



Minnesota Regional Transit
Board: Records.

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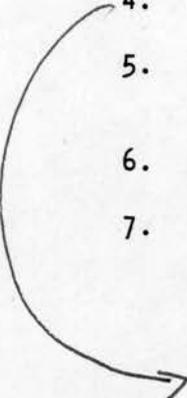


REGIONAL TRANSIT BOARD
270 Metro Square Building
St. Paul, Minnesota 55101
612/292-8789

MEETING OF THE REGIONAL TRANSIT BOARD

Metropolitan Council Chambers
August 18, 1986
4:00 p.m.

AGENDA

1. Call to Order and Roll Call
 2. Approval of Agenda
 3. CONSENT LIST: No Business Items
 4. Regional Transit Board 1987 Capital Budget*
 5. Appointment of the Metropolitan Transit Commission Commissioner*
 6. REPORT OF THE POLICY COMMITTEE
 7. REPORT OF THE ADMINISTRATION AND FINANCE COMMITTEE
 - a. 1985 Regional Transit Board Financial Statements*
 - b. Metro Mobility Provider Applications*
 8. OTHER BUSINESS
 9. PUBLIC COMMENT
- 

Elliott Perovich
Chairman

* Bring material from committee meeting packets.

REGIONAL TRANSIT BOARD
ROLL CALL AND ATTENDANCE SHEET

Jh
ge
m
mh
Ed
J. Hanes
 mal
tin
Bob
Gerry
J
Mr. Curry
Bertrand
Ry

DATE: _____

BOARD OR COMMITTEE _____

Let roll in ntc

| MEMBER NAME | PRESENT | VOTE | VOTE | VOTE | VOTE | VOTE |
|---------------------------------|---------|-----------|------|------|------|------|
| Chairman | ✓ | Present | | | | |
| Kenneth Bedeau (P) | no | | | | | |
| Doris Caranicas (P) | ✓ | 6 O'clock | | | | |
| Ruth Franklin (Chair, A & F) | ✓ | 6 O'clock | | | | |
| Alison Fuhr (P) | ✓ | 6 O'clock | | | | |
| Paul Joyce (A & F) | ✓ | 6 O'clock | | | | |
| Edward Kranz (A & F) | ✓ | O'clock | | | | |
| Todd Lefko (Chair, Policy) | no | | | | | |
| Bernard Skrebes (A & F) | ✓ | Present | | | | |

REGIONAL TRANSIT BOARD

270 Metro Square Building, St. Paul, Minnesota 55101

Minutes of the Meeting of the
REGIONAL TRANSIT BOARD
Metropolitan Council Chambers
August 11, 1986

BOARD MEMBERS PRESENT: Elliott Perovich, Chairman; Doris Caranicas; Ruth Franklin; Alison Fuhr; Paul Joyce; Edward Kranz and Bernard Skrebes

MEMBERS ABSENT: Kenneth Bedeau and Todd Lefko

OTHERS PRESENT: Greg Andrews, Mary Fitzgerald, Judy Hollander, Mike Kuehn, Gerry Brechlin, Regional Transit Board Staff; Tim Marx, legal counsel; Dirk deVries, Metropolitan Council, Emil Brandt, Steve Bertrand, Bob Rossman

PUBLIC HEARING ON THE REGIONAL TRANSIT BOARD'S PROPOSED 1987 WORK PROGRAM AND OPERATING AND CAPITAL BUDGETS

The chairman convened the public hearing on the board's work program and budgets. This hearing is held annually as mandated by law. Written comments on the document will be received into the public record through August 15, 1986. The board will be asked to approve the capital portion of the budget for transmittal to the Metropolitan Council. Andrews reviewed the process used to arrive at this document and briefly reviewed the priorities involved in developing the RTB budget. The only modification is that the Nicollet Garage project has been deleted from the Metropolitan Transit Commission (MTC) work program. Revised pages on the MTC capital budget were distributed to members before the meeting was convened.

The chairman asked for public comment. Carol Connors, 630 Cedar Avenue, Minneapolis, told the board that the Number 19 bus does not run often enough. Young people are approached at the bus stops by passing motorists who offer them rides, creating unsafe conditions for young bus riders.

The chairman invited other people to speak, but no one responded. He therefore recessed the public hearing and called the regular meeting of the board to order. Roll call was taken. Joyce moved approval of the agenda; Caranicas seconded the motion. Motion carried unanimously.

Joyce moved approval of the minutes of the July 21, 1986, meeting; Franklin seconded the motion. Motion carried unanimously.

CONSENT LIST - No business items.

REPORT OF THE POLICY COMMITTEE

PROCESS FOR IMPLEMENTING INTERIM FINANCIAL AND PERFORMANCE STANDARDS FOR METROPOLITAN TRANSIT COMMISSION REGULAR ROUTE TRANSIT SERVICES

Committee Vice Chair Fuhr reviewed the committee report dated July 24, 1986, and moved:

That the Regional Transit Board approve the process for implementing the interim financial and performance standards for Metropolitan Transit Commission regular route transit services.

Caranicas seconded the motion; the motion carried unanimously.

RECOMMENDATIONS FOR RESTRUCTURING OR TERMINATING SERVICE ON ROUTES 29, 61, 25, 27, 54, 88, 89, 37 AND 39

Committee Vice Chair Fuhr reviewed the committee report dated July 24, 1986, and moved:

That the Regional Transit Board concur with the Metropolitan Transit Commission actions already taken for Routes 29, 61, 78, 88, 89 and 37, and adopt the recommendations outlined in the July 14, 1986, memorandum concerning Routes 25, 27, 54 and 39.

Caranicas seconded the motion; the motion carried unanimously.

PROSPECTUS FOR THE TRANSPORTATION PLANNING PROCESS--TWIN CITIES METROPOLITAN AREA

Committee Vice Chair Fuhr reviewed the committee report dated August 11, 1986, and the staff comments that were distributed at the meeting. Fuhr moved:

That the Regional Transit Board approve and submit the comments presented in the August 11 memorandum on the Prospectus for the Transportation Planning Process in the Twin Cities Metropolitan to the Metropolitan Council.

Caranicas seconded the motion; the motion carried unanimously.

OTHER BUSINESS

The chairman reminded the members of the joint meeting with the Metropolitan Council on August 18.

