

July 6, 1994

Introduced By: GREG NICKELS

budpolmo.dah

Proposed No.: 94 - 455

MOTION NO. 9427

A MOTION adopting financial goals and policies for the budget year 1995 for the transit program of the department of metropolitan services.

WHEREAS, on May 2, 1994 the county executive transmitted the proposed 1995 budget for the department of metropolitan services, and

WHEREAS, included in the budget are the financial goals and policies within which the transit program division shall operate during 1995, and

WHEREAS, the regional transit committee has reviewed the financial goals and policies and approved the same as referenced in regional transit committee motion RTC 94-2;

NOW, THEREFORE BE IT MOVED by the Council of King County:

The financial goals and policies for the transit program of the department of metropolitan services are adopted as referenced in regional transit committee motion RTC 94-2.

PASSED this 12<sup>th</sup> day of December, 1994.

KING COUNTY COUNCIL  
KING COUNTY, WASHINGTON

Passed by a vote of 13-0.

Kent Pullen  
Chair

ATTEST:

Gerald A. Peterson  
Clerk of the Council

Attachments: Regional Transit Committee Motion RTC 94-2

Strikethroughs and underlining for information only

August 5, 1994

rtc94-2.dah

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MOTION NO. RTC 94-2

A MOTION approving the financial goals and policies for the budget year 1995 for the transit program of the department of metropolitan services and recommending their adoption to the King County Council.

WHEREAS, on May 2, 1994 the county executive transmitted the proposed 1995 budget for the department of metropolitan services, and

WHEREAS, included in the budget are the financial goals and policies within which the transit program division shall operate during 1995, and

WHEREAS, the regional transit committee may develop financial policies and make a recommendation to the King County Council, and

WHEREAS, the regional transit committee has reviewed the financial goals and policies;

NOW, THEREFORE BE IT MOVED by the regional transit committee that the following financial goals and policies are approved and recommended to the Council of King County for adoption:

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2 1. **Multi-year Planning.** The Transit Program will maintain a  
3 multi-year financial plan and cash flow projection of six  
4 years or more, estimating service growth, operating  
5 expenses, capital requirements, reserves, and debt  
6 service. This financial plan will be reviewed, modified,  
7 and adopted by the Council and used as a policy basis for  
8 annual budget planning.

9 The Regional Transit Committee shall review and  
10 recommend for adoption by the Council financial policies  
11 for use in the financial plan and annual budget planning  
12 process. These policies shall be adopted by Council at  
13 least three months prior to introduction of the proposed  
14 Transit Program budget to the Council.

15 2. **Mission and Goal Statements.** The Regional Transit  
16 Committee shall review and approve the annual mission and  
17 goal statements for the Metro Transit Program prior to  
18 establishing financial and service policies and  
19 priorities.

20 3. **Balancing Cash Flow Priorities.** Financial planning for  
21 the Transit Program will balance service goals with the  
22 appropriate mix of operating and capital revenues and  
23 expenditures, as well as provide reserves to maintain  
24 stability in the overall program. To provide a balance  
25 between operating and capital revenue requirements, sales  
26 tax revenue is divided with three-fourths scheduled to  
27 fund operations and one-fourth scheduled to fund capital  
28 and debt service requirements.

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2 **4. Operating Subsidy Allocation.** New service subsidy  
3 resources shall be allocated to each Metro planning  
4 subarea within King County in proportion to the projected  
5 population of that subarea, as represented by adopted  
6 Puget Sound Regional Council (PSRC) population forecasts  
7 for the year 2000; West subarea - 34 percent; East  
8 subarea - 30 percent; South subarea - 36 percent. The  
9 percent distribution will be updated to reflect changes  
10 in the PSRC population forecasts adopted by the PSRC  
11 General Assembly. Allocation policies, such as  
12 maintaining the integrity of current schedules for  
13 schedule maintenance hours, shall be recommended to the  
14 metropolitan county council by the regional transit  
15 committee by November, 1994.

16 **5. Debt Service Coverage.** To comply with bond covenants,  
17 Metro must maintain a debt service coverage ratio of 1.5  
18 from the .2 percent sales tax revenues on which debt  
19 service payments have a first and prior lien. For budget  
20 planning purposes, a debt service coverage ratio of 2.0  
21 will be maintained.

