

M Management Committee

Meeting date: May 14, 2008

ADVISORY INFORMATION

Date: May 14, 2008
Subject: Year-End Financial Report – December 31, 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 Council operating funds for the quarter ending December 31, 2007. The narrative below provides information on significant events for each operating fund.

Year-End Financial Report – December 31, 2007

- General Fund

The General Fund ended the year with an operating surplus of \$1.3 million primarily due to variances in *Salaries and Benefits* and *Consulting & Contracted Services*. Salary savings of approximately \$1.4 million are the result of vacant positions that were filled late in the year or remain vacant due to the state hiring freeze. Of the \$1.6 million dollar variance in *Contracted Services*, \$744,000 was approved for carry-over by the Council in the March 12, 2008 Operating Budget Amendment.

Revenues exceed budget by \$702,000 driven primarily by *Investment Earnings* and *Delinquent Tax Collections*.

- Environmental Services

Environmental Services ended 2007 with an annual budget surplus of just under \$5 million. This is a positive variance of \$6 million because the budget anticipated a use of \$1 million from reserves. Savings were realized in the *labor, contracted services, interdivisional charges* and *capital equipment* expense categories. Those savings were partially offset by above-budget expenses for *materials, chemicals* and *utilities*. Total revenues exceeded budget by about \$1 million.

- Metro Transit

Bus Operations:

The Metro Transit bus budget included a \$1.7 million use of fund reserves in calendar year 2007. A combination of increased operating revenue (*Passenger Fares, Advertising, and Investment Income*), and reduced operating expenses resulted in a year-end surplus of \$2.1 million.

Metro Transit bus ridership exceeded budget by over 1.8 million rides during 2007. This was an increase of over 3.3 million rides or 5.12% over the 2006 ridership. Overall, Metro Transit System Ridership including Light Rail reached 77 million rides, the highest system ridership since 1982.

Fuel expenses exceeded budget by \$1.3 million. 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 in 2007 were at \$2.56 per gallon resulting in a negative variance of \$0.20 per gallon.

Fuel prices for CY 2008 are budgeted at \$2.80. The current forecast of \$2.79 per gallon is 86% hedged. Staff will continue to monitor future hedging contracts to compare actual contract rates against the 2008 budgeted price per gallon.

Professional and Technical expenses were over budget due to additional maintenance services for building maintenance and repairs.

Savings realized in *Salaries and Benefits* and *Interdivisional Allocations* offset the negative variances in *Fuel* and *Professional Technical Services* to end the year ahead of budget.

Rail Operations:

Metro Transit rail ridership was very strong in calendar year 2007 exceeding budget by 161 thousand rides. *Passenger fares* and *Advertising* revenues continued to be above budget, which contributed to a budget surplus.

Professional and Technical Services as well as *Materials and Supplies* were under budget largely due to parts and services remaining under warranty which served to offset increased share 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. This occurs when actual experience varies from the household factors used in budget preparation. The HRA ended the year with a \$3 million dollar surplus. The ending balances in the fund are primarily reserved for program purposes.

- Metropolitan Transportation Services

The Metropolitan Transportation Services budget included a \$1.7 million use of reserves for calendar year 2007. A combination of increased operating revenue (*Passenger Fares* and *Investment Income*), and lower operating expenses reduced the year-end deficit of \$172 thousand.

The target fund balance policy for Metropolitan Transit Services is 15% of budgeted operating expenses. Year-end operating reserves of \$9.4 million represent 16.8% of the 2008 budgeted operating expenses. The Metro Mobility portion of the operating reserve is \$3.3 million, or 9% the fund's budgeted operating expenses.

- Post Employment Health Care Liability

Investments set aside (reserved) for Post Employment Health Care Benefits reached \$70.4 million at December 31, 2007, 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. In the first quarter of 2008, we experienced unrealized losses in line with the market for a balance of \$65 million at March 31, 2008.

