

M Management Committee

Meeting date: October 24, 2007

ADVISORY INFORMATION

Date:	October 16, 2007
Subject:	3 rd Quarter Financial Report – September 30, 2007
District(s), Member(s):	All
Policy/Legal Reference:	Council Policy 3 – Finance and Asset Management
Staff Presented:	Mary Bogie 651-602-1359, Edwin Petrie 612-349-7624, Jason Willett 651-602-1196
Division/Department:	Finance

Financial Statements are attached for all Council operating funds for the quarter ending September 30, 2007. The narrative below provides information on significant events for each operating fund. The reports will be discussed with the Committee on October 24.

Third Quarter Financial Report – September 30, 2007

- General Fund

Overall General Fund operating expenses are under budget. The largest variances are in *Salaries and Benefits* and *Consulting & Contracted Services*. Salary savings resulting from vacant positions of approximately \$1.2 million are expected to carry through to the end of the year resulting in an operating surplus for the General Fund. A number of vacancies are expected to be filled by year end. *Hardware and Software Maintenance* represents the largest portion of the variance in *Contracted Services*. While budgeted equally throughout the year, these expenditures normally occur in the forth quarter of the year.

- Environmental Services

Expenses for *Salaries and Benefits* continue to be substantially below budget due to vacancies within the division. Non-labor expenses will also likely be below budget. Major variances include both *Contracted Services* and *Interdivisional Charges*, both by at least \$1 million. *Materials, Chemicals and Utilities* may exceed budget by small amounts.

Revenues are expected to be under budget by about \$1 million due to slower spending (and transfer) for the *Water Supply Planning Initiative* and to a small extent from *Industrial Revenues*.

A year end operating surplus is expected with operating reserves above the 10% target.

- Metro Transit

Bus Operations:

The Metro Transit budget included a \$1.7 million use of fund reserves for Bus operations in calendar year 2007. A combination of increased operating revenues (*Advertising and Investment Income*) and a reduction in expenses are expected to result in a decreased use of reserves of approximately \$1.1 million by the end of the year.

Metro Transit bus ridership has exceeded budget by 1,368,894 rides for the first 9 months of 2007. The largest increase is in the urban local ridership during non-peak periods. U Pass and College Pass programs had large growth in September and are expected to remain strong for the balance of the year.

Fuel price hedging contracts are established to smooth swings in fuel prices throughout the year by locking in costs earlier. Budgeted fuel expenses for 2007 were based on an estimated fuel price of \$2.36 that was established mid-year 2006 before the final fuel futures contracts were purchased for 2007. The actual fuel futures purchased for the first 9 months of 2007 were at \$2.52 per gallon, resulting in a negative variance of \$0.16 per gallon. Eighty-four percent of the expected fuel needs for the balance of 2007 are hedged. Projected year end savings in other expense categories are expected to offset the variance in fuel costs.

The proposed 2008 budget for fuel is \$2.56 per gallon and is 75% hedged at that price. Based on current calculations, the 2008 budget for fuel at \$2.56 per gallon appears to be appropriate. Staff will continue to monitor future hedging contracts to compare actual contract rates against the 2008 budgeted price per gallon.

Higher than expected expenses in *Materials and Supplies* are the result of maintaining an aging bus fleet. These higher expenses are expected to continue for the balance of calendar year 2007. This increased expense has been projected in the 2008 budget and should begin to decrease in the second half of 2008 with the arrival of the recently approved 132 buses.

Rail Operations:

Metro Transit rail ridership continues to be very strong and exceeds budgeted ridership levels by 87,000 rides for the first nine months of 2007. *Passenger fares, Advertising Revenues* and *Investment Income* contribute to a favorable variance in operating revenues and are expected to carry through to year end resulting in an operating surplus.

Overall operating expenses are near budget for the first 9 months of 2007 and are expected to be at the budgeted levels for the year. Favorable variances in *Professional and Technical Services* and *Utilities* are offset by increased shared services allocations for administrative overhead.

- Housing and Redevelopment Authority

Housing Expenses and related *Federal, State and Local Revenues* are under budget for the Council's housing and redevelopment authority. Actual experience varies from household factors used in budget preparation accounting for the difference. Year-end operating reserves are expected to be within budget.

- Metropolitan Transportation Services

Federal Revenues are under budget for the Regular Route Fund. Although this variance was mostly offset with additional state appropriation revenues in an earlier budget amendment, a use of operating reserves is likely and will result in a balance below the 15% target at year end.

