

BEFORE THE
WASHINGTON METROPOLITAN AREA TRANSIT COMMISSION

WASHINGTON, D. C.

ORDER NO. 258

IN THE MATTER OF:

Served: May 13, 1963

School Fare Certification to the)
Commissioners of the District of)
Columbia for Fiscal Period Ending)
August 31, 1962 - WMA Transit)
Company)

Under Public Law 87-507, approved June 28, 1962, the Washington Metropolitan Area Transit Commission is charged with the duty of certifying to the Commissioners of the District of Columbia data pertaining to the income from mass transportation operations in the District of Columbia of any common carrier required to furnish transportation to school children at a reduced fare by Act of Congress of August 9, 1955.

WMA Transit Company, hereinafter sometimes referred to as WMA, 4421 Southern Avenue, Bradbury Heights, Maryland, furnishes transportation which comes within the purview of Public Law 87-507.

The Law specifies that the fiscal period shall be for the twelve months ended on August 31st, and that the "net operating income" shall pertain to "mass transportation operations in the District of Columbia." Accordingly, this Commission has prepared an Operating Statement for WMA Transit Company for the twelve months ended August 31, 1962 (Exhibit A). The adjustments against the Company's figures are the result of the Commission's audit of the books and records of the Company, details of the adjustments appearing in Schedule A-1.

ORDER NO. 258

One of the adjustments requiring explanation is Entry #7, involving rental by WMA of the terminal building and garage at 4421 Southern Avenue, Bradbury Heights, Maryland.

This property came into the possession of WMA Transit's predecessor (Washington, Marlboro and Annapolis Motor Lines, Inc.) on October 1, 1945, when its major stockholders, Mr. and Mrs. L. L. Altmann, sold it to the Company for \$200,000. In February, 1955, Mr. and Mrs. Altmann sold the Company to its employees, with the terminal property, however, reverting to Mr. and Mrs. Altmann.

WMA continued to use this property under a ten-year lease with the Altmanns, expiring March 31, 1965, but renewable for ten years thereafter. At the beginning of the fiscal year under audit, September 1, 1961, WMA was paying \$3,975 rent per month, was obligated to make all interior and exterior repairs except the roof parking deck, and was to pay the Altmanns for any property tax increases since 1956. WMA also had the privilege of purchasing the property for \$232,400 in March, 1965.

In December, 1958, with no exchange of funds, WMA sold its option to buy under the lease to its wholly-owned subsidiary, Transit Real Estate Company (TRECO) for \$200,000.

On November 1, 1961, TRECO purchased subject property from the Altmanns for \$350,000. TRECO, still wholly-owned by WMA Transit Company, placed a first mortgage on the property, through a Washington bank, in the amount of \$200,000. The Altmanns accepted a second trust in the amount of \$220,000, having received \$130,000 cash from TRECO. The remaining cash generated by the first mortgage, \$70,000, was paid to WMA in part

ORDER No. 258

payment of the 1958 option sale. The remainder due from the option sale, \$130,000, now constitutes a third trust against the subject property (at 6%, 20-year term).

At this point, the WMA lease with the Altmanns was cancelled, and WMA signed a month-to-month tenancy agreement with its wholly-owned subsidiary, TRECO, effective November 1, 1961, at an increase in the net rental of \$870.48 per month, or \$10,445.76 per year, as follows:

New monthly rent		\$4,166.67
Old monthly rent	\$3,975.00	
Add: 1/12th of real estate tax liability	146.19	
Deduct: Sub-lease income from Station WPGC and from Coral Hills Shopping Center	<u>(825.00)</u>	
Net rent, prior to 11/1/61		<u>3,296.19</u>
Increase in monthly rent		<u>\$ 870.48</u>

In return for the increased rental, WMA no longer has the obligation to pay increases in real estate taxes, and it now has available an extra 36,000 square feet of outside, black-topped, parking area for its buses. On the other hand, WMA no longer has a lease, nor does it collect any sub-lease income. TRECO has already rented out, in addition to the radio station and roof deck parking area, another 1,740 square feet, formerly available to WMA, to a drapery shop and a printing composition shop. TRECO plans to rent out substantial remaining area of the building, and there is no legal obligation on TRECO's part to make any downward adjustment in WMA's monthly rent.

