

M Management Committee

Meeting date: August 26, 2009

ADVISORY INFORMATION

Date: August 19, 2009
Subject: 2nd Quarter Financial Report – June 30, 2009
District(s), Member(s): All
Policy/Legal Reference: Council Policy 3 – Finance and Asset Management
Staff Presented: Paul Conery 651-602-1374, Edwin Petrie 612-349-7624; Kay Dawson 651-602-1020
Division/Department: Finance

Second Quarter Financial Report – June 30, 2009

- General Fund

General Fund operating expenses, overall, are under budget. The largest variance is in Consulting & Contractual Services. Based upon prior years, Consulting & Contract Services expenditures trend toward the later half of the year. Expect year-end operating expenses to be at or under budget. As the majority of these expenses are transferred to operating division, the net variance from budget should be minimal.

- Environmental Services

Environmental Services is budgeted to use \$1 million of the \$21.5 million wastewater operational and contingency reserve in 2009. However, based on year-to-date (YTD) through June results and prior year trends, it is likely that the division will break even, with no need to use the reserve.

YTD favorability in Consulting and Contractual Services (\$2.4 Million), Chemicals (\$.9 million) and Interdivisional Charges (\$.9 Million) are expected to be sufficiently favorable for the total year to more than offset items projected over budget. Items over budget include Utilities where higher standards and under-budgeting have offset the conservation savings. Investment Earnings is under budget due to continuing low short term rates. Salaries and Benefits costs continue to be constrained with a large number of unfilled vacancies. These vacancies were anticipated in the budget and are not expected to generate a large positive budget variance.

- Metro Transit

Bus Operations:

The Metro Transit Bus Operations includes a balanced budget for 2009. As of June 30, 2009, Bus Operations has a forecasted operating surplus of \$2.9M. A combination of savings in salaries and benefits and savings in Fuel costs have offset the reduction in ridership and have resulted in this surplus.

Metro Transit Bus Ridership is under budget 1.1M rides or 3.24% as of June 30, 2009. This reduction in rides has been partially offset by an increase in the average fare per passenger. Budgeted rides for 2010 have been adjusted to reflect this recent decrease in ridership.

Metro Transit Operating Expenses detailed an overall reduction in expenses from the 2009 budget. Salaries and Benefits are under budget due to temporarily non-filling of vacant positions; Consulting and Contractual Services due to savings in various Maintenance Contracts; Fuel due to lower than budgeted diesel fuel pump prices, and Allocated Charges due to savings in Council Allocated Charges. Materials and Supplies are over budget due to the timing of the bus capitalized maintenance activities and are anticipated to be on budget by year end.

Light Rail Operations:

The Metro Transit Rail Budget includes a balanced budget for 2009. As of June 30, 2009, Rail Operations has a forecasted operating surplus of \$597k. A combination of savings in salaries and benefits due to temporarily non-filling of vacant positions and an increase in the average fare per passenger have resulted in this surplus.

Commuter Rail Operations:

Metro Transit Northstar Commuter Rail is in pre-revenue operations and is forecasted to begin revenue operations later in 2009. As of June 30, 2009, Commuter Rail Operations has a forecasted operating surplus of \$1.4M. This is due to the delaying in hiring and training of staff, testing of equipment, and savings with Burlington Northern track time testing.

- Metropolitan Transportation Services

Budget amendment at the July 8 Council Meeting increased both revenues and operating expenses by \$4.6 million. Operating expenses are under budget through June 30. The major variances are in consulting and contractual services and grant activities scheduled to begin in the last half of the year. Net activities for the year are expected to be near break-even.

- Housing and Redevelopment Authority

There is a deficit in the Federal Revenue due to the U.S. Department of Housing and Urban Department (HUD) funding shortfall in the Section 8 Housing Choice Program. The Community Development Committee is apprised of the status and we are continuing discussions with HUD to resolve the shortfall. The HUD HAP Equity Account of \$6,067,000 is currently funding the deficit.

- Other Post Employment Benefits (OPEB) – Health Care Liability

Investments for Other Post Employment Benefits are at \$55.3 million. Funds are invested with the Minnesota State Board of Investment and include a cumulative unrealized loss of \$22.2 million. Unrealized gains and losses are market driven and are represent the difference between the purchase price and the current market value of investments. Gains and losses are not realized until the investment is sold. We have seen, and will continue to see, investment gains and losses over the life of these investments.

The Council's actuarial accrued liability at January 1, 2008 was \$301.3M. The next valuation will be as of January 1, 2010.

The Council's funding policy requires contributions to the Health Care Liability Reserve of the portion of the benefit earned each year by active employees.

