



Fiscal 2007 Proposed Budget
Division of Finance

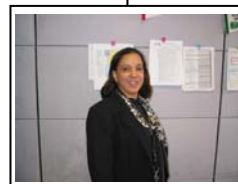
Budget Committee
January 26, 2006

*The mission of the Division of Finance is
to maintain the fiscal integrity
of The Authority*

Department of Finance
H. Charles Woodruff II
Deputy General Manager and Chief Financial Officer



Office of Accounting
Kathy Smith
Comptroller



Office of Capital
Programming and Oversight
Yvette Downs
Director (Acting)



Office of
Financial Management
Richard Harcum
Director (Acting)



Office of the Treasurer
Alvin Doehring
Treasurer

248 Budgeted Positions



FY2007 Proposed Budget

Division of Finance

Operating Expense:

\$ Millions

| | FY2006 | FY2007 | Change | |
|--------------|---------------|---------------|--------------|-------------|
| Labor | \$13.2 | \$13.6 | \$0.4 | |
| Fringes | 4.1 | 4.6 | 0.5 | |
| Services | 3.0 | 4.9 | 1.9 | |
| Materials | 1.1 | 1.1 | 0.0 | |
| Other | 8.0 | 8.0 | 0.0 | |
| Total | \$29.4 | \$32.2 | \$2.8 | 9.5% |

| | FY2006 | FY2007 | Change | |
|-----------------|--------|--------|--------|------|
| Capital Expense | \$2.5 | \$2.6 | \$0.1 | 4.0% |

*Change
From*

*FY2007
FY2006*

| | | |
|--------------------|-----|---|
| Budgeted Positions | 248 | 0 |
|--------------------|-----|---|

- Cost changes are primarily for inflation
- No position increases
- Existing staff is accommodating additional workload from on-going replacement of all financial systems:
Accounting, Payroll, Budgeting and Treasury
- Largest cost increase is for higher fees for debit and credit card use

Results in improved customer satisfaction from speedier and more secure purchase of bus and rail fare media



Division of Finance Department Responsibilities Include:

- **Maintain financial records**
- **Apply Generally Accepted Accounting Principals (GAAP)**
- **Support external audits**
- **Develop and implement annual operating and capital budgets**
- **Program oversight**
- **Grants management**
- **Budget variance and financial reporting**
- **Safeguard cash, securities and investments**
- **Administer debt service requirements**



Division of Finance Value Added Functions :

- **Develop business plan/performance based budgeting**
 - ✓ **Linking of resource allocation to WMATA strategic plan**
 - ✓ **Benchmarking and goal setting**
 - ✓ **Performance measurement and workload indicators**
 - ✓ **Adopting best practices**
 - ✓ **Considering public and stakeholder input during the budget process**
 - ✓ **Improve transparency into budgets and funding needs**
 - ✓ **Better communication: easier to read budget documents, executive summaries, flyers and handouts, web based info**

- **Customer service focus – finance is a support function**
 - Prompt reply to inquiries, helpful, accurate, trusted**

- **Value added projects to be considered for higher level analytics:**
 - ✓ **Potential privatization**
 - ✓ **Increased competition**
 - ✓ **Performance engineering**
 - ✓ **Surplus inventory sales**
 - ✓ **Efficiency studies – phone bills, utilities, health care, fuel hedges, etc.**



Division of Finance Performance Measures:

| (\$ Millions) | FY05 Budget | FY06 Budget | FY07 Budget |
|-------------------------------|------------------------|------------------------|------------------------|
| Dollar Value of Annual Budget | \$1,346 | \$1,590 | \$1,789 |
| Finance Division FTE's | 247 | 248 | 248 |
| Dollar Value Per FTE | \$5.4 | \$6.4 | \$7.2 |
| Increase Per FTE | | 18% | 13% |

| Percent Variance in Actual vs Budgeted: | FY05 | FY06 | |
|--|---------------|----------------|----------------|
| | Actual | YTD-Nov | Est-Jun |
| Total Operating Revenue | 5.8% | 5.9% | 6.0% |
| Total Operating Expense | -1.8% | -2.6% | -3.0% |



Division of Finance Performance Benchmarks:

| Cost Recovery Ratios: | FY05 Actual | FY06 Budget | FY07 Budget |
|------------------------------|------------------------|------------------------|------------------------|
| Metrorail | 80.7% | 77.3% | 78.7% |
| Metrobus | 34.9% | 33.3% | 33.7% |
| MetroAccess | 6.7% | 8.1% | 6.4% |
| Metro System Total | 59.7% | 57.1% | 57.6% |

| Ridership (Millions of Trips) | FY05 Actual | FY06 Budget | FY07 Budget |
|--------------------------------------|------------------------|------------------------|------------------------|
| Metrorail | 195.2 | 199.3 | 209.7 |
| Metrobus | 128.9 | 128.4 | 132.3 |
| MetroAccess | 1.3 | 1.7 | 1.6 |
| Metro System Total | 325.3 | 329.4 | 343.6 |



