

METRO

Greater Portland Transit District

October 30, 2013

Town of Falmouth
Town Council
271 Falmouth Road
Falmouth, ME 04105

Re: Preliminary Budget and Formula Letter

Dear Town Council Members,

On October 23, 2013, the Greater Portland Transit District (Metro) Board of Directors approved the Fiscal Year 2014 Preliminary Budget and Formula.

In accordance with applicable state statute, action is required by the City Council to either accept or reject Metro's Fiscal Year 2014 Preliminary Budget and Formula. For your convenience, I incorporated the major elements of the approved preliminary budget into the body of this letter. In addition, I have attached the following documents for your review:

- Attachment A - Recent Subsidy history comparison of the Preliminary/Final Budget
- Attachment B - Statutory Budget Procedure prepared by counsel for the District

Metro Overview

The Metro system provides nearly 1.5 million annual boardings on nine (9) bus routes serving the communities of Falmouth, Portland, Westbrook and the Maine Mall area of South Portland. Metro anticipates a strong 26% fare recovery rate in 2014 and boasts a respectable productivity rate of 1.8 boardings per service mile in 2012.

Metro works with the Portland Area Comprehensive Transportation System (PACTS), the Greater Portland Council of Governments (GPCOG) and multiple partner transit agencies to implement a coordinated regional transit system. Our major regional initiatives include:

- Evaluating the efficiencies and service improvements that could stem from regionalizing bus transit providers;
- Streamlining transit marketing and public information;
- Deploying intelligent transportation systems (ITS) that will improve transit system planning, quality of service, and customer service;
- Improving bus stops by adding shelters and improving signage;

- Partnering with GPCOG and towns north of Portland to examine the possibilities for expanding bus service northward, which would improve regional mobility and access to jobs.

In December 2013, the Metro Board of Directors will begin a strategic planning process to update its major goals and strategic objectives and position the agency for the future. The agency's current goals, established in 2011, are noted below:

- Take leadership role in creating a regional public transportation system for the benefit of riders.
- Diversify revenues through increased advertising and other means.
- Improve our image to riders, especially commuters.
- Improve information and analysis for better decision making and marketing.
- Serve more riders by increasing efficiency, optimizing routes.
- Improve board functioning.

The regional transit system your community invests in is a critical element of the regional transportation network that includes bus and rail transit, bicycle and pedestrian facilities, ferry service, paratransit access, as well as road and highway infrastructure. The common threads that can bind these modes into a seamless, effective and sustainable transportation system are transit supportive local policies and land-use and development patterns that create better conditions for walking, biking and taking transit. As Metro's General Manager and a representative of the Board of Directors, I am eager to partner with your community to help advance alternative modes of transportation in the region.

Preliminary 2014 Budget

The Fiscal Year 2014 Preliminary Budget totaling \$6,897,064 reflects an overall increase of 2% compared to the 2013 budget. The 2014 budget has been prepared to maintain existing transit service levels, provide a local investment in the 2014 capital improvement program to support replacement bus purchases and perform necessary asset maintenance while also allocating funding to the agency's fund balance in accordance with the Metro Board of Directors' adopted policy.

The proposed local investment increase of \$89,063 (3%) was recommended by the Board's Finance Committee and approved by the full Board of Directors at its October 23, 2013 meeting. The increase is intended to help the agency build toward its fund balance target goal of 16.33% of operating expenditures. An appropriate fund balance is a responsible measure to protect the transit system from sudden revenue declines, absorb unanticipated expenditure, and maximize the agency's credit rating.

The formula for allocating the local investment among the municipalities is based on anticipated 2014 revenue miles. Accordingly, the local investment divided between Falmouth, Portland and Westbrook is 6%, 81%, and 13% respectively.

Table 1 presents an overview of major sources and uses of funds.

