



Status Report

Performance Based Budgeting

Budget Committee
December 8, 2005



- **Board Resolution #2005-43 approved on September 22, 2005 is the guiding document calling for budget process improvement and business plan development (See Attached)**

- **Work is underway**
 - Staff has met to coordinate with the Jurisdictional Coordinating Committee
 - Internal WMATA team formed with representatives from Metro finance, planning and the jurisdictions

- **Scope of work**
 - Review of existing and past performance measures used at WMATA
 - Survey of performance measures, benchmarks and best practices used at peer transits and local governments for operating and capital budgets
 - Assessment of best budgeting practices currently used elsewhere
 - Gather data from APTA

- **Results**
 - Recommendation of budget process improvements to link performance measures with budget proposals



Minimal External Consulting Expected

- **In contacting other transit properties staff has not found support for tasking consulting firms with being primarily responsible for this work**
- **Stronger acceptance of budget process improvement is linked with internal development and stakeholder inclusion**
- **Staff anticipates requesting Board approval for small technical services contract to acquire facilitator with expertise to assist with schedule and coordinate work with other transit properties**
- **Transit Finance Learning Exchange (T-FLEx) is an existing group of transit finance officials which is coordinated through APTA. It has experience in assisting with process improvement and benchmarking**



Projected Timeline

- **During FY2007 Board will receive quarterly status reports and be asked for comments and guidance**
- **Working draft of the business plan, process improvement plan and recommendations on performance measures will be presented in time to be incorporated into FY2008 Board budget guidance**
- **One to two year process required for full implementation**
(i.e., Tie long-term plan to budget development through a business plan)
- **Forecasting to be incorporated into reporting and budgeting process with special emphasis on:**
 - *Long-range planning / policy issues*
 - *Enhanced forecasting of future service levels*
 - *Improved linkage of capital investments to operating costs*
 - *Improved revenue estimates*
 - *Stakeholder inclusion*
 - *New budget and finance tools for policy consideration*
(fare index, benchmarking, trends, etc)

Attachment

PRESENTED AND ADOPTED: September 22, 2005

SUBJECT: APPROVAL OF PROPOSED BUDGET PROCESSES

2005-43
RESOLUTION
OF THE BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, State and local jurisdictions contribute substantial amounts of subsidy to the Washington Metropolitan Area Transit Authority; and

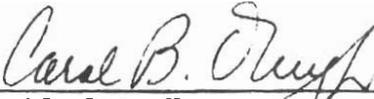
WHEREAS, It is prudent for the Board of Directors and the contributing jurisdictions to conduct thorough reviews of the proposed annual budgets; and

WHEREAS, The Board of Directors believes that linking a business and strategic plan to budget priorities and performance enhances the effective use of limited resources; now, therefore be it

RESOLVED, That the Board of Directors approves the attached budget processes; and be it finally

RESOLVED, That upon approval of the Board of Directors, this Resolution shall become effective immediately.

Reviewed as to form and legal sufficiency.



Carol B. O'Keeffe
General Counsel

Motioned by Mrs. Mack, seconded by Mr. Euille

Ayes: 6 - Mr. Kauffman, Mrs. Mack, Mr. Deegan, Mr. Graham, Mr. Smith, Mr. Euille

Proposed Budget Processes

Discussion:

Through our FY06 budget review, the JCC recommended we look at a number of issues related to our budget development and review process – including instituting performance measures and benchmarks and a review of best budgeting practices.

As an agency, we must continue to improve our business processes, to help us make strategic decisions and show decision makers - and our stakeholders - measurable results. We spent considerable time working on a strategic plan, but we have left it on a shelf and not taken it to the next step.

Considering our emphasis now transparency, inclusion and accountability, we should pursue these items.

- Budget should be tied to performance measures, so that the board and stakeholders can evaluate progress and hold us accountable. (An Inspector General as called for under the Davis bill would also need to see such standards for evaluations.)
- Stakeholders should clearly see long-term plans and the costs and benefits of proposed actions. Greater consensus could be developed on longer-term policies.
- *The jurisdictional involvement is critical. We as an agency do best when we are more inclusive.*

Proposal/direction:

1. Direct staff prepare a scope, schedule and budget for development of a business plan. This should include an update of the strategic plan by the board, adoption of performance measures and benchmarks for the operating and capital budgets, and a multi-year financial forecasting process. The strategic plan, business plan/performance measures, financial forecast and operating and capital budgets should be integrated.
 - This effort could be a one- to two- year process
 - Funded from planning resources – regional project development program.
 - Staff should search for funds to begin in current fiscal year.
2. Direct the new CFO to work with the JCC to develop a strategy and scope for a best budgeting practices review, with an emphasis on public and stakeholder inclusion in the process. A team should conduct this review, including the CFO and CAO (or CFOs) from our major funding partners. There should be special emphasis on:
 - Long-range financial planning, to assess long-term implications of current and proposed policies, programs and assumptions.
 - Review of revenue forecasting process, to gain buy-in of stakeholders.
 - Public and stakeholder inclusion in development and review process
 - Linkages between budget and business plan/financial plan
 - Budget review process
 - Index on fares – show options