

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 17, 2009

TO: THE HONORABLE MAYOR AND MEMBERS OF THE CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO # 29: WMATA OPERATING SUBSIDY BREAKDOWN

This memorandum is in response to Councilman Wilson's request for a break out of the City's WMATA operating subsidy by bus, rail and paratransit and the underlying subsidy formula for each. This memo will also address the WMATA service reductions that are currently being considered.

The chart below shows how the City's subsidy for the WMATA Operating Budget is divided by mode, or service area, in FY 2008 – FY 2010. FY 2008 and FY 2009 are the WMATA Board of Directors approved numbers, while the FY 2010 figures are the most recent estimates provided by WMATA staff.

	MetroRail ²	MetroBus - Regional	MetroBus - Non- Regional	MetroAccess	TOTAL CITY SUBSIDY
FY 2008 ¹	\$6,061,252	\$12,845,594	\$684,220	\$636,320	\$20,227,386
FY 2009	\$5,517,962	\$13,029,975	\$871,934	\$607,621	\$20,027,492
FY 2010 ³	\$6,857,662	\$12,590,342	\$754,134	\$721,221	\$20,923,359

¹ FY 2008 total does not include a FY 2007 audit adjustment payment of \$93,309

² FY 2009 Metrorail subsidy is artificially low as it included 6 months of rail revenues actually collected in FY 2008 but credited in FY 2009

³ FY 2010 represents the WMATA staff proposal

The FY 2010 City Manager's Proposed Budget assumes a City subsidy of \$20,027,492 (equal to FY 2009), so the difference (funding gap) between the Proposed Budget and the WMATA figure is \$895,867. This number takes into account the City's savings from the elimination of the N22 bus route in the District. **From WMATA actions and discussions to date, it is not likely that enough service reductions will be proposed and approved to completely eliminate the need to increase the City's subsidy to WMATA.**

WMATA Subsidy Formulas

The methods used to determine the City's share of each WMATA service area (i.e. bus, rail, paratransit) are different. To begin, the City's share of the Metrorail subsidy is calculated based on population, population density, average weekday ridership, and number of Metrorail stations

in the jurisdiction. Currently the City share is approximately 5% of the total system subsidy for Metrorail. For FY 2010, this subsidy is estimated to be \$6.9 million. If the City's population, population density, or ridership were to decline relative to the other WMATA jurisdictions, our share of this service area could decrease. Also, if WMATA reduces the overall costs of rail service (or finds additional revenues to offset costs), the City's subsidy for this service could decrease.

The Metrobus subsidy shares are calculated in a different manner. First of all, Metrobus service is divided into two separate categories: regional service and non-regional service. Regional service covers routes that cross jurisdictional borders, where non-regional routes are fully contained within the jurisdiction. Alexandria partially subsidizes all the regional lines (many with multiple routes) in the WMATA system, but currently only has only 1 non-regional bus line (the "21" or Landmark-Pentagon Line). Regional Metrobus formulas are calculated based on population, population density, ridership by jurisdiction, service miles per jurisdiction, and service hours per jurisdiction. The City's share of the total regional bus service for WMATA is around 5%, or \$12.6 million in FY 2010. Non-regional bus service is operated at the request of the individual jurisdiction. The subsidy for this type of service is simply the operating costs less the passenger revenue collected. The City's non-regional Metrobus subsidy for FY 2010 is \$0.8 million.

The last service area operated by WMATA for the City is the MetroAccess (paratransit) service. This subsidy is based on the cost of the service for each jurisdiction less the revenue collected. The FY 2010 City subsidy for this service area is \$0.6 million.

Subsidy and Service Reductions

Because of the formulas that drive the operating subsidies for WMATA, the City is somewhat limited in the type and size of service reductions that can be pursued. For instance, the MetroAccess budget is driven by users, so the only way to reduce City costs is if Alexandrians reduced or stopped utilizing the service. Metrorail reductions can only be found if system-wide savings are found. For instance, an overall increase in headways or a reduction in service hours would reduce the City's subsidy. These types of service adjustments would have to be approved by the WMATA Board of Directors. Regional Metrobus is in a similar situation as Metrorail, with the only potential subsidy reductions coming from an agreement by all the jurisdictions to reduce service levels. The City receives about 5% of the total savings resulting from any decrease to a regional bus route. That leaves non-regional Metrobus routes as the only area where the City can act alone to reduce the subsidy. Non-regional Metrobus service however, makes up only about 3.6% (\$0.7 million) of the total City subsidy.

In the most recent FY 2010 budget estimates published by WMATA staff, there is still a \$27 million funding gap for the entire system (see attachment "Continued Review of FY 2010 Expense and Revenue" proposed by WMATA staff). The City's share of that gap is approximately \$0.9 million. The FY 2010 WMATA staff budget is built assuming no adjustments to service and no increases to jurisdictional subsidies. The City Manager's FY 2010 Proposed Budget assumes no increase in the City subsidy from FY 2009. With all that in mind, the City will need to either (a) increase the subsidy to WMATA by \$0.9 million to fill the funding gap, (b) identify service reductions equal to \$0.9 million, or (c) use some combination of service reductions and subsidy increases to fill the gap.