In February, 1962, TRECO passed out of the control of WMA Transit Company. Carried at no value on the balance sheet of WMA Transit Company,

TRECO was sold for \$70,000 to three officers of WMA Transit. This price was paid by cash to the extent of \$10,000, the remainder being in the form of personal notes due in ten years at 6% interest.

From the facts in this case, the Commission cannot recognize the new rental level now charged WMA as an operating expense.

Therefore, the Commission is adjusting the rental charge, to allow as a reasonable and justified expense the amount of \$3,296.19 per month, which was the net cost under terms of the lease due to expire March 31, 1965.

After determining that WMA Transit, on a company-wide basis, had experienced a net operating profit of \$28,846.87 for the fiscal year ended August 31, 1962, the Commission then had to allocate all revenues and expenses between "mass transportation operations in the District of Columbia" and all other operations of the Company. In order to accomplish this, it was necessary to make detailed studies showing the revenue and expense relationships of non-mass transit and non-D. C. operations of the Company. Formulas used to allocate revenues and expenses were based on analyses of revenue, miles operated, passengers carried, time schedules and charter hours. These were developed as shown in Exhibit B. The allocation methods used to conform generally to the methods used in the Company's last two rate cases (1956 and 1960).

The percentages developed in Exhibit B were applied in Exhibit C to arrive at a net operating loss for "mass transportation operations in the District of Columbia" of \$64,145.98, for the fiscal year ended August 31, 1962.

CERTIFICATION TO THE COMMISSIONERS OF THE DISTRICT OF COLUMBIA

Based on the findings set forth herein, the Washington Metropolitan

ORDER No. 258

Area Transit Commission hereby certifies to the Commissioners of the District of Columbia, with respect to WMA Transit Company, for the twelve months ended August 31, 1962, as follows:

1. a. Total of all reduced fares paid to WMA Transit Company by schoolchildren in accordance with Act of Congress \$12,544

b. Amount which would have been paid if such fares had been paid at the lowest adult fare established by the Commission for regular route transportation \$25,088

c. Difference \$12,544
2. a. Gross Operating Revenue of WMA Transit Company for the twelve months ended August 31, 1962, applicable to mass transportation operations in the District of Columbia \$280,245.70

b. "Rate of return established by the regulatory Commission having jurisdiction in such carrier's last rate case." In Order No. 3 of the Washington Metropolitan Area Transit Commission, dated April 28, 1961, without establishing a fair rate of return for this Company, the Commission approved temporary fares which were already in effect. The return on gross revenues for the audit period involved (1960) was found to be 4.07%.

c. Indicated Return Allowable, using 4.07% \$11,406.00

ORDER No. 258

2. d. Net Operating Income (Loss) from mass transportation operations in the District of Columbia for the twelve months ended August 31, 1962 \$(64,145.98)
- e. Deficiency: \$ 75,551.98
3. Subsidy for which WMA Transit Company is eligible \$ 12,544.00

BY DIRECTION OF THE COMMISSION:


