Business Planning - Aligning Investment Decisions with the Strategic Plan
TITLE:
Business Planning

PURPOSE:
To outline Metro’s Business Plan development process and to provide the Committee with information on budget development changes.

DESCRIPTION:
Metro is working on building cohesive business plans to enhance the budget development process and align investment decisions with the Strategic Plan. Business plans provide:
• Key information for the decision-making process around resource allocation by clearly articulating agency goals, existing policy framework, change drivers, and program prioritization criteria;
• Effectively communicated priorities, strategies, and rationale for resource allocation decisions to the Board and the public;
• Alignment of Metro’s programs and services to the goals contained in the Board’s Strategic Plan through the use of measurable actions; and
• A baseline plan against which future operational performance and investment discussions will be based.

The next step is to connect the business plans with operating and capital programs through implementation strategies or actions. Performance management is in turn integrated with budgeting. These elements promote collaboration between departments and create synergy. Business planning connects the Strategic Plan and the budget, as well as guides and informs investment decisions.

FUNDING IMPACT:
Information item, no direct funding impact.

RECOMMENDATION:
Information item, no recommendation for action.
Business Planning – Aligning Investment Decisions with the Strategic Plan

Finance and Administration Committee
July 12, 2012
Purpose

• To outline Metro’s Business Plan development process and provide information on budget development changes

Improving the Process

• Metro’s goal is to link the Board’s strategic vision to investments in the system through actionable and measurable Business Plans
Benefits of Business Plans

• Business plans are built at the Department level

• Link day-to-day actions with strategic plan and Metro’s Execution Plan

• Reflect key actions planned by Departments to provide safe, efficient, and quality service

• Three year plan guides resource alignment and investments

• Identify measures and targets

• Basis from which to evaluate Metro’s performance
Benefits of Business Plans, continued

- Informs the development of financial plans that align with the organization’s strategic direction
  - Connect core operations and strategic and business plan priorities to a financial plan
  - Analyze the economic environment
  - Provide financial forecast impacts
  - Monitor financial plans, such as scorecard of key indicators of financial health
Business Planning: How it all comes together

Adjust Strategy? Y/N

Regional Plan
Regional vision, goals, targets, indicators

Strategic Plan
Sets vision, mission, goals, objectives, standards, customer pledge
5-10 years

Business Plan
Defines approach, responsibilities, steps, timeframe, performance measures and targets
2-4 years

Multi-year Budgets
Assigns resources to achieve strategic and business plans
Annual/Biennial

Performance Report
Monitors, reports, evaluates performance results and resource effectiveness
Month, quarterly, annual

Performance Review
Strategic Reviews: Annual assessments of board/management and Metro’s performance against strategic goals
Tactical Reviews: Quarterly vital signs reviews of key performance measures

Adjust Tactics? Y/N

Process
Stakeholder involvement and buy-in
Transparency
Value adherence
## What’s In a Business Plan?
### Link Day-to-Day Actions with Strategic Goals

<table>
<thead>
<tr>
<th>Goal</th>
<th>Performance Measure</th>
<th>Target</th>
<th>Key Actions</th>
<th>Time Frame</th>
<th>Action Owner</th>
<th>Dependencies</th>
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</thead>
<tbody>
<tr>
<td>Deliver Quality Service</td>
<td>Mean Distance Between Failure</td>
<td>7,700</td>
<td>Inspect all buses coming out of mid-life overhaul</td>
<td>5/1/12</td>
<td>Larry Skelton</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Continue with centralized reporting of fleet all service lanes.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>Routinely review division reports, road call data, repair actions, and AVM reporting; verify engine failures, assist in diagnosis and repair as needed</td>
<td>5/1/12</td>
<td>Larry Skelton</td>
<td></td>
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<td></td>
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<td></td>
<td>Provide engineering support for reliability based maintenance program (mini-overhaul and mid-life), improve responsiveness &amp; product output, passenger appeal</td>
<td>Ongoing</td>
<td>Bob Golden</td>
<td></td>
</tr>
</tbody>
</table>

