

# Transportation Committee

**Meeting date: April 14, 2008**

**For Metropolitan Council Meeting April 23, 2008**

## **ADVISORY INFORMATION**

<b>Date:</b>	March 28, 2008
<b>Subject:</b>	2007/2008 Unified Operating Budget Amendment
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	MN Statutes Section 473.13, sub. 1 – Council Budget Requirements
<b>Staff Prepared/Presented:</b>	Brian Lamb, (612) 349-7510, General Manager Metro Transit Arlene McCarthy, MTS Director (651-602-1217) Ed Petrie, Director of Finance (612-349-7624) Sean Pfeiffer, Financial Analyst, MTS (651-602-1887) Clint Vatsaas (651) 602-1446, Principal Financial Analyst
<b>Division/Department:</b>	Transportation (Metro Transit & Metropolitan Transportation Services)

### **Proposed Action**

That the Council:

- Amend the 2007 Unified Operating Budget in accordance with the attached table.
- Amend the 2008 Unified Operating Budget in accordance with the attached table.

### **Background - 2007 Amendment**

The 2007 budget amendment includes recommended changes to the Metropolitan Transportation Services (MTS) 2007 Operating Budget to provide additional expenditure authority for two programs, Metro Mobility and the Suburban Transit Providers. The additional expenditures are in part offset by additional revenues that were also received. The adopted MTS 2007 budget planned for a \$1.5 million use of reserves, if this budget amendment is approved the actual use of reserves for 2007 will be approximately \$200,000, a positive variance of \$1,300,000.

The Metro Mobility overage was related to higher than expected transit provider expenses related to increased ridership demand. Metro Mobility is applying for I-35W Bridge Collapse funds for this overage and is expecting reimbursement for these expenses in 2008. Metro Mobility also maintains a policy that is based on keeping trip denial rates near zero.

The Suburban Transit Providers (STP), require an increase in transit provider expense which is offset by other revenues received by the Council for the STPs. This adjustment is a technical amendment that facilitates the passing through of all revenues received by the Council for the STPs.

Regardless of cause, programs are not authorized to exceed the authorized budget as set by the Council. To ensure that these overages do not occur in the future the following controls are being put into place: 1. Staff is currently working on a revised reporting format and schedule that will assist in identifying overages in all contracted services; 2. Treatment of the Suburban Transit Providers is being examined, though we have little budgetary control over these providers since state legislation requires a specific payout of MVST revenues to these communities.

Staff is recommending the following revisions to the 2007 operating budget.

**Metropolitan Transportation Services**

**Change in Expenditures: \$302,074, Reserves: \$150,000**

- Metro Mobility transit provider contract expenditures exceeded budget by \$150,000. This overage was due to higher than expected ridership in the last quarter of the year requiring additional service to provide rides. Even with this overage, the Metro Mobility program came in under the amended use of reserves by approximately \$1,050,000, resulting in a \$600,000 use of reserves rather than the amended \$1,650,000.
- The Suburban Transit Authority Provider program requests an additional amount of expenditure authority in the amount of \$152,074. This additional authority is required to match the received revenues due the STPs.

**Background – 2008 Amendment**

This amendment recognizes additional Federal revenue and related expenses. Staff is recommending the following revisions to the 2008 operating budget.

**Metro Transit Bus Operations**

**Change in Revenues: \$2,713,718, Expenditures: \$4,213,718, Reserves: (\$1,500,000), FTE's: 49.**

- The I-35 Bridge Transit Response Plan was developed at the request of Governor Pawlenty's office for congestion mitigation measures in the wake of the bridge collapse. A total of \$5.0 million in emergency funding was authorized by congress and will provide the source of revenue for this amendment. These amounts were not included in the original 2008 Budget adopted by the Council in December 2007. This Bridge Response Plan will add Federal Grant Revenue of \$1,853,063, Passenger Fare Revenue of \$860,655, Operations Expenses of \$2,713,718, and 43 Operators and 6 Mechanics to support the additional federally funded bus service.
- Increase the price of diesel fuel to \$2.80 per gallon to \$1,500,000 to coincide with our current fuel price hedging contracts. Fuel price hedging contracts are established to smooth swings in fuel prices throughout the year by locking in costs earlier. Budgeted fuel expenses for 2008 were based on an estimated fuel priced of \$2.56 that was established mid-year 2007 before the final fuel futures contracts were purchased for 2008. Unaudited Metro Transit financial results for 2007 forecast a surplus of \$1.1M which exceeds our previous forecasted deficit of (\$400K) by \$1.5M. The previous forecasted deficit was discussed with the Council with the review of the 2008 Operating budget. This \$1.5M increase in Fund Balance Reserves in 2007 will be used to offset the \$1.5M use of Fund Balance Reserves in 2008.
- Staff complement FTEs is adjusted for the I-35 Bridge Service. The Total FTE complement for bus and rail operations increases from 2644 to 2693.

