



Finance & Administration Committee

Information Item III-B

September 8, 2011

**Annual Budget Performance Review and
Multi Year Plan Development**

Washington Metropolitan Area Transit Authority
Board Action/Information Summary

<input type="radio"/> Action <input checked="" type="radio"/> Information	MEAD Number:	Resolution: <input type="radio"/> Yes <input checked="" type="radio"/> No
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TITLE:

FY11 Budget Review & Multi-year Plan Development

PURPOSE:

To discuss the Annual Budget and strategic plan priorities for the FY2013 Multi-Year Operating Budget

DESCRIPTION:

The FY2013 multi-year operating and capital budgets will incorporate and reflect the organization's strategic and business plan priorities: Safety, State of Good Repair, Performance / Efficiency and Customer Service

Through this Metro will present a plan for operation and capital program delivery and performance results. The Board delegated additional authority to the GM to speed project delivery and customer service and safety improvements.

The basis of this multi-year budgeting effort will be an assessment of our core business including defining the essential performance outputs from bus, rail and Access; and, the identification of new initiatives that will be part of the FY2013 multi-year budget proposal. Each of these new Strategic and Business Plan Priorities will include:

- A program leader accountable for program delivery
- A business plan of deliverables and how they link to Metro's goals
- An assessment of department resource needs

FUNDING IMPACT:

No funding impact at this time

RECOMMENDATION:

Board discussion



Washington Metropolitan Area Transit Authority

Annual Budget Performance Review and Multi Year Plan Development

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FY2011 Operating Budget Performance Highlights

- For the fiscal year-end, Metro was **favorable** to budget
- Preliminary subsidy for year-end is \$21.7 million. Adjustments will include:
 - \$16.5 million for preventive maintenance repayment leaving \$5.2 million subsidy balance
 - Remaining preventive maintenance repayment will be \$5.3 million in land sales proceeds and \$8.3 million in insurance payments
- Expenditures were \$46.3 million below budget:
 - Propulsion/Diesel costs were \$21.9 million favorable to budget. Additional savings were in Utilities/Insurance/Other (\$15.2 million), Services (\$10.5 million), and Personnel (\$4.5 million)
- Revenues were \$24.6 million below budget due to a shortfall in Rail and Bus passenger revenue
- Budget recognized by the Government Finance Officers Association (first time for Metro)



FY2011 Review: Ridership & Revenue

- Ridership and passenger revenue fell short of expectations

Budget Variance

	Revenue	Ridership
Rail	- 3%	- 1%
Bus	- 4%	- 2%
Access	- 26%	- 14%

Average Fare		Variance	Analysis
Rail	\$2.63	- 3%	Fare changes and NextFare 5 system implemented Aug '10. Ridership growth less than projected. Increases in one-day passes and Senior & Disabled discounts impacted average fare.
Bus	\$1.05	- 2%	Flash passes were moved to SmarTrip in January, improving accuracy of ridership while maintaining revenue, as a result average fare decreased slightly.
Access	\$1.84	- 14%	Ridership growth fell due to the success of recent Board policy, eligibility and travel training initiatives. Revenue started to increase with the fare increase on Feb 27, 2011.



FY2011 Review: Expenditures

FY2011 Expenses	Variance to budget	Analysis
Fuel and utilities	Rail Dept – under by 25% Bus Dept – under by 11%	Hedges helped mitigate risk; usage less than anticipated
Services	TIES – under by 12%	Savings and delays in service contracts
Paratransit Services	Expenditures were on budget	Ridership growth fell due to the success of recent Board policy, eligibility and travel training initiatives.
Materials and supplies	TIES – over by 19%	Increased usage of operating parts, including brake parts. In FY2012 new contracts will streamline purchases of materials and reduce costs
Personnel	Rail Dept – under by 3% Bus Dept – under by 4% TIES – over by 3%	Rail and Bus overtime offset by decreased spending in wages due to vacancies TIES overtime up for track inspections



FY2011 Review: Process Improvements

- Enhanced budget administration and forecasting process which links to performance
 - General Manager/Chief Executive Officer-led process to link operational, financial, and safety components of the Budget
 - Better coordination of central and field budget offices; improved reporting and communication
 - More in-depth analysis of variances to ensure costs appropriately recorded
 - Examples of process improvements
 - Enhanced weekly track inspection program proceeded without negative fiscal impact
 - Bus security program implementation



FY2011 Review: Process Improvements

- Integrated Financial Organization
 - Automated funds collection for capital projects, eliminating manual process - \$40 million collected since July
 - Real-time review of available operating funds, previously monthly, allows faster decision making
 - Budget management efficiencies allow General Manager /CEO-delegated authority to manage programs and projects more quickly
 - Project managers now own and manage their budgets, single source of project information
 - Automation between Maximo work order system and PeopleSoft purchasing and warehouse system allows for faster movement of goods through the system



FY2011 Review: Process Improvements

- Re-evaluation of capital costs related to Rail overhaul shops enabled Metro to reduce the FY2012 operating budget
- 15% increase in number of buses now capable of providing information to Nextbus; nearly 90% of buses are Nextbus capable. Percentage will continue to increase when onboard equipment is replaced in FY2013
- Implementation by MetroAccess of conditional eligibility and indexed fare policy produced favorable results in FY2011, enabling Access to moderate cost increase for FY2012 budget



Overall Lessons Learned for FY2013 Budget Planning

- Ridership and Revenue: New ridership and revenue fare model being developed for more accurate revenue projections and analysis of fare changes
 - Model will assist in evaluating fare structure
- Development of bus, rail, and Access service criteria to guide future decisions about service by the Board
 - FY2013 Budget discussion with public should include discussion about enhancements
- Staffing and recruitment plans underway to attract staff and reduce vacancies
- Strategic sourcing for procurement will help standardize and catalogue purchases, ensure timely delivery and reduce costs
 - Projected savings from current strategic sourcing initiatives in car maintenance, plant and bus maintenance total \$2.8M
- Enhanced asset management will facilitate new fleet integration and the maintenance of existing assets by bridging information gaps in underlying business processes



