



**Proposed Scope of Consulting Services for Business Plan  
Development and Performance Based Budgeting**

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**Budget Committee  
February 9, 2006**



## Purpose

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- To present **draft *Scope of Services*** for consulting assistance  
(Procurement action-item scheduled for March Board review and approval)
- To clearly identify consultant tasks versus staff assignments
- To facilitate continuing discussion with the Board seeking additional comments / input regarding tasks and desired outcomes



## **Background**

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- **At January 12<sup>th</sup> Budget Committee staff presented status report on business plan development and performance based budgeting**  
(see appendix)
- **Five major tasks were outlined based on original Board resolution [#2005-43] calling for budget process improvement**  
(see appendix)
- **Proposed assignment of tasks included combination of staff and external consulting efforts**
- **The Board requested an opportunity to review the consulting contract draft scope of services prior to initiating a procurement**



## **Discussion**

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***Please refer to eight page document  
“Scope and Tasks”  
contained in your printed package***

Note: Based on today’s discussion, a budget estimate will be prepared and presented as a P&T-Action-Item at the next Budget Committee Meeting

This will be a competitive procurement action

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As requested at the January 12, 2006 Budget Committee meeting, this is a staff proposal defining the scope of work to be performed by external consultants and/or WMATA staff with assistance from stakeholders where appropriate.

**Background**

On September 22, 2005 the WMATA Board directed by resolution #2005-43 that staff should prepare a scope, schedule and budget for the development of a business plan.

- This should include an update of the strategic plan, adoption of performance measures and benchmarks, and a multi-year financial forecasting process.
- The resolution also stated that this effort could be a one-to-two year process, to be started during FY2006.

The status report presented to the Budget Committee on January 12, 2006 identified five tasks to be performed by external consultants and/or WMATA staff. Each of those tasks is scoped out below to clearly identify what assignments will be incorporated into a competitive procurement action to acquire P&T Consulting Services.

**Each task and sub-task is displayed to identify  
whether the prime responsibility rests  
with a consultant or with WMATA staff.**

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The Consultant and WMATA project management staff will meet to establish a work plan and schedule. The work plan will identify deliverables and key dates for the completion of five tasks. These tasks are not sequential and may be completed concurrently, or in any order that facilitates the process.

**TASK 1 – UPDATE STRATEGIC PLAN**

In 2002, WMATA developed a Strategic Plan, *Paths to the Future*. With the FY2007 budget under review, five years have now passed and the plan should be revalidated or updated.

**Consultant Task 1.1 – Identify Strategic Plan Subcommittee:** Working with WMATA staff and the Board, The Consultant will establish a working group to revalidate or update the Strategic Plan and develop a Business Plan. This working group will have the responsibility to periodically report progress and ultimately make a proposal to the full WMATA Board of Directors for the adoption of a WMATA Business Plan.

**Consultant Task 1.2 – Conduct Stakeholder Outreach:**

The Consultant should conduct stakeholder outreach, starting with individual interviews with all the members of the WMATA Board as well as WMATA's executive managers. This effort would then expand to the Ridership Advisory Council and other key stakeholders including members of the Jurisdictional Coordinating Committee and local jurisdiction planning and finance officials. The intent of this outreach is to present best practices and successful results found in developing business plans and performance based budgeting at comparable organization (see Task 4) so that a focused effort at revalidating or updating the strategic plan may be accomplished in Task 1.3.

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**Consultant Task 1.3 – Revalidate or Update Strategic Plan:** The Consultant will facilitate the Board Subcommittee, working with WMATA staff, to update or revalidate WMATA's Strategic Plan, including the vision, mission and goals. All goals will be measurable. The Consultant will provide all logistical support for planning this meeting. Specifically, they will identify an appropriate location, off WMATA property, to conduct these sessions.

**Consultant Task 1.4 – Define the Structure of WMATA's Business Plan:**

Develop an over-arching business plan to focus the agency on its vision, mission, goals and strategy for achieving those goals. Performance based budgeting will be established as the process that uses performance measures to link the operating and capital budgets with goals, results and desired outcomes.

**TASK 2 – ADOPT PERFORMANCE MEASURES AND BENCHMARKS**

All performance measures will differentiate between operating and capital activities. Capital investments may have a determination of efficiency and effectiveness (e.g., one design versus another) measured differently from operating efficiency and effectiveness (e.g., employee absenteeism rates). Capital investments will also be arrayed into investments for expansion versus investments for maintenance of the operation.