2008 Council Approved Metro Transit FTE's	2644.00
I-35 Bridge Response FTE's	49.00
2008 Amended Metro Transit FTE's	2693.00

The FTE's for the I-35 Bridge Service are funded with a Federal Grant and are only funded for calendar year 2008. These FTE's will cancel at the end of 2008 without Council authorization to continue.

**Metro Transit Rail Operations**

**Change in Revenues: \$0, Expenditures: \$0, Reserves: \$0, FTE's: 0.**

- Budgeted Passenger Fares and Advertising Revenues have been re-forecasted based on 2007 unaudited results. Passenger Fares have been decreased (\$263,875) with a corresponding increase in Advertising Revenues of \$263,875.

## **Metropolitan Transportation Services**

**Change in Revenues: \$1,500,000; Expenditures: \$1,350,000; Reserves: \$150,000**

- Contracted Regular Route is requesting an increase of \$725,000 in transit program expense offset by I-35W Bridge Collapse federal funds. This amount is to fund the addition of the service from Forest Lake to Minneapolis.
- Metro Mobility is requesting an increase of \$350,000 in transit provider expense offset by the same federal dollars as above. The remaining \$150,000 of additional federal revenues being amended in is to offset unbudgeted 2007 I-35W Bridge Collapse amounts. This additional expense is caused by increased ridership in the Metro Mobility program due to the I-35W Bridge Collapse.
- The Suburban Transit Authority Provider program is requesting an increase of \$275,000 in transit program expense offset by the same federal dollars as above. This amount is to reimburse Maple Grove for an additional route added to alleviate an increase in ridership at the Maple Grove Transit Station after the collapse. Minnesota Valley Transit Authority has also incurred additional expenses related to increased trip lengths into Minneapolis.

## **Rationale**

Metro Transit staff have reviewed the Division/Department requests and unaudited financial results from 2007 and determined:

- A total of \$5.0 million in emergency funding was authorized by congress and will provide the source of revenue for this amendment for the I-35 Service
- Review of financial results indicate Metro Transit Bus Operations should positively exceed previous forecasted use of reserves of (\$400K) by \$1.5M, ending the year with a forecasted surplus of \$1.1M.

Metropolitan Transportation Services' amendments are necessary to amend in additional expenditure authority for both the 2007 and 2008 operating budgets and to bring in additional federal funding.

## **Funding**

Metro Transit's amended changes will result in a \$1,500,000 use of reserves in 2008. Metro Transit Bus Operations was budgeted with a \$1.7M use of reserves in 2007. The previous forecasted reduced use of reserves of (\$400k) was discussed with the Council with the review of the 2008 Operating budget. Metro Transit unaudited financial results for 2007 forecast a surplus of \$1.1M which exceeds our previous forecasted deficit of (\$400K) by \$1.5M. This \$1.5M increase in Fund Balance Reserves in 2007 will be used to offset the \$1.5M use of Fund Balance Reserves in 2008.

Metropolitan Transportation Services' 2007 amended changes will result in an increase in MTS expenditure authority and a use of reserves. However, the actual use of reserves by MTS for 2007 was reduced from the adopted \$1,500,000 to \$200,000. The 2008 amendment will bring in federal revenues that will offset amended expenditures and add to the reserves.

## **Known Support/Opposition**

None.

**Metropolitan Council - Transportation Division  
2007 Annual Budget - Summary of Revisions  
Operating Budget Amendment - Business Item 2008-061**