The Office of Accounting is responsible for the establishment and maintenance of the general ledger system and processing the financial transactions of the Authority

- **Process over 50,000 vendor payments (approximately \$1 billion) with no more than 15% taking longer than 31 days**
- **Process, report and document weekly and bi-weekly payroll with less than 2% adjustments on approximately 340,000 checks and remittance documents for 10,000 employees**
- **Prepare and analyze monthly financial statements with accounting close completed in 5 business days, currently at 8 days, down from 10 days**
- **Develop annual year-end audit reports with no material findings**
- **Continue to earn the GFOA award for excellence in financial reporting**



The Office of the Treasurer is responsible for the receipt and disbursement of all funds as well as management of those assets while in the possession of the Authority.

Handled/processed/encoded/issued/reconciled (FY 05):

- 68,345,000 pieces of Metrorail currency
- 33,826,281 pieces of Metrobus currency
- 6,500,000 Metrochek farecards
- 5,000,000 credit/debit transactions
- 500,000 checks or electronic payments
- 19,000 refunds
- 201,191 fare adjustments

Smartrip card growth:

- Sold 700,000 Smartrip cards during FY05, prior six years combined totaled 500,000 card sales
- 560,000 of the 700,000 were sold from Smartrip dispensers for parking

Major assets and investments:

- \$205,570,000 in Metrorail deposits
- \$ 33,829,000 in Metrobus deposits
- \$ 20,571,000 investment earnings
- \$ 86,700,000 credit/debit volume from 252 Metrorail express vendors, 686 Metrorail vendors, 11 Metrobus garages, 52 Smartrip dispensers



Performance Measures:

- **Issue fare-adjustment refund checks within 7 business days of initial receipt**
- **Credit card fraud loss held to less than 10 basis points (.1%) of sales**
- **Improve average currency processing standard - from 1,600 bills per hour to 1,700 bills per hour - by encouraging employees with incentive bonus**
- **Service daily, 100% of fare vendors and Smartrip dispensers that meet 70% of capacity standard**
- **Encode 99.9% of all fare media without error**



The Office of Financial Management is responsible for developing and executing the annual operating budget and reporting financial results to the Board of Directors

- **Implement budget process improvements: business plan development, strategic plan update, recommend performance measures and best practices to Board**
- **Develop new quarterly financial report to forecast year end results**
- **Bracket acceptable revenue and expense budget variances at +/- 3%
Current variance is 2.6% on expense, 5.9% on revenue**
- **Improve budget books and documents to be more informative and user friendly – increase transparency**
- **Faster communication of budget information to local jurisdictions**
- **Produce 100% on-time delivery of Budget Committee presentation materials**
- **Continue implementation of PeopleSoft budget system including:
Provide 100% training to staff requiring system access**



The Office of Capital Programming and Oversight is responsible for connecting strategic goals to financial resources through development of the Capital Improvement Program (CIP) budget

- Provide capital program oversight and analysis to report project on-time performance, percent of completion and budget adherence percentages
- Prepare semi-annual status report to the Board
- Publish capital budget manual and capital project prioritizations
- Prepare six-year CIP, metro matters annual work plan and annual budget reconciliation
- Successfully conduct FTA quarterly reviews
- Maintain records of all approved grant applications, amendments and closeouts



Department of Finance Appendix

Office Budgets for:

- CFO's Office
- Accounting
- Capital Programming and Oversight
- Financial management
- Treasury



FY2007 Proposed Budget

Office of the Chief Financial Officer

Operating Expense:

\$ Millions

| | FY2006 | FY2007 | Change | |
|--------------|--------------|--------------|--------------|-------------|
| Labor | \$0.5 | \$0.5 | \$0.0 | |
| Fringes | 0.2 | 0.2 | 0.0 | |
| Services | 0.3 | 0.3 | 0.0 | |
| Materials | 0.0 | 0.0 | 0.0 | |
| Other | 7.9 | 7.9 | 0.0 | |
| Total | \$8.9 | \$8.9 | \$0.0 | 0.0% |

| | FY2006 | FY2007 | Change | |
|-----------------|--------|--------|--------|------|
| Capital Expense | \$0.3 | \$0.3 | \$0.0 | 0.0% |

| | <i>Change From</i> | |
|--------------------|--------------------|---------------|
| | <i>FY2007</i> | <i>FY2006</i> |
| Budgeted Positions | 7 | 0 |

Change Detail No change in staffing levels from FY2006

- Budget provides funding for CFO office expenses
- Single largest annual cost is \$7.9 million for liability insurance premiums
- No significant cost increase are anticipated in any part of this office's budget



