

M Management Committee
 Transportation Committee: November 8, 2010
 Metropolitan Council: November 10, 2010

Meeting date: October 27, 2010

| ADVISORY INFORMATION | |
|--------------------------------|---|
| Date: | October 21, 2010 |
| Subject: | 2010 Unified Operating Budget Amendment |
| District(s), Member(s): | All |
| Policy/Legal Reference: | MN Statutes section 473.13, sub. 1 -- Council Budget Requirements |
| Staff | Wes Kooistra (602-1567) Chief Financial Officer |
| Prepared/Presented: | Paul Conery (602-1374), Manager, Budget & Evaluation |
| Division/Department: | All |

Proposed Action

That the Metropolitan Council amend the 2010 Unified Operating Budget by:

- Eliminating the transfer of \$3,468,415 from Livable Communities fund balances to Metro Transit operations, and
- Authorizing the transfer of \$9,412,321 from MVST Reserves to Metro Transit Bus and Northstar Reserves.

Background

Beginning in 2002, the Council no longer levied property taxes for transit operations. The property tax funding was replaced with revenues from the State’s Motor Vehicle Sales Tax (MVST). This shift in revenue sources resulted in a six month cash flow adjustment, depleting Metro Transit Bus Operations Reserves. Since 2002, Metro Transit has steadily been rebuilding its Bus Operations Reserves on an annual basis.

The Metropolitan Council’s Target Fund Balance Policy for Metro Transit bus and rail operations is 8.3% of annual budgeted operating expenses. The Council’s Target Fund Balance and projected 2010 Fund Balance are detailed in the table below.

| | Bus | Hiawatha | Northstar |
|--|---------------|-------------|-------------|
| 8.3% Council Fund Balance Target | \$21,470,029 | \$2,206,126 | \$1,413,455 |
| Projected 2010 Fund Balance | \$15,773,125 | \$3,338,269 | \$940,889 |
| Projected variance from 2010 Fund Balance Target | (\$5,696,904) | \$1,132,143 | (\$472,566) |

The rebuilding of Operations Reserves has been a central part and is consistent with the Council's Strategy to meet reserve targets. The Metro Transit Bus and Commuter Rail Reserves are projected to end 2010 below the 8.3% Council Target Fund Balance by \$5,696,904 and \$472,566, respectively. Hiawatha Light Rail is projected to exceed Council target.

The Council's MVST Reserve target balance is \$15 million on December 31st each year. Funding in excess of the reserve target balance is made available first to replenish operating reserves. The MVST Reserve had a balance of over \$30 million on December 31, 2009. Included in the 2010 Council Adopted Budgets for Metro Transit Bus and Light Rail Operations are transfers in from Livable Communities Fund Balances totaling \$3,468,415. Livable Communities fund balances are statutorily available to fund operating deficits, but are not available to replenish operating reserves. With current MVST collections at 90% of forecast, and with the recommended replacement of MVST for the Livable Communities Fund Balance, the MVST Reserve will end 2010 with a balance of approximately \$21 million after the transfers.

Rationale

The transfer of \$8,939,755 million of MVST Reserves to Metro Transit Bus and \$472,566 to Commuter Rail Reserves is consistent with the Council's strategy to meet reserve targets. Staff is recommending transfers to complete the planned rebuilding of Metro Transit Bus Reserves and establishing Commuter Rail Reserves to Council target in 2010.

Funding

This proposed operating budget amendment requests the elimination of \$3,468,415 of transfers in from the Livable Communities fund balances and authority to transfer \$9,412,321 from MVST Reserves to Metro Transit Bus and Northstar Reserves.

| | Bus | Hiawatha | Northstar |
|--|---------------|-------------|-------------|
| Projected variance from 12/31/10 fund balance target | (\$5,696,904) | \$1,132,143 | (\$472,566) |
| Eliminating the use of Livable Communities fund balances | (\$3,242,851) | (\$225,564) | |
| Adjusted variance from target | (\$8,939,755) | \$906,579 | (\$472,566) |
| Transfer in from MVST Reserve | \$8,939,755 | | \$472,566 |

This proposed operating budget amendment does not increase expenditure authority.

Know Support / Opposition

Committee Actions:

Transportation Committee: to be presented November 8, 2010