

Management Committee

For the Metropolitan Council meeting of June 10,2020

Subject: Target Fund Policy Update

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.

Summary of Committee Discussion/Questions

Marie Henderson, Deputy CFO, presented business item 2020-148

Mrs. Henderson gave the following 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.

There were no questions or comments from committee members.

Motion by Barber, seconded by Lilligren. Motion carried unanimously. Consent to Council.

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

Policy Group: Financial Services	Policy Reference: #
Business Unit Responsible: RA: Finance	Date Adopted: 12/5/2001
Policy Owner: Meredith Vadis, Regional Administrator	Date Last Updated: xx/xx/2020
Policy Contact: Deputy Regional Administrator	
Synopsis: 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	
General Fund	10% of annual budgeted operating expenditures.
Metropolitan Transportation Services	
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
HRA	8.3% of annual budgeted operating expenses
Metro Transit, bus and rail	8.3% to 12.5% of annual budgeted operating expenses
Environmental Services	10% of annual budgeted operating expenses

Self-Insurance (Medical, Dental)	25% to 35% of annual budgeted operating expenses
Motor Vehicle Sales Tax	\$15 million for cash flow, due to monthly revenue volatility

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

PURPOSE AND SCOPE OF POLICY

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

IMPLEMENTATION & ACCOUNTABILITY

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

RESOURCES

Related Policy:

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

Keywords: Target fund balance, annual budget, operating expenses

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	