

**Blue Ribbon Panel
Requests for Information
11/22/04**

The following document provides answers to several questions that were raised at the November 9, 2004 meeting of the Blue Ribbon Panel

1. Break out the MetroAccess budget from the projected operating and capital budget.

The table below shows the projected operating budget for MetroAccess through 2015.

MetroAccess Costs											
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenue											
Baseline ¹	\$ 4.0	\$ 4.9	\$ 6.0	\$ 7.3	\$ 9.0	\$ 11.0	\$ 13.5	\$ 16.5	\$ 20.2	\$ 24.7	\$ 30.2
Fare Action ²	\$ -	\$ -	\$ 0.2	\$ 0.5	\$ 0.9	\$ 1.5	\$ 2.4	\$ 3.5	\$ 5.1	\$ 7.3	\$ 10.2
Expense											
Baseline ³	\$ 51.7	\$ 51.1	\$ 56.7	\$ 71.4	\$ 90.1	\$ 114.0	\$ 129.6	\$ 147.2	\$ 167.3	\$ 190.2	\$ 216.1
Shortfall											
	\$ 47.7	\$ 46.2	\$ 50.7	\$ 64.0	\$ 81.1	\$ 103.0	\$ 116.1	\$ 130.8	\$ 147.2	\$ 165.5	\$ 185.9

1. Baseline revenue growth includes revenue growth due to ridership increases.
2. Fare action increases revenue at the same rate as the increase in household income.
3. Expense growth includes inflationary cost increases as well as increases in service to meet demand.

It is difficult to project future revenues and expenses for MetroAccess service. Hyperinflation in demand since the inception of MetroAccess service suggests that prior to it being offered there was a large untapped demand for paratransit service. WMATA is uncertain when that demand will be satiated and the operating budget will reach a steady state. Between FY1999 and FY2003 MetroAccess revenue grew almost 50% per year, from \$0.4 million in FY1999 to \$1.9 million in FY2003. At the same time, costs grew by almost 35% per year, from \$13.0 million in FY1999 to \$34.5 million in FY2003.

The projection above assumes an average annual increase of 22% in MetroAccess revenue and a 16% increase in MetroAccess expenses. While this is an aggressive growth assumption for both revenues and cost, several factors suggest room for continued growth in costs and revenues. Between FY1999 and FY2003, the number of trips per month requested by MetroAccess customers rose from 3.3 trip requests to 10.5 trip requests per month. Over the same period the number of registrants has increased by 25%, even after de-certifying non-eligible registrants. As the population of the Washington region ages the number of MetroAccess registrants will increase. As the number of registrants and trip requests increases the revenue and expenses will increase accordingly. In addition, inflation continues to increase costs. Finally, as congestion increases and travel time deteriorates, the cost per trip will increase.

2. What are the operating budget impacts of increasing fares at the same rate as the average household income?

Between 1995 and 2000, the Washington region's average income per household increased by approximately 3.3%. The table shows the projected operating budget

