

MEMORANDUM TO: All Members of the Metropolitan Council

FROM: Donald W. Jones, Director
Metropolitan Council Office

DATE: **June 17, 2008**

RE: **Analysis Report For Proposed
Substitute Operating Budget**

Proposed Substitute Budget

The Chair of Budget and Finance Committee will propose a substitute budget that provides for some changes in appropriations, but no change is being made in the GSD or USD property tax rates. The primary change is an increase in the subsidy for the Metropolitan Transit Authority (MTA) by a total of \$1,000,000 from a combination of changes to the GSD General Fund, the USD General Fund, and the Hotel Occupancy Tax Fund. As the council has heard repeatedly, the operating budget for the next fiscal year is the "tightest" budget in recent memory. The general consensus among members of council seemed to be to focus on restoring some of the MTA reductions, which is accomplished in the substitute ordinance. Although several members of council suggested a number of other proposed changes to the operating budget submitted by the mayor totaling over \$1 million, there simply was no other place to make further reductions in the budget without resulting in additional layoffs.

The substitute budget provides for the following reductions to four contingency accounts and two administrative internal support in the GSD General Fund for a total of \$545,000:

- \$170,000 – Relocation Metro Agencies
- \$25,000 – Insurance Reserve
- \$100,000 – Contingency Local Match
- \$50,000 – Contingency Account
- \$100,000 – Contingency Food Commodity Program
- \$25,000 – Contingency For Independent Medical Exams
- \$75,000 – Contingency Utility Expense

The substitute budget also makes a reduction of \$13,800 from the metropolitan council office and \$93,000 from the mayor's office. These additional reductions equate to total program reductions of 5.8% and 10.6% respectively. The reduction in the mayor's office budget was at the suggestion of the administration.

There are two additions being made by the substitute budget in the GSD General Fund. The subsidy for the Metropolitan Transit Authority is being increased by \$600,000. There is also an increase of \$51,800 for a contribution to the Metropolitan Educational Access Corporation (MEAC). This is to correct an apparent oversight in the budget that eliminated the funding for MEAC.

The substitute budget's sole reduction in the USD General Fund is the elimination of the \$50,000 contingency account. This money will be used to add to the subsidy for the Metropolitan Transit Authority for USD transit functions.

The substitute budget makes three changes to the appropriations from the Hotel Occupancy Tax Fund. The total amount of the appropriations from this fund remains unchanged. These changes are as follows:

- \$175,000 increase for the Metropolitan Transit Authority
- \$100,000 decrease for the Adventure Science Center
- \$50,000 decrease for the Arts Commission

The substitute budget also carries forward \$200,000 from the unappropriated fund balance for MTA to provide magnet school bus service, and carries forward the unencumbered and unexpended funds from the internal audit internal service fund for the completion of audit projects authorized by the audit committee in fiscal year 2008.

The substitute budget also recognizes the changes to the schools budget as a result of the \$6.4 million reduction in state BEP funds. The new budget for Metro schools is \$620,762,100. This includes an appropriation in the amount of \$19,264,100 from the schools' unappropriated fund balance. This leaves a balance in the reserve fund of \$52,735,900, or 8.5%. State law requires that the schools unappropriated fund balance remain above 3%.

The budget ordinance is amendable on third reading. Pursuant to Council Rules, no amendment to the budget may be offered unless it has been submitted to the Budget & Finance Committee for a recommendation. The Budget & Finance Committee will meet at 4:00 p.m. on Monday, June 16th to consider the substitute budget. The full council will consider the substitute at the regular council meeting on June 17th.