**Consultant Task 2.1 – Define Strategic Performance Measures:** For each goal established in Task 1.3 The Consultant team will work with the Board Subcommittee and staff working group to establish a quantifiable measure that allows all stakeholders to evaluate progress toward achieving that goal. There will be a one-to-one relationship between each strategic goal and its quantifiable performance measure. Henceforth, all performance measures developed to

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track progress toward strategic goals defined in Task 1 will be referred to as *Strategic Performance Measures*.

**Staff Task 2.2 – Define Tactical Performance Measures:** Staff will identify quantifiable performance measures and goals for each element of WMATA’s organization chart. These tactical performance measures will cascade from the higher level strategic performance measures. The tactical performance measures will use benchmarks and workload indicators as the basis by which budgets link resource levels with results and desired outcomes established as tactical goals. Budgetary resources necessary to achieve these tactical goals will be arrayed programmatically and identified by the organizational unit to be held accountable for the final results.

**Staff Task 2.3 – Define Benchmarks:** Each performance measure must be “backcast” five fiscal years to establish benchmarks for setting goals and evaluating future performance. WMATA staff will collect the necessary data to allow for historical review of prior performance.

**TASK 3 DEVELOP MULTI-YEAR FINANCIAL FORECAST**

Stable and reliable forecasting will improve the region’s ability to plan for and fund WMATA’s operating and capital budgets.

**Staff Task 3.1 – Update 10-Year Capital Improvement Plan:** WMATA staff will update the 10-Year Capital Improvement Plan based on needs identified in the Core Capacity Study, Regional Bus Study, Bus Network Evaluation and other project studies to be conducted by WMATA. This plan will then cascade down to the 6-Year Capital Improvement Program (CIP) for funding and execution by project. Each project in the CIP will be tied to a specific goal from the strategic

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plan. Narrative will be prepared to explain the strategic importance of each project along with its anticipated impact on the operating budget and operating performance measures.

**Staff Task 3.2 – Identify Operating Budget Impact of Each CIP Project:**

WMATA staff will develop a procedure for quantifying the operating budget impact of all CIP projects. This task will include development of performance measures appropriate to each investment, in as common a unit as possible (e.g., new ridership per lifecycle dollar invested, or ridership retained per lifecycle dollar invested), to facilitate comparison among investments. The impact will be measured in terms of annual operating cost increases or decreases and any potential revenue increases or decreases.

**Staff Task 3.3 – Reporting to the Board Budget Committee:** Staff will report operating budget performance quarterly and capital performance semi-annually.

The quarterly report will include: current and year-to-date actual versus budget ridership and revenue results, expenses, subsidy and status of operating reserves. The quarterly report will also included ongoing strategic performance measurement results and variance from goals with narrative explanation of causes and discussion of actions to be taken to achieve goal attainment.

The semi-annual report will supplement the quarterly report with capital budget information including: budget versus actual expenditures, schedule adherence, status of capital reserves, grant status and funding levels and narrative discussion of project issues as they develop.

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**TASK 4 – CONDUCT BEST PRACTICES BUDGETING REVIEW**

WMATA exists as a hybrid type of organization, not government, but also not for profit. It therefore has the opportunity to adopt best practices from a wide array of comparable organizations in the both the public and private sector.

**Consultant Task 4.1 – Transit Peer Review:** The Consultant shall perform a peer review of operating and capital budgeting processes at comparable bus and heavy rail transit operations. This review shall include assessment of performance measures and goals, benchmarks and workload indicators used at peer transit properties.

**Consultant Task 4.2 – Peer Review of Other Comparable Private and Public Sector Organizations:** The Consultant shall report on best practices in budgeting and performance measurement currently in place and being successfully used at other comparable organizations. This report should be arranged by business function so that business activities may be compared, (e.g., parking lot operation, fleet maintenance, revenue collection, etc.) This report should also identify where comparable private and public sector organizations have successfully competed non-core business functions to gain efficiency or productivity improvements (e.g., information technology, employee benefits administration, printing and copying, security, building maintenance, etc.)