FY2005 to FY2015 Operating Requirements

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Base System											
<u>Revenue</u>	\$ 534.5	\$ 552.5	\$ 567.0	\$ 581.3	\$ 596.1	\$ 611.2	\$ 622.4	\$ 633.6	\$ 645.1	\$ 656.9	\$ 668.8
<u>Expense</u>	\$ 889.0	\$ 950.3	\$ 991.5	\$ 1,047.7	\$ 1,096.9	\$ 1,141.7	\$ 1,187.3	\$ 1,234.8	\$ 1,284.5	\$ 1,336.1	\$ 1,389.7
Capacity Enhancement											
<u>Revenue</u>											
Metro Matters	\$ -	\$ 2.0	\$ 4.1	\$ 6.5	\$ 9.8	\$ 15.2	\$ 15.3	\$ 15.4	\$ 15.4	\$ 15.5	\$ 15.5
CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.0	\$ 9.9	\$ 16.1	\$ 22.7
Total	\$ -	\$ 2.0	\$ 4.1	\$ 6.5	\$ 9.8	\$ 15.2	\$ 15.3	\$ 20.3	\$ 25.3	\$ 31.6	\$ 38.3
<u>Expense</u>											
Metro Matters	\$ -	\$ 5.2	\$ 16.0	\$ 29.0	\$ 40.5	\$ 55.4	\$ 57.1	\$ 59.4	\$ 61.8	\$ 64.2	\$ 66.8
CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14.3	\$ 28.1	\$ 75.9	\$ 95.6
Total	\$ -	\$ 5.2	\$ 16.0	\$ 29.0	\$ 40.5	\$ 55.4	\$ 57.1	\$ 73.7	\$ 89.9	\$ 140.2	\$ 162.4
<u>New Funding</u>											
Dedicated Funding	\$ -	\$ 1.6	\$ 6.0	\$ 11.3	\$ 15.4	\$ 20.1	\$ 20.9	\$ 26.7	\$ 32.3	\$ 54.3	\$ 62.0
Federal Funding	\$ -	\$ 1.6	\$ 6.0	\$ 11.3	\$ 15.4	\$ 20.1	\$ 20.9	\$ 26.7	\$ 32.3	\$ 54.3	\$ 62.0
Total	\$ -	\$ 3.2	\$ 11.9	\$ 22.5	\$ 30.7	\$ 40.2	\$ 41.8	\$ 53.4	\$ 64.5	\$ 108.6	\$ 124.1
<u>Fare Action</u>	\$ -	\$ 18.2	\$ 38.0	\$ 59.5	\$ 82.7	\$ 107.7	\$ 133.9	\$ 161.7	\$ 191.3	\$ 222.9	\$ 256.6
<u>Subsidy</u>	\$ 354.5	\$ 379.5	\$ 386.4	\$ 406.9	\$ 418.2	\$ 422.7	\$ 431.1	\$ 439.5	\$ 448.1	\$ 456.3	\$ 464.3

through 2015. It is assumed that fares will increase by 3.3% per year, reducing the local subsidy requirement. In addition, MetroAccess operating requirements are taken out of this table. While the total new funding presented here is lower than the original

Dedicated Funding Requirements

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<u>New Funding (With MetroAccess)</u>											
Dedicated Funding	\$ -	\$ 0.9	\$ 7.5	\$ 19.4	\$ 32.0	\$ 47.8	\$ 55.1	\$ 68.2	\$ 82.0	\$ 113.2	\$ 131.1
Federal Funding	\$ -	\$ 0.9	\$ 7.5	\$ 19.4	\$ 32.0	\$ 47.8	\$ 55.1	\$ 68.2	\$ 82.0	\$ 113.2	\$ 131.1
Total	\$ -	\$ 1.7	\$ 15.0	\$ 38.8	\$ 64.1	\$ 95.5	\$ 110.2	\$ 136.4	\$ 164.0	\$ 226.4	\$ 262.3
<u>New Funding (Without MetroAccess)</u>											
Dedicated Funding	\$ -	\$ 1.6	\$ 6.0	\$ 11.3	\$ 15.4	\$ 20.1	\$ 20.9	\$ 26.7	\$ 32.3	\$ 54.3	\$ 62.0
Federal Funding	\$ -	\$ 1.6	\$ 6.0	\$ 11.3	\$ 15.4	\$ 20.1	\$ 20.9	\$ 26.7	\$ 32.3	\$ 54.3	\$ 62.0
Total	\$ -	\$ 3.2	\$ 11.9	\$ 22.5	\$ 30.7	\$ 40.2	\$ 41.8	\$ 53.4	\$ 64.5	\$ 108.6	\$ 124.1
<u>Difference</u>											
Dedicated Funding	\$ -	\$ 0.7	\$ (1.5)	\$ (8.2)	\$ (16.7)	\$ (27.7)	\$ (34.2)	\$ (41.5)	\$ (49.7)	\$ (58.9)	\$ (69.1)
Federal Funding	\$ -	\$ 0.7	\$ (1.5)	\$ (8.2)	\$ (16.7)	\$ (27.7)	\$ (34.2)	\$ (41.5)	\$ (49.7)	\$ (58.9)	\$ (69.1)
Total	\$ -	\$ 1.5	\$ (3.1)	\$ (16.3)	\$ (33.4)	\$ (55.3)	\$ (68.4)	\$ (83.1)	\$ (99.5)	\$ (117.8)	\$ (138.2)

Vision and Need White Paper, it does not eliminate the MetroAccess funding need. The table below shows the difference in funding required if MetroAccess removed from the Blue Ribbon Panel discussion. Given the hyper-inflation in MetroAccess cost growth, it is critical to find a funding solution for MetroAccess.