Table 1: Sources and Uses of Funds

SOURCES OF FUNDS	2014 Budget	2013 Budget	Variance (%)	2013 Actual (Est.)	2012 Actual (Final)
Passenger Fare Revenue	\$ 1,771,876	\$ 1,789,654	-1%	\$ 1,787,483	\$ 1,780,790
Miscellaneous Revenue	\$ 403,256	\$ 425,986	-5%	\$ 461,334	\$ 396,374
Federal Operating Investment	\$ 1,504,535	\$ 1,354,294	11%	\$ 1,354,294	\$ 1,316,486
Federal Grant Funding (PM)	\$ 90,000	\$ 90,000	0%	\$ 90,000	\$ -
State Operating Investment	\$ 69,553	\$ 86,391	-19%	\$ 86,391	\$ 83,746
Budget Surplus Allocation	\$ -	\$ 50,000	-100%	\$ -	\$ -
Local Investment	\$ 3,057,844	\$ 2,968,781	3%	\$ 2,968,781	\$ 2,968,781
Total Revenue	\$ 6,897,064	\$ 6,765,106	2%	\$ 6,748,283	\$ 6,546,177

USES OF FUNDS	2014 Budget	2013 Budget	Variance (%)	2013 Actual (Est.)	2012 Actual (Final)
Administration	\$ 929,253	\$ 848,473	10%	\$ 857,890	\$ 852,803
Debt Service	\$ 121,586	\$ 74,823	62%	\$ 71,336	\$ 29,619
Transit Service	\$ 4,272,096	\$ 4,236,875	1%	\$ 4,107,603	\$ 3,936,887
Asset Maintenance	\$ 1,535,829	\$ 1,507,070	2%	\$ 1,504,613	\$ 1,347,001
Transfer to Capital Program	\$ 38,300	\$ 97,865	-61%	\$ 138,387	\$ 127,687
Allocation to Fund Balance	\$ -	\$ -	0%	\$ -	\$ -
Total Expenditures	\$ 6,897,064	\$ 6,765,106	2%	\$ 6,679,829	\$ 6,293,997

The Allocation to Fund Balance category remains blank to be consistent with the information presented to the Metro Board of Directors on October 23. Currently, this amount (\$84,572) is factored into separate line items consistent with past practice, but staff recommended and the Board concurred to break-out this allocation to fund balance in the final budget to improve transparency.

The tables provided on subsequent pages provide information on sources and uses of funds by line item. The presentation of the budget has been modified to foster quicker and easier understanding of what is being proposed for budget year 2014 and its relationship to the 2013 budget year. Estimates of 2013 actuals and final figures for 2012 are provided for comparative assessment. The budget note column includes a number that corresponds to an explanation of any major increases or decreases.

