

## Management Committee

Meeting date: May 27, 2020

For the Metropolitan Council meeting of June 10, 2020

**Subject:** Target Fund Policy Update

**District(s), Member(s):** All

**Policy/Legal Reference:**

**Staff Prepared/Presented:** Marie Henderson, Deputy CFO

**Division/Department:** Finance

### Proposed Action

That the Metropolitan Council authorize the Regional Administrator to amend the Council's Target Fund Balance Policy for Transportation funds, Self-Insurance and MVST 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 to ensure adequate protection for unanticipated events. The targets are intended to be benchmarks and not absolutes.

### Rationale

Due to the growth of our transit programs and increased expense/ revenue risk to operations warrants adjustment of transit programs. Self-insured health benefits established reserves practice with Resolution 2012-29 and is being documented in this policy

### Thrive Lens Analysis

Accountability – Following best practices with the Government Finance Officers Association (GFOA), using a conservative and fiscally responsible approach to financial management.

Stewardship – Following responsible financial management and strategic with the use of the Council's resources.

### Funding

This action has no funding impact.

### Known Support / Opposition

No known opposition

**POLICY**  
**Target Fund Balance**



<b>Policy Group:</b> Financial Services	<b>Policy Reference: #</b>
<b>Business Unit Responsible:</b> RA: Finance	<b>Date Adopted:</b> 12/5/2001
<b>Policy Owner:</b> Meredith Vadis, Regional Administrator	<b>Date Last Updated:</b> xx/xx/2020
<b>Policy Contact:</b> Deputy Regional Administrator	
<b>Synopsis:</b> The Council has a number of operating programs, which should be supported by adequate reserve funds to meet unanticipated events. This policy is to define appropriate target fund balance levels for Council operating funds.	

**POLICY STATEMENT**

In keeping with Council policy guidance and 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 and operational unit meet cash flow needs and ensure adequate protection for unanticipated events. The targets are intended to be benchmarks and not absolutes.

The funds and associated target balances are:

Operating fund/unit target balance	
<b>General Fund</b>	10% of annual budgeted operating expenditures.
<b>Metropolitan Transportation Services</b>	
Metro Mobility	10% of annual budgeted operating
Contracted Services - Fixed Route/Transit Link	10% of annual budgeted operating expenditures
Transportation Planning	30% of annual budgeted operating expenditures
<b>HRA</b>	8.3% of annual budgeted operating expenses
<b>Metro Transit, bus and rail</b>	8.3% to 12.5% of annual budgeted operating expenses
<b>Environmental Services</b>	10% of annual budgeted operating expenses
<b>Self-Insurance (Medical, Dental)</b>	25% to 35% of annual budgeted operating expenses
<b>Motor Vehicle Sales Tax</b>	\$15 million for cash flow, due to monthly revenue volatility

The reserve targets will be reviewed with the management committee periodically for adequacy.

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## PURPOSE AND SCOPE OF POLICY

Setting appropriate target fund balances is prudent financial risk management and lings with GFOA best practices.

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## IMPLEMENTATION & ACCOUNTABILITY

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

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## RESOURCES

**Related Policy:**

[Finance and Asset Management \(3\)](#)

**Keywords:** Target fund balance, annual budget, operating expenses

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## HISTORY

This is a record of significant changes by date, for the specified policy.

**Amended**

May 2020 – Changed the Metro Transit to target balance fund to a range and added target fund balance for Self-insurance (medical and dental) and Motor Vehicle Sales Tax to this policy.

**Adopted**

December 5, 2001

Date Last Reviewed: xx/xx/2020

Next Content Review Year: 2021

**POLICY – Target Fund Balance**

Section/Number: 3-8	Total Pages: 1
Dept. Responsible: Fiscal Services	Effective Date: December 5, 2001
Special Note:	Last Revision Date:
	Last Review Date:
	Revision No. 3 – 12/12/12

**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; (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.

Links:

*Revision/Review Tracking*

Date	Revision No.	Review Only – No changes
	1	
12/12/12	3	