent rounding

➤ Cash exhausted by November 2024

Reduction plans



FY 2025 Operating Budget Scenarios

WMATA Title (October 26)	Scenario 1	Old Scenario (Partial PM - to FY 2024 level)	Scenario 2	Scenario 3	Scenario 4	Scenario 5
Operating Reductions (\$) *	\$100M	\$100M	\$100M	\$100M	\$100M	\$100M
Add'l 3 Jurisdiction Subsidy (\$)	\$650	\$510	\$365	\$315	\$0	\$0
Front Line Service reduction?	None	None	None	Yes - ('Service Optimization') - \$25M	Yes, Severe - \$405M	Yes, Most Severe - \$625M
Fare Increase (Net)	\$0	\$0	\$0	\$25M	\$25M	\$25M
Capital to PM (\$)	\$60M	\$199M	\$345M	\$345M	\$280M	\$60M
Capital Fiscal Cliff Date/amount	FY 2029/\$.5B Annually	Late FY 2028/\$.5B Annually	FY 2028/\$.5B Annually	FY 2028/\$.5B Annually	FY 2028/\$.5B Annually	FY 2029/\$.5B Annually
Add'l Subsidy/DC HH (\$)	\$254.6M/\$883	\$203.5M/\$705	\$150.4M/\$521	\$112.6M/\$390	\$0	\$0

* All Options include the FY 2025 assumptions of: \$95M of one-time savings; \$45M of Revenue decline (FY 2024) and on-going task force savings of \$50M annually - for a \$100M decrease to the \$750M gap

- Spending capital \$ on operating expenses in FY2025
 - Scenarios 2 through 4
 - Helps address operating gap for one year
 - *Accelerates upcoming “fiscal cliff” for WMATA’s capital budget*
 - *\$500m annually beginning FY2029*
- Jurisdictional Subsidy Shortfall of \$195m
 - Short-run pandemic relief led to ongoing annual reduction
 - *Increases subsidy by \$195m/year*
- Structural problem with WMATA’s fiscal model
 - Operating costs increasing 4.5% annually;
 - in excess of DC’s 2% GF revenue growth in the future
 - WMATA operating revenue declined by roughly \$350m-\$400m/year due to pandemic
 - Operating gap of \$650m in FY2025, \$750m annually thereafter
 - Capital cliff of \$500m annually by 2029
 - ***WMATA fiscal model unsustainable***
 - *Gap (operating and capital) totals \$1.25B/year, with expenses growing faster than District’s revenue growth*

Questions?

Impact: Scenario 1



Operating Budget Gap of \$650M

- Jurisdictional Contributions increased to maintain current service
- Establishes the proper amount of “Preventative Maintenance”(PM) Costs to retain funds for capital

Estimates of Operating Subsidies to WMATA			
	Planned	Scenario A (\$60M PM)	
	FY 2024 *	FY 2025	Vs. FY 2024 with 3% Growth
<i>\$ Millions</i>			
District of Columbia	448.2	716.2	254.6
Montgomery County	196.7	291.3	88.6
Prince George's County	277.1	410.1	124.8
Maryland Subtotal	\$ 473.8	\$ 701.4	\$ 213.4
City of Alexandria	54.5	86.2	30.1
Arlington County	85.0	134.4	46.9
City of Fairfax	3.3	5.2	1.8
Fairfax County	167.9	265.5	92.6
City of Falls Church	3.8	6.0	2.1
Loudoun County	15.8	25.0	8.7
Virginia Subtotal	\$ 330.3	\$ 522.4	\$ 182.2
Total	\$ 1,252.3	\$ 1,940.0	\$ 650.1
	* The legislative exclusions are a part of the FY 2024 subsidies		



Impact: “Old Scenario”

Operating Budget Gap of \$510M

- Re-directs \$199M of Capital funds to Operating fund for PM costs
 - Adds an additional \$139M to the PM costs (creates a shortfall to the capital budget in the out-years)
- **Jurisdictional Contribution Increase of over 40% above FY 2024 levels**

Estimates of Operating Subsidies to WMATA			
	Planned	Plan B (\$199M PM)	
	FY 2024 *	FY 2025	Vs. FY 2024 with 3% Growth
<i>\$ Millions</i>			
District of Columbia	448.2	665.1	203.5
Montgomery County	196.7	270.7	68.4
Prince George's County	277.1	381.3	95.9
Maryland Subtotal	\$ 473.8	\$ 652.0	\$ 164.3
City of Alexandria	54.5	79.5	23.4
Arlington County	85.0	124.0	36.6
City of Fairfax	3.3	4.8	1.4
Fairfax County	167.9	245.0	72.2
City of Falls Church	3.8	5.5	1.6
Loudoun County	15.8	23.1	6.8
Virginia Subtotal	\$ 330.3	\$ 482.0	\$ 142.0
Total	\$ 1,252	\$ 1,799	\$ 510
	* The legislative exclusions are a part of the FY 2024 subsidies		

Impact: Scenario 2



Operating Budget Gap of \$365M

- Re-directs \$345M of Capital funds to Operating fund for PM costs
- Adds an additional \$285M to the PM costs

Estimates of Operating Subsidies to WMATA			
	Planned	Plan C (\$345M PM)	
	FY 2024 *	FY 2025	Vs. FY 2024 with 3% Growth
<i>\$ Millions</i>			
District of Columbia	448.2	612.0	150.4
Montgomery County	196.7	249.6	46.9
Prince George's County	277.1	351.4	66.2
Maryland Subtotal	\$ 473.8	\$ 601.0	\$ 113.1
City of Alexandria	54.5	72.8	16.7
Arlington County	85.0	113.5	25.9
City of Fairfax	3.3	4.4	1.0
Fairfax County	167.9	224.2	51.3
City of Falls Church	3.8	5.1	1.2
Loudoun County	15.8	21.1	4.8
Virginia Subtotal	\$ 330.3	\$ 441.0	\$ 101.0
Total	\$ 1,252	\$ 1,654	\$ 365
* The legislative exclusions are a part of the FY 2024 subsidies			

Assess the Impact: Scenario 3



Operating Budget Gap of \$315M

- Provides \$345M of Capital funds to Operating fund for PM costs

Estimates of Operating Subsidies to WMATA			
	Planned FY 2024 *	Plan 3 (\$345M PM) + \$50 Service and Revenue	
		FY 2025	Vs. FY 2024 with 3%
<i>\$ Millions</i>			
District of Columbia	448.2	574.3	112.6
Montgomery County	196.7	252.1	49.5
Prince George's County	277.1	355.1	69.8
Maryland Subtotal	\$ 473.8	\$ 607.3	\$ 119.3
City of Alexandria	54.5	69.9	13.7
Arlington County	85.0	108.9	21.4
City of Fairfax	3.3	4.2	0.8
Fairfax County	167.9	215.2	42.2
City of Falls Church	3.8	4.9	1.0
Loudoun County	15.8	20.2	4.0
Virginia Subtotal	\$ 330.3	\$ 423.3	\$ 83.1
Total	\$ 1,252	\$ 1,604	\$ 315
* The legislative exclusions are a part of the FY 2024 subsidies			