



Finance, Administration and Oversight Committee

Action Item III-A

September 13, 2007

**Use of Operating Reserve and Refund of
Jurisdictional Balances on Account**

**Washington Metropolitan Area Transportation Authority
Board Action/Information Summary**

Action
 Information

MEAD Number:

Resolution:
 Yes No

PURPOSE

Twofold: To request a) Board of Directors approval to drawdown the Operating Reserve to partially offset the FY07 operating budget shortfall of \$19.9 million, and b) to refund FY07 year-end jurisdictional balances on account totaling \$8.3 million.

DESCRIPTION

The FY07 operating budget, subject to audit, is expected to have a \$19.9 million shortfall. Under Resolution #2003-50, the Board of Directors authorized the continued financial support of an operating reserve to be maintained at a balance not to exceed one percent of the current year operating expense budget. In keeping with that resolution there is approximately \$11 million currently in the reserve.

In addition, as of June 30, 2007, the local jurisdictions are maintaining surplus balances on account at Metro totaling more than \$8.3 million. This is comprised of \$1.6 million from the District of Columbia, \$0.3 million from Maryland and \$6.4 million from Virginia. A detailed accounting is attached. These amounts will be returned to the jurisdictions because Metro has not been instructed to apply these balances to any billing or project.

FUNDING IMPACT

The FY07 operating budget shortfall of \$19.9 million must be funded. Drawdown of the Operating Reserve will reduce this amount to approximately \$8.9 million which will be added two years hence, to the FY09 jurisdictional subsidy billings.

RECOMMENDATION

Recommend Board of Directors approval to drawdown the Operating Reserve and approve refund of all jurisdictional balances on account.

PRESENTED AND ADOPTED:

SUBJECT: USE OF OPERATING RESERVE AND REFUND OF JURISDICTIONAL
BALANCES ON ACCOUNT

PROPOSED
RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSPORTATION AUTHORITY

WHEREAS, By Resolution #2003-50, the Board of Directors authorized a contingency reserve to provide for operating budget shortfalls, and

WHEREAS, The FY07 operating budget, subject to audit, is expected to have a \$19.9 million shortfall; and

WHEREAS, The reserve is approximately \$11 million; and

WHEREAS, As of June 30, 2007, net surplus jurisdictional balances on account total \$8.3 million; now, therefore be it

RESOLVED, That the Board of Directors authorizes the use of the aforementioned reserve to partially offset the FY07 operating budget shortfall; and be it further

RESOLVED, That the Board of Directors authorizes the refunding of the net surplus jurisdictional funds on account as of June 30, 2007; and be it finally

RESOLVED, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



Carol B. O'Keeffe
General Counsel

Use of Operating Reserve and Refund of Jurisdictional Balances On Account

Presented to the Board of Directors:

**Finance, Administration and Oversight
Committee**

September 13, 2007





Use of Operating Reserve

- Metro ended FY07 with a \$19.9 million operating budget deficit, primarily due to ridership growth of 1% versus budgeted growth of 4%
- Board Resolution #2003-50 authorized the existence of a 1% contingency reserve to provide for such shortfalls
- In FY07 there is approximately \$11 million in the reserve to use for the shortfall



Refund of Jurisdictional Account Balances

- As of June 30, 2007 Jurisdictional Balances on account include:
- District of Columbia - \$1.6 million
- Maryland - \$0.3 million
- Virginia - \$6.4 million
- These surplus balances should be refunded to the jurisdictions because they are not currently recorded as funding available for use in Metro's budget



Recommendation

Staff recommends Board approval of the Resolution to use the Operating Reserve to offset the FY07 operating budget shortfall of approximately \$19.9 million, subject to audit, and to refund the \$8.3 million in jurisdictional balances on account



Attachments

1. Accounting of Balances on Account at June 30, 2007
2. Board Resolution 2003-50 "Use of Operating Reserve"

JURISDICTIONAL BALANCES ON ACCOUNT
(\$ Refund to Jurisdictions) / \$ Due from Jurisdictions
AS OF JUNE 30, 2007