FY2007 Proposed Budget

Office of Accounting

Operating Expense:

\$ Millions

| | FY2006 | FY2007 | Change | |
|--------------|--------------|--------------|--------------|-------------|
| Labor | \$3.6 | \$3.7 | \$0.1 | |
| Fringes | 1.1 | 1.2 | 0.1 | |
| Services | 0.1 | 0.1 | 0.0 | |
| Materials | 0.1 | 0.1 | 0.0 | |
| Other | 0.0 | 0.0 | 0.0 | |
| Total | \$4.9 | \$5.1 | \$0.2 | 4.1% |

| | FY2006 | FY2007 | Change | |
|-----------------|--------|--------|--------|------|
| Capital Expense | \$0.9 | \$0.9 | \$0.0 | 0.0% |

| | <i>Change From</i> | |
|--------------------|--------------------|---------------|
| | <i>FY2007</i> | <i>FY2006</i> |
| Budgeted Positions | 70 | 0 |

Change Detail No change in staffing levels from FY2006

- Inflation driven cost increases only
- Existing staff is handling increased workload associated with conversion of financial systems
- Has again successfully passed external audit review of the Authority's books and received the Government Finance Officers' Association Award for Excellence in Financial Reporting



FY2007 Proposed Budget

Office of Capital Programming and Oversight

Operating Expense:

\$ Millions

| | FY2006 | FY2007 | Change | |
|--------------|--------------|--------------|--------------|--------------|
| Labor | \$1.0 | \$1.1 | \$0.1 | |
| Fringes | 0.3 | 0.4 | 0.1 | |
| Services | 0.0 | 0.1 | 0.1 | |
| Materials | 0.0 | 0.0 | 0.0 | |
| Other | 0.0 | 0.0 | 0.0 | |
| Total | \$1.3 | \$1.6 | \$0.3 | 23.1% |

| | FY2006 | FY2007 | Change | |
|-----------------|--------|--------|--------|------|
| Capital Expense | \$0.3 | \$0.3 | \$0.0 | 0.0% |

| | <i>Change From</i> | |
|--------------------|--------------------|---------------|
| | <i>FY2007</i> | <i>FY2006</i> |
| Budgeted Positions | 15 | 0 |

Change Detail No change in staffing levels from FY2006

- Budget increase for labor and fringes restores this office to its FY 2005 approved level
- The Services increase funds:
 - consulting services needed for database management
 - updating the 10-Year CIP



FY2007 Proposed Budget

Office of Financial Management

Operating Expense:

\$ Millions

| | FY2006 | FY2007 | Change | |
|--------------|--------------|--------------|--------------|-------------|
| Labor | \$1.3 | \$1.4 | \$0.1 | |
| Fringes | 0.4 | 0.5 | 0.1 | |
| Services | 0.1 | 0.1 | 0.0 | |
| Materials | 0.3 | 0.3 | 0.0 | |
| Other | 0.0 | 0.0 | 0.0 | |
| Total | \$2.1 | \$2.3 | \$0.2 | 9.5% |

| | FY2006 | FY2007 | Change | |
|-----------------|--------|--------|--------|------|
| Capital Expense | \$0.4 | \$0.4 | \$0.0 | 0.0% |

| | <i>Change From</i> | |
|--------------------|--------------------|---------------|
| | <i>FY2007</i> | <i>FY2006</i> |
| Budgeted Positions | 21 | 0 |

Change Detail No change in staffing levels from FY2006

- Largest cost driver is inflation and funding for approved, but fully lapsed positions
- Existing staff is handling increased workload associated with conversion of financial systems
- This office will also absorb workload associated with budget process improvements and business plan development



FY2007 Proposed Budget

Office of the Treasurer

Operating Expense:

\$ Millions

| | FY2006 | FY2007 | Change | |
|--------------|---------------|---------------|--------------|--------------|
| Labor | \$6.8 | \$6.9 | \$0.1 | |
| Fringes | 2.1 | 2.3 | 0.2 | |
| Services | 2.5 | 4.3 | 1.8 | |
| Materials | 0.7 | 0.7 | 0.0 | |
| Other | 0.1 | 0.1 | 0.0 | |
| Total | \$12.2 | \$14.3 | \$2.1 | 17.2% |

| | FY2006 | FY2007 | Change | |
|-----------------|--------|--------|--------|-------|
| Capital Expense | \$0.6 | \$0.7 | \$0.1 | 16.7% |

| | <i>Change From</i> | |
|--------------------|--------------------|---------------|
| | <i>FY2007</i> | <i>FY2006</i> |
| Budgeted Positions | 135 | 0 |

Change Detail No change in staffing levels from FY2006

- Inflation costs drive the increase in labor and fringes
- The largest cost growth is in Services to fund higher transaction fees generated by increased use of debit and credit cards by Metro customers.