Table 2: Sources of Funds

SOURCES OF FUNDS	2014 Budget	2013 Budget	Variance (%)	Budget Note #	2013 Actual (Est.)	2012 Actual (Final)
Passenger Fare Revenue	\$ 1,771,876	\$ 1,789,654	-1%	1	\$ 1,787,483	\$ 1,780,790
<i>Cash</i>	<i>\$ 850,300</i>	<i>\$ 841,466</i>	<i>1%</i>		<i>\$ 840,227</i>	<i>\$ 830,198</i>
<i>Day Pass Sales</i>	<i>\$ 65,000</i>	<i>\$ 65,000</i>	<i>0%</i>		<i>\$ 64,820</i>	<i>\$ 50,680</i>
<i>Monthly Pass Sales</i>	<i>\$ 226,386</i>	<i>\$ 260,536</i>	<i>-13%</i>	2	<i>\$ 223,040</i>	<i>\$ 230,571</i>
<i>MaineCare Passes</i>	<i>\$ 390,000</i>	<i>\$ 400,000</i>	<i>-3%</i>		<i>\$ 422,460</i>	<i>\$ 450,960</i>
<i>Bus & Buy</i>	<i>\$ 12,306</i>	<i>\$ 11,944</i>	<i>3%</i>		<i>\$ 12,124</i>	<i>\$ 11,768</i>
<i>Scrip Ticket Sales</i>	<i>\$ 32,607</i>	<i>\$ 25,528</i>	<i>28%</i>	3	<i>\$ 32,126</i>	<i>\$ 25,151</i>
<i>Ten Ride Ticket Sales</i>	<i>\$ 190,614</i>	<i>\$ 181,180</i>	<i>5%</i>	4	<i>\$ 187,797</i>	<i>\$ 178,502</i>
<i>Student Pass-Discount Sales</i>	<i>\$ 4,662</i>	<i>\$ 4,000</i>	<i>17%</i>		<i>\$ 4,889</i>	<i>\$ 2,960</i>
Miscellaneous Revenue	\$ 403,256	\$ 425,986	-5%		\$ 461,334	\$ 396,374
<i>Lease Revenue</i>	<i>\$ 2,750</i>	<i>\$ 2,750</i>	<i>0%</i>		<i>\$ 2,750</i>	<i>\$ 2,750</i>
<i>Interest Income</i>	<i>\$ 150</i>	<i>\$ 150</i>	<i>0%</i>		<i>\$ 125</i>	<i>\$ 543</i>
<i>Falmouth Rt. 7 Grant</i>	<i>\$ 70,000</i>	<i>\$ 70,000</i>	<i>0%</i>		<i>\$ 70,257</i>	<i>\$ 68,166</i>
<i>RTP-PSD Services</i>	<i>\$ 25,856</i>	<i>\$ 29,866</i>	<i>-13%</i>	5	<i>\$ 25,806</i>	<i>\$ 29,232</i>
<i>Advertising</i>	<i>\$ 257,000</i>	<i>\$ 212,000</i>	<i>21%</i>	6	<i>\$ 258,350</i>	<i>\$ 184,620</i>
<i>Miscellaneous Income</i>	<i>\$ 47,500</i>	<i>\$ 111,220</i>	<i>-57%</i>	7	<i>\$ 104,046</i>	<i>\$ 111,063</i>
Federal Operating Investment	\$ 1,504,535	\$ 1,354,294	11%	8	\$ 1,354,294	\$ 1,316,486
Federal Grant Funding (PM)	\$ 90,000	\$ 90,000	0%		\$ 90,000	\$ -
State Operating Investment	\$ 69,553	\$ 86,391	-19%	9	\$ 86,391	\$ 83,746
Budget Surplus Allocation	\$ -	\$ 50,000	-100%		\$ -	\$ -
Local Investment	\$ 3,057,844	\$ 2,968,781	3%	10	\$ 2,968,781	\$ 2,968,781
<i>Falmouth</i>	<i>\$ 142,971</i>	<i>\$ 137,627</i>	<i>4%</i>		<i>\$ 137,627</i>	<i>\$ 137,627</i>
<i>Portland</i>	<i>\$ 2,511,278</i>	<i>\$ 2,439,138</i>	<i>3%</i>		<i>\$ 2,439,138</i>	<i>\$ 2,439,138</i>
<i>Westbrook</i>	<i>\$ 403,595</i>	<i>\$ 392,016</i>	<i>3%</i>		<i>\$ 392,016</i>	<i>\$ 392,016</i>
Total Revenue	\$ 6,897,064	\$ 6,765,106	2%		\$ 6,748,283	\$ 6,546,177

Table 3: Budget Analysis Notes – Sources of Funds

NOTE	CATEGORY	BUDGET ANALYSIS
1	Passenger Fare Revenue	A small decrease (1%) in overall passenger revenue is expected. However, at a projected 26%, Metro's fare recovery ratio is strong.
2	Monthly Pass Sales	Reduced pass sales to be consistent with current year results are below expectations. Was expecting greater use of monthly pass for 2013 with reduced expectation of MaineCare pass sales resulting from brokerage changes.
3	Scrip Ticket Sales	Increase reflects current year ticket sales improvement.
4	Ten Ride Ticket Sales	Increase reflects current year ticket sales improvement.
5	RTP-PSD Services	2013 results are not as budgeted but could see improvement with higher school bus miles between now and EOY resulting in more maintenance .
6	Advertising	Advertising sales have exceeded expectations. 2013 sales are 22% over budget revenue.
7	Miscellaneous Income	The major portion of the decrease (\$64,000) reflects the uncertainty surrounding the continuation of the IRS Alternative Fuels Tax Credit which offsets the cost of natural gas at \$0.50 per gallon.
8	Federal Operating Investment	Use of 5307 additional funds to offset a portion of subsidy increase.
9	State Operating Investment	Revenue drop because MDOT wanted to better fund the properties that could no longer use 5307 funds as operating as in prior years.
10	Local Investment	The formula for allocating the local investment is based on anticipated 2014 revenue miles. Accordingly, the local investment divided between Falmouth, Portland, and Westbrook by 6%, 81%, and 13% respectively. The Falmouth investment includes an offset for Job Access and Reverse Commute (JARC) federal grant funding of \$40,500. The budget reflects an increase in the local investment by 3-4% for the purpose of building the agency's fund balance in accordance with Board adopted policy.