There being no other business or public comment, Fuhr moved that the meeting of the board be adjourned. Joyce seconded the motion; the motion carried unanimously.

PUBLIC HEARING ON THE REGIONAL TRANSIT BOARD'S PROPOSED 1987 WORK PROGRAM AND OPERATING AND CAPITAL BUDGETS

The chairman reconvened the public hearing on the budget and asked if anyone wished to address the board. There being no additional comments, he reminded everyone that the record is open until the end of the week for written comments, which should be directed to the attention of the chairman. The budget is a working document, and it will not receive formal approval until December 1986. Taxes must be levied by October 10. He then closed the public hearing at 4:30 p.m.

REGIONAL TRANSIT BOARD

270 Metro Square Building, St. Paul, Minnesota 55101

Minutes of the Meeting of the
REGIONAL TRANSIT BOARD
Metropolitan Council Chambers
August 11, 1986

BOARD MEMBERS PRESENT: Elliott Perovich, Chairman; Doris Caranicas; Ruth Franklin; Alison Fuhr; Paul Joyce; Edward Kranz and Bernard Skrebes

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Committee Vice Chair Fuhr reviewed the committee report dated July 24, 1986, and moved:

PUBLIC HEARING TO RECEIVE PUBLIC COMMENT ON APPOINTMENT TO THE EXPIRING TERM
ON THE METROPOLITAN TRANSIT COMMISSION

The chair called the public hearing on the appointment of an MTC commissioner to order. The order of appearance of the applicants was decided by a drawing by the board's secretary.

Glenn G. C. Olson addressed the board, citing his background in transit. He discussed the need for the commission to become more cost-effective in order to manage the system as funding becomes less available.

Sharron Clasen was not present.

Camille Andre said he understands the policies of management and the responsibility of administrators. He is familiar with MTC operations, the geography of the Metropolitan Area and the people involved in the public process. He has time available to devote to the activities of the commission and has a strong interest in continuing to improve transit service.

Gayle Kincannon reviewed her resume for the board and said the best way to judge what she would do is to review what she has accomplished.

Gerald Biese said he moved to the Twin Cities a year ago and works with the handicapped. He is willing to learn and contribute to the commission.

Bruce Nawrocki (incumbent) said he meets the statutory requirements in that he is a resident of the service area, outside St. Paul and Minneapolis, and has management experience. For 25 years he has been involved in local and regional matters and has developed rapport with people in various units of government, which has made him effective on the Metropolitan Transit Commission (MTC). He said he has been effective in asking questions and investigating alternatives. We have a very good transit system but we are expected to do an even better job and become more cost-effective. Had MTC done that earlier the RTB would not have been created.

Lee Goderstad expressed his desire to make a contribution to the community. He is a banker with a law degree and has the background and time that qualify him to make decisions and bring expertise to the MTC. His interest in law is administrative procedures. He serves on the subcommittee of the Downtown Council analyzing needs for parking and learning about the shifts in ridership and transit. It is important to think about the long-term economic impact of some of the decisions being made. He would be happy to be a spokesman for MTC in public.

Terence O'Brian was not present.

Robert Miller said operating demands have changed in recent years, particularly since the creation of the RTB. He is interested in metro-wide and suburban service and would like to continue and expand it. The area is in the process of change. There are more people living and working outside the core cities and transit must answer those changes. Lower gas prices are creating competition, but the downtown system is already clogged. He discussed his managerial style of problem resolution.

Larry Chiat had called to say he could not attend the meeting.

Joyce said one application was received late because of a problem in mail delivery. Legal Counsel Marx suggested that the board move to include Robert Miller in the list of applicants and Marx will research the question with the Secretary of State's office and review the Open Appointments statutes. Joyce moved:

That Robert Miller's application for appointment to the Metropolitan Transit Commission be accepted by the Regional Transit Board subject to determination of any applicable restrictions under the law.

Fuhr seconded the motion. The motion carried unanimously.

Franklin commented that the candidates are excellent and it speaks well for the suburban areas' interest in transit. She regrets that the board cannot put three people from suburban areas on the commission. The chairman agreed that it is gratifying to see the large number of people willing to serve. The board will consider the testimony and the written material and will make the appointment at the board's August 18 meeting. The appointment is effective later in the month.

There being no other comments, the chairman declared the public hearing closed.

Respectfully submitted,

Mary Fitzgerald
Secretary

REGIONAL TRANSIT BOARD

Suite 270 Metro Square Building, St. Paul, MN 55101
292-8789

DATE: August 18, 1986
TO: Regional Transit Board
FROM: Administration and Finance Committee
SUBJECT: Metro Mobility Provider Applications

At its meeting August 12, 1986, the Administration and Finance Committee approved the following staff recommendation:

That the Regional Transit Board authorize the executive director to enter into contract with the following organizations to provide Metro Mobility service:

| | |
|------------------------------|---------------------------------|
| Carebus | Metro Ride of Minnesota |
| City Wide Cab Company | Midwest Med-Kab |
| Diamond Cab Company | Morley Bus Company |
| Handicapped Transport System | Suburban Paratransit |
| Kare Kabs | Transportation Management |
| MedPlus/Health Central | Yellow Taxi Service Corporation |

RUTH FRANKLIN
CHAIR

REGIONAL TRANSIT BOARD

Suite 270 Metro Square Building, Saint Paul, Minnesota 55101

DATE: August 12, 1986
TO: Regional Transit Board
FROM: Administration and Finance Committee
SUBJECT: 1985 Regional Transit Board Financial Statements

At its meeting August 12, 1986, the Administration and Finance Committee will review and take action on the above referenced subject. A verbal report and recommendation will be presented at the full board meeting scheduled for August 18, 1986.

Ruth Franklin
Chair

A&F812

Appointment of Metropolitan Transit Commission Member

PROPOSED RULES

1. All applicants who have filed with the Secretary of State's Office will have their names placed into nomination.
2. All votes on the appointment will be taken by a roll call of the board.
3. For a nominee to be elected, he/she must receive a majority of the votes of the board members who are present and voting.
4. Balloting will continue, without limit, until someone receives the necessary number of votes to be elected, or until some other proper motion has been made and adopted.

MK004A/TX4.



REGIONAL TRANSIT BOARD

270 Metro Square Building
St. Paul, Minnesota 55101
612/292-8789

Mary,

Would you please see that everyone gets a copy before the vote and remind Elliot to announce what I am doing on this vote. Thanks...see you after Labor Day. As I sit on the beach at Cape Cod, I will be thinking of all of you.