- Post Employment Health Care Liability

Investments set aside (reserved) for Post Employment Health Care Benefits have grown to \$67.5 million at September 30, slightly ahead of the 2007 year-end projection noted in our 2006 actuarial study. The Council's funding policy requires contributions to the Health Care Liability Reserve for the portion of the benefit earned each year by active employees. Funds are invested with the Minnesota State Board of Investment and include cumulative unrealized gains of \$4.7 million. Unrealized gains and losses are market driven and represent the difference between the purchase price and current market value of investments and are not realized until investments are sold. We have seen, and will continue to see, investment gains and losses over the life of these investments.

**BALANCE SHEET
General Fund
September 30, 2007**

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	12,025,080
Accounts Receivable	72,428
Delinq Taxes Receivable	197,647
Due from Other Govern Units	3,673
Other	46,666
Total Assets	<u>12,345,493</u>
Accounts Payable	33,588
Salaries/Fringes Payable	135
Other	197,647
Total Liabilities	<u>231,370</u>
Fund Equity Accounts:	
Undesignated	6,789,496
Encumbrances	853,350
Self-Insurance	1,000,000
Compensated Absenses (Accrued Leave)	2,354,391
Water Planning	1,514,513
Beginning Fund Equity	<u>12,511,750</u>
Income Statement	(397,626)
Ending Equity	<u>12,114,124</u>
Total Liabilities and Equity	<u>12,345,495</u>

STATEMENT OF REVENUES AND EXPENSES
General Fund (100)
September 30, 2007

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Property Taxes	5,028,060	5,062,859	(34,799)	9,736,267	51.64%
State Revenue	-	21,200	(21,200)	481,933	0.00%
Investment Earnings	637,877	512,830	125,047	683,774	93.29%
Other Revenue	41,405	2,250	39,155	3,000	1380.17%
Total Revenue	5,707,342	5,599,139	108,203	10,904,974	52.34%
<u>EXPENSES</u>					
Salary and Benefits	14,415,268	15,576,546	1,161,278	22,509,459	64.04%
Consulting & Contractual Services	4,681,115	6,874,715	2,193,600	9,166,286	51.07%
Rent & Utilities	1,597,592	1,629,542	31,950	2,172,722	73.53%
Printing	120,020	264,188	144,168	352,250	34.07%
Travel	200,656	307,658	107,002	410,210	48.92%
Insurance	16,199	30,750	14,551	41,000	39.51%
Other Operating Expenses	816,588	1,017,118	200,530	1,356,157	60.21%
Total Expenses	21,847,438	25,700,517	3,853,079	36,008,084	60.67%
<u>TRANSFERS</u>					
Transfer In From MT	8,999,268	10,510,019	(1,510,751)	14,013,359	64.22%
Transfer In From MCES	5,900,008	7,343,675	(1,443,667)	9,791,567	60.26%
Transfer In From MTS	139,628	139,628	-	186,170	75.00%
A87 Allocations	949,037	1,048,500	(99,463)	1,398,000	67.89%
Chargeback from MAC	41,327	54,750	(13,423)	73,000	56.61%
Transfer Out	(286,798)	(1,401,000)	1,114,202	(1,868,000)	15.35%
Total Transfers	15,742,470	17,695,572	(1,953,102)	23,594,096	66.72%
<u>SURPLUS (DEFICIT)</u>	(397,626)	(2,405,806)	2,008,180	(1,509,014)	

Balance Sheet
Environmental Services
September 30, 2007

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	20,476,955
Accounts Receivable	1,307,634
Due from Other Govern Units	535,610
Materials & Supplies	8,315,273
Other	1,028
Total Assets	<u><u>30,636,500</u></u>
Accounts Payable	4,313,877
Salaries/Fringes Payable	9,285,981
Workers Comp	865,595
Deferred Revenue (Advance payments of sewer charges)	7,567,079
Total Liabilities	<u><u>22,032,532</u></u>
Fund Equity Accounts	-
Income Statement	8,603,967
Ending Equity	<u><u>8,603,967</u></u>
Total Liabilities and Equity	<u><u>30,636,500</u></u>
<u>Contingency Operating Reserves:</u>	
Beginning Equity	16,495,122
Transfer to Operating	(1,000,000)
Transfer to Liability Self-Insurance	(1,000,000)
Transfer to Capital Projects	(1,150,000)
Transfer to Retiree Health	(1,150,000)
Ending Equity	<u><u>12,195,122</u></u>