**Consultant Task 4.3 – Peer Review of Board Activities and Procedures:**

The Consultant shall report on best practices in the activities of policy boards and the execution of their duties and responsibilities. The report should identify areas where boards have taken steps to increase organization performance and accountability, reduce process and administration, and grow stakeholder value in the organization.

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**TASK 5 – REVIEW WITH SPECIAL EMPHASIS**

Certain unique issues and subjects have the need to be more deeply explored.

**Staff Task 5.1 – Assess Variability in Long Term Financial Plans:** Staff will report as needed when existing policies, procedures or assumed variables could have significant affect on the long term finances of the Authority, (e.g., procurement regulations, budget reprogramming rules, assumptions about future federal funding, etc.)

**Staff Task 5.2 – Improve Revenue Forecasting with Stakeholder Buy-In:** Staff effort, currently underway and ongoing, includes multi-method forecasting using trend analysis, regression analysis and program analysis to triangulate on expected ridership and revenue levels. Information sharing with JCC, local jurisdiction finance officers and other interested parties will provide a fourth level of forecast validation.

**Staff Task 5.3 – Gather Public Stakeholder Input Into Budget Process:** Staff effort, currently underway and ongoing, includes conducting the first ever public budget input session allowing for citizen comments and publication of widely distributed and more user-friendly budget information.

**Staff Task 5.4 – Link Budgets to Business Plan / Financial Plan:** Staff effort to incorporate strategic and tactical performance measures and goals into the budget development process.

**Staff Task 5.5 – Assess Efficiency of Budget Review Process:** Staff effort to poll users of WMATA budget information to seek suggestions for improvement and increased efficiency.

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**Staff Task 5.6 – Develop Indexed Fare Increase Options:** Staff effort to develop fare policy analysis with recommendations to the Board. (Selective consulting services may be requested at a later date for econometric studies of fare elasticity and demand analysis.)



## **Appendix**

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Item 1. January 12<sup>th</sup> Budget Committee Presentation

Item 2. Board resolution 2005-43



**Status Report on Business Plan Development  
And Performance Based Budgeting**

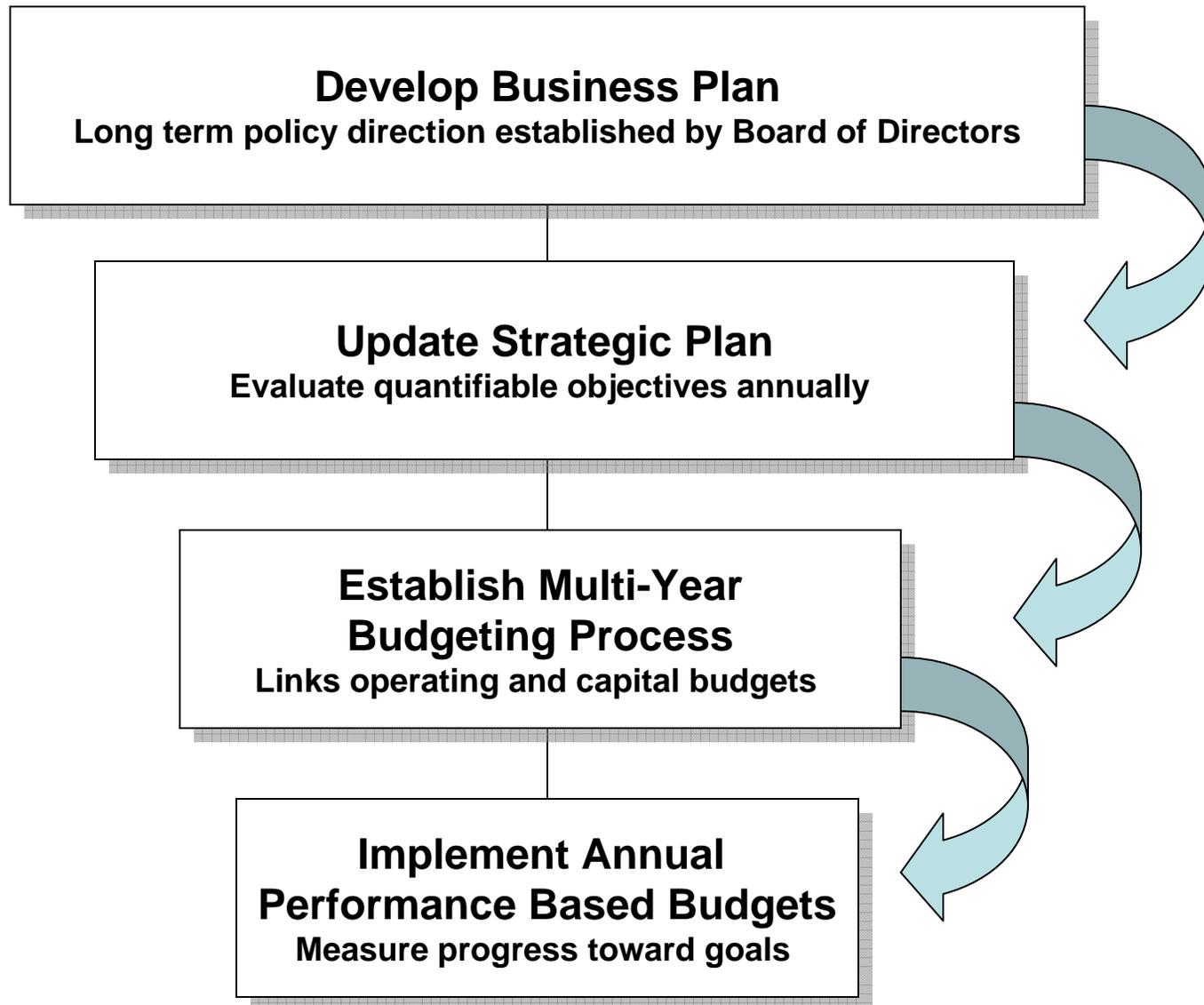
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**Budget Committee  
January 12, 2006**