Todd

RECEIVED
AUG 18 1986
REG. TRANS. BRD.

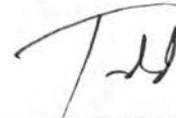
Dear Fellow Members,

I wish I could be with you for the selection of an MTC Commissioner. Had I been there, I would vote for Glen Olson, whom I have known and respected for twenty years. Glen will be an excellent choice, and an outstanding member.

There are some moments I suspect he may be a Republican, but am still hoping I can eventually get him to join me in peace marches and other lost causes. Until that day, I still value his friendship, and his knowledge of transit.

Am looking forward to seeing all of you when I return from vacation.

Yours Truly,

A handwritten signature in black ink, appearing to read 'T Lefko'. The signature is stylized with a large 'T' and a cursive 'Lefko'.

Todd Lefko

W. C. VIITALA
5700 MOUNT NORMANDEALE DRIVE
MINNEAPOLIS, MINNESOTA 55437

August 12, 1986

Regional Transit Board
In care of: Chairman Elliott Perovich
270 Metro Square Building
St. Paul, MN 55101

Dear Elliott:

It is my understanding that you are in the process of filling the suburban representative on the Metro Transit Commission. The appointment is now held by Bruce Nawrocki and I am writing in support of his reappointment.

Mr. Nawrocki with whom I served on the Suburban Rate Authority Board is an excellent representative on the Commission and in my opinion one of the more capable and dedicated public officials it has been my pleasure to know. He is fair and gives due consideration to all factors in his decisions.

I heartily endorse his reappointment.

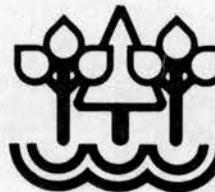
Cordially,

Will Viitala

WCViitala

8/14/86

1313 East Highway 13, Burnsville, Minnesota 55337 612/890-4100



City of
BURNSVILLE

August 6, 1986

Mr. Elliott Perovich, Chairman
Regional Transit Board
270 Metro Square Building
St. Paul, MN 55101

Dear Mr. Perovich:

I am writing to you in support of the reappointment of Bruce G. Nawrocki to the Metropolitan Transit Commission as its suburban representative. I have known Bruce for a number of years as a fellow mayor as well as a co-worker on numerous metropolitan activities.

Bruce has been mayor of the City of Columbia Heights since 1965. He has vast experience in metropolitan transportation and transit matters. I can think of no individual more qualified to serve on the Metropolitan Transit Commission.

Please accept my wholehearted endorsement of Bruce for this position.

Very truly yours,

A handwritten signature in cursive script that reads "Connie Morrison". The signature is written in black ink and is positioned below the typed name.

Connie Morrison
Mayor

CM:ak

RECEIVED

AUG 12 1986

REG. TRANS. BRD.

JIM RAMSTAD

Assistant Minority Leader
Senator 45th District
2618 Crosby Road
Wayzata, Minnesota 55391
(612) 475-3365
Office:
123 State Office Building
Saint Paul, Minnesota 55155
(612) 296-9251

Senate

State of Minnesota

August 11, 1986

Chairman Elliott Perovich
Regional Transit Board
270 Metro Square Building
St. Paul, Minnesota 55101

Dear Elliott:

I understand that Bruce Nawrocki is a candidate for re-appointment to the Metropolitan Transit Commission as the suburban representative.

As one who has known Bruce Nawrocki for a number of years and has worked with him, I'm pleased to endorse him for re-appointment and give him my highest recommendation.

Bruce always makes himself available on transit issues, and his record on the MTC merits re-appointment. Bruce is a hard-working, active member of the MTC who's made many valuable contributions to our metropolitan transportation system.

In summary, I respectfully encourage the Regional Transit Board to re-appoint Bruce Nawrocki.

Thank you for your consideration.

Sincerely,



JIM RAMSTAD
State Senator

JR:ve

Gordon Backlund

District 51A
Fridley, Spring Lake Park, Blaine

Committees:

Education

Education Finance Division

Environment and Natural Resources

Environment Subcommittee

General Legislation and Veterans Affairs

Elections Subcommittee, Vice Chair

Judiciary

Civil Laws and Administration

Subcommittee

Advisory Committee on Low-Level

Radioactive Waste



Minnesota House of Representatives

August 11, 1986

Regional Transit Board
c/o Chairman Elliott Perovich
270 Metro Square Building
St. Paul, Minnesota 55101

Dear Regional Transit Board Members:

This letter is written in support of Bruce Nawrocki as a candidate for reappointment to the Metropolitan Transit Commission to be the suburban representative on the Commission.

I have known Bruce for several years and have found him to be a most worthy representative for our area.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Gordon Backlund".

Gordon Backlund
State Representative

GB:dm



Fred C. Norton
Minority Leader

267 State Office Building
St. Paul, MN 55155

(612) 296-5158



Minnesota House of Representatives

August 11, 1986

Mr. Elliott Perovich, Chair
Regional Transit Board
270 Metro Square Building
St. Paul, MN 55101

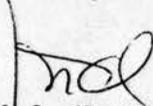
Dear Elliott,

I would like to urge your reappointment of Bruce Nawrocki to the Metropolitan Transit Commission.

I have known Bruce for all of the years that I have been in elective office and have found him to be very capable and the kind of person who is easy to work with.

I believe his qualifications make him deserving of reappointment as I know his interests in the transit area are strong.

Yours very truly,


Fred C. Norton
House Minority Leader

FCN:n

PHYLLIS McQUAID

Senator District 44
132B State Office Building
St. Paul, Minnesota 55155
Phone: (612) 296-1279
4130 Yosemite Avenue South
St. Louis Park, Minnesota 55416
Phone: (612) 929-5652

Senate

State of Minnesota

August 13, 1986

Elliott Perovich, Chairman
Regional Transit Board
270 Metro Square Building
St. Paul, MN 55101

Dear Elliott:

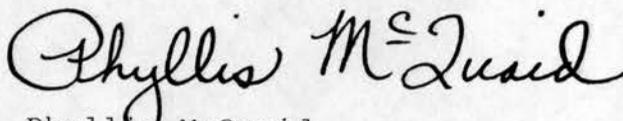
I am writing this letter on behalf of Glenn Olson, to urge you to appoint him to the Metropolitan Transit Commission as the suburban representative on that body.