Table 4: Uses of Funds

USES OF FUNDS	2014 Budget	2013 Budget	Variance (%)	Budget Note #	2013 Actual (Est.)	2012 Actual (Final)
Administration	\$ 929,253	\$ 848,473	10%		\$ 857,890	\$ 852,803
Personnel (Wages-Salaries)	\$ 380,363	\$ 340,596	12%	1	\$ 302,140	\$ 358,498
Personnel (Benefits)	\$ 232,846	\$ 183,311	27%	2	\$ 159,784	\$ 146,216
Marketing	\$ 36,000	\$ 36,000	0%		\$ 25,267	\$ 15,566
Legal Fees	\$ 30,000	\$ 30,000	0%		\$ 32,405	\$ 40,111
Audit Fees	\$ 12,500	\$ 12,500	0%		\$ 11,375	\$ 12,625
GPCOG Services	\$ 10,200	\$ 10,200	0%		\$ 27,339	\$ 10,749
Travel-Meetings	\$ 5,960	\$ 5,960	0%		\$ 3,582	\$ 2,981
Dues-Subscriptions	\$ 3,400	\$ 3,400	0%		\$ 4,561	\$ 4,381
Training	\$ 6,000	\$ 6,000	0%		\$ 270	\$ 1,589
Contracts-Consultants	\$ 10,916	\$ 5,944	84%	3	\$ 90,185	\$ 17,817
IT-Security	\$ 20,202	\$ 20,602	-2%		\$ 26,643	\$ 22,737
Goodwill Fund	\$ 1,950	\$ 1,950	0%		\$ 1,250	\$ 4,766
Commodities	\$ 61,821	\$ 77,694	-20%	4	\$ 60,013	\$ 79,818
Agency Insurance	\$ 117,095	\$ 114,316	2%		\$ 113,076	\$ 134,949
Debt Service	\$ 121,586	\$ 74,823	62%		\$ 71,336	\$ 29,619
Principal Repayment	\$ 76,786	\$ 40,523	89%	5	\$ 40,523	\$ -
Interest (Short-term debt)	\$ 16,800	\$ 16,800	0%		\$ 19,521	\$ 15,070
Interest (Long-term debt)	\$ 28,000	\$ 17,500	60%	6	\$ 11,292	\$ 14,549
Transit Service	\$ 4,272,096	\$ 4,236,875	1%		\$ 4,107,603	\$ 3,936,887
Personnel (Base Salaries)	\$ 2,110,883	\$ 2,087,426	1%	7	\$ 2,022,443	\$ 2,036,452
Personnel (Overtime)	\$ 175,516	\$ 198,658	-12%	8	\$ 179,699	\$ 215,793
Personnel (Benefits)	\$ 1,415,127	\$ 1,380,003	3%	9	\$ 1,215,293	\$ 1,127,219
Fuel (Fleet-Diesel)	\$ 300,000	\$ 381,418	-21%	10	\$ 426,532	\$ 379,559
Fuel (Fleet - CNG)	\$ 245,000	\$ 170,000	44%	11	\$ 237,392	\$ 164,792
Commodities	\$ 10,676	\$ 8,841	21%		\$ 10,921	\$ 13,072
Pulse Operating Costs	\$ 14,894	\$ 10,529	41%	12	\$ 15,323	\$ -