At the March 12 WMATA Board Meeting, the Board issued direction to WMATA and jurisdictional staff to bring back to them a collection of service reductions that would cover the

funding gap. These options are to be considered by the Board at an upcoming meeting. The WMATA Board provided limitations to the types of service reductions jurisdictions are allowed to submit. Specifically, no Metrorail service reductions or other regional services (unless all the jurisdictions using the service agree to it) can be offered. At this time, City staff has identified the following possible service reductions that could mostly fill the existing funding gap with limited negative impact on the community. Because several of these services are offered in Fairfax County and Arlington County, City staff is currently working to see if Alexandria will have sufficient support for these items in the other jurisdictions. All service reductions are subject to public hearing notice and requirements. These steps would need to be taken in April in order to adopt and implement changes by July 1.

Route / Service Area	Description of Reduction	Service Mode	City Share
7A-F	Widen evening headways after 8 p.m. - 4 total trips eliminated	Regional MetroBus	\$44,172
7E	Widen peak-of-the-peak headways - 3 total trips reduced	Regional MetroBus	\$22,197
10A	Discontinue late evening trips after 9:00 p.m. - 4 total trips	Regional MetroBus	\$44,173
10A	Discontinue all Saturday service - 66 trips	Regional MetroBus	\$132,688
10A	Discontinue all Sunday service - 34 trips	Regional MetroBus	\$67,157
10B	Realign 10B headways on Saturdays and Sundays to help alleviate reductions to 10A service	Regional MetroBus	(\$35,809)
24P	Arlington will replace the 24P service with ART which will result in a regional savings	Regional MetroBus	\$14,085
21A-F	Restructure this service line to be more efficient with some limited reductions in service area	Non-regional MetroBus	\$410,000
TOTAL			\$698,663

The first service reductions listed are on the 7 line (Lincolnia - North Fairlington - Pentagon) and the 9A (Huntington – Pentagon). The service reductions on the 7 line are relatively minor and redundant service is available with just slightly longer wait periods.

The next service reductions listed are on the 10A and 10B Metrobus lines. These lines both begin at Hunting Towers and follow the same route while in the City. From Hunting Towers they proceed to Braddock Metro Station and then up Mt. Vernon Avenue to South Glebe Road in Arlington. From there, the 10A goes up Arlington Ridge Road to the Pentagon while the 10B goes west to Shirlington before heading north to Ballston. This service reduction would eliminate 10A service on Saturday and Sundays, as well as after 9 p.m. on weekdays, while making some minor adjustments to the 10B to help provide more consistent service (equalize headways) in Alexandria during these times. The 10B service during these times is currently among the lowest performing in the City. Because the City has two lines providing equivalent service within the City limits, this reduction should not impact Alexandria residents too severely. This reduction has much more significant impacts on Arlington, but Arlington staff has indicated a desire to move forward to public notice and hearing for this reduction as it is a relatively low performing service for them as well.

Two of the reduction options currently being considered do not directly operate in the City. The 24P in Arlington is proposed to be replaced by local bus service (ART), which will result in a savings to the City because of the regional subsidy formulas. We understand from a communication with WMATA staff on March 16 that the Board has already approved the elimination of the N22 route, saving the WMATA system \$1.6 million.

The City has one non-regional Metrobus line. This line, the 21 (Landmark – Pentagon), has six different routes, identified as 21A-F. This line serves the neighborhoods south of Duke Street, including Stevenson Ave, Van Dorn Street, Edsall Rd, South Reynolds Street, and South Pickett Street, before continuing north along I-395 to the Pentagon. As each of these routes has been added over time, overall service on the 21 line has grown more complicated and less efficient. In order to clean up this relatively inefficient bus service, the City has worked with WMATA staff to restructure the entire line into one more simplified route. This simplification will result in some riders having to walk short distances (under ¼ mile) to get to a bus stop, but the revised route has been designed to continue to provide service at the most heavily utilized stops. The total savings to the City for this route restructuring is \$410,000.

From WMATA actions and discussions to date, it is not likely that enough service reductions will be proposed and approved to completely eliminate the need to increase the City's subsidy to WMATA. With so many variables still unknown at this point, the WMATA operating subsidy is an especially difficult budget figure to finalize. Add to the equation the continuing uncertainty of State transit revenues and the issue only becomes cloudier. However, City staff is continuing to work diligently with staff from WMATA and our neighboring jurisdictions to try to come up with a solid budget options as quickly as possible.