STATEMENT OF REVENUES AND EXPENSES
ENVIRONMENTAL SERVICES
September 30, 2007

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Municipal Wastewater Charges	109,651,598	109,499,994	151,604	146,000,000	75.10%
Industrial Charges	5,521,717	5,521,717	-	9,400,000	58.74%
Investment Earnings/Finance Charges	1,788,905	1,499,994	288,911	2,000,000	89.45%
State Grant	289,653	165,440	124,213	165,440	175.08%
Miscellaneous Revenue	314,478	356,634	(42,156)	525,005	59.90%
Total Revenue	117,566,351	117,043,779	522,572	158,090,445	74.37%
<u>EXPENSES</u>					
Salary and Benefits	34,237,671	35,547,164	1,309,493	51,893,670	65.98%
Retiree Hlth, Wkrs Comp, Leave Benefits	4,088,239	4,326,750	238,511	5,769,000	70.87%
Consulting & Contractual Services	6,702,185	10,351,637	3,649,452	13,746,566	48.76%
Materials & Supplies	4,677,564	4,351,426	(326,138)	5,801,692	80.62%
Chemicals	4,157,118	3,842,651	(314,467)	5,123,525	81.14%
Travel	112,254	136,462	24,208	181,450	61.86%
Utilities & Rent (see below)	12,995,973	12,858,184	(137,789)	17,118,430	75.92%
Capital Outlay	166,461	1,048,274	881,813	1,391,030	11.97%
Other Direct Expenses	900,165	881,153	(19,012)	1,046,165	86.04%
Total Expenses	68,037,630	73,343,701	5,306,071	102,071,528	66.66%
<u>TRANSFERS</u>					
SAC Transfer	25,920,747	25,920,747	-	34,561,000	75.00%
Transfers In	285,564	676,000	(390,436)	993,650	28.74%
Transfer from Contingency Reserve	1,000,000	1,000,000	-	1,000,000	100.00%
Debt Service	(61,457,199)	(61,457,208)	9	(81,782,000)	75.15%
Interdivisional Charges	(5,923,867)	(7,343,676)	1,419,809	(9,791,567)	60.50%
Transfers Out	(749,997)	(749,997)	-	(1,000,000)	75.00%
Total Transfers	(40,924,752)	(41,954,134)	1,029,382	(56,018,917)	73.06%
<u>SURPLUS (DEFICIT)</u>	8,603,969	1,745,944	6,858,025	-	

Metropolitan Council
BALANCE SHEET
Metro Transit Bus
September 30, 2007

Account	YTD
Cash & Cash Equivalents	24,421,777
Accounts Receivable	8,349,538
Due from Other Govern Units	28,579,396
Materials & Supplies	10,720,020
Total Assets	72,070,731
Accounts Payable	2,038,000
Salaries/Fringes Payable	21,252,757
Workers Comp / Causualty & Liability Insurance	17,013,111
Deferred Revenue (Monthly ridership passes)	5,532,497
Misc	2,901,106
Total Liabilities	48,737,471
Fund Equity Accounts	
Unrestricted Net Assets	(3,054,347)
State Cash Flow Adjustment*	24,845,500
Beginning Fund Equity	21,791,153
Income Statement	1,542,107
Ending Equity	23,333,260
Total Liabilities and Equity	72,070,731

* This represents the half year shift that occurred in 2002 when funding switched from property tax to motor vehicle sales tax.

STATEMENT OF REVENUES AND EXPENSES

Metro Transit - Bus

September 30, 2007

	<u>YTD ACTUALS</u>	<u>YTD BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>YEARLY BUDGET</u>	<u>% OF YRLY BUDGET</u>
<u>REVENUES</u>					
Passenger Fares	51,448,983	51,542,446	(93,463)	67,460,321	76.27%
Advertising	2,120,294	1,848,042	272,252	2,560,550	82.81%
State Revenues - Motor Vehicle Sales Tax	59,057,643	59,057,643	-	91,361,533	64.64%
State Appropriations	43,046,450	43,046,453	(3)	44,302,807	97.16%
Federal Grants	9,313,713	9,080,465	233,248	11,185,321	83.27%
Miscellaneous Revenue	964,385	785,081	179,304	1,056,300	91.30%
Total Revenue	165,951,468	165,360,130	591,338	217,926,832	76.15%
<u>EXPENSES</u>					
Salary and Benefits	126,216,924	126,145,108	(71,816)	167,629,775	75.30%
Professional & Technical Services	3,550,615	3,247,839	(302,776)	4,330,503	81.99%
Fuel	15,430,137	14,290,050	(1,140,087)	18,501,624	83.40%
Materials & Supplies	7,528,239	7,506,178	(22,061)	10,095,536	74.57%
Utilities	3,110,315	3,752,097	641,782	4,946,022	62.89%
Allocated Charges	8,573,131	9,604,711	1,031,580	14,103,739	60.79%
Total Expenses	164,409,361	164,545,983	136,622	219,607,199	74.87%
<u>SURPLUS (DEFICIT)</u>	1,542,107	814,147	727,960	(1,680,367)	