Table 4: Uses of Funds, Continued

USES OF FUNDS, Cont'd	2014 Budget	2013 Budget	Variance (%)	Budget Note #	2013 Actual (Est.)	2012 Actual (Final)
Asset Maintenance	\$ 1,535,829	\$ 1,507,070	2%		\$ 1,504,613	\$ 1,347,001
Personnel (Base Salaries)	\$ 556,447	\$ 527,121	6%	13	\$ 514,664	\$ 500,757
Personnel (Overtime)	\$ 19,166	\$ 8,435	127%	14	\$ 18,698	\$ 8,248
Personnel (Benefits)	\$ 353,540	\$ 321,992	10%	15	\$ 303,862	\$ 269,390
Parts (Equipment)	\$ 15,132	\$ 15,987	-5%		\$ 12,823	\$ 16,298
Parts (Fleet)	\$ 118,700	\$ 176,600	-33%	16	\$ 136,815	\$ 185,136
Parts (Facilities)	\$ 96,234	\$ 79,675	21%	17	\$ 96,767	\$ 79,908
Other Materials-Supplies	\$ 38,180	\$ 39,236	-3%		\$ 35,988	\$ 29,533
Tires (Fleet)	\$ 27,000	\$ 27,000	0%		\$ 18,353	\$ 27,593
Supplies (Fleet)	\$ 44,730	\$ 35,824	25%	18	\$ 44,036	\$ 29,986
Electricity	\$ 91,700	\$ 98,200	-7%		\$ 91,773	\$ 83,028
Water-Sewer	\$ 8,000	\$ 9,000	-11%		\$ 7,144	\$ 8,752
Obsolete Inventory Maint.	\$ -	\$ -	n/a		\$ -	\$ 21
Gas Heat (Facilities)	\$ 125,000	\$ 115,000	9%	19	\$ 212,683	\$ 108,351
CNG Fuel Station Maint.	\$ 25,000	\$ 36,000	-31%	20	\$ 11,007	\$ -
Bus Stop Maintenance	\$ 17,000	\$ 17,000	0%		\$ -	\$ -
Transfer to Capital Program	\$ 38,300	\$ 97,865	-61%	21	\$ 138,387	\$ 127,687
Falmouth Share	\$ 2,298	\$ 5,872	-61%		\$ 8,303	\$ 7,661
Portland Share	\$ 31,023	\$ 79,271	-61%		\$ 112,094	\$ 103,427
Westbrook Share	\$ 4,979	\$ 12,722	-61%		\$ 17,990	\$ 16,599
Total Expenditures	\$ 6,897,064	\$ 6,765,106	2%		\$ 6,679,829	\$ 6,293,997

Table 5: Budget Analysis Notes – **Uses of Funds**

NOTE	CATEGORY	BUDGET ANALYSIS
1	Administration Personnel (Wages- Salaries)	Increase includes a 2.5% salary and wage increase in accordance with terms of collective bargaining agreement and full year of general manager salary.
2	Administration Personnel (Benefits)	Reflects changes resulting from salary increase and full time general manager. Includes a 7% estimated increase for group medical.
3	Contracts- Consultants	Increase reflects a higher usage of outside consulting by our IT vendor. With greater attention to our system we have almost eliminated malware infestations. We intend to continue upgrading workstations as well.
4	Commodities	Reflects savings from swap of cell phones for operation's communications to radios.
5	Debt Service - Principal	Increase is due to additional principal repayment of new 10 year note to pay local share of five incoming buses.
6	Debt Service - Long-term Interest	Includes additional interest expense associated with 10 year note for local match of 5 new buses.
7	Transit Service Personnel (Wages- Salaries)	Includes 2.5 % wage and salary increase. Reduced overtime expense now that the department is at full strength. Evidence continues to support changes made to sick policy are reflecting few sick days being used.
8	Transit Service Personnel (Overtime)	Expect reduction due to full complement of personnel and reduced sick/other hours requiring overtime.
9	Transit Service Personnel (Benefits)	Includes a 7% estimated increase to group medical costs. Reduced costs for pension expense and FICA because of number of new personnel at lower wage rates consistent with progression.
10	Fuel (Fleet- Diesel)	Will see reduced diesel expense having five fewer diesel buses on the road.
11	Fuel (Fleet - CNG)	Increase CNG cost with five more CNG buses on the road.
12	Pulse Operating Costs	Budget more in line with actual 2013 costs. Somewhat higher utility costs. Heavier use of bathrooms and required cleaning and general maintenance costs.
13	Asset Maintenance Personnel (Wages- Salaries)	Includes 2.5 % wage and salary increase. Includes a department with utility person for entire year instead of partial. More overtime consistent with this latest winter's snow removal requirements.

Table 5: Budget Analysis Notes – Uses of Funds, Continued

NOTE	CATEGORY	BUDGET ANALYSIS
14	Asset Maintenance Personnel (Overtime)	More overtime consistent with this latest winter's snow removal requirements.
15	Asset Maintenance Personnel (Benefits)	Increase of 7% group medical and coverage for additional employee.
16	Parts (Fleet)	Anticipate reduced cost with 5 fewer 96/97 buses on the road and 5 new buses under warranty.
17	Parts (Facilities)	Greater cost for facilities maintenance of which \$11,000 of the increase is a reclassification of costs for maintaining compressor station.
18	Supplies (Fleet)	Reflects increase in usage of fluid costs for preventive maintenance, some required due to warranty.
19	Gas Heat (Facilities)	Forecast for a colder winter than 2012/13.
20	CNG Fuel Station Maintenance	Decrease is a result of recent reclassification of some expense to shop/garage buildings and grounds.
21	Transfer to Capital	Transfer of capital debt service to own cost category.