3. What is the impact of peak-of-the-peak pricing on long-term capital needs?

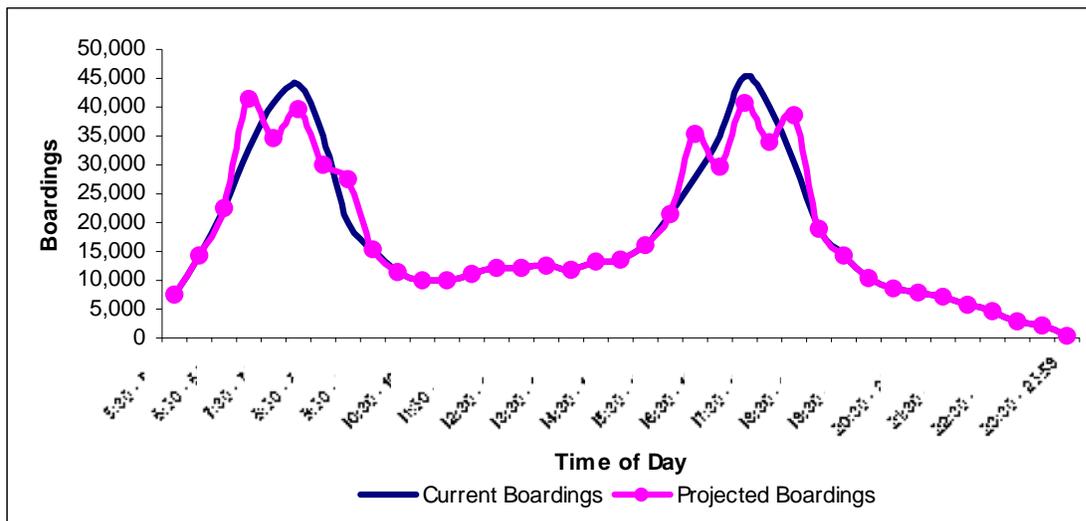
WMATA's ridership is peaked, with approximately 2/3 of its ridership occurring during the AM and PM peak and approximately 1/3 of the ridership occurring in the busiest 1 1/2 hour of the AM and PM peak.

WMATA has explored peak-of-the-peak pricing as a fare policy to augment the peak/off-peak fare structure already in place. WMATA recognizes that peak-of-the-peak pricing

will enhance revenues (\$20-\$25 million per \$0.25 surcharge) by targeting the least price-sensitive markets. Second, it matches the fares to the cost of providing service. Peaking in WMATA's ridership necessitates larger capital investments and higher operating costs to meet the demand for peak hour service.

Research in peak period pricing suggests that its impacts are mixed. There is very little research on the impacts of peak period pricing on temporal demand for transit. There is limited research on automobile peak hour pricing's ability to shift temporal demand. Central London experienced a 20% decline in automobiles entering the city core after instituting a \$9 (5 pound) per automobile fee to enter the city. Peak period pricing on toll facilities in the US suggests a more limited impact. New York and New Jersey facilities have peak/off-peak fare differentials ranging from 7% to 20% on some bridges and tunnels, with a 1%-7% decline in peak period travel. Assuming a similar proportion for transit travel, a \$0.50 peak hour charge during the busiest 1 ½ hour of each morning and afternoon (27% higher than the current average fare) would reduce peak hour congestion by about 10% in the PM peak and 6% in the AM peak. Reducing peak period demand will delay overcrowded conditions on the Metrorail system for two years, from 2012 to 2014 with the purchase of the 120 Metro Matters rail cars and from 2017 to 2019 with the purchase of the CIP rail cars.

The table below shows WMATA's current ridership profile by time of day and the projected impact of peak-of-the-peak charges.



However, WMATA cannot implement peak-of-the-peak pricing without a upgrading its fare collection systems. Once the Board of Directors provides direction it will take 18 to 24 months to make the necessary systems upgrades to offer peak-of-the-peak pricing.

4. What is the impact of system expansions on WMATA's operating budget?

The table below shows the operating requirements of the Dulles extension and the Anacostia Light Rail on WMATA's operating budget. The Dulles extension's operating shortfall will be allocated using the Metrorail formula, and the Anacostia Light Rail will be entirely funded by the District of Columbia. The operating requirements for the Dulles

extension and the Anacostia Light Rail were not included in prior deliverables. The shortfall presented here will require additional funding above and beyond any subsidy increase, fare action, or dedicated funding.