	2007 MTS	Suburban Transit			2007 MTS	Notes
	Amended Budget	Metro Mobility	Providers	Contracted Transit Services	Amended Budget	
<b>Revenues</b>						
<b>State Revenues</b>						
Motor Vehicle Sales Taxes	\$ 33,942,049	\$ -	\$ -	\$ -	\$ 33,942,049	
State Revenues	26,354,653	-	152,074	-	26,506,727	
<b>Total State Revenues</b>	<b>\$ 60,296,702</b>	<b>\$ -</b>	<b>\$ 152,074</b>	<b>\$ -</b>	<b>\$ 60,448,776</b>	
<b>Other Revenues</b>						
Federal Revenues	13,208,343	-	-	-	13,208,343	
Local Revenues	651,700	-	-	-	651,700	
Investment Earnings	201,000	-	-	-	201,000	
Fares - Base	5,287,214	-	-	-	5,287,214	
Contract & Special Event Revenue	-	-	-	-	-	
<b>Total Revenues</b>	<b>\$ 79,644,959</b>	<b>\$ -</b>	<b>\$ 152,074</b>	<b>\$ -</b>	<b>\$ 79,797,033</b>	
<b>Expenses</b>						
Salaries & Benefits	\$ 3,553,475	\$ -	\$ -	\$ -	\$ 3,553,475	
Consulting & Contractual Services	-	-	-	-	-	
Materials & Supplies	144,798	-	-	-	144,798	
Rent & Utilities	321,479	-	-	-	321,479	
Printing	109,040	-	-	-	109,040	
Travel	46,000	-	-	-	46,000	
Insurance	-	-	-	-	-	
Transit Programs	76,016,354	150,000	152,074	-	76,318,428	
Operating Capital	48,521	-	-	-	48,521	
Debt Service	-	-	-	-	-	
Other Operating Expenses	206,500	-	-	-	206,500	
<b>Total Expenses</b>	<b>\$ 80,446,167</b>	<b>\$ 150,000</b>	<b>\$ 152,074</b>	<b>\$ -</b>	<b>\$ 80,748,241</b>	
<b>Other Uses</b>						
Interdivisional Expense Alloc-MT & LRT	\$ 976,170	\$ -	\$ -	\$ -	\$ 976,170	
<b>Total Other Uses</b>	<b>\$ 976,170</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 976,170</b>	
Transfers To (From) Other Funds	(49,350)	-	-	-	(49,350)	
<b>Total Expenses and Uses</b>	<b>\$ 81,372,987</b>	<b>\$ 150,000</b>	<b>\$ 152,074</b>	<b>\$ -</b>	<b>\$ 81,675,061</b>	
<b>Surplus/(Deficit)</b>	<b>\$ (1,728,028)</b>	<b>\$ (150,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,878,028)</b>	

**Use of Reserves**

Budgeted - Use of Reserves - 2007\*

Actual - Use of Reserves - 2007\*\*

Difference - Budget to Actual

	Metro Mobility	Suburban Transit Providers	Contracted Transit Services	Total
Budgeted - Use of Reserves - 2007*	(1,650,000)	-	(228,028)	(1,878,028)
Actual - Use of Reserves - 2007**	(614,025)	-	47,580	(566,445)
Difference - Budget to Actual	\$ 1,035,975	\$ -	\$ 275,608	\$ 1,311,583

\* After approval of this amendment.

\*\* Amounts are 2007 unaudited financial statement amounts.

**Metropolitan Council - Transportation Division  
2008 Annual Budget - Summary of Revisions  
Operating Budget Amendment - Business Item 2008-061**