BALANCE SHEET
General Fund
December 31, 2007
(un-audited)

Account	YTD
Cash & Cash Equivalents	24,295,969
Accounts Receivable	4,588
Taxes Receivable	500,040
Due from Other Govern Units	2,864
Total Assets	<u>24,803,461</u>
Accounts Payable	10,647,594
Deferred Revenue	348,830
Total Liabilities	<u>10,996,424</u>
Fund Balance Accounts:	
Undesignated	8,427,164
Encumbrances	743,982
Self-Insurance	1,000,000
Compensated Absences (Accrued Leave)	2,534,502
Water Planning	1,101,389
Ending Fund Balances	<u>13,807,037</u>
Total Liabilities and Equity	<u>24,803,461</u>

STATEMENT OF REVENUES AND EXPENSES

General Fund
December 31, 2007
(un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Property Taxes	9,862,110	9,736,267	125,843	9,736,267	101.29%
State Revenue	506,228	481,933	24,295	481,933	105.04%
Investment Earnings	1,150,638	683,774	466,864	683,774	168.28%
Other Revenue	88,202	3,000	85,202	3,000	2940.07%
Total Revenue	11,607,178	10,904,974	702,204	10,904,974	106.44%
<u>EXPENSES</u>					
Salary and Benefits	21,070,428	22,509,459	1,439,031	22,509,459	93.61%
Consulting & Contractual Services	7,570,420	9,166,286	1,595,866	9,166,286	82.59%
Rent & Utilities	2,242,096	2,172,722	(69,374)	2,172,722	103.19%
Printing	246,038	352,250	106,212	352,250	69.85%
Travel	290,661	410,210	119,549	410,210	70.86%
Insurance	16,199	41,000	24,801	41,000	39.51%
Other Operating Expenses	1,302,672	1,356,157	53,485	1,356,157	96.06%
Total Expenses	32,738,514	36,008,084	3,269,570	36,008,084	90.92%
<u>TRANSFERS</u>					
Transfer In From MT	13,817,546	14,013,359	(195,813)	14,013,359	98.60%
Transfer In From MCES	8,523,979	9,791,567	(1,267,588)	9,791,567	87.05%
Transfer In From MTS	186,170	186,170	-	186,170	100.00%
A87 Allocations	1,360,120	1,398,000	(37,880)	1,398,000	97.29%
Chargeback from MAC	55,445	73,000	(17,555)	73,000	75.95%
Transfer Out	(1,516,637)	(1,868,000)	351,363	(1,868,000)	81.19%
Total Transfers	22,426,623	23,594,096	(1,167,473)	23,594,096	96.08%
<u>SURPLUS (DEFICIT)</u>	1,295,287	(1,509,014)	2,804,301	(1,509,014)	

Balance Sheet
Environmental Services
December 31, 2007
(Un-audited)

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	32,261,189
Accounts Receivable	3,822,124
Due from Other Govern Units	357,074
Materials & Supplies	7,596,986
Total Assets	<u>44,037,373</u>
Accounts Payable	21,172,468
Salaries/Fringes Payable	11,252,720
Workers Comp	574,936
Deferred Revenue (Advance payments of sewer charges)	5,038,315
Total Liabilities	<u>38,038,439</u>
Fund Equity Accounts	-
Income Statement	5,998,933
Ending Equity	5,998,933
Total Liabilities and Equity	<u>44,037,373</u>
<u>Contingency Operating Reserves:</u>	
Beginning Equity	16,495,122
Transfer to Operating	(1,000,000)
Transfer from Operating (see above Ending Equity)	<u>5,998,933</u>
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>18,194,055</u>