Metropolitan Council
BALANCE SHEET
Metro Transit LRT
30-Sep-07

Account	YTD
Cash & Cash Equivalents	2,783,610
Accounts Receivable	286,543
Due from Other Govern Units	1,679,399
Materials & Supplies	<u>1,388,191</u>
Total Assets	<u><u>6,137,743</u></u>
Accounts Payable	125,543
Salaries/Fringes Payable	1,080,733
Workers Comp / Casualty & Liability Insurance	1,144,199
Misc	<u>218,530</u>
Total Liabilities	<u><u>2,569,005</u></u>
Beginning Fund Equity	2,528,976
Income Statement	<u>1,039,762</u>
Ending Equity	<u><u>3,568,738</u></u>
Total Liabilities and Equity	<u><u>6,137,743</u></u>

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - LRT
September 30, 2007

	<u>YTD ACTUALS</u>	<u>YTD BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>YEARLY BUDGET</u>	<u>% OF YRLY BUDGET</u>
<u>REVENUES</u>					
Passenger Fares	5,846,639	5,665,309	181,330	7,892,219	74.08%
Advertising	572,697	319,761	252,936	426,349	134.33%
State Appropriations	4,977,444	4,977,444	-	6,288,082	79.16%
Henn. Cty Regional Rail	4,977,444	4,977,444	-	6,288,082	79.16%
Federal Grants	951,270	977,100	(25,830)	977,100	97.36%
Miscellaneous Revenue	193,335	1,324	192,011	-	0.00%
Total Revenue	17,518,829	16,918,382	600,447	21,871,832	80.10%
<u>EXPENSES</u>					
Salary and Benefits	8,160,112	8,375,668	215,556	11,172,000	73.04%
Professional & Technical Services	383,405	559,458	176,053	745,948	51.40%
Materials & Supplies	937,233	957,006	19,773	1,276,000	73.45%
Utilities	1,404,707	1,667,064	262,357	2,244,147	62.59%
Allocated Charges	5,593,610	4,840,628	(752,982)	6,433,737	86.94%
Total Expenses	16,479,067	16,399,824	(79,243)	21,871,832	75.34%
<u>SURPLUS (DEFICIT)</u>	1,039,762	518,558	521,204	-	

BALANCE SHEET
HRA SRF
September 30, 2007

Account	YTD
Cash & Cash Equivalents	9,291,240
Accounts Receivable	153,319
Due from Other Govern Units	853,182
Fixed Assets - Houses/Other	23,599,837
Total Assets	<u>33,897,578</u>
Accounts Payable	1,936
Due Other Governments	22,355
Deferred Revenue	2,223,000
FAHP Loan	1,405,000
Total Liabilities	<u>3,652,291</u>
Fund Equity Accounts	
Unrestricted Net Assets	1,276,207
HUD Housing Assistance Payments Equity	2,825,462
HUD Administrative Fee Equity	2,339,782
FAHP Loan	1,405,000
Capital Assets	22,194,837
Beginning Fund Equity	<u>30,041,288</u>
Income Statement	203,999
Ending Equity	<u>30,245,287</u>
Total Liabilities and Equity	<u>33,897,578</u>

STATEMENT OF REVENUES AND EXPENSES

HRA SRF (220)
September 30, 2007

	<u>YTD</u> <u>ACTUALS</u>	<u>YTD</u> <u>BUDGET</u>	<u>VARIANCE</u> <u>FAVORABLE</u> <u>(UNFAVORABLE)</u>	<u>YEARLY</u> <u>BUDGET</u>	<u>% OF YRLY</u> <u>BUDGET</u>
<u>REVENUES</u>					
Federal Revenue	37,315,953	41,612,055	(4,296,102)	55,482,740	67.26%
State Revenue	834,942	1,089,000	(254,058)	1,452,000	57.50%
Local Revenue	1,717,293	1,960,959	(243,666)	2,614,612	65.68%
Investment Earnings	283,012	112,500	170,512	150,000	188.67%
Other Revenue	424,770	423,750	1,020	565,000	75.18%
Total Revenue	40,575,970	45,198,264	(4,622,294)	60,264,352	67.33%
<u>EXPENSES</u>					
Salary and Benefits	1,379,178	1,555,410	176,232	2,247,703	61.36%
Consulting & Contractual Services	186,597	623,929	437,332	831,905	22.43%
Rent & Utilities	139,387	185,459	46,072	247,279	56.37%
Housing Expenses	38,008,692	41,891,012	3,882,320	55,854,683	68.05%
Travel	18,267	32,625	14,358	43,500	41.99%
Insurance	91,812	90,000	(1,812)	120,000	76.51%
Other Operating Expenses	145,924	173,736	27,812	231,648	62.99%
Total Expenses	39,969,857	44,552,171	4,582,314	59,576,718	67.09%
<u>TRANSFERS</u>					
Allocations	(402,114)	(456,000)	53,886	(608,000)	66.14%
Total Transfers	(402,114)	(456,000)	53,886	(608,000)	66.14%
<u>SURPLUS (DEFICIT)</u>	203,999	190,093	13,906	79,634	

