

T Transportation Committee
Meeting date: November 26, 2012
For the Council Meeting of December 12, 2012

ADVISORY INFORMATION	
Date:	November 15, 2012
Subject:	Request to Change 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:	Arlene McCarthy, MTS Director (651-602-1754) Amy Vennewitz, MTS Dep. Dir. Planning & Finance (651-602-1058) Sean Pfeiffer, MTS Financial Analyst (651-602-1887)
Division/Department:	Transportation – Metropolitan Transportation Services

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to amend the Council’s Target Fund Balance Policy for Metropolitan Transportation Services funds 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 (MTS) has recently performed an internal analysis of its current target fund balances (operating reserves) for its Metro Mobility program and Transportation Planning and Contracted Services (Fixed Route and Transit Link) programs. The analysis looked at required fund balance levels necessary for cash flow/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 fund balance levels.

The analysis has indicated that the current policy for Transportation Planning and Contracted Services programs needs to be increased to fifteen (15) percent to meet ongoing cash flow needs. The need for this increase is primarily driven by the reimbursement nature of the Transportation Planning fund which is funded 80% by federal funds and reimbursed on a quarterly basis through the Minnesota Department of Transportation. This lag in reimbursement requires the Council to provide the cash flow for payroll and other planning expenditures, resulting in a quarterly interest charge to the MTS Transportation Planning fund. The recommended higher fund balance will provide the necessary cash balances required to cash flow expenditures and avoid any associated interest charges.

Metro Mobility’s fund balance target is unaffected by this item and will remain unchanged at ten (10) percent.

Funding

This action has no funding impact.

Known Support / Opposition

No known opposition.

POLICY - Target Fund Balance

Section/Number: 3-8

Total Pages: 3

Dept. Responsible: Fiscal Services

Effective Date:

Special Note:

Revision No. ~~2-5/27/09-3~~

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 – (Metro Mobility) – 10% of annual budgeted operating expenditures; ~~(Planning and Transit Services)~~ (Contracted Services – Fixed Route/Transit Link – 10% of annual budgeted operating expenditures; (Transportation Planning) – 30% 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.