BALANCE SHEET
General Fund
June 30, 2009
(Un-Audited)

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	11,115,535
Accounts Receivable	2,496
Taxes Receivable	298,888
Due from Other Governmental Units	15,227
Other - Prepaid Postage	9,479
Total Assets	<u><u>11,441,625</u></u>
Accounts Payable	147,122
Salaries/Fringes Payable	2,886
Other - Offset to Taxes Receivable	298,888
Total Liabilities	<u><u>448,896</u></u>
Fund Equity Accounts	14,258,113
Income Statement	(3,265,384)
Ending Equity	<u>10,992,729</u>
Total Liabilities and Equity	<u><u>11,441,625</u></u>

STATEMENT OF REVENUES AND EXPENSES
General Fund
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Property Taxes	236,189	-	236,189	9,759,250	2.42%
State Revenue	-	-	-	386,250	0.00%
Investment Earnings	308,041	585,525	(277,484)	817,471	37.68%
Other Revenue	3,210	1,500	1,710	3,000	107.00%
Total Revenue	547,440	587,025	(39,585)	10,965,971	4.99%
<u>EXPENSES</u>					
Salaries and Benefits	10,511,555	10,786,734	275,179	24,077,531	43.66%
Consulting & Contractual Services	3,163,270	4,818,657	1,655,387	9,637,313	32.82%
Rent & Utilities	1,128,172	1,170,373	42,201	2,340,745	48.20%
Printing	62,024	155,825	93,801	311,650	19.90%
Travel	97,597	242,950	145,353	485,900	20.09%
Insurance	14,492	12,750	(1,742)	25,500	56.83%
Other Operating Expenses	437,880	581,197	143,317	1,162,393	37.67%
Total Expenses	15,414,990	17,768,486	2,353,496	38,041,032	40.52%
<u>TRANSFERS</u>					
Transfer In From MT	6,313,642	7,751,120	(1,437,478)	15,502,239	40.73%
Transfer In From MCES	4,467,368	5,317,727	(850,359)	10,635,454	42.00%
A87 Allocations	1,029,408	851,434	177,974	1,702,868	60.45%
Chargeback from MAC	45,163	36,500	8,663	73,000	61.87%
Transfer Out	(253,415)	(275,500)	22,085	(1,551,000)	16.34%
Total Transfers	11,602,166	13,681,281	(2,079,115)	26,362,561	44.01%
<u>SURPLUS (DEFICIT)</u>	(3,265,384)	(3,500,180)	234,796	(712,500)	

BALANCE SHEET
Environmental Services - Operating Fund
June 30, 2009
(Un-audited)

Account	YTD
Cash & Cash Equivalents	22,507,102
Accounts Receivable	927,921
Due from Other Governmental Units	178,538
Materials & Supplies	7,661,741
Total Assets	<u>31,275,302</u>
Accounts Payable	8,248,622
Salaries/Fringes Payable	8,806,587
Workers Comp	646,306
Deferred Revenue (Advance payments of of sewer charges)	9,537,983
Total Liabilities	<u>27,239,498</u>
Fund Equity Accounts (Year-end balances are transferred to Contingency Reserve)	-
Income Statement	4,035,804
Ending Equity	4,035,804
Total Liabilities and Equity	<u>31,275,302</u>
<u>Contingency Operating Reserves:</u>	
Beginning Equity	21,468,493
Transfers	-
Ending Equity	<u>21,468,493</u>

STATEMENT OF REVENUES AND EXPENSES
Environmental Services - Operating Fund
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Municipal Wastewater Charges	80,661,000	80,661,000	-	161,322,000	74.96%
Industrial Charges	3,080,569	3,080,569	-	9,996,550	70.59%
Investment Earnings/Finance Charges	758,048	1,099,800	(341,752)	2,200,000	67.28%
State Grant	324,781	175,000	149,781	175,000	77.90%
Miscellaneous Revenue	76,502	274,962	(198,460)	550,000	43.70%
Total Revenue	84,900,900	85,291,331	(390,431)	174,243,550	74.45%
<u>EXPENSES</u>					
Salaries and Benefits	23,871,213	24,171,673	300,460	54,075,331	65.95%
Retiree Hlth, Wkrs Comp, Leave Benefits	2,620,291	2,600,000	(20,291)	5,200,000	77.51%
Consulting & Contractual Services	4,702,482	7,041,461	2,338,979	14,083,541	41.89%
Materials & Supplies	3,209,022	3,482,609	273,587	6,965,158	73.95%
Chemicals	2,453,880	3,372,851	918,971	6,797,206	77.07%
Travel	82,146	143,566	61,420	287,125	32.15%
Utilities & Rent	9,456,819	8,614,763	(842,056)	17,146,190	81.18%
Capital Outlay	734,909	998,418	263,509	1,996,830	55.49%
Other Direct Expenses	818,381	724,767	(93,614)	1,042,565	78.93%
Total Expenses	47,949,143	51,150,108	3,200,965	107,593,946	66.52%
<u>TRANSFERS</u>					
SAC Transfer	18,930,000	18,930,000	-	37,860,000	74.98%
Transfers In	253,417	225,498	27,919	604,850	30.76%
Debt Service	(45,132,000)	(45,132,000)	-	(90,479,000)	75.07%
Interdivisional Charges	(4,467,368)	(5,317,726)	850,358	(10,635,454)	58.42%
Transfers Out	(2,500,002)	(2,500,002)	-	(5,000,000)	75.00%
Total Transfers	(32,915,953)	(33,794,230)	878,277	(67,649,604)	72.82%
<u>SURPLUS (DEFICIT)</u>	4,035,804	346,993	3,688,811	(1,000,000)	

