

M Management Committee

Business Item

Item: 2009-159

Meeting date: May 13, 2009

Council Meeting: May 27, 2009

ADVISORY INFORMATION

Date:	May 6, 2009
Subject:	Request Change to Target Fund Balance Policy (3-8)
District(s), Member(s):	All
Policy/Legal Reference:	Administrative Policy and Procedure Guide - Target Fund Balance Policy (3-8)
Staff Prepared/Presented:	Mary Bogie, Deputy Chief Financial Officer, 651-602-1359 Sean Pfeiffer, Financial Analyst, 651-602-1887
Division/Department:	Regional Administration/Fiscal Services, Transportation / Metropolitan Transportation Services

Proposed Action

That the Metropolitan Council approve revision of the Target Fund Balance Policy as it relates to Metropolitan Transportation Services in accordance with the attached revised Target Fund Balance policy.

Background

The Council's Finance and Asset Management Policy (Policy 3) requires that financial resources be restricted by organizational unit. The policy further provides that each unit will respond to year-end deficits and surpluses generated by that unit. To promote responsible financial management it is prudent for the Council to adopt target fund balances for each operating fund. The target fund balance is intended to help the operating fund/unit meet cash flow needs and to ensure adequate protection for unanticipated events. The targets are intended to be benchmarks and not absolutes.

Rationale

Metropolitan Transportation Services has recently performed an internal analysis of its current target operating reserves (fund balances). The analysis used needed cashflow for payments, state, federal and local revenue reimbursement timing, and necessary contingencies for uncontrollable expense items, such as ADA demand, labor contracts, and fuel costs to form a recommendation for target operating reserve levels.

The analysis has indicated that it better serves the Council to change the Metropolitan Transportation Services reserve target of 15 percent for the entire department into two distinct ten (10) percent reserve targets. The reserves would be separated to more discretely show that ADA differs from Planning and Transit Services.

Metro Mobility ADA service is both federally and statutorily mandated with services level dictated by demand not revenue constraints. For Metro Mobility to be able to deal with these varying levels of service staff recommends a ten (10) percent level of reserves as appropriate. This isolation also removes the demand volatility from the other non-Metro Mobility transportation funds.

MTS also recommends a reduction of the Planning and Transit Services from fifteen (15) percent to ten (10) percent. The reduced reserve level will meet the cashflow need of the funds. The largest need for reserve levels in this fund is due to timing of federal revenues and needed matching reserves for larger planning projects.

The Transportation Committee reviewed this item on May 11, 2009

Funding

Not applicable to this item.

Known Support / Opposition

No known opposition.

POLICY - Target Fund Balance

Section/Number: 3-8	Total Pages: 2 ⁴
Dept. Responsible: Fiscal Services	Effective Date: December 5, 2001
Special Note: <u>5/27/09</u>	Revision No. 1-12/16/022 -

I. Policy:

The Council's Finance and Asset Management Policy (Policy 3) requires that financial resources be restricted by organizational unit. The policy further provides that each unit will respond to year-end deficits and surpluses generated by that unit. To promote responsible financial management it is prudent for the Council to adopt target fund balances for each operating fund. The target fund balance is intended to help the operating fund/unit meet cash flow needs and to ensure adequate protection for unanticipated events. The targets are intended to be benchmarks and not absolutes.

The funds and associated target balances are:

- General Fund - 10% of annual budgeted operating expenditures.
- Metropolitan Transportation Services (~~all funds~~ Metro Mobility) - ~~150%~~ 100% of annual budgeted operating expenditures; (Planning and Transit Services) – 10% of annual budgeted operating expenditures.-
- HRA - 8.3% of annual budgeted operating expenses.
- Metro Transit, bus and rail - 8.3% of annual budgeted operating expenses.
- Environmental Services - 10% of annual budgeted operating expenses.

II. Purpose of policy:

To define appropriate target fund balance levels for Council operating funds.

III. Background and reasons for policy:

The Council has a number of operating programs, which should be supported by adequate reserve funds to meet unanticipated events.

IV. Implementation/Accountability:

Each division is responsible for monitoring fund balances and reporting on progress toward achieving the target balance.