**Set end point or direction for measure / defines success**

**Set expectation for action completion**

**Track progress towards achieving strategic goals**

**Point person for implementing action**

**Who is critical to action implementation**

**Key steps taken to move towards achieving goals**
Moving from Business Plans to Financial Planning

As the business plans are developed, they will be used as a framework for developing financial plans

• Forecasts should be well documented and compared regularly with attained results

• Key financial plan assumptions should be appropriate, explicitly identified, and well documented

• Financial models should enable sensitivity analysis

• Information used in preparing financial forecasts should be consistent with the organization’s policies and strategic plans

• Financial models should be accessible to multiple users
Build on Prior Savings

Metro has attained over $200 Million in cost reductions FY2009-FY2012

• Sustainable Initiatives $97 Million
  • Including contract savings, position elimination, departmental reductions, and operational changes

• One-time Savings $77 Million
  • Including personnel savings, reduced overtime, and fuel and propulsion savings

• Cost Restructuring $63 Million
  • Including capitalization of overhaul shops, and accounting adjustments
FY2014 Budget Guidance

• FY2013 cost structure is the baseline, including all of the Board approved initiatives to significantly improve customer service

• FY2014 and beyond include fully annualized costs for Silver Line Phase I

• No wage increases other than those contractually obligated

• Current pension liability of an additional $29M in FY2014 is included

• Capture the impact of capital investments on operating costs

• Manage the allocation of labor resources
Open Issues and Management Actions

- Pension savings associated with the assessment study
- Fatigue management study results
- Cost optimization and efficiency review
- Impact of Asset Management process improvements
- Maintenance efficiencies associated with new fleet
- Updated cost allocation methodology
- Final FTA approved urbanized areas designations
- Updated ridership models
- Updated deferred revenue capture methodology
## Multi-year Financial Plan
### Three Year Pro Forma

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
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<td></td>
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<tr>
<td>Passenger &amp; Parking Fares</td>
<td>$ 828</td>
<td>$ 842</td>
<td>$ 857</td>
<td>$ 872</td>
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<tr>
<td>Silver Line Phase I - Fares</td>
<td></td>
<td>17</td>
<td>33</td>
<td>35</td>
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<td>Advertising Revenue</td>
<td>16</td>
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<tr>
<td>Other Revenue</td>
<td>30</td>
<td>30</td>
<td>30</td>
<td>31</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td>$ 874</td>
<td>$ 905</td>
<td>$ 937</td>
<td>$ 954</td>
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<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
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<tr>
<td>Payroll</td>
<td>755</td>
<td>780</td>
<td>792</td>
<td>804</td>
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<tr>
<td>Pension</td>
<td>122</td>
<td>151</td>
<td>159</td>
<td>162</td>
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<tr>
<td>Health &amp; Other Benefits</td>
<td>233</td>
<td>250</td>
<td>263</td>
<td>276</td>
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<tr>
<td>Non-Personnel Costs</td>
<td>217</td>
<td>225</td>
<td>230</td>
<td>236</td>
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<tr>
<td>Paratransit Contract</td>
<td>98</td>
<td>99</td>
<td>101</td>
<td>102</td>
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<tr>
<td>Fuel, Propulsion, Utilities</td>
<td>131</td>
<td>136</td>
<td>139</td>
<td>142</td>
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<tr>
<td>Silver Line Phase I - Operating</td>
<td>20</td>
<td>43</td>
<td>44</td>
<td>46</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$ 1576</td>
<td>$ 1685</td>
<td>$ 1730</td>
<td>$ 1769</td>
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<tr>
<td><strong>Preventive Maintenance &amp; Surplus</strong></td>
<td>(33)</td>
<td>(31)</td>
<td>(31)</td>
<td>(31)</td>
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<tr>
<td><strong>Gross Subsidy</strong></td>
<td>$ 669</td>
<td>$ 749</td>
<td>$ 762</td>
<td>$ 784</td>
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Next Steps

- **July 2012**
  - Governance Committee strategic framework
- **September 2012**
  - Strategic and Business Plan Priorities discussion
- **October 2012**
  - Strategic and Business Plan Priorities discussion, continued
- **November 2012**
  - Present Metro’s CY13-15 Business Plan to the Board
- **January 2013**
  - Present GM/CEO FY2014 Proposed Budget to the Board