

**Joint Board Meeting
June 14, 2021**

Operations Action: Approve ORCA Regional Operating Budget Policy

Purpose: The purpose of the ORCA Regional Operating Budget Policy is to establish standard procedures for management of the ORCA Regional Operating Budget for the ORCA System using regionally budgeted funds.

This ORCA Regional Operating Budget Policy does not supersede the current legacy ORCA Regional Operating Budget Policy, adopted on November 5, 2012. The legacy policy will remain in effect in parallel through the 2022 budget cycle.

Recommendation: The ORCA Director and ORCA Business Managers recommend adoption of the ORCA Regional Operating Budget Policy.

ORCA Regional Operating Budget Policy

Version 0.1



Revision Record

Retain v1.0 line item and the 9 most recent modifications.

Version Number	Effective Date	Entered By	Reason for Change
0.1	06/02/2021	Brittany Esdaile	Initial Creation
1.0			Initial Implementation

Review and Approval Record

Version Number	Reviewed By	Review Date	Approved By	Approval Date
1.0	Agency Business Managers	06/02/2021	ORCA Joint Board	06/02/2021



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1. Introduction

This policy is adopted by the Joint Board pursuant to Section 4.4 and 8.4-8.8 of the 2019 ORCA System Interlocal Cooperation Agreement (“ORCA System ILA”), for implementation by the Agencies who are participants in the ORCA System.

2. Purpose

To establish an ORCA Regional Operating Budget Policy that creates standard procedures for management of the ORCA Regional Operating Budget.

3. References

ORCA System Interlocal Cooperation Agreement, executed June 13, 2019.

ORCA Regional Capital Budget Policy, Joint Board Decision Memo dated December 14, 2020, or as amended by the Joint Board.

Business Rule NBR-032 Contract Authority, Joint Board Decision Memo, dated June 10, 2019, or as amended by the Joint Board.

4. Definitions

Agencies mean those transportation Agencies who are current signatories to the Interlocal Agreement including: Community Transit, Everett Transit, King County Metro, Kitsap Transit, Pierce Transit, Sound Transit, and Washington State Ferries.

Agency Business Manager (Business Manager) means the person designated by an Agency to act as the primary point of contact for the Agency and the person authorized to speak for that Agency in matters relating to the ORCA System. The regional group of Business Managers follow regionally approved processes for oversight and decision making about the ORCA System. The Joint Board may delegate this authority to a member of a Project Steering Committee for specific projects or phases, as desired.

Contingency means an approved percentage of the ORCA Regional Operating Budget to allow for uncertainties that may result in additional costs.

Financial Management Team means the centralized Regional ORCA Operations Team's finance division designated to manage ORCA Regional Operating Budget expenditures for invoicing purposes.

Joint Board means the Agencies' executives who serve as a governing, policy-setting body to oversee the activities related to the ORCA System as provided by the ORCA System ILA.

Operating Shares means the regional cost share of the ORCA Operating Costs to be paid by each Agency.

ORCA Director means the employee approved by and reporting to the Joint Board to direct and oversee administration, operations, and planning of the ORCA System.

ORCA Regional Operating Budget (Operating Budget) means the budget adopted by the Joint Board to administer regionally shared costs for the implementation and operation of the ORCA System. The Operating Budget does not include ORCA Regional Capital Costs which will be administered under the ORCA Regional Capital Budget.

ORCA System means the regional fare system implemented and operated by the Agencies who are signatories to the ORCA System ILA.

ORCA System Interlocal Cooperation Agreement (ORCA System ILA) means the agreement dated June 13, 2019 between the Agencies for the implementation, operation, and maintenance of the ORCA system.

Regional ORCA Operations Team (ROOT) means those employees who comprise the centrally-managed dedicated team responsible for planning, administration, management, and operations of the ORCA System.

Regional Service Provider means the Agency(ies) designated by the Joint Board to perform regional functions for the ORCA System.

Systems Integrator means the vendor responsible for design, implementation, operation, and maintenance of the ORCA System.

5. Roles and Responsibilities

5.1 Joint Board

- 5.1.1 Approve Operating Budgets for each year.
- 5.1.2 Approve ORCA vendor contracts and contract changes for those actions where contract authority has not otherwise been delegated.
- 5.1.3 Approve other ORCA operating costs to be shared by the Agencies.

5.2 ORCA Director

- 5.2.1 Manage the Operating Budget Policy.
- 5.2.2 Own and track the Operating Budget.
- 5.2.3 Present proposed budget actions to the Joint Board with Financial Management Team.
- 5.2.4 Approve ORCA vendor contracts and contract changes pursuant to the contract authority delegated by the Joint Board, reporting all contract activity to Business Managers.
- 5.2.5 Develop and submit budget requests to the Financial Management Team for inclusion in the Operating Budget.
- 5.2.6 Monitor expenses to ensure that any changes required to the adopted budget above the delegated authority are approved by the Joint Board prior to the commitment of funds in excess of the adopted annual budget.
- 5.2.7 Manage expenses within area of control, without further Joint Board approval, provided they do not exceed the adopted budget.

5.3 Financial Management Team

- 5.3.1 Prepare the annual budget for the next calendar year in coordination with the Business Managers for the ORCA program's regionally-shared costs and revenues, pursuant to Section 8.4 of the ORCA System ILA.
- 5.3.2 Facilitate interagency coordination of budget review. Present plan, schedule, and budget to Business Managers.
- 5.3.3 Present proposed budget actions to the Joint Board with the ORCA Director.
- 5.3.4 Oversee development and confirmation of the Operating Shares formula to apply to each year's expenditures.
- 5.3.5 Maintain and track the Operating Budget.
- 5.3.6 Process and submit applicable invoices and equipment orders approved by the ORCA Director or designee, to review and confirm expenditures.
- 5.3.7 Assist in preparation of financial reports to the Joint Board, Business Managers, and other committees.

