

# **Transit Performance Audit Interim Briefing**

**King County Auditor's Office  
and Booz Allen Hamilton**

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	<b>Audit Area</b>	<b>Sub-Area</b>
<b>1</b>	Financial and Capital Planning	<b>Financial Planning</b>
		<b>Capital Planning</b>
		<b>Cost Allocation</b>
		<b>Trolley Alternatives Analysis</b>
		<b>Fare Strategies</b>
<b>2</b>	Bus/Trolley Service	<b>Design</b>
		<b>Scheduling</b>
		<b>Paratransit</b>
<b>3</b>	Data and Technology	<b>Data Management</b>
		<b>Software Utilization</b>
		<b>Emergency Rider Communication</b>
<b>4</b>	Vehicle Maintenance	<b>Preventive/Corrective Maintenance</b>
		<b>Repair Efficiency</b>
<b>5</b>	Human Resource Management	<b>Operator Utilization/Staffing</b>
		<b>Vehicle Maintenance Staffing</b>
		<b>Labor Contract Constraints</b>
		<b>Transit Police Staffing</b>

# Transit's Financial Planning

## Overall Conclusions

Financial planning has been conservative and prudent

Financial plan and model substantially complies with guidance

Most forecasting has been accurate

## Recommendations

1. Provide an enhanced financial model to decision-makers
2. Review and update financial policies
3. Improve forecasts for capital grant revenue and capital expenditures
4. Develop a plan to reduce fleet replacement fund balance

# 1. Financial Plan and Model

- A financial plan summarizes Transit's financial condition and helps inform decisions.
- A financial model is a tool for forecasting revenues and expenditures for the financial plan.
  - Transit's plan and model are comprehensive.
  - Assumptions are not always clear and the model is cumbersome to use to test alternative assumptions.
  - The financial model is not routinely provided to decision-makers.

## **Recommendation 1:**

**Transit should create a updated version of its financial model that facilitates sensitivity analysis and make it available to external decision-makers.**

## 2. Financial Policies

- The Council has adopted financial policies to guide Transit's financial planning.
- Some financial policies need review:
  - Distribution of sales tax revenue
  - Cost of Services: Cost/hour growth
  - Ratio of operating revenue to operating expense

### **Recommendation 2:**

**Transit should review and update financial policies to reflect current environment.**

# 3. Financial Plan Projections

- The overall revenue and expenditure projections of past financial plans have been reasonably accurate.
- Capital expenditures have been consistently overestimated and capital grant revenue has been consistently underestimated.
- The combined effect: more resources were available for operating expenditures than projected in the financial plans. This does not mean that there will be money available going forward.

## **Recommendation 3:**

**Transit should improve the accuracy of capital expenditure and capital grant revenue projections.**

# 4. Revenue Fleet Replacement Fund

- The Revenue Fleet Replacement Fund holds money for fleet purchases. It represents a prudent, fiscally responsible planning practice.
- More money is being held in the Revenue Fleet Replacement Fund than is needed for fleet replacement purposes.

## **Recommendation 4:**

**Transit should develop a plan for reducing the size of the Revenue Fleet Replacement Fund balance.**