On behalf of Metro, I want to thank the Town of Falmouth for supporting public transportation and look forward to serving your community in the future. If you have any questions, please do not hesitate to contact me.

Respectfully,

Greg Jordan
General Manager

cc: Mr. Nathan Poore: Town Manager, Town of Falmouth
Mr. Daniel Rose: Attorney, Drummond Woodsum

ATTACHMENT A

Greater Portland Transit District (Metro)

Three Year History of Local Investments

Overview of Preliminary & Final Budgets (2011-2013)

2013	Final	Preliminary	Difference
Portland	\$ 2,439,138	\$ 2,532,076	\$ (92,938)
Westbrook	\$ 392,016	\$ 406,932	\$ (14,916)
Falmouth	\$ 137,627	\$ 144,511	\$ (6,884)
Total	\$ 2,968,781	\$ 3,083,519	\$ (114,738)
2012	Final	Preliminary	Difference
Portland	\$ 2,439,138	\$ 2,526,318	\$ (87,180)
Westbrook	\$ 392,016	\$ 406,008	\$ (13,992)
Falmouth	\$ 137,627	\$ 144,084	\$ (6,457)
Total	\$ 2,968,781	\$ 3,076,410	\$ (107,629)
2011*	Final	Preliminary	Difference
Portland	\$ 2,332,654	\$ 2,313,335	\$ 19,319
Westbrook	\$ 374,927	\$ 371,826	\$ 3,101
Falmouth	\$ 129,739	\$ 128,308	\$ 1,431
Total	\$ 2,837,320	\$ 2,813,469	\$ 23,851
<i>* Service adjustment January 9, 2011</i>			

Drummond Woods & MacMahon

Richard A. Spencer

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ATTACHMENT B

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August 20, 2010

David C. Redlefsen
General Manager
Greater Portland Transit District
114 Valley Street
Portland, ME 04102

RE: Statutory Budget Procedures Applicable to Greater
Portland Transit District

Dear Dave:

I am writing as you requested to outline the statutory procedures for the preparation and adoption of the annual budget and for the assessment and collection of taxes by the Greater Portland Transit District (the "District"). The statutory procedures for the preparation and adoption of the annual budget are governed by 30-A MRS §3516 and the procedures for assessment and collection of taxes are governed by 30-A MRS §3517. In the balance of this letter, I will outline these statutory procedures.

Preparation and Adoption of Annual Budget.

Under 30-A MRS §3516, the procedure for preparation and adoption of the annual budget of the District is as follows:

1. Formula for municipal contributions. On or before October 31, and before submitting the budget estimates required by paragraph 2 below to the municipal officers of the member towns, the board of directors of the District, by a 2/3 vote of its entire membership (i.e., 7 in favor), must approve a formula for calculating the contribution to be made by each member municipality to defray any projected deficit of the District. Under 30-A MRS §3516(2)(A) this formula must be based on such items as route mileage, profit or loss resulting from service to each municipality, population and any other factors that the board of directors considers relevant.

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2. Estimate of expenditures and revenues. After establishing the formula for municipal contributions under paragraph 1, the board of directors of the District must adopt a vote on or before October 31 at a duly called meeting approving an estimate of expenditures and revenues for the ensuing year and directing that it be submitted by the District to the municipal officers of each of the member towns. Under 30-A MRS §3504(2) a majority of the board of directors of the District constitutes a quorum and action taken by two-thirds of the directors is considered to be the action of the full board. The "municipal officers" in Portland, Westbrook and Falmouth are the members of the Portland City Council, Westbrook City Council and Falmouth Town Council respectively. Under 30-A MRS §3516(1)(A)-(E) the required estimate must include:

- A. An itemized estimate of anticipated revenues during the ensuing fiscal year from each source;
- B. An itemized estimate of expenditures for each classification for the ensuing fiscal year, including payments of principal and interest on bonds or notes issued or to be issued by the District;
- C. An itemized statement of all actual receipts from all sources to, and including September 30th of each previous fiscal year, with estimated receipts from those sources shown for the balance of the year;
- D. An itemized statement of all actual expenditures, up to and including September 30th of each previous fiscal year, with estimated expenditures shown for the balance of the year; and
- E. An estimate of revenue surplus or deficit of the District for the fiscal year for which estimates are being prepared.

