



KING COUNTY AUDITOR'S OFFICE

Transit Capital Planning and Management Performance Audit Report No. 2005-03

The Transit Capital Planning and Management Performance Audit evaluates the extent to which the King County Department of Transportation Transit Division's (Transit) capital planning and management practices are consistent with industry best practices. This report is the third in a series of capital performance audits that the King County Auditor's Office has completed in the past three years, with the first two focusing on the Wastewater Treatment Division and the Roads Division.

Similar to findings from the two previous audits, this report raises concerns about the quality of Transit's analysis during the capital planning process, and whether Transit has processes in place to ensure that its capital investment decisions are cost-effective and efficient. This audit, like the previous two, recommends ways King County can better follow best practices in capital planning and management in order to ensure that agencies consistently make cost-effective investments that can be clearly articulated to the council and the public.

The audit also evaluates the appropriateness of performance measures used in Transit's business plan and the division's peer review report.

Capital Planning and Management

Overall, we found that Transit applies industry standard best practices in some areas, and in some specific examples of economic analysis of alternative capital investments. However, our analysis also revealed that:

- Transit lacks performance measures to track the success of capital projects in meeting strategic goals.
- Transit inconsistently follows best practices for identifying, quantifying, and analyzing the cost impacts of alternatives for major capital investments.
- Transit lacks a facility master plan to clarify facility needs and priorities.
- Transit does not communicate a clear, consistent approach to asset management.

Greater adherence to best practices will improve Transit's ability to make economically sound decisions and provide meaningful information for managers and policy makers.

Performance Measurement and Peer Review

Transit collects, tracks, and reports a wealth of performance data that provides meaningful information for both decision-makers and the public. However, some Transit performance measures are duplicative or too detailed; others do not correspond to any existing strategic goals or objectives.

Transit's peer review shows that the division is in the top third of 12 peer agencies in terms of providing services with the least amount of labor hours. However, Transit is less efficient in terms of operating

cost per mile and hours of operation. When only labor costs are considered, and are adjusted by regional wage rates, King County Transit remains among the most efficient agencies. However, Transit's non-labor costs (such as fuel and parts) are relatively high, which lowers its ranking on non-labor efficiency measures. This analysis helps illustrate the potential value of peer review tracking and how information on peer agencies may merit further examination by management.

Recommendations

The report recommends that Transit develop:

- Performance measures and targets that reflect the division's efficiency and effectiveness in planning and constructing reliable, safe, and convenient transportation services.
- Guidelines and models for conducting economic analysis of capital projects. Transit should also consistently follow those guidelines.
- A comprehensive facility master plan and designate a schedule for periodically updating the plan.
- An asset management approach using the state-mandated Asset Management Plan to document and communicate the plan both internally and externally.

The report also offers three recommendations to improve Transit's use of performance measures and its peer review report.

Executive Response

The Executive concurs with the report's findings and recommendations.