I have known Glenn for about ten years and am very impressed with his knowledge of transit issues. He also has been involved with a number of committees on which I have served and I was extremely impressed with his ability to work with groups of people of different philosophies. Glenn has a talent for using the group process to resolve problems without forcing his opinion on the group.

Glenn has a good business background. He has also been chairman of the Minnetonka School Board for three years, giving him experience on an elected public body.

Glenn would provide real leadership and some refreshing new ideas on the MTC. I respectfully urge you to appoint him.

Sincerely,



Phyllis McQuaid
State Senator

PM/bk

cc: Glenn Olson

8/19/86

BILL FRENZEL
THIRD DISTRICT, MINNESOTA

WASHINGTON OFFICE:
1026 LONGWORTH BUILDING
202-225-2871

MINNESOTA OFFICE:
ROOM 445
8120 PENN AVENUE SOUTH
BLOOMINGTON, MN 55431-1326
612-881-4600

Congress of the United States

House of Representatives

Washington, DC 20515-2303

August 12, 1986

Mr. Elliott Perovich
Chairman
Regional Transit Board
270 Metro Square Building
St. Paul, MN 55101

Dear Mr. ~~Perovich~~ *Elliott*:

I understand that Bruce Nawrocki is a candidate for reappointment to the Metropolitan Transit Commission as a suburban representative. I would like to express my strong and enthusiastic support for his reappointment.

In my long acquaintance with Bruce, I have known him as an able local official with a particular interest in, and knowledge of, transportation and mass transit issues. He has demonstrated his ability and expertise many times over, and would, in my view, continue to serve a valuable role on the Commission if reappointed.

I urge your favorable consideration of his candidacy.

Yours very truly,

Bill Frenzel
Bill Frenzel

Member of Congress

BF:dj

RECEIVED
AUG 15 1986
REG. TRANS. BLD.

Sally Olsen

District 44A
Hopkins-Minnetonka-St. Louis Park

Committees:

Budget
Education
Education Finance Division, Chair
Financial Institutions and Insurance
Taxes

Academic Excellence Foundation
Legislative Commission on Public Education
Midwestern Education Board



Minnesota House of Representatives

David M. Jennings, Speaker

August 12, 1986

Regional Transit Board
% Chairman Elliott Perovich
270 Metro Square Building
St. Paul, MN 55101

Dear Elliott:

On July 29, I wrote to you asking for your consideration of the reappointment of Bruce Nawrocki to the MTC. At that time, I was unaware that Glenn Olson, 21690 Fairview Street, Excelsior, MN., 55331 had become a candidate for appointment to the MTC Board. This letter is to inform you that my wholehearted support is behind the appointment of Glenn Olson to the MTC.

I have known Glenn for a long time and have worked closely with him on transit issues, especially light rail transit. I respect and admire the work that Glenn has done in the area of transit and believe that he is the clear choice for this appointment.

In the mid 60's, Glenn organized a committee on the future of mass transit. This was while he was a member of the Minneapolis City Council. He worked diligently throughout his term on this project. In 1967 Glenn was appointed to the Metropolitan Council and served as the Council's liason to the MTC. Later he served as a member of the City of Minneapolis Advisory Board to the Metropolitan Transit Commission.

8/14/86

Reply to: 559 State Office Building, St. Paul, Minnesota 55155
 3307 Decatur Lane, St. Louis Park, Minnesota 55426

Office: (612) 296-3964
Home: (612) 933-1433

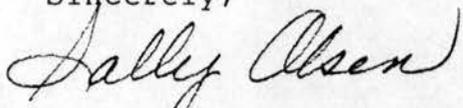


In 1972 the City of Minneapolis elected Glenn to the MTC and when his term ended, he became a member of the MTC's advisory committee on transit. In 1976 he was appointed chairman of ACT, a post he still holds.

I believe that Glenn will not only bring depth and breath of experience to MTC, but a new breath under the current MTC organization.

Glenn is clearly my choice, and I hope he is yours as well.

Sincerely,

A handwritten signature in cursive script that reads "Sally Olsen". The signature is written in dark ink and is positioned above the typed name.

Sally Olsen
State Representative

SO:jr

REGIONAL TRANSIT BOARD

Suite 270 Metro Square Building, St. Paul, MN 55101
292-8789

DATE: August 12, 1986
TO: Regional Transit Board
FROM: Administration and Finance Committee
SUBJECT: Proposed 1987 Regional Transit Board Capital Budget

ACTION REQUESTED

The Regional Transit Board is asked to review and approve the proposed 1987 capital budget including the Metropolitan Transit Commission (MTC) capital programs for the purpose of submittal to the Metropolitan Council for review and approval.

BACKGROUND

The 1987 capital programs of the RTB and the MTC have been reviewed by the Administration and Finance Committee at its meetings of July 10, 17 and 24, 1986, and at a Committee of the Whole meeting on July 28, 1986. The proposed MTC capital budget totals \$133,785,569. Of this total, \$120,844,071 has been previously authorized, leaving \$12,941,498 of additional authorizations requested for 1987. The detail of authorizations by individual project is shown on the Summary of Authorizations and Expenditures (page G-11 attached).

At the Committee of the Whole meeting on July 28, 1986, staff reviewed with the committee the responses from the MTC relating to additional information requested on July 22, 1986 on the 1987 MTC Work Program and Capital Budget. Staff further reviewed a memorandum relating to the MTC proposal for Nicollet Garage replacement. It was staff's recommendation that the capital needs of the region as they relate to the replacement of the MTC's Nicollet Garage would be investigated. Following that investigation, a report to the Administration and Finance Committee would be prepared in a timely manner that would allow the RTB to act on the Nicollet Garage proposal before submitting its budget to the Metropolitan Council in December 1986. Therefore, the capital budget as revised excludes the Nicollet Garage replacement project.

The RTB capital program is comprised of two programs: 87-20 Capital Equipment, (\$130,500) and 87-26, Capital Improvements-Transit Providers, (\$200,000).

RECOMMENDATION

That the Regional Transit Board ~~review and~~ approve the proposed 1987 capital budget including the Metropolitan Transit Commission capital programs for the purpose of submittal to the Metropolitan Council for review and approval.