22 **6. Prudent Budget Standards.** Budget planning of revenues and  
23 expenditures will be prudent. Projected revenues will  
24 exceed operating budget expenses by at least one percent.  
25 If operating reserves are below their targeted levels,  
26 the balance on operations is first used to replenish  
27 reserves. Any remaining balance on operations will be  
28 transferred to the capital program unless other  
29 priorities in transit operations are identified.

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2     **7. Operating Reserve.** An operating reserve of ~~1.5~~ not less  
3     than 4.5 percent of budgeted transit operating expense  
4     will be established and carried from year to year. The  
5     reserve will fund unforeseen emergency costs. Its use  
6     requires approval of the Council. Operating reserves  
7     will be replenished in the following fiscal year.  
8     Examples of emergencies include snowstorms, fuel price  
9     fluctuation, windstorms, and so forth.
- 10    **8. Future Claims and Liabilities.** Estimates of future  
11    liabilities, claims, and replacement will be reported in  
12    budget planning.
- 13    **9. Minimum Fund Balance.** To maintain sufficient funds for  
14    cash flow requirements and future liabilities, the  
15    Transit Program will maintain a minimum cash balance  
16    construction fund of one-tenth of the projected annual  
17    sales tax collection.
- 18    **10. Capital Planning and Funding.** Capital replacement  
19    requirements will be included in long-term cash flow  
20    projections. The cash flow plan should provide for  
21    replacement capital of the existing service plan and  
22    reliable long-term revenue sources to fund additional  
23    service and associated capital investments. Debt will be  
24    used on a limited basis primarily for short-term cash  
25    flow needs. Debt will not be used to fund long-term cash  
26    flow shortages. For major capital projects with long-  
27    term useful lives (normally 25 years or more) and whose  
28    costs exceed short-term cash flows, debt may be used  
29    providing there is a sufficient dedicated revenue within  
30    the cash flow plan to service the debt.

31           To maintain accurate estimates of future operating  
32    expenses, capital project plans will include estimates of  
33    added costs or savings resulting from the project.

- 1 11. **Costs of Service.** Hourly costs of current service should  
2 grow at or below the rate of inflation in future budget  
3 years. If hourly costs of service exceed this amount,  
4 explanations will be provided in budget planning, and  
5 options for reducing hourly costs to the targeted level  
6 will be presented to the Council for consideration.
- 7 12. **Operating Revenues/Operating Expenditures.** Metro will  
8 maintain a target of recovering a minimum of 25 percent  
9 of operating expense (OE) from operating revenues (OR)  
10 derived from passenger services.
- 11 13. **Cost Recovery.** Any Transit Program services performed  
12 for other public or private organizations will be  
13 reimbursed to recover all direct and indirect costs of  
14 the program unless otherwise authorized by the King  
15 County Executive and, if required, Council action. The  
16 Executive Director shall have authority to waive this  
17 policy in specific circumstances where recovery of all  
18 direct and indirect expenses in a service fee may  
19 interfere with the ability to sponsor or participate in  
20 services that are vital to the primary goal of Metro's  
21 public transportation program.
- 22 14. **Operating Grants.** Prior to acceptance of grant funds,  
23 they will be reviewed to determine if funding is  
24 predictable from year to year. Operating grants which  
25 obligate the Transit Program to fund future services will  
26 be reviewed in cash-flow planning each year so future  
27 local funding requirements are an integral part of the  
28 financial and service plan.
- 29 15. **Fares.** Fares will be reviewed at least as often as every  
30 three years and revised as necessary to ensure that  
31 revenue requirements and financial policies are met.

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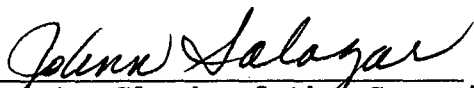
16. Overhead Charge. The overhead charge to Metro should remain at the originally adopted 1994 level until the current overhead evaluation study is completed. Alternatively, if funds for overhead are budgeted at this time, a proviso should be added to the budget that the funds not be expended until Metro's exact contribution is determined. The final allocation of overhead expenses should await the results of the study and the regional transit committee's review and action.

PASSED this 5<sup>th</sup> day of August, 1994.

REGIONAL TRANSIT COMMITTEE  
KING COUNTY, WASHINGTON

  
Chair Vice-Chair

ATTEST:

  
Deputy Clerk of the Council