## Business Plan Update

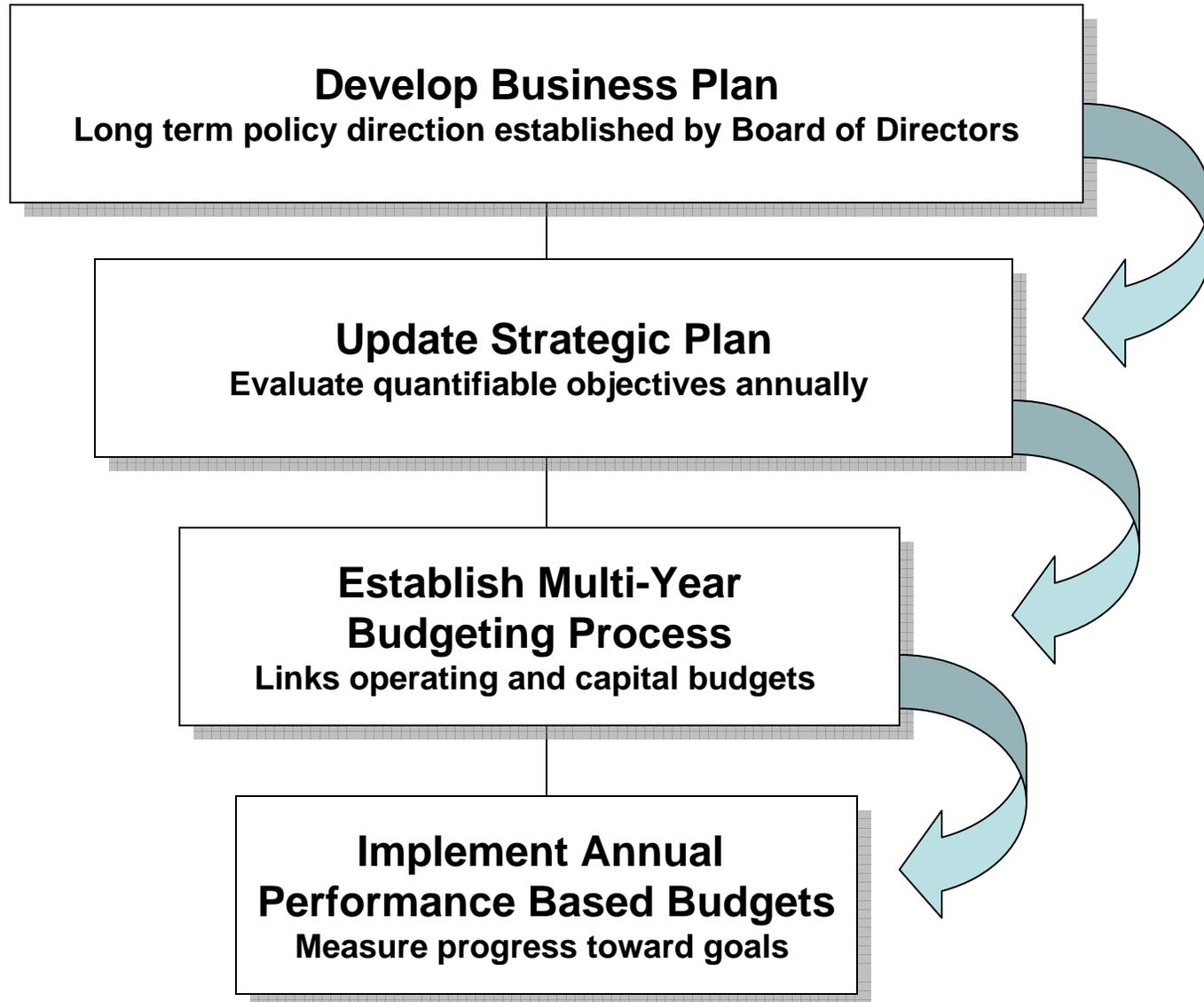
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## Business Plan Update