Attachment
AF812a/RTBTX3

REGIONAL TRANSIT BOARD

Suite 270 Metro Square Building, Saint Paul, Minnesota 55101

DATE: August 6, 1986
TO: Administration and Finance Committee
FROM: Gregory L. Andrews, Director of Administration
SUBJECT: Review of 1985 Audit Report

The purpose of this memo is to transmit, for your review, copies of the 1985 audited financial statements as well as the required federal financial assistance schedules for 1985. Our auditors, Deloitte Haskins & Sells, will be available at the August 12, 1986 meeting to discuss the statements with the committee. Following discussion at the A&F meeting, the final report will be mailed to board members for acceptance at the meeting August 18, 1986.

ACTION REQUESTED

That the Administration and Finance Committee recommend acceptance of the audited financial statements and federal financial assistance schedules for calendar year 1985 and direct that they be placed on file.

Attachment

A&F812

REGIONAL TRANSIT BOARD

Financial Statements for the Year Ended
December 31, 1985 and Auditors' Opinion

THIS COPY IS A PRELIMINARY
DRAFT INTENDED FOR DISCUSSION
PURPOSES ONLY AND IS SUBJECT
TO CHANGE
DELOITTE HASKINS & SELLS

AUDITORS' OPINION

Regional Transit Board:

We have examined the combined balance sheet of the Regional Transit Board as of December 31, 1985 and the related combined statement of revenues, expenditures, and changes in fund balances for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the Regional Transit Board at December 31, 1985 and the results of its operations for the period then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

May 14, 1986

THIS COPY IS A PRELIMINARY
DRAFT INTENDED FOR DISCUSSION
PURPOSES ONLY AND IS SUBJECT
TO CHANGE
DELOITTE HASKINS & SELLS

THIS COPY IS A PRELIMINARY
DRAFT INTENDED FOR DISCUSSION
PURPOSES ONLY AND IS SUBJECT
TO CHANGE

REGIONAL TRANSIT BOARD

DELOITTE HASKINS & SELLS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1985

| | GOVERNMENTAL FUND TYPES | | ACCOUNT GROUP | TOTALS (MEMORANDUM ONLY) | |
|--|----------------------------|----------------------------|----------------------------|-----------------------------|------------------|
| | GENERAL FUND | SPECIAL REVENUE FUND | GENERAL FIXED ASSETS | 1985 | 1984 |
| <u>ASSETS</u> | | | | | |
| CASH | \$256,994 | \$ 158,545 | | \$ 415,539 | \$436,200 |
| CASH WITH FISCAL AGENT | | 16,952,695 | | 16,952,695 | |
| INVESTMENTS - At cost or amortized cost | 235,622 | 2,250,031 | | 2,485,653 | |
| RECEIVABLES: | | | | | |
| Property taxes | | 1,609,417 | | 1,609,417 | |
| Allowance for uncollectible taxes | | (228,000) | | (228,000) | |
| Accrued interest | 1,167 | 180,970 | | 182,137 | |
| DUE FROM OTHER FUNDS | 13,170 | | | 13,170 | |
| DUE FROM OTHER GOVERNMENTS | 293,846 | | | 293,846 | 176,384 |
| FURNITURE AND EQUIPMENT | | | \$96,985 | 96,985 | 3,110 |
| TOTAL ASSETS | \$800,799 | \$20,923,658 | \$96,985 | \$21,821,442 | \$615,694 |
| <u>LIABILITIES AND FUND EQUITY</u> | | | | | |
| LIABILITIES: | | | | | |
| Bank overdraft | \$ 10,606 | \$ 148,619 | | \$ 159,225 | \$ 28,752 |
| Vouchers payable | 19,974 | 58,971 | | 78,945 | 134,308 |
| Accrued liabilities | 61,162 | | | 61,162 | 10,059 |
| Notes payable | | 16,500,000 | | 16,500,000 | |
| Interest payable | | 688,050 | | 688,050 | |
| Due to other governmental units | 168,310 | 820,180 | | 988,490 | |
| Due to other funds | | 13,170 | | 13,170 | |
| Deferred revenue | | 1,262,219 | | 1,262,219 | |
| Total Liabilities | <u>260,052</u> | <u>19,491,209</u> | | <u>19,751,261</u> | <u>173,119</u> |
| FUND EQUITY: | | | | | |
| Investment in general fixed assets | | | \$96,985 | 96,985 | 3,110 |
| Fund Balances: | | | | | |
| Unreserved: | | | | | |
| Undesignated | <u>540,747</u> | <u>1,432,449</u> | | <u>1,973,196</u> | <u>439,465</u> |
| TOTAL LIABILITIES AND FUND EQUITY | \$800,799 | \$20,923,658 | \$96,985 | \$21,821,442 | \$615,694 |

See accompanying notes to combined financial statements.

REGIONAL TRANSIT BOARD

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1985

| | GOVERNMENTAL FUND TYPES | | TOTALS (MEMORANDUM ONLY) | |
|--|----------------------------|----------------------------|------------------------------------|--------------------------------------|
| | GENERAL FUND | SPECIAL REVENUE FUND | YEAR ENDED DECEMBER 31, 1985 | PERIOD ENDED DECEMBER 31, 1984 |
| REVENUES: | | | | |
| Property taxes | | \$35,289,258 | \$35,289,258 | |
| State revenue source: | | | | |
| Homestead credit | | 8,295,094 | 8,295,094 | |
| State grants | \$1,175,318 | 1,750,000 | 2,925,318 | \$747,660 |
| Federal grants | 231,371 | | 231,371 | |
| Interest | 30,637 | 258,972 | 289,609 | 13,541 |
| Miscellaneous revenues | 1,528 | | 1,528 | |
| Total Revenues | 1,438,854 | 45,593,324 | 47,032,178 | 761,201 |
| EXPENDITURES: | | | | |
| Current operations: | | | | |
| Salaries and benefits | 560,950 | 13,170 | 574,120 | 83,849 |
| Per diem | 47,950 | | 47,950 | 20,950 |
| Travel | 62,452 | | 62,452 | 14,829 |
| Professional and technical services | 177,246 | 118,128 | 295,374 | 161,627 |
| Rent | 54,287 | | 54,287 | 21,971 |
| Metropolitan Council chargebacks | 213,554 | | 213,554 | |
| Publications | | | | 5,162 |
| General and administrative | 86,410 | | 86,410 | |
| Interest on tax anticipation certificates | | 700,820 | 700,820 | |
| Miscellaneous | 40,848 | 1,477 | 42,325 | 10,238 |
| Capital expenditures | 93,875 | | 93,875 | 3,110 |
| Payments to transit providers | | 43,327,280 | 43,327,280 | |
| Total Expenditures | 1,337,572 | 44,160,875 | 45,498,447 | 321,736 |
| EXCESS OF REVENUES OVER EXPENDITURES | 101,282 | 1,432,449 | 1,533,731 | 439,465 |
| FUND BALANCES, BEGINNING OF PERIOD | 439,465 | -0- | 439,465 | -0- |
| FUND BALANCES, END OF PERIOD | \$ 540,747 | \$ 1,432,449 | \$ 1,973,196 | \$439,465 |

See accompanying notes to combined financial statements.