The formula for municipal contributions adopted under paragraph 1 above and the amount of the contribution required from each member municipality must be shown in the estimates submitted to the municipal officers of each town.

3. Failure of Board of Directors to approve formula for municipal contributions by November 1st and petition to Public Utilities Commission. If the Board of Directors is unable to establish a formula for municipal contributions by a two-thirds vote of the entire membership (i.e., 7 favorable votes) then, also by November 1st, the Board must petition the Public Utilities Commission to adopt a formula. A vote of the directors approving the petition and directing its submission to the PUC should be approved by two-thirds of the members of the Board present and voting at a meeting at which a quorum of the Board is present. This vote must be adopted, and the petition must be submitted, to the PUC prior to November 1st, and prior to filing the estimates required under paragraph 1. In addition, if the board has failed to approve a formula, the estimates filed under

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paragraph 2 must include a statement "that a formula has not been established but that a petition has been made to the PUC for findings and a decision with respect to a formula." Under 30-A MRS §3516(2)(c), if a petition is filed with the PUC, the PUC must give notice to the member municipalities, hold a hearing, make findings and establish a formula within sixty (60) days from the filing of the District's petition. The findings and decision of the PUC are binding on the District and the member towns, provided that the District or any member town may appeal the PUC's decision to the Law Court in accordance with 35-A MRS §1320.

4. Refusal of municipal officers to accept the formula established by the District's Board of Directors. If the District's board of directors establishes a formula for municipal contributions by a two-thirds vote of its full membership and submits that formula to the municipal officers of the member towns by November 1st, but the municipal officers of a member town refuse to accept the formula, then the municipal officers are required, within thirty (30) days after the District's submission of the formula, to notify the District's board of directors of their refusal. If the District receives notice of such a refusal to accept the formula by the municipal officers of a member town, the District's board of directors is then required to petition the PUC by December 15th to establish a formula. In that situation, two-thirds of the board of directors present and voting at a meeting at which a quorum is present should adopt a vote approving the petition to the PUC and directing its submission to the PUC prior to December 15. The PUC must then give notice to the member municipalities, conduct a hearing, make findings and a decision with respect to the formula within sixty (60) days of the filing of the District's petition. The district or any member municipality may appeal the PUC's decision to the Law Court under 35-A MRS §1320.
5. Adoption of final District budget. By March 1st of each year, the board of directors of the District is required to adopt a final budget for the District for that year which is itemized in the same manner as required for the estimates required under paragraph 2. The final budget must be approved by two-thirds of the members of the district in accordance at a meeting at which a quorum is present. The final budget is then required to be submitted immediately to the municipal officers of the member municipalities. The amounts required to defray any projected deficit must be included in a warrant issued to the assessors of each member municipality as provided in 30-A MRS §3517. 30-A MRS §3516(3)(A) establishes the procedures to be followed if an appeal has been taken from a decision of the PUC and that appeal is still pending on March 1st.
6. The District's Warrant for Taxes. Pursuant to 30-A MRS §3517, the directors of the District are required to issue their warrant for the collection of taxes to the

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assessors of the member municipalities. The form of warrant should be based on the form of the warrant which has been used by the Treasurer of State for State taxes, with proper changes to adapt it to the District's situation. The warrants should be approved by two-thirds of the members of the District board of directors in attendance at a meeting at which a quorum is present. The warrants should be signed by the District's board of directors. The warrants direct the assessors of the member municipalities to assess the sums allocated to each municipality on their taxable property and to commit that assessment to the tax collector of each member municipality. Within thirty (30) days after the date that taxes are due within each member municipality, the treasurer of that municipality is required to pay the amounts due to the District.

If you have any questions about these procedures, or if I can be of assistance in preparing the necessary votes, notices or warrants, please do not hesitate to give me a call.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Dick Spencer".

Richard A. Spencer

RAS/kmr