DELMER ISON
Executive Director

WMA TRANSIT COMPANY
OPERATING STATEMENT
FOR THE TWELVE MONTHS ENDED 8/31/62

	PER COMPANY	AUDIT ADJUSTMENTS BY WMATC STAFF		PER WMATC CERTIFICATION
		DR.	CR.	
		(See Schedule A-1)		
<u>Operating Revenue:</u>				
Cash Fares	\$ 657,173.71			\$ 657,173.71
Token Fares	166,522.15			166,522.15
Interline Fares	31,743.67			31,743.67
Schooltickets	12,546.73	(2) \$ 2.73		12,544.00
Other tickets	25,759.47		(2) \$ 2.73	25,762.20
School Subsidy Revenue	8,537.00	(6) 8,537.00		-
Special Bus Revenue	252,958.03			252,958.03
Leased Equipment	4,937.90			4,937.90
Other Operating Revenue	4,079.75		(3) 600.00	
			(5) 4,429.07	9,108.82
Other Operating Revenue-Charter			(5a) 22,403.98	22,403.98
Total Operating Revenues	\$1,164,258.41	\$ 8,539.73	\$27,435.78	\$1,183,154.46
<u>Operating Expenses:</u>				
Equip. Maint. & Garage Exp.	\$ 226,235.29			\$ 226,235.29
Supervision of Transp.	33,278.56			33,278.56
Drivers' Wages and Bonuses	402,703.38			402,703.38
Fuel for Revenue Equipment	86,555.86			86,555.86
Oil for Revenue Equipment	7,590.14			7,590.14
Other Transportation Expense	5,107.34			5,107.34
Station Expense	24.31			24.31
Traffic Solicitation & Advtg.	25,434.75			25,434.75
Insurance & Safety Expense	80,312.67			80,312.67
Salaries, General Officers	19,657.10			19,657.10
General Office Salaries	31,891.48			31,891.48
Law Expense	5,946.92		(4) \$ 660.00	5,286.92
Auditing & Management Fees	9,875.00			9,875.00
Employees' Welfare	10,540.69			10,540.69
Other Adm. & General Exp.	12,733.49		(1) 130.89	12,602.60
Total Operation & Maintenance Expenses	\$ 957,886.98		\$ 790.89	\$ 957,096.09
Depreciation Expense	\$ 49,850.64			\$ 49,850.64
Operating Licenses & Taxes	106,937.68			106,937.68
Income Taxes	-0-			-0-
Operating Rents	49,127.98		(7) \$ 8,704.80	40,423.18
Total Operating Expenses	\$1,163,803.28		\$ 9,495.69	\$1,154,307.59
NET OPERATING REVENUE	\$ 455.13	\$ 8,539.73	\$36,931.47	\$ 28,846.87
Other Income, Non-Operating	91,860.55	(5) 26,833.05		65,027.50
Gross Income	\$ 92,315.68	\$35,372.78	\$36,931.47	\$ 93,874.37
Income Deductions	20,276.58	(7) 8,704.80		29,112.27
		(1) 130.89		
NET INCOME FOR THE PERIOD	\$ 72,039.10	\$44,208.47	\$36,931.47	\$ 64,762.10

WMA TRANSIT COMPANY
AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED 8/31/62

<u>Adjusting Entry Reference</u>	<u>Account</u>		<u>Debit</u>	<u>Credit</u>
(1)	7500 4656	Other Deductions Other General Expense	\$ 130.89	\$ 130.89
		To remove from operating expenses the cost of liquor purchased in May, June and July, 1962.		
(2)	3207 3208	School Ticket Revenue North Beach Line Revenue	\$ 2.73	\$ 2.73
		To correct error in posting on January 29, 1962.		
(3)	2910 3900	Surplus Other Operating Revenue	\$ 600.00	\$ 600.00
		To take up as operating income, in the fiscal year ended 8/31/62, a portion of the adjustment for Unredeemed Tokens. The original adjustment was made on the books 12/31/61, and involved a credit to Surplus of \$5,039.58; much of the build-up in the Unredeemed Tokens account was evident in 1957, 1958, 1959 and 1960, but no adjustment had previously been made by the Company.		
(4)	2021 4620	Accounts Payable Law Expense	\$ 660.00	\$ 660.00
		To correct for a duplicate expense charge in April 1962.		

The following adjustments pertain to gain on sale of 12 buses during the fiscal year ended 8/31/62. The Company showed the gains as Non-Operating Income. However, as the gains here explained are the result of a fast write-off of depreciation (10 years or less) and an insufficient provision for

WMA TRANSIT COMPANY
AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED 8/31/62

<u>Adjusting</u> <u>Entry</u> <u>Reference</u>	<u>Account</u>		<u>Debit</u>	<u>Credit</u>
		salvage, such gains are here being re- tained for the benefit of the ratepayers. This is accomplished by crediting account 3900, Other Operating Revenue.		
(5)	6500 3900	Non-Operating Income, Other Other Operating Revenue	\$2,500.00	\$2,500.00
		Gain on sale of Bus #106, March 1962		
(5)	6500 3900	Non-Operating Income, Other Other Operating Revenue	700.00	700.00
		Gain on sale of Bus to Baltimore Motor Coach Company, May 1962		
(5)	6500 3900	Non-Operating Income, Other Other Operating Revenue	600.00	600.00
		Gain on sale of Bus #222, July 1962		
(5)	6500 3900	Non-Operating Income, Other Other Operating Revenue	629.07	629.07
		Gain on sale of Bus #66, July 1962		
	6500 3900	Total Entry Number 5	<u>\$4,429.07</u>	<u>\$4,429.07</u>