Expansion Operating Requirements

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenue											
Dulles Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24.5	\$ 25.1	\$ 26.0	\$ 26.8	\$ 54.0
Anacostia Light Rail			\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4
Total	\$ -	\$ -	\$ 0.3	\$ 0.4	\$ 0.4	\$ 0.4	\$ 24.9	\$ 25.5	\$ 26.4	\$ 27.2	\$ 54.4
Expense											
Dulles Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58.6	\$ 58.7	\$ 59.5	\$ 59.7	\$ 119.5
Anacostia Light Rail		\$ 0.3	\$ 2.0	\$ 2.3	\$ 2.4	\$ 2.4	\$ 2.5	\$ 2.6	\$ 2.7	\$ 2.8	\$ 2.9
Total	\$ -	\$ 0.3	\$ 2.0	\$ 2.3	\$ 2.4	\$ 2.4	\$ 61.1	\$ 61.3	\$ 62.2	\$ 62.5	\$ 122.4
Shortfall											
Dulles Extension	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34.1	\$ 33.6	\$ 33.5	\$ 33.0	\$ 65.5
Anacostia Light Rail	\$ -	\$ 0.3	\$ 1.7	\$ 1.9	\$ 2.0	\$ 2.0	\$ 2.1	\$ 2.2	\$ 2.3	\$ 2.4	\$ 2.5
Total	\$ -	\$ 0.3	\$ 1.7	\$ 1.9	\$ 2.0	\$ 2.0	\$ 36.2	\$ 35.8	\$ 35.8	\$ 35.4	\$ 68.0
New Funding (Base System + Extensions)											
Dedicated	\$ -	\$ 1.8	\$ 6.8	\$ 12.2	\$ 16.4	\$ 21.1	\$ 39.0	\$ 44.6	\$ 50.1	\$ 72.0	\$ 96.0
Federal Funding	\$ -	\$ 1.8	\$ 6.8	\$ 12.2	\$ 16.4	\$ 21.1	\$ 39.0	\$ 44.6	\$ 50.1	\$ 72.0	\$ 96.0
Total	\$ -	\$ 3.5	\$ 13.6	\$ 24.4	\$ 32.7	\$ 42.2	\$ 78.0	\$ 89.2	\$ 100.3	\$ 144.0	\$ 192.1

Note. The revenues for the Anacostia Light Rail line do not include any assumptions of fare increases. The Dulles extension revenue and expenditures are based on the Dulles FEIS.

5. What is the definition of operating and capital eligible projects? How much of WMATA's operating budget meets FTA's eligibility requirements for capitalized maintenance?

Transit operating and capital expenses are defined as follows.

Operating

Operating costs are the continuing costs of running and maintaining an entity, including salaries and benefits; services (advertising, temporary help, etc.); materials and supplies; utilities; liability costs (insurance premiums, payouts, etc.); purchased services; and miscellaneous expenses (travel, dues, etc.). Technically, operating costs are all costs other than capital costs.

Capital

These are expenses related to the purchase of fixed assets. A fixed asset is an article of non-expendable tangible property having a useful life of more than one year and an acquisition cost which exceeds a defined threshold, which for WMATA is \$10,000. WMATA further defines any purchase of an asset at less than \$5,000 as being an operating expense, and allows an asset with a value between the two thresholds to be either a capital or an operating expense.

Preventive Maintenance

This category includes all the activities, supplies, materials, labor, services, and associated costs required to preserve or extend the functionality and serviceability of the asset. These preventive maintenance expenses are eligible for federal capital formula funding even though they are classified from an accounting perspective as operating expenses. Approximately \$270 million of WMATA's budget could be

classified as preventive maintenance. In FY2005 WMATA is charging \$20.7 in eligible preventive maintenance to its capital budget. The amount of this preventive maintenance that could be charged to federal capital grants is limited by the amount of federal funding received (\$159.4 million in FY2005). The budget presented in response to Question 2 assumes a continuation of the preventive maintenance at \$20.7 million per year through 2015.

6. What percentage of WMATA riders are federal employees, tourists, or residents of the region residing outside the compact zone?

WMATA uses a variety of market research techniques to analyze its ridership (onboard surveys, telephone surveys, focus groups, etc). WMATA's data shows that 47% of WMATA's peak period riders on Metrorail are federal employees. In 2002 approximately 3% of daily Metrorail riders are tourists or local sightseers. In 2002 11% of daily Metrorail customers reside outside the compact zone.