STATEMENT OF REVENUES AND EXPENSES
Environmental Services
December 31, 2007
(un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Municipal Wastewater Charges	146,151,598	146,000,000	151,598	146,000,000	100.10%
Industrial Charges	9,950,702	9,400,000	550,702	9,400,000	105.86%
Investment Earnings/Finance Charges	2,478,470	2,000,000	478,470	2,000,000	123.92%
State Grant	302,170	165,440	136,730	165,440	182.65%
Miscellaneous Revenue	511,220	525,005	(13,785)	525,005	97.37%
Total Revenue	159,394,160	158,090,445	1,303,715	158,090,445	100.82%
<u>EXPENSES</u>					
Salary and Benefits	50,482,559	51,893,670	1,411,111	51,893,670	97.28%
Retiree Hlth, Wkrs Comp, Leave Benefits	4,647,519	5,769,000	1,121,481	5,769,000	80.56%
Consulting & Contractual Services	10,768,087	13,746,566	2,978,479	13,746,566	78.33%
Materials & Supplies	7,120,153	5,801,692	(1,318,461)	5,801,692	122.73%
Chemicals	5,632,447	5,123,525	(508,922)	5,123,525	109.93%
Travel	193,779	181,450	(12,329)	181,450	106.79%
Utilities & Rent	17,631,960	17,118,430	(513,530)	17,118,430	103.00%
Capital Outlay	378,561	1,391,030	1,012,469	1,391,030	27.21%
Other Direct Expenses	1,413,185	1,046,165	(367,020)	1,046,165	135.08%
Total Expenses	98,268,250	102,071,528	3,803,278	102,071,528	96.27%
<u>TRANSFERS</u>					
SAC Transfer	34,561,000	34,561,000	-	34,561,000	100.00%
Transfers In	641,052	993,650	(352,598)	993,650	64.51%
Transfer from Contingency Reserve	1,000,000	1,000,000	-	1,000,000	100.00%
Debt Service	(81,781,991)	(81,782,000)	9	(81,782,000)	100.00%
Interdivisional Charges	(8,547,038)	(9,791,567)	1,244,529	(9,791,567)	87.29%
Transfers Out	(1,000,000)	(1,000,000)	-	(1,000,000)	100.00%
Total Transfers	(55,126,977)	(56,018,917)	891,940	(56,018,917)	98.41%
<u>SURPLUS (DEFICIT)</u>	5,998,933	-	5,998,933	-	

BALANCE SHEET
Metro Transit Bus
December 31, 2007
(un-audited)

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	39,067,163
Accounts Receivable	7,285,568
Due from Other Govern Units	1,491,178
Materials & Supplies	<u>11,059,892</u>
Total Assets	<u>58,903,801</u>
Accounts Payable	20,285,522
Salaries/Fringes Payable	20,973,562
Workers Comp / Casualty & Liability Insurance	14,278,582
Deferred Revenue (Monthly ridership passes)	3,545,291
Misc	<u>705,823</u>
Total Liabilities	<u>59,788,780</u>
Fund Equity Accounts	
Unrestricted Net Assets	(3,054,347)
State Cash Flow Adjustment*	-
Income Statement	<u>2,169,368</u>
Ending Equity	<u>(884,979)</u>
Total Liabilities and Equity	<u>58,903,801</u>

* Excludes \$24.8m receivable previously recognized as Cash Flow Adjustment for 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

December 31, 2007

(un-audited)

	<u>YTD</u> <u>ACTUALS</u>	<u>YTD</u> <u>BUDGET</u>	VARIANCE FAVORABLE <u>(UNFAVORABLE)</u>	<u>YEARLY</u> <u>BUDGET</u>	<u>% OF YRLY</u> <u>BUDGET</u>
<u>REVENUES</u>					
Passenger Fares	68,526,517	68,018,612	507,905	68,018,612	100.75%
Advertising	2,712,864	2,560,550	152,314	2,560,550	105.95%
State Revenues - Motor Vehicle Sales Tax	79,668,409	79,668,411	(2)	79,668,411	100.00%
State Appropriations	55,995,931	55,995,932	(1)	55,995,932	100.00%
Federal Grants	12,359,275	11,185,321	1,173,954	11,185,321	110.50%
Miscellaneous Revenue	1,872,950	1,246,747	626,203	1,246,747	150.23%
Total Revenue	221,135,946	218,675,573	2,460,373	218,675,573	101.13%
<u>EXPENSES</u>					
Salary and Benefits	166,800,129	168,150,393	1,350,264	168,150,393	99.20%
Professional & Technical Services	5,536,487	4,800,952	(735,535)	4,800,952	115.32%
Fuel	21,017,021	19,702,678	(1,314,343)	19,702,678	106.67%
Materials & Supplies	10,216,830	10,153,827	(63,003)	10,153,827	100.62%
Utilities	4,674,551	4,946,022	271,471	4,946,022	94.51%
Allocated Charges	10,721,560	12,602,068	1,880,508	12,602,068	85.08%
Total Expenses	218,966,578	220,355,940	1,389,362	220,355,940	99.37%
<u>SURPLUS (DEFICIT)</u>	2,169,368	(1,680,367)	3,849,735	(1,680,367)	

BALANCE SHEET
Metro Transit - LRT
December 31, 2007
(un-audited)