WMA TRANSIT COMPANY
AUDIT ADJUSTMENTS
FOR THE FISCAL YEAR ENDED 8/31/62

<u>Adjusting Entry reference</u>	<u>Account</u>	<u>Debit</u>	<u>Credit</u>
(5a)	6500 Non-Operating Income, Other	\$15,928.52	
	3900 Other Operating Revenue - Charter		\$15,928.52
	Gain on sale of 6 White Buses, April 1962		
(5a)	6500 Non-Operating Income, Other	3,234.65	
	3900 Other Operating Revenue - Charter		3,234.65
	Gain on sale of Charter Bus #2, June 1962		
(5a)	6500 Non-Operating Income, Other	3,240.81	
	3900 Other Operating Revenue - Charter		3,240.81
	Gain on sale of Charter Bus #4, July 1962		
	<hr/>	<hr/>	<hr/>
	6500 Total Entry Number 5a	<u>\$22,403.98</u>	
	3900		<u>\$22,403.98</u>
(6)	2910 Earned Surplus	\$ 4,000.00	
	3211 Schoolfare Subsidy	8,537.00	
	1140 Special Revenue Receivable		\$12,537.00
	To correct Operating Revenues and Balance Sheet Accounts for Schoolfare Subsidy credited in advance of Certification		
(7)	7500 Other Deductions	\$8,704.80	
	5320 Operating Rents		\$8,704.80
	To remove from Operating Expense the increased rental of the Terminal Building, beginning November 1, 1961, in the amount of \$870.48 per month, for 10 months. The increased rental took effect when ownership of the terminal property was acquired by a corporation owned by officers of WMA.		
	<hr/>	<hr/>	<hr/>
	TOTALS	<u>\$49,468.47</u>	<u>\$49,468.47</u>

WMA TRANSIT COMPANY
DETERMINATION OF ALLOCATION FACTORS
BASED ON FISCAL YEAR ENDED 8/31/62

BASES

FACTORS

(R) - Revenue

Regular Route Revenue:		
D. C. Local	\$ 277,506	24.10% (a)
Md. and Interstate	616,240	53.51% (b)
Other than Mass Transit	<u>257,896</u>	<u>22.39% (c)</u>
Total	<u>\$1,151,642</u>	<u>100.00%</u>

(M) - Mileage - Passenger

Scheduled weekday bus miles:	D. C.	2,159.9	= 48.23% (d)
	Md.	2,318.7	= <u>51.77% (e)</u>
			<u>100.00%</u>
Total miles, fiscal year ended 8/31/62		1,701,850	
Charter miles, fiscal year ended 8/31/62		<u>291,108</u>	
Regular route miles, fiscal year ended 8/31/62		<u>1,410,742</u>	
Regular route miles in D. C. (1,410,742 x d)		680,401	= 39.98% (f)
Regular route miles in Md. (1,410,742 x e)		730,341	= 42.91% (g)
Charter miles		<u>291,108</u>	= <u>17.11% (h)</u>
		<u>1,701,850</u>	<u>100.00%</u>

Distribution
of Interstate
Passengers

Passengers:			
D. C. Local	1,487,279	614,691	2,101,970
Md. Local	239,200	614,691	853,891
Interstate	<u>1,229,382</u>	(1,229,382)	<u>-</u>
Total	<u>2,955,861</u>		<u>2,955,861</u>

Passengers riding in D. C. - Local	1,487,279	= 70.76% (i)
- Interstate	614,691	= 29.24% (j)

Factors to be used:

D. C. Local	(f) x (i)	= 28.29% (k)
Md. and Interstate	(g) + (f x j)	= 54.60% (l)
Other than Mass Transit	(h)	= <u>17.11% (m)</u>