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REGIONAL TRANSIT BOARD

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1985**

| |GENERAL FUND..... | | |SPECIAL REVENUE FUND..... | | | TOTALS MEMORANDUM ONLY..... | | |
|---|------------------------|-------------------|--|--------------------------------|---------------------|---|--------------------------------|---------------------|---|
| | BUDGET | ACTUAL | VARIANCE FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| REVENUES: | | | | | | | | | |
| Property taxes | | | | \$32,997,906 | \$35,289,258 | \$2,291,352 | \$32,997,906 | \$35,289,258 | \$2,291,352 |
| State revenue source: | | | | | | | | | |
| Homestead credit | | | | 8,295,094 | 8,295,094 | | 8,295,094 | 8,295,094 | |
| State grants | \$1,103,493 | \$1,175,318 | \$ 71,825 | | 1,750,000 | 1,750,000 | 1,103,493 | 2,925,318 | 1,821,825 |
| Federal grants | 313,000 | 231,371 | (81,629) | | | | 313,000 | 231,371 | (81,629) |
| Interest | 44,700 | 30,637 | (14,063) | | 258,972 | 258,972 | 44,700 | 289,609 | 244,909 |
| Miscellaneous revenues | -0- | 1,528 | 1,528 | | | | -0- | 1,528 | 1,528 |
| Total Revenues | 1,461,193 | 1,438,854 | (22,339) | 41,293,000 | 45,593,324 | 4,300,324 | 42,754,193 | 47,032,178 | 4,277,985 |
| EXPENDITURES: | | | | | | | | | |
| Current operations: | | | | | | | | | |
| Salaries and benefits | 585,000 | 560,950 | 24,050 | | 13,170 | (13,170) | 585,000 | 574,120 | 10,880 |
| Per diem | 84,700 | 47,950 | 36,750 | | | | 84,700 | 47,950 | 36,750 |
| Travel | 20,500 | 62,452 | (41,952) | | | | 20,500 | 62,452 | (41,952) |
| Professional and technical services | 174,000 | 177,246 | (3,246) | 75,000 | 118,128 | (43,128) | 249,000 | 295,374 | (46,374) |
| Rent | 55,500 | 54,287 | 1,213 | | | | 55,500 | 54,287 | 1,213 |
| Metropolitan Council chargebacks | 206,000 | 213,554 | (7,554) | | | | 206,000 | 213,554 | (7,554) |
| General and administrative | 95,800 | 86,410 | 9,390 | | | | 95,800 | 86,410 | 9,390 |
| Interest on tax anticipation certificates | | | | | 700,820 | (700,820) | | 700,820 | (700,820) |
| Miscellaneous | 40,000 | 40,848 | (848) | | 1,477 | (1,477) | 40,000 | 42,325 | (2,325) |
| Capital expenditures | 100,000 | 93,875 | 6,125 | | | | 100,000 | 93,875 | 6,125 |
| Payments to transit providers | | | | 41,293,000 | 43,327,280 | (2,034,280) | 41,293,000 | 43,327,280 | (2,034,280) |
| Total Expenditures | 1,361,500 | 1,337,572 | 23,928 | 41,368,000 | 44,160,875 | (2,792,875) | 42,729,500 | 45,498,447 | (2,768,947) |
| EXCESS OF REVENUES OVER EXPENDITURES | 99,693 | 101,282 | (1,589) | (75,000) | 1,432,449 | 1,507,449 | 24,693 | 1,533,731 | 1,509,038 |
| FUND BALANCES, BEGINNING OF PERIOD | 439,465 | 439,465 | -0- | -0- | -0- | -0- | -0- | 439,465 | 439,465 |
| FUND BALANCES, END OF PERIOD | \$ 539,158 | \$ 540,747 | \$ (1,589) | \$ (75,000) | \$ 1,432,449 | \$ 1,507,449 | \$ 24,693 | \$ 1,973,196 | \$ 1,948,503 |

See accompanying notes to combined financial statements.

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REGIONAL TRANSIT BOARD

NOTES TO COMBINED FINANCIAL STATEMENTS

1. PURPOSE AND NATURE OF ORGANIZATION

The Minnesota State legislature established the Regional Transit Board (RTB) according to Minnesota Statutes section 473.146.

The RTB directs, coordinates and prioritizes transit services in the Twin Cities Metropolitan Area through needs assessment, policy development, distribution of public funds, facilitation of the implementation of programs and research, and demonstration projects. This is accomplished within the direction of the Legislature and the long-range transportation policy planning role of the Metropolitan Council. The RTB facilitates the implementation of transit service programs, recognizing the transit operating role of the Metropolitan Transit Commission and other transit service providers, and the need for continuous involvement of local units of government and the public.

The RTB's financial statements include all funds and account groups over which the RTB exercises oversight responsibility. In applying the entity definition criteria of the National Council on Governmental Accounting, it is the opinion of the RTB that it is neither a component unit of the Metropolitan Council nor is the Metropolitan Transit Commission a component unit of RTB.

Metropolitan Transit Commission

The MTC may pledge the taxing power of the RTB only with approval of the RTB and only for a one-year period for any issue of debt. The RTB is not required to provide funding to the MTC to meet any operating deficit that the MTC might experience. The RTB selects commission members of the MTC but cannot designate its management. RTB reviews and approves MTC budgets but does not approve its outside contracts, control its properties, nor resolve matters affecting recipients of MTC services. In 1985 RTB began collecting property taxes and received state aids that were previously collected by the MTC; however, federal aids, federal grants and farebox revenues will continue to be collected directly by MTC.