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	1,024,983
Accounts Receivable	229,447
Due from Other Govern Units	8,799,990
Materials & Supplies	1,885,644
Total Assets	<u>11,940,064</u>
Accounts Payable	1,290,279
Salaries/Fringes Payable	910,637
Workers Comp / Casualty & Liability Insurance	582,904
Misc	6,316,421
Total Liabilities	<u>9,100,241</u>
Fund Equity Accounts	2,528,976
Income Statement	310,847
Ending Equity	2,839,823
Total Liabilities and Equity	<u>11,940,064</u>

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - LRT
December 31, 2007
(un-audited)

	<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>					
Passenger Fares	8,094,715	7,892,219	202,496	7,892,219	102.57%
Advertising	857,144	426,349	430,795	426,349	201.04%
State Appropriations	6,288,082	6,288,082	-	6,288,082	100.00%
Henn. Cty Regional Rail	2,788,082	6,288,082	(3,500,000)	6,288,082	44.34%
Federal Grants	4,477,100	977,100	3,500,000	977,100	458.20%
Miscellaneous Revenue	214,959	-	214,959	-	0.00%
Total Revenue	22,720,082	21,871,832	848,250	21,871,832	103.88%
<u>EXPENSES</u>					
Salary and Benefits	11,059,474	11,172,000	112,526	11,172,000	98.99%
Professional & Technical Services	602,436	745,948	143,512	745,948	80.76%
Materials & Supplies	1,001,407	1,276,000	274,593	1,276,000	78.48%
Utilities	2,292,882	2,244,147	(48,735)	2,244,147	102.17%
Allocated Charges	7,453,036	6,433,737	(1,019,299)	6,433,737	115.84%
Total Expenses	22,409,235	21,871,832	(537,403)	21,871,832	102.46%
<u>SURPLUS (DEFICIT)</u>	310,847	-	310,847	-	

BALANCE SHEET
Housing and Redevelopment Authority (HRA)
December 31, 2007
(un-audited)

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	17,067,784
Accounts Receivable	205,331
Due from Other Govern Units	848,594
Fixed Assets - Houses/Other	22,530,729
Total Assets	40,652,438
Accounts Payable	5,996,319
Salaries/Fringes Payable	182,333
Family Affordable Housing Program (FAHP) Loan	1,405,000
Total Liabilities	7,583,652
Fund Equity Accounts:	
Unrestricted Net Assets	1,145,731
HUD Housing Assistance Payments Equity	6,063,401
HUD Administrative Fee Equity	3,328,925
FAHP Loan	1,405,000
Capital Assets	21,125,729
Ending Equity	33,068,786
Total Liabilities and Equity	40,652,438

STATEMENT OF REVENUES AND EXPENSES
Housing and Redevelopment Authority (HRA)
December 31, 2007
(un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	53,376,241	55,482,740	(2,106,499)	55,482,740	96.20%
State Revenue	1,162,646	1,452,000	(289,354)	1,452,000	80.07%
Local Revenue	2,438,606	2,614,612	(176,006)	2,614,612	93.27%
Investment Earnings	621,076	150,000	471,076	150,000	414.05%
Other Revenue	645,031	565,000	80,031	565,000	114.16%
Total Revenue	58,243,600	60,264,352	(2,020,752)	60,264,352	96.65%
<u>EXPENSES</u>					
Salary and Benefits	2,141,200	2,247,703	106,503	2,247,703	95.26%
Consulting & Contractual Services	253,206	831,905	578,699	831,905	30.44%
Rent & Utilities	186,294	247,279	60,985	247,279	75.34%
Housing Expenses	50,682,050	55,854,683	5,172,633	55,854,683	90.74%
Travel	26,927	43,500	16,573	43,500	61.90%
Insurance	104,312	120,000	15,688	120,000	86.93%
Other Operating Expenses	1,255,139	231,648	(1,023,491)	231,648	541.83%
Total Expenses	54,649,128	59,576,718	4,927,590	59,576,718	91.73%
<u>TRANSFERS</u>					
Allocations	(566,974)	(608,000)	41,026	(608,000)	93.25%
Total Transfers	(566,974)	(608,000)	41,026	(608,000)	93.25%
<u>SURPLUS (DEFICIT)</u>	3,027,498	79,634	2,947,864	79,634	