100.00%

WMA TRANSIT COMPANY
DETERMINATION OF ALLOCATION FACTORS
BASED ON FISCAL YEAR ENDED 8/31/62

<u>BASES</u>			<u>FACTORS</u>	
<u>(T) - Time - Passenger</u>				
Scheduled weekday bus minutes:	D. C.	10,526	= 54.78% (n)	
	Md.	8,690	= 45.22% (o)	
Total Drivers' Hours		187,210		
Charter Drivers' Hours		<u>39,272</u>		
Regular Route Drivers' Hours		<u>147,938</u>		
Regular Route Time:	D. C. (147,938) x (n)	81,040	= 43.29% (p)	
	Md. (147,938) x (o)	66,898	= 35.73% (q)	
Other than Mass Transit		<u>39,272</u>	= <u>20.98%</u> (r)	
		<u>187,210</u>	<u>100.00%</u>	
Factors to be used:				
D. C. Local		(p) x (i)	= 30.63% (s)	
Md. and Interstate		(q) + (p x j)	= 48.39% (t)	
Other than Mass Transit		(r)	= <u>20.98%</u> (u)	
			<u>100.00%</u>	
<u>(M-T) - Average of (M) and (T)</u>				
		<u>(M)</u>	<u>(T)</u>	<u>Average of (M) + (T)</u>
D. C. Local	(k)	28.29% (s)	30.63%	29.46% (v)
Md. & Interstate	(l)	54.60% (t)	48.39%	51.50% (w)
Other than Mass Transit	(m)	17.11% (u)	20.98%	<u>19.04%</u> (x)
				<u>100.00%</u>

WMA TRANSIT COMPANY
OPERATING STATEMENTS FOR FISCAL YEAR ENDED 8/31/62
SHOWING ALLOCATIONS

	After WMATC Adjustments	Allocation Factor	ALLOCATIONS		
			Other than Mass Transit	Mass Transit	
				Maryland & Interstate	D.C. Local
Operating Revenues					
Regular Route Revenues	\$ 893,745.73	Direct	\$	\$616,239.59	\$277,506.14
Charter Bus Revenues	257,895.93	Direct	257,895.93		
Other Operating Revenues					
Gain on Sale, Reg. Buses	4,429.07	M-T		2,817.33	1,611.74
Gain on Sale, Charter Buses	22,403.98	Direct	22,403.98		
Other	4,679.75	R	1,047.80	2,504.13	1,127.82
Total Operating Revenues	\$1,183,154.46		\$281,347.71	\$621,561.05	\$280,245.70
Operating Rev. Deductions					
Equip. Maint. & Gar. Exp.					
Tires & Tubes	\$ 17,386.53	M	\$ 2,974.83	\$ 9,493.05	\$ 4,918.65
All other	208,848.76	M-T	39,764.81	107,557.11	61,526.84
Transportation Expense					
Drivers' Wages	402,703.38	T	84,487.16	194,868.17	123,348.05
Purchased Transp.	411.62	Direct	411.62	-	-
All other	132,120.28	M-T	25,155.71	68,041.94	38,922.63
Station Expense	24.31	R	5.44	13.01	5.86
Traffic Solicitud. & Advtg.	25,434.75	M-T	4,842.77	13,098.90	7,493.08
Insurance & Safety Exp.					
Salaries & Expenses	4,905.00	M-T	933.91	2,526.08	1,445.01
P.L. & P.D. Insurance)	63,927.58	Direct	5,024.62	-	-
		R	-	40,613.59	18,289.37
All other	11,480.09	T	2,408.52	5,555.22	3,516.35
Administrative & Gen. Exp.	89,853.79	M-T	17,108.16	46,274.70	26,470.93
Total Operation and Maintenance Expenses	\$ 957,096.09		\$183,117.55	\$488,041.77	\$285,936.77
Depreciation	49,850.64	M-T	9,491.56	25,673.08	14,686.00
Operating Rents	40,423.18	M-T	7,696.57	20,817.94	11,908.65
Operating Taxes					
Payroll Taxes	30,461.35	T	6,390.79	14,740.25	9,330.31
All Other	76,476.33	M-T	14,561.09	39,385.31	22,529.93
Income Taxes	-		-	-	-
Total Operating Revenue Deductions	\$1,154,307.59		\$221,257.56	\$588,658.35	\$344,391.68
Net Operating Revenue (Loss)	\$ 28,846.87		\$ 60,090.15	\$ 32,902.70	\$(64,145.98)