RTB does not hold title to MTC assets and does not have authority for audits of the MTC. The activities of MTC are for the benefit of RTB and the same general geographic boundaries and residents are served by both. While a number of the MTC authorities, funding sources and functions are dependent on the RTB, the significance of those that are not leads to the conclusion that MTC is not a component unit of RTB.

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Metropolitan Council

The Metropolitan Council (Council) has no responsibility for funding any RTB deficits or guaranteeing any RTB debt, nor can it use the RTB fund balances. The Council does select RTB board members but not its management. The Council has only limited authority over RTB budgets and no authority over its contracts, hiring, properties or in resolving matters affecting recipients of RTB services. The geographic area and populations served by both entities are substantially the same; however, the Council does not provide funding to RTB.

The RTB authorities, funding sources, and functions over which the Council has limited or no oversight responsibility lead to the conclusion that the RTB is not a component unit of the Council.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the RTB are organized on the basis of a general fund, one special revenue fund, and an account group, each of which is considered a separate accounting entity. The operation of each is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The General Fund is the general operating fund of the RTB. The Special Revenue Fund is used to account for property tax revenue and other revenues restricted for payments to transit providers and for other restricted revenues.

The General Fixed Assets Account Group is used to account for the RTB's property and equipment. Fixed assets used in governmental fund type operations (general fixed assets) are recorded at historical cost. No depreciation has been provided on general fixed assets.

Basis of Accounting

The RTB uses the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period; this period does not exceed 60 days.

Expenditures, including interest on tax anticipation certificates, are recognized under the modified accrual basis of accounting when the related fund liability is incurred.

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Cash and Temporary Cash Investments

Cash balances are invested to the extent available in certificates of deposit, repurchase agreements, commercial paper and U.S. Government instruments. Temporary cash investments are stated at cost which approximates market.

Accumulated Unpaid Vacation and Sick Pay

The RTB compensates all employees upon termination for unused vacation up to a maximum based upon length of service. Such pay is accrued as an expenditure when it is earned.

RTB employees are entitled to sick leave at a defined rate for each period of service. Employees are not compensated for unused sick leave upon termination. Sick pay is recorded as an expenditure when it is paid.

Property Taxes

Effective for taxes collectible in 1985, the RTB is authorized to levy certain property taxes to be used for providing transit service in the Twin Cities metropolitan area. These taxes were levied by the Metropolitan Transit Commission for prior years.

Property tax levies are set by the RTB in October each year, and are certified to the counties for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The counties generally provide tax settlements to the taxing districts four times per year, in February, April, June and November.

The RTB levied upon all taxable property within the Metropolitan Transit Taxing District the amount of \$44,979,682 payable in 1985 and \$46,461,410 payable in 1986 for use by the RTB for payment of the expenses of operating transit and paratransit services. This represents a two (2) mill levy on all taxable property within the Metropolitan Transit Taxing District, except that the levy on taxable property located in certain communities is reduced by specific amounts to reflect lower levels of transit services available. The RTB also levied \$4,639,590 payable in 1985 and \$3,353,595 payable in 1986 for principal and interest payments on general obligation certificates of indebtedness of the Metropolitan Transit Commission. In addition, the RTB also levied upon all taxable property within the Metropolitan Transit Area, but outside the Metropolitan Transit Taxing District, an amount of \$406,999 payable in 1985, \$424,100 payable in 1986.

The counties spread all levies over taxable property. Such taxes become a lien on January 1 and are recorded as taxes receivable by the RTB at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies.

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State and Federal Grants

The RTB received a federal grant from the Urban Mass Transit Administration in the amount of \$231,371 for planning and state grants of \$1,750,000 for planning and \$1,175,318 for administration.

3. CHANGES IN GENERAL FIXED ASSETS

| | Balance January 1, <u>1985</u> | <u>Additions</u> | Balance December 31, <u>1985</u> |
|------------------|--------------------------------------|------------------|--|
| Office Equipment | <u>\$3,110</u> | <u>\$93,875</u> | <u>\$96,985</u> |

4. RETIREMENT PLANS

The RTB employees belong to the state-wide retirement plan administered by the Minnesota State Retirement System (MSRS). The RTB contribution to this plan was based on statutory percentages determined by MSRS in the amount of \$14,219 for the year ended December 31, 1985, with full funding required by the year 2010. MSRS is a state-wide contributory retirement plan having annual actuarial valuations. An individual entity's portion of the unfunded liability is not available because no entity is directly liable for any unfunded liability under Minnesota law.

5. TAX ANTICIPATION CERTIFICATES OF INDEBTEDNESS

On February 19, 1985 the RTB authorized the public sale of \$16,500,000 Tax Anticipation Certificates of Indebtedness. The Certificates bear an interest rate of 5.56% per annum and mature on April 1, 1986. The RTB is required to place in escrow an amount equal to the total principal and interest due on April 1, 1986 from collections of property taxes and certain intergovernmental revenue received from the State of Minnesota.

On April 7, 1986, the RTB authorized the MTC to sell Tax Anticipation Certificates of Indebtedness in the amount of \$17,600,000. The Certificates bear interest of 4.35799% per annum and mature May 15, 1987. The RTB is required to place in an escrow account, by December 31, 1986, an amount equal to the principal and interest.

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REGIONAL TRANSIT BOARD

Federal Financial Assistance Schedules
for the Year Ended December 31, 1985 and
Reports of Independent Certified
Public Accountants

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REGIONAL TRANSIT BOARD

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Regional Transit Board:

We have examined the general purpose financial statements of the Regional Transit Board for the year ended December 31, 1985, and have issued our report thereon dated May 14, 1986. Our examination of such general purpose financial statements was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions issued by the U.S. General Accounting Office and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Our examination was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the general purpose financial statements. The information in that schedule has been subjected to the auditing procedures applied in the examination of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

July 2, 1986

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REGIONAL TRANSIT BOARD

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED DECEMBER 31, 1985

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Grantor's Number</u> | <u>Beginning Balance</u> | <u>Revenue Recognized</u> | <u>Expenditures</u> | <u>Ending Balance</u> |
|---|------------------------------------|-----------------------------|------------------------------|-------------------------------|---------------------|---------------------------|
| <u>Urban Mass Transit Administration/Metropolitan Council</u> | | | | | | |
| Urban Mass Transportation Technical Studies Grant | 20.505 | MN08-0053 | \$ - | \$231,371 | \$231,371 | \$ - |

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AUDITORS' REPORT ON COMPLIANCE

Board of Directors
Regional Transit Board:

We have examined the general purpose financial statements of the Regional Transit Board for the year ended December 31, 1985, and have issued our report thereon dated May 14, 1986. Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; and the provisions of the Legal Compliance Audit Guide promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Sec. 6.65 and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Regional Transit Board is responsible for the RTB's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records to determine the RTB's compliance with laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements of the RTB.