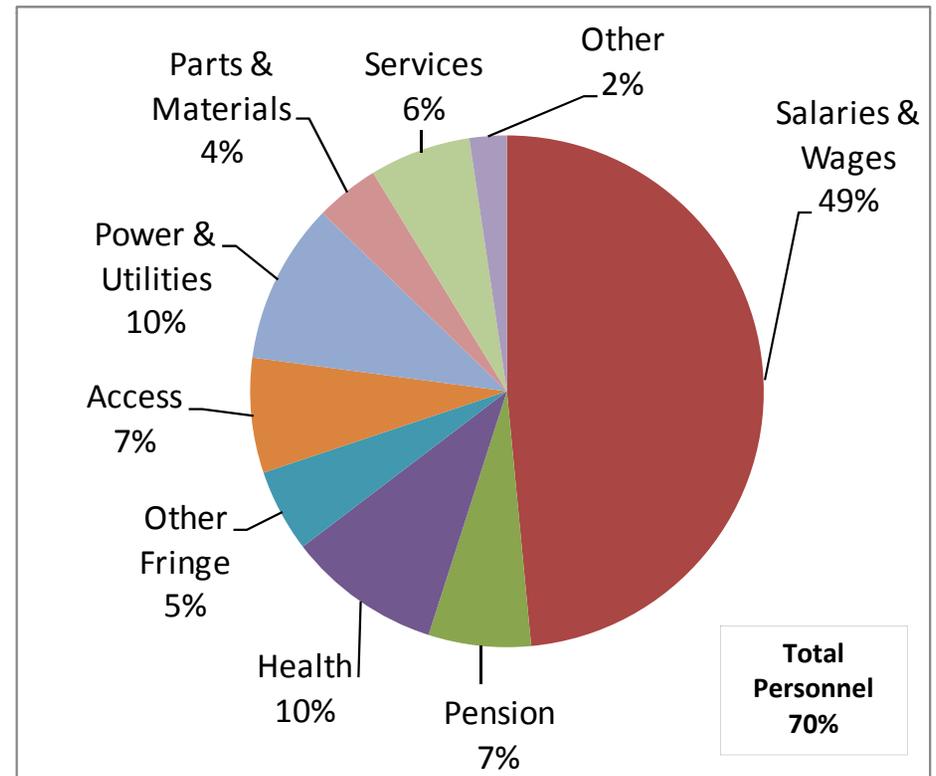
FY2013-FY2015 Multi-Year Planning

- Baseline for the multi-year planning effort is the FY2012 budget
 - Identify efficiencies in current baseline budget
 - Evaluate strategic and business plan priorities for multi-year operating budget
- The multi-year budget will directly relate to Metro's priorities:
 - Safety
 - State of Good Repair
 - Performance / Efficiency
 - Customer Service



FY2012 Baseline Expenses

- Personnel expenses, including salary and wages, health benefits, and pension contributions make up the largest portion of the budget
- Power, fuel and utilities are about 10% of overall costs





Multi-Year Efficiency Initiatives

- Metro will continue to pursue initiatives to reduce FY2012 baseline costs, including:
 - Wellness program to help manage health care costs
 - Seek to optimize administration of two health care and five pension programs
 - Introduce modern asset management techniques that could lower operations and maintenance costs by bridging information gaps in underlying business processes
 - Rather than relying on the MetroAccess contractor's blanket insurance program, Metro proposes to initiate a program to procure insurance directly
 - Bus route optimization
 - Elimination of magnetic fare media
 - Strategic sourcing for materials and supplies purchases
 - Sustainability initiatives (garage lighting) to reduce costs and "green" Metro



Strategically Evaluating Initiatives

Initiative	Safety and Security			Deliver Quality Service				Use Resources Wisely
	Customer Injury Rate	Employee Injury Rate	Crime Rate	On-Time Performance	Mean Distance Between Failure (Delay)	Escalator/Elevator Availability	Customer Comment Rate	Reduce operating costs or generate revenue

- 188 initiatives have been identified covering mandated, operational, safety and technology needs
- Each initiative will be evaluated based on Metro's strategic goals
- Eight Key Performance Indicators will be used to assess contribution towards strategic goals



Dulles Rail

- Development of a formal Programmatic Plan as part of the FY2013 Operating Budget
 - Operations and Service Plan
 - Financial Plan
 - Link to key performance indicators
- Major milestones for the Dulles project
 - June 2012 – Blue / Yellow realignment
 - December 2013 – Phase I Dulles service begins



Next Steps

- **October 2011**
 - Discuss strategic priorities plan and proposed initiatives for multi-year operating budget
 - Initial revenue forecast and Fare Structure Analysis
- **November 2011**
 - Continued discussion on strategic priorities and proposed initiatives for multi-year operating budget
 - Updated revenue forecast
 - Regional communication and outreach
- **December 2011**
 - FY2013 Capital Annual Work Plan
 - FY2013 Preliminary Operating Budget
 - Regional communication and outreach



Next Steps (continued)

- **January 2012**
 - FY2013 Operating and Capital Budget proposal
 - Approval of public input plan
- **February 2012**
 - Public input
- **March – June 2012**
 - Budget deliberations



Appendix



FY2012 Baseline Revenues and Cost Recovery

- Rail fares, including parking, cover 78% of rail costs
- Bus fares cover 24% of bus costs
- MetroAccess fares cover 5% of paratransit costs