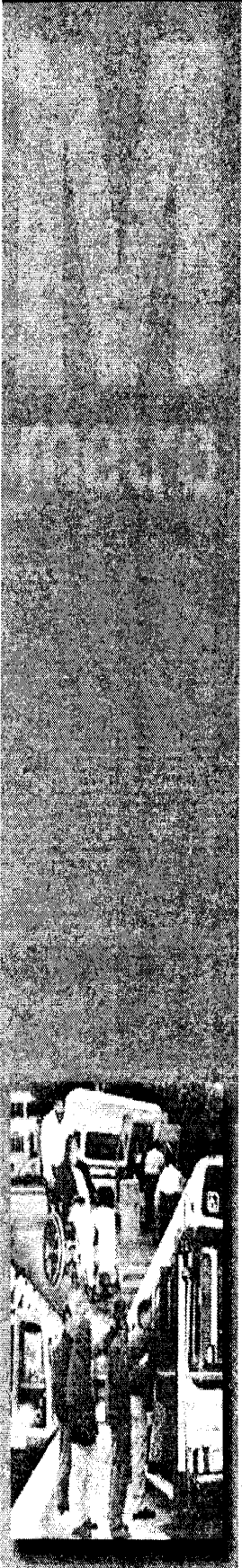
Attachment: "Continued Review of FY 2010 Expense and Revenue"

Continued Review of FY2010 Expense and Revenue

Presented to the Board of Directors:

**Finance, Administration and Oversight
Committee**

March 26, 2009





Budget Crosswalk FY2009 to FY2010

\$ Millions	Revenue - Expense = Subsidy		Budget Gap		
FY2010 Baseline Budget.....	\$777	\$1,466	\$689	\$154	Initial "Budget Gap"
Initial Actions to Close Gap:					
Eliminate 313 Positions		(\$28)			
Reduce Overtime		(\$18)			
Other Management Actions		(\$35)			
subtotal		<u>(\$81)</u>	(\$81)	\$73	Budget Gap as of Jan 8, 2009
Additional Actions to Close Gap:					
Fiber optic revenue	\$1.2				
Defer funding GASB45		(\$4.0)			
Reduce purchased services costs		(\$5.0)			
Prev Maint funding up from \$20.7 to \$30.7		(\$10.0)			
Bus revenue from paper xfer	\$5.0				
Personnel cost assumption change		(\$7.0)			
Wage Settlement		(\$12.0)			
	<u>\$6.2</u>	<u>(\$38.0)</u>	<u>(\$44)</u>	<u>\$29</u>	<u>Budget Gap as of Mar 5, 2009</u>



FY2010 Budget Gap

	Total	District of Columbia	Montgomery County	Prince George's County	City of Alexandria	Arlington County	City of Fairfax	Fairfax County	City of Falls Church
Metrobus:									
Regional Bus	(\$14,487,431)	(\$7,742,400)	(\$2,146,900)	(\$2,319,400)	(\$419,400)	(\$636,500)	(\$27,900)	(\$1,153,700)	(\$41,231)
Non-Regional Bus	(\$4,312,000)	(\$1,569,200)	\$141,300	(\$1,908,700)	(\$117,800)	(\$33,700)	\$0	(\$823,900)	\$0
Subtotal	(\$18,799,431)	(\$9,311,600)	(\$2,005,600)	(\$4,228,100)	(\$537,200)	(\$670,200)	(\$27,900)	(\$1,977,600)	(\$41,231)
MetroRail:									
Base Allocation	\$30,382,400	\$10,484,000	\$5,680,200	\$5,479,800	\$1,384,200	\$2,906,600	\$90,600	\$4,281,000	\$76,000
Max Fare Subsidy	\$161,800	\$8,000	\$93,300	\$23,100	(\$44,500)	\$49,000	\$1,300	\$31,300	\$300
Subtotal	\$30,544,200	\$10,492,000	\$5,773,500	\$5,502,900	\$1,339,700	\$2,955,600	\$91,900	\$4,312,300	\$76,300
MetroAccess:	\$17,006,400	\$3,762,000	\$4,029,700	\$6,920,000	\$113,600	\$323,700	\$39,900	\$1,786,700	\$30,800
"Budget Gap"	\$28,751,169	\$4,942,400	\$7,797,600	\$8,194,800	\$916,100	\$2,609,100	\$103,900	\$4,121,400	\$65,869
N22 Bus Reduction (per Board Action)	(\$1,604,000)	(\$1,306,925)	(\$85,927)	(\$74,975)	(\$20,233)	(\$27,188)	(\$2,060)	(\$85,478)	(\$1,214)
SubTotal	\$27,147,169	\$3,635,475	\$7,711,673	\$8,119,825	\$895,867	\$2,581,912	\$101,840	\$4,035,922	\$64,655



Proposed Service Reduction Schedule

• MARCH 2009

- March 26 – Obtain Board approval to go out for Public Hearing on service reductions
- March 31 – Staff provides 15 day hearing notice and schedules /advertises hearings

• APRIL 2009

- April 14 – Public hearings on service reductions occur (two in each Signatory) through April 17, 2009
- April 22 – Public record closes (5 day open docket period after hearings)
- April 30 – Staff presents Public Hearing Staff Report to FAO Committee (not currently scheduled)
- April 30 - Obtain Board approval of Public Hearing Staff report and proposed service reductions (not currently scheduled)

• MAY 2009

- May 01 – Staff begins building new schedules and begins communications effort, signage, updates, etc.
- May 26 – Begins system pick

• JUNE 2009

- June 19 – System pick complete
- June 28 – Service changes go into effect

Each 2-week delay in implementation will increase cost by \$1.2 million