	2008 Adopted Budget	2008 Amended Budget	Metro Transit Bus	Metro Transit Rail	Total Metro Transit	Suburban Transit Providers			Total Metropolitan Transit Services	2008 Revised Budget	Notes
						Metro Mobility	Transit	Planning and Transit Services			
<b>Revenues</b>											
<b>State Revenues</b>											
Motor Vehicle Sales Taxes	\$ 121,008,369	\$ 121,008,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,008,369		
State Revenues	\$ 121,008,369	\$ 121,008,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,008,369		
<b>Total State Revenues</b>	<b>\$ 121,008,369</b>	<b>\$ 121,008,369</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 121,008,369</b>		
<b>Other Revenues</b>											
Federal Revenues	\$ 216,841,618	\$ 216,841,618	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 216,841,618		
Local Revenues	\$ 20,974,759	\$ 20,974,759	\$ 1,853,000	\$ 1,853,000	\$ 3,706,000	\$ 271,000	\$ 721,000	\$ 1,000,000	\$ 20,974,759		
Investment Earnings	\$ 6,079,762	\$ 6,079,762	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,079,762		
Other Revenues	\$ 338,600	\$ 338,600	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 338,600		
Fares - Bus	\$ 20,111,651	\$ 20,111,651	\$ 600,000	\$ 600,000	\$ 1,200,000	\$ 200,000	\$ 500,000	\$ 700,000	\$ 20,111,651		
Custom & Special Event Revenue	\$ 7,763,108	\$ 7,763,108	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,763,108		
<b>Total Revenues</b>	<b>\$ 543,179,709</b>	<b>\$ 543,179,709</b>	<b>\$ 2,713,218</b>	<b>\$ 2,713,218</b>	<b>\$ 5,426,436</b>	<b>\$ 271,000</b>	<b>\$ 721,000</b>	<b>\$ 1,000,000</b>	<b>\$ 543,179,709</b>		
<b>Expenses</b>											
Salaries & Benefits	\$ 199,437,542	\$ 199,437,542	\$ 2,235,421	\$ 2,235,421	\$ 4,470,842	\$ -	\$ -	\$ -	\$ 199,437,542		
Supplies & Contractual Services	\$ 1,042,507	\$ 1,042,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,042,507		
Materials & Supplies	\$ 17,173,568	\$ 17,173,568	\$ 1,978,269	\$ 1,978,269	\$ 3,956,538	\$ -	\$ -	\$ -	\$ 17,173,568		
Rent & Utilities	\$ 6,138,951	\$ 6,138,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,138,951		
Printing	\$ 118,000	\$ 118,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,000		
Travel	\$ 40,000	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,000		
Insurance	\$ 3,496,951	\$ 3,496,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,496,951		
Transit Program	\$ 71,823,738	\$ 71,823,738	\$ -	\$ -	\$ -	\$ 300,000	\$ 721,000	\$ 1,021,000	\$ 71,823,738		
Operating Capital	\$ 75,211,311	\$ 75,211,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,211,311		
Other Operating Expenses	\$ 24,063,524	\$ 24,063,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,063,524		
<b>Total Expenses</b>	<b>\$ 308,644,764</b>	<b>\$ 308,644,764</b>	<b>\$ 2,235,421</b>	<b>\$ 2,235,421</b>	<b>\$ 4,470,842</b>	<b>\$ 300,000</b>	<b>\$ 721,000</b>	<b>\$ 1,021,000</b>	<b>\$ 308,644,764</b>		
<b>Other Use</b>											
Interfund Expense Allocated MT & LRT	\$ 14,815,401	\$ 14,815,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,815,401		
6-87 Metropolitan Transportation Services	\$ 600,000	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000		
Priority Chargeback Expense	\$ 25,131	\$ 25,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,131		
<b>Total Other Use</b>	<b>\$ 15,440,532</b>	<b>\$ 15,440,532</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,440,532</b>		
Transfer To (From) Other Funds	\$ 21,100	\$ 21,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,100		
<b>Total Equipment and Uses</b>	<b>\$ 148,559,297</b>	<b>\$ 148,559,297</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 300,000</b>	<b>\$ 721,000</b>	<b>\$ 1,021,000</b>	<b>\$ 148,559,297</b>		
Surplus/Deficit	\$ (13,885,271)	\$ (13,885,271)	\$ (1,522,203)	\$ (1,522,203)	\$ (3,044,406)	\$ -	\$ -	\$ -	\$ (13,885,271)		

Adopted Budget	Amendment 1	Amendment 2	Amendment 3	Amendment 4	Amendment 5	Amendment 6	Amendment 7	Amendment 8	Amendment 9	Amendment 10	Amendment 11	Amendment 12
\$ 121,008,369	\$ -	\$ 121,008,369	\$ -	\$ 121,008,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 216,841,618	\$ -	\$ 216,841,618	\$ 40,000	\$ 216,892,118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 543,179,709	\$ -	\$ 543,179,709	\$ 40,000	\$ 543,219,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 121,008,369	\$ -	\$ 121,008,369	\$ -	\$ 121,008,369	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 216,841,618	\$ -	\$ 216,841,618	\$ 40,000	\$ 216,892,118	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 543,179,709	\$ -	\$ 543,179,709	\$ 40,000	\$ 543,219,709	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 199,437,542	\$ -	\$ 199,437,542	\$ -	\$ 199,437,542	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,042,507	\$ -	\$ 1,042,507	\$ -	\$ 1,042,507	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 17,173,568	\$ -	\$ 17,173,568	\$ -	\$ 17,173,568	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 6,138,951	\$ -	\$ 6,138,951	\$ -	\$ 6,138,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 118,000	\$ -	\$ 118,000	\$ -	\$ 118,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 40,000	\$ -	\$ 40,000	\$ -	\$ 40,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 3,496,951	\$ -	\$ 3,496,951	\$ -	\$ 3,496,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 71,823,738	\$ -	\$ 71,823,738	\$ -	\$ 71,823,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 75,211,311	\$ -	\$ 75,211,311	\$ -	\$ 75,211,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 24,063,524	\$ -	\$ 24,063,524	\$ -	\$ 24,063,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 308,644,764	\$ -	\$ 308,644,764	\$ -	\$ 308,644,764	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 14,815,401	\$ -	\$ 14,815,401	\$ -	\$ 14,815,401	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 600,000	\$ -	\$ 600,000	\$ -	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 25,131	\$ -	\$ 25,131	\$ -	\$ 25,131	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 15,440,532	\$ -	\$ 15,440,532	\$ -	\$ 15,440,532	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 21,100	\$ -	\$ 21,100	\$ -	\$ 21,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 148,559,297	\$ -	\$ 148,559,297	\$ -	\$ 148,559,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ (13,885,271)	\$ -	\$ (13,885,271)	\$ -	\$ (13,885,271)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