Metropolitan Council
BALANCE SHEET
Metropolitan Transit Services
September 30, 2007

Account	Metro Mobility	Suburban Providers	Contracted Transit	YTD Total
Cash & Cash Equivalents	4,104,108	1,892,988	7,046,715	13,043,811
Accounts Receivable	143,220	-	4,390	147,610
Due from Other Funds	108,862	-	569,770	678,632
Due from Other Govern Units	1,787,643	1,740,393	1,098,140	4,626,176
Other	9,630	-	-	9,630
Total Assets	6,153,463	3,633,381	8,719,015	18,505,859
Accounts Payable	3,076,433	3,633,381	2,451,501	9,161,315
Other	-	-	-	-
Total Liabilities	3,076,433	3,633,381	2,451,501	9,161,315
Fund Equity Accounts				
Beginning Fund Equity	3,963,280	-	5,642,334	9,605,614
Income Statement	(886,250)	-	625,180	(261,070)
Ending Equity	3,077,030	-	6,267,514	9,344,544
Total Liabilities and Equity	6,153,463	3,633,381	8,719,015	18,505,859

STATEMENT OF REVENUES AND EXPENSES
Metro Transportation Svcs (MTS)
September 30, 2007

	<u>YTD ACTUALS</u>	<u>YTD BUDGET</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>	<u>TOTAL BUDGET</u>	<u>% OF YRLY BUDGET</u>
<u>REVENUES</u>					
Federal Revenue	9,866,970	11,511,538	(1,644,568)	13,208,343	74.70%
State Revenue	44,407,142	44,763,691	(356,549)	60,296,702	73.65%
Investment Earnings	257,095	150,750	106,345	201,000	127.91%
Other Revenue	5,100,262	4,375,436	724,826	5,833,914	87.42%
Total Revenue	59,631,469	60,801,415	(1,169,946)	79,539,959	74.97%
<u>EXPENSES</u>					
Salary and Benefits	2,341,581	2,459,005	117,424	3,553,475	65.90%
Consulting & Contractual Services	56,423,760	57,510,959	1,087,199	76,085,394	74.16%
Rent & Utilities	202,176	241,109	38,933	321,479	62.89%
Travel	17,584	34,500	16,916	46,000	38.23%
Grants	61,762	30,000	(31,762)	40,000	154.41%
Other Operating Expenses	199,892	299,864	99,972	399,819	50.00%
Total Expenses	59,246,755	60,575,437	1,328,682	80,446,167	73.65%
<u>TRANSFERS</u>					
Transfer In	-	-	-	49,350	0.00%
Chargeback from MAC	45,978	78,750	(32,772)	105,000	43.79%
A87 Allocations	(691,762)	(732,128)	40,366	(976,170)	70.86%
Total Transfers	(645,784)	(653,378)	7,594	(821,820)	78.58%
<u>SURPLUS (DEFICIT)</u>	(261,070)	(427,400)	166,330	(1,728,028)	

**Metropolitan Council
BALANCE SHEET
Post Employment Health Care Benefits
September 30, 2007**

Account	Environmental Services	Metro Transit	Regional Administration	Total
Investments	25,813,993	34,565,728	2,166,399	62,546,121
Cumul Unreal Gain/Loss	1,902,379	2,674,609	169,520	4,746,509
Accrued Earnings Receivable	66,790	93,909	5,952	166,651
Total Assets	<u>27,783,163</u>	<u>37,334,246</u>	<u>2,341,872</u>	<u>67,459,280</u>
Beginning Fund Equity	23,878,903	31,907,257	2,236,465	58,022,625
Investment Earnings	414,446	564,074	36,974	1,015,495
Unrealized Gains/Losses	776,811	1,202,174	68,432	2,047,418
Transfer From Other Funds	2,713,003	3,660,740	-	6,373,743
Ending Equity	<u>27,783,163</u>	<u>37,334,246</u>	<u>2,341,872</u>	<u>67,459,280</u>