<u>JURISDICTION</u>	<u>OPERATING</u>	<u>CAPITAL</u>	<u>TOTAL</u>	<u>NOTES</u>
<u>DISTRICT OF COLUMBIA</u>				
DC Dept of Transportation	(\$5,199,457)	(\$1,040,523)	(\$6,239,980)	Operating credits represent unused audit adjustment credits and capital credits represent interest earnings on capital payments.
DC Dept of Transportation	0	1,413,774	1,413,774	7th Street Bridge
DC Dept of Public Works	181,773	0	181,773	Joint and Adjacent Escort Services
DC Dept of Public Works	150,000	0	150,000	Joint and Adjacent Escort Services
DC Office of Property Management	(4,418)	0	(4,418)	Per agreement, interest earnings are to be used for the SE Bus Shuttle Project and Garage Relocation Costs.
Available Credits, 6/30/07	(\$4,872,103)	\$373,251	(\$4,498,851)	
Credits to be Applied to 1st Quarter FY08 Billing	\$2,750,000	\$143,565	\$2,893,565	
DC TOTAL	(\$2,122,103)	\$516,816	(\$1,605,286)	
<u>MARYLAND</u>				
Montgomery County	(\$1,345,559)	\$0	(\$1,345,559)	Operating credits represent unused audit adjustment credits. Pending receipt of capital/CMAQ \$11,254,461.
Prince George's County	(683,008)	0	(683,008)	Operating credits represent unused audit adjustment credits. Pending receipt of capital/CMAQ \$11,995,404.
Available Credits, 6/30/07	(\$2,028,567)	\$0	(\$2,028,567)	
Credits to be Applied to 1st Quarter FY08 Billing	\$1,691,021	\$0	\$1,691,021	
MD TOTAL	(\$337,546)	\$0	(\$337,546)	
<u>VIRGINIA</u>				
Alexandria	(\$249,375)	(\$1,648,741)	(\$1,898,115)	Operating credits represent unused audit adjustment credits.
Arlington	(1,521,379)	(304,523)	(1,825,901)	Capital credits represent interest earnings on capital payments.
City of Fairfax	(29,512)	(3,083)	(32,595)	
Fairfax County	377,266	(1,906,646)	(1,529,380)	
Fairfax County Dept. of Family Service	93,248	0	93,248	Access to Jobs
Falls Church	(53,342)	(90,902)	(144,245)	
Northern VA Transportation Comm.	(276,556)	(1,394,398)	(1,670,954)	
Available Credits, 6/30/07	(\$1,659,649)	(\$5,348,293)	(\$7,007,942)	
Credits to be Applied to 1st Quarter FY08 Billing	\$246,631	\$376,764	\$623,395	
VA TOTAL	(\$1,413,018)	(\$4,971,529)	(\$6,384,547)	
TOTAL	(\$3,872,667)	(\$4,454,713)	(\$8,327,379)	

SUBJECT: USE OF OPERATING RESERVE

2003-50
**RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, By resolution #97-35 the Board established a \$7.9 million reserve to provide a contingency for potential shortfalls in federal operating assistance; and

WHEREAS, The Authority experienced a \$3.3 million budget shortfall, subject to audit, in FY03 due primarily to excess expense and revenue losses associated with the record Presidents Day snowstorm, as well as lower than planned tourist ridership; and

WHEREAS, The Authority has requested reimbursements from the Federal Emergency Management Agency to offset eligible expenses associated with the snow storm, as well as from the Office for Domestic Emergency Preparedness to offset extra security costs during the war in Iraq, but will not likely receive these funds until FY2004 or beyond; now, therefore, be it

RESOLVED, That the WMATA Board approves the conversion of the existing reserve for loss of federal operating assistance into an operating reserve, to be used only upon approval of the Board; and be it further

RESOLVED, That the WMATA Board authorizes the continued financial support of this reserve such that it will, when feasible, be maintained at a balance not to exceed 1% of the current year operating expense budget; and be it further

RESOLVED, That if, at the end of any fiscal year, the Operating Budget concludes with a subsidy surplus, the first distribution of said surplus shall be directed to this reserve in order to satisfy the authorized balance; and be it further

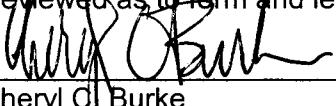
RESOLVED, That the WMATA Board authorizes the use of the aforementioned reserve to offset the FY03 operating budget shortfall of approximately \$3.3 million, subject to audit; and be it further

RESOLVED, That any reimbursements received to cover prior year operating costs will be reported to the Board and used to replenish the reserve; and be it further

RESOLVED, That the status of this reserve shall be reviewed with the Board as part of the budget review and approval process; and be it further

RESOLVED, That this resolution shall be effective immediately.

Reviewed as to form and legal sufficiency.



Cheryl C. Burke
General Counsel

Motioned by Mrs. Mack, seconded by Mr. Kauffman, unanimously approved.

Ayes: 6 - Mr. Graham, Mr. Smith, Mrs. Mack, Mr. Trotter, Mr. Zimmerman, and Mr. Kauffman