5.4 Business Managers

- 5.4.1 Review and approve annual budgets, making a recommendation to the Joint Board to approve establishment of the budget.
- 5.4.2 Support and recommend proposed budget actions to the Joint Board.
- 5.4.3 Review and approve ORCA vendor contracts and contract changes pursuant to the contract authority delegated by the Joint Board, serving as a point of escalation for matters beyond the contract authority delegated to the ORCA Director.
- 5.4.4 Work with Financial Management Team to develop and recommend any alternative methods to the standard Operating Shares formula.
- 5.4.5 Review and approve invoices submitted by the Financial Management Team. Coordinate payment of regional operating invoices.
- 5.4.6 Submit equipment orders in accordance with business rules or processes.

5.5 Regional Service Providers

- 5.5.1 Develop and submit budget requests to the ROOT for inclusion in the Operating Budget.
- 5.5.2 Monitor expenses to ensure that any changes required to the adopted budget are approved by the Joint Board prior to the commitment of Contingency funds or funds in excess of the adopted annual budget.
- 5.5.3 Manage expenses within area of control, without further Joint Board approval, provided they do not exceed the adopted budget.
- 5.5.4 Seek approval prior to incurring additional chargeable expenses over the approved budget. Excess expense without authorized approval may be the responsibility of that provider and denied for reimbursement.

5.6 Other Agencies

- 5.6.1 When an Agency voluntarily contributes goods or services to ORCA designated as uncompensated contributions, the cost of such goods or services will not be shared among the Agencies.
- 5.6.2 The cost of Agency-specific goods and services whether included or not included in the Operating Budget shall be fully paid by the requesting Agency in addition to its cost sharing commitment.

6. Operating Budget Content and Management

6.1 Annual Operating Budget Processes

- 6.1.1 At the beginning of each annual budget process, the ORCA Director will review and recommend any changes to this Policy for Joint Board approval.
- 6.1.2 The Operating Shares percentages for each Agency's operating share for the following year will be based on actual ORCA ridership from the previous year, or an alternative method approved by the Joint Board.

6.2 Operating Budget Content

- 6.2.1 Costs managed or services provided by vendors, consultants, the Regional ORCA Operations Team, and Regional Service Providers will be included in the Operating Budget.
- 6.2.2 The Operating Budget will include estimated costs for anticipated ORCA System optimization work that improves operation of the ORCA system but does not constitute a capital project or fall under the ORCA Regional Capital Budget.
- 6.2.3 The Operating Budget categories, used to classify operating expenses in the Operating Budget include regional services, professional services, and other materials and software. These categories may be combined, removed, or added with the approval of the Business Managers.
- 6.2.4 The annual Operating Budget may contain estimates of revenues to be received including, but not limited to: investment revenue (interest income); card fee revenue; affiliate participation fee revenue; and promotional revenue.

6.3 Operating Budget Management

- 6.3.1 Revisions to the adopted annual Operating Budget will be developed by the ROOT in coordination with the Business Managers and submitted to the Joint Board for approval pursuant to the contract authority delegated by the Joint Board.
- 6.3.2 Use of Contingency will be managed and submitted for approval at the ORCA Director, Business Manager, or Joint Board level pursuant to the contract authority delegated by the Joint Board. Any approved use of contingency will be reported to the Joint Board and Business Managers as budget is allocated.

6.4 Invoice Management

- 6.4.1 ROOT staff responsible for the management of each vendor contract will review and approve each invoice. Review of the invoice will ensure costs agree to contract, costs have been included in the operations budget, services or items have been received, and supporting documentation has been provided.
- 6.4.2 The Financial Management Team will submit applicable operating invoices and appropriate back up documentation to the Business Managers for payment of regionally-shared or agency-specific costs.
- 6.4.3 The Business Managers will review and approve operating invoices as they are submitted.

7. Operating Budget Approval

7.1 Business Manager Recommendation

- 7.1.1 By the first Wednesday in April, or such other date as may be established, the Business Managers will begin review of the draft annual Operating Budget.
- 7.1.2 By the last Wednesday in May, or such other date as may be established, the Business Managers will recommend approval of the annual Operating Budget.

7.2 Joint Board Approval

- 7.2.1 By the second Monday in June, or such other date as may be established, the Joint Board will approve the annual Operating Budget. Materials required in Joint Board briefing packet include:
 - a. Action item to approve submitted budget;
 - b. Annual proposed budget, including:
 - i. Next year proposed budget
 - ii. Current year adopted budget
 - iii. Current year actual with forecast for remainder of year
 - c. Agency breakdown of annual proposed budget
 - d. 5-year projected budget

8. Operating Budget Reporting

8.1 Reporting to the Joint Board

- 8.1.1 The ORCA Director and Financial Management Team will report to the Joint Board quarterly on use of Operating Budget, use of budgeted contingency, and other related reports as requested.

9. Agency Budget Commitment

Agency commitment will be established at the budget adoption. Changes to the approved budget will be authorized by the Joint Board as described herein.

10. Agency-Specific Expenses

Agencies may incur internal costs not included in the Operating Budget, but necessary to support the ORCA System and their individual responsibilities, such as the costs of employing a Business Manager; operating and maintaining communications networks; agency-sponsored system enhancements; and site-specific system design and installation activities. Those individual agency costs are neither part of the Operating Budget nor governed under this policy.