BALANCE SHEET
Metropolitan Transportation Services
December 31, 2007
(un-audited)

Account	Metro Mobility	Suburban Providers	Contracted Transit	YTD Total
Cash & Cash Equivalents	10,983,887	1,141,455	9,717,429	21,842,771
Accounts Receivable	96,415	-	25,947	122,362
Due from Other Govern Units	-	1,357,735	1,488,742	2,846,477
Total Assets	11,080,302	2,499,190	11,232,118	24,811,610
Accounts Payable	7,731,047	2,499,190	5,147,402	15,377,638
Total Liabilities	7,731,047	2,499,190	5,147,402	15,377,638
Fund Equity Accounts:				
Beginning Fund Equity	3,963,280	-	5,642,334	9,605,614
Income Statement	(614,025)	-	442,382	(171,642)
Ending Equity	3,349,255	-	6,084,716	9,433,971
Total Liabilities and Equity	11,080,302	2,499,190	11,232,118	24,811,610

STATEMENT OF REVENUES AND EXPENSES
Metropolitan Transportation Services
December 31, 2007
(un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	12,318,054	13,208,343	(890,289)	13,208,343	93.26%
State Revenue	60,448,765	60,296,702	152,063	60,296,702	100.25%
Local Revenue	59,077	546,700	(487,623)	546,700	10.81%
Investment Earnings	666,343	201,000	465,343	201,000	331.51%
Other Revenue	7,210,649	5,287,214	1,923,435	5,287,214	136.38%
Total Revenue	80,702,888	79,539,959	1,162,929	79,539,959	101.46%
<u>EXPENSES</u>					
Salary and Benefits	3,374,960	3,553,475	178,515	3,553,475	94.98%
Consulting & Contractual Services	75,848,679	76,085,394	236,715	76,085,394	99.69%
Rent & Utilities	287,758	321,479	33,721	321,479	89.51%
Travel	35,299	46,000	10,701	46,000	76.74%
Grants	302,559	40,000	(262,559)	40,000	756.40%
Other Operating Expenses	165,591	399,819	234,228	399,819	41.42%
Total Expenses	80,014,846	80,446,167	431,321	80,446,167	99.46%
<u>TRANSFERS</u>					
Transfer In	1,836,993	1,836,993	-	1,836,993	100.00%
Chargeback from MAC	62,954	105,000	(42,046)	105,000	59.96%
A87 Allocations	(971,988)	(976,170)	4,182	(976,170)	99.57%
Transfer Out	(1,787,643)	(1,787,643)	-	(1,787,643)	100.00%
Total Transfers	(859,684)	(821,820)	(37,864)	(821,820)	104.61%
<u>SURPLUS (DEFICIT)</u>	(171,642)	(1,728,028)	1,556,386	(1,728,028)	

Balance Sheet
Retiree Health Care Liability (OPEB)
December 31, 2007
(un-audited)

Account	Envrionmental Services 901	Metropolitan Transit 902	Regional Administration 903	Total Retiree Health
Investments OPEB Pool	26,043,506	34,890,392	2,186,690	63,120,588
Investment Shares	535,007	1,213,839	-	1,748,846
Sec.Lending Investments	280,600	637,611	-	918,211
Cumul Unreal Gain/Loss-Gn Pool	1,535	3,489	-	5,024
Cumul Unreal Gain/Loss OPEB	1,816,932	2,433,950	152,543	4,403,425
Accrued Interest Rec-Gen Pool	3,953	8,982	-	12,935
Accrued Earnings Rec OPEB Pool	58,946	78,970	4,949	142,865
Assets	28,740,479	39,267,233	2,344,182	70,351,894
Securities Lending Payable	280,600	637,611	-	918,211
OPEB Liability	3,119,764	10,848,749	510,915	14,479,428
Liabilities	3,400,364	11,486,360	510,915	15,397,639
Fund Equity Accounts:				
Beginning Fund Equity	23,878,903	31,907,257	2,236,465	58,022,625
Income Statement	1,461,212	(4,126,384)	(403,198)	(3,068,370)
Ending Equity	25,340,115	27,780,873	1,833,267	54,954,255
Total Liabilities + Equity	28,740,479	39,267,233	2,344,182	70,351,894