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## Business Plan Update

Business Plan Development		
Task	Action	Responsibility
1. Update Strategic Plan	<p>Revalidate vision / mission / goals</p> <p>Consider need for additional goal addressing employee's stake in Metro</p> <p>Develop quantifiable objectives for each strategic goal and update annually</p>	Board sub-committee and staff with consulting facilitator
2. Adopt Performance Measures and Benchmarks for operating and capital budgets	<p>Establish quantifiable performance measures for each office</p> <p>Determine benchmarks for each function</p> <p>Develop workload indicators</p>	Staff will develop and present to Board for approval
3. Develop Multi-Year Financial Forecast	<p>Implement quarterly reporting to Board Budget Committee for the operating budget</p> <p>Implement semi-annual reporting to Board Budget Committee for the capital budget</p> <p>Identify operating budget impact of each CIP project</p> <p>Propose annual budgets with multi-year forecasts for planning purposes:  <i>3 years for operating</i>  <i>6 years for capital</i></p>	Staff assignment - initial quarterly report due in February 2006



## Business Plan Update

Business Plan Development		
Task	Action	Responsibility
4. Best Practices Budgeting Review	<p>Contact jurisdictional CFO's / CAO's and other stakeholders including the RAC for input into improving Metro's budget process</p> <p>Peer reviews: other transits, T-FLEx, APTA, best in class businesses, other public and private agencies</p> <p>Consider privatization of non-core functions</p>	<p>Team assignment - Metro CFO and staff with JCC</p> <p>Consulting services</p>
5. Review with Special Emphasis	<p>Assess implications of policies, programs and assumptions on long-term financial plans</p> <p>Improve revenue forecasting process by getting stakeholder buy-in</p> <p>Gather public stakeholder input into budget process</p> <p>Link budgets to business plan / financial plan</p> <p>Assess efficiency of budget review process</p> <p>Develop indexed fare increase options</p>	<p>Team assignment - Metro staff with JCC and consulting services</p>



### Action Plan

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**Current and  
On-going**

**Data collection / team efforts / process mapping**

**Mar '06**

**Initiate and award consulting services contracts -**

- o Facilitation of strategic plan review**
- o Peer reviews, private industry best practices**

***Detailed contract scope and cost estimates under development***

**Jul '06**

**Staff recommendation to Board of budget process improvements**

**Sep '06**

**Seek Board guidance on FY08 budget incorporating  
business planning process improvements and performance measures**

**Dec '06**

**Staff proposal of first business plan / performance based budget**

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

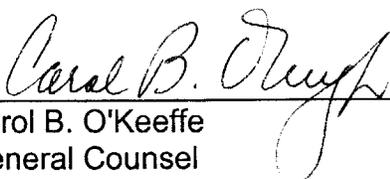
WHEREAS, It is prudent for the Board of Directors and the contributing jurisdictions to conduct thorough reviews of the proposed annual budgets; and

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,

  
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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