The results of our tests indicate that for the items tested, the Regional Transit Board complied with those provisions of laws and regulations, noncompliance with which could have a material effect on the general purpose financial statements. Nothing came to our attention that caused us to believe that for the items not tested the Regional Transit Board was not in compliance with laws or regulations, noncompliance with which could have a material effect on the RTB's general purpose financial statements.

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The Legal Compliance Audit Guide covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories. The results of our tests indicate that for the items tested, the RTB complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our examination and the procedures referred to above, nothing came to our attention to indicate that the RTB had not complied with such legal provisions.

July 2, 1986

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AUDITORS' REPORT ON COMPLIANCE WITH LAWS
AND REGULATIONS RELATED TO FEDERAL FINANCIAL
ASSISTANCE PROGRAMS

Board of Directors
Regional Transit Board:

We have examined the general purpose financial statements of the Regional Transit Board as of and for the year ended December 31, 1985, and have issued our report thereon dated May 14, 1986. Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments, and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The management of the Regional Transit Board is responsible for the RTB's compliance with laws and regulations. In connection with the examination referred to above, we selected and tested transactions and records from the federal financial assistance program to determine the RTB's compliance with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures.

The results of our tests indicate that for the transactions and records tested the Regional Transit Board complied with the laws and regulations referred to above. Our testing was more limited than would be necessary to express an opinion on whether the Regional Transit Board administered the program in compliance in all material respects with laws and regulations, noncompliance with which we believe could have a material effect on the allowability of program expenditures; however, with respect to the transactions that were not

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tested by us, nothing came to our attention to indicate that the Regional Transit Board had violated laws and regulations other than those laws and regulations for which we noted violations of our testing referred to above.

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AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROLS BASED SOLELY
ON A STUDY AND EVALUATION MADE AS A PART OF AN EXAMINATION
OF THE GENERAL PURPOSE FINANCIAL STATEMENTS

Board of Directors
Regional Transit Board:

We have examined the general purpose financial statements of the Regional Transit Board for the year ended December 31, 1985, and have issued our report thereon dated May 14, 1986. As part of our examination, we made a study and evaluation of the system of internal accounting control of the Regional Transit Board to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards and the standards for financial compliance audits contained in the U.S. General Accounting Office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. For the purpose of this report, we have classified the significant internal accounting controls in the following categories: cash receipts, cash disbursements, cash and investment balances, receivables, payables, payrolls, other assets and liabilities, and general ledger. Our study included all of these control categories. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Regional Transit Board is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in

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any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Regional Transit Board taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

This report is intended solely for the use of management and the Board and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Board, is a matter of public record.

July 2, 1986

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AUDITORS' REPORT ON INTERNAL CONTROLS (ACCOUNTING AND ADMINISTRATIVE)
BASED ON A STUDY AND EVALUATION MADE AS PART OF AN EXAMINATION OF THE
GENERAL PURPOSE FINANCIAL STATEMENTS AND THE ADDITIONAL TESTS
REQUIRED BY THE SINGLE AUDIT ACT

Board of Directors
Regional Transit Board:

We have examined the general purpose financial statements of the Regional Transit Board for the year ended December 31, 1985, and have issued our report thereon dated May 14, 1986. As part of our examination, we made a study and evaluation of the RTB's system of internal accounting control, including applicable internal administrative controls, used in administering federal financial assistance programs to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards; the standards for financial and compliance audits contained in Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the U.S. General Accounting Office; the Single Audit Act of 1984; and the provisions of OMB Circular A-128, Audits of State and Local Governments. For the purpose of this report, we have classified the significant internal accounting and administrative controls used in administering federal financial assistance programs in the following categories: cash receipts, cash disbursements, cash and investment balances, receivables, payables, payrolls, other assets and liabilities, and general ledger, as well as administrative controls relating to general and specific federal program requirements.

The management of the Regional Transit Board is responsible for establishing and maintaining internal control systems used in administering federal financial assistance programs. In fulfilling that responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control systems used in administering federal assistance programs are to provide management with reasonable, but not absolute, assurance that, with respect to federal financial assistance programs, resource use is consistent with laws, regulations, and policies; resources are safeguarded against waste, loss, and misuse; and reliable data are obtained, maintained, and fairly disclosed in reports.

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Because of inherent limitations in any system of internal accounting and administrative controls used in administering federal financial assistance programs, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the systems to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study included all of the applicable control categories listed above. During the year ended December 31, 1985, the Regional Transit Board had no major federal financial assistance programs and expended 73.9% of its total federal financial assistance under the following nonmajor federal financial assistance program: Urban Mass Transportation Technical Studies Grant. With respect to internal control systems used in administering this nonmajor federal financial assistance program, our study and evaluation included considering the types of errors and irregularities that could occur, determining the internal control procedures that should prevent or detect such errors and irregularities, determining whether the necessary procedures are prescribed and are being followed satisfactorily, and evaluating any weaknesses.

With respect to the internal control systems used solely in administering the nonmajor federal financial assistance program of the Regional Transit Board, our study and evaluation was limited to a preliminary review of the systems to obtain an understanding of the control environment and the flow of transactions through the accounting system. Our study and evaluation of the internal control systems used solely in administering the nonmajor federal financial assistance program of the Regional Transit Board did not extend beyond this preliminary review phase.

Our study and evaluation was more limited than would be necessary to express an opinion on the internal control systems used in administering the federal financial assistance program of the Regional Transit Board. Accordingly, we do not express an opinion on the internal control systems used in administering the federal financial assistance program of the Regional Transit Board.

Also, our examination, made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the internal control systems, for which our study and evaluation was limited to a preliminary review, as discussed in the fifth paragraph of this report.

This report is intended solely for the use of management and the Board and the federal cognizant audit agency and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Regional Transit Board, is a matter of public record.

July 2, 1986