BALANCE SHEET
Metro Transit - Operating Fund
June 30, 2009
Un-audited)

Account	Bus	Light Rail	Commuter Rail	YTD
Cash & Cash Equivalents	35,368,976	(1,471,063)	(2,398,554)	31,499,359
Accounts Receivable	7,549,126	576,606	-	8,125,732
Due from Other Governmental Units	5,915,604	3,739,703	2,322,932	11,978,239
Materials & Supplies	11,057,278	2,431,654	54,390	13,543,322
Other	1,399,116	142,093	1,812,629	3,353,838
Total Assets	61,290,100	5,418,993	1,791,397	68,500,490
Accounts Payable	4,850,629	226,000	23,525	5,100,154
Salaries/Fringes Payable	23,754,506	1,029,605	9,376	24,793,487
Due to Municipalities	-	-	167,369	167,369
Workers Comp/Casualty & Liability Insurance	13,472,729	605,240	-	14,077,969
Deferred Revenue	140,983	-	-	140,983
Miscellaneous	3,773,629	682,125	-	4,455,754
Total Liabilities	45,992,476	2,542,970	200,270	48,735,716
Fund Equity Accounts				
Beginning Fund Equity	3,933,480	3,316,003	155,762	7,405,245
Income Statement	11,364,144	(439,980)	1,435,365	12,359,529
Ending Equity	15,297,624	2,876,023	1,591,127	19,764,774
Total Liabilities and Equity	61,290,100	5,418,993	1,791,397	68,500,490

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - Bus Operating Fund
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Passenger Fares	38,574,434	39,400,303	(825,869)	83,031,643	46.46%
Advertising	1,327,054	1,244,327	82,727	2,715,000	48.88%
MVST	33,530,708	33,530,706	2	78,006,883	42.98%
State Appropriations	21,761,386	21,761,388	(2)	43,942,471	49.52%
CTIB	30,783,000	30,783,000	-	31,130,632	98.88%
Federal Grants	5,722,986	5,719,308	3,678	11,438,620	50.03%
Miscellaneous Revenue	794,176	547,314	246,862	1,094,630	72.55%
Total Revenue	132,493,744	132,986,346	(492,602)	251,359,879	52.71%
<u>EXPENSES</u>					
Salaries and Benefits	90,884,382	91,974,557	1,090,175	186,696,280	48.68%
Consulting & Contractual Services	2,939,712	3,436,566	496,854	6,873,017	42.77%
Fuel	12,256,184	14,083,524	1,827,340	28,595,608	42.86%
Materials & Supplies	6,653,223	6,206,545	(446,678)	12,414,613	53.59%
Utilities	2,859,094	2,753,818	(105,276)	4,968,886	57.54%
Allocated Charges	5,537,005	6,103,340	566,335	11,811,475	46.88%
Total Expenses	121,129,600	124,558,350	3,428,750	251,359,879	48.19%
<u>SURPLUS (DEFICIT)</u>	11,364,144	8,427,996	2,936,148	-	

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - LRT - Operating Fund
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Passenger Fares	4,725,999	4,237,613	488,386	9,444,911	50.04%
Advertising	453,907	420,042	33,865	840,089	54.03%
State Appropriations	2,601,309	2,601,312	(3)	6,956,075	37.40%
CTIB	3,738,798	3,738,798	-	7,477,598	50.00%
MVST	521,524	521,524	-	521,524	100.00%
Federal Revenue	540	-	540	-	0.00%
Miscellaneous Revenue	32,983	60,000	(27,017)	120,000	27.49%
Total Revenue	12,075,060	11,579,289	495,771	25,360,197	47.61%
<u>EXPENSES</u>					
Salaries and Benefits	6,411,684	6,713,621	301,937	13,517,848	47.43%
Consulting & Contractual Services	218,676	303,216	84,540	606,391	36.06%
Materials & Supplies	720,779	765,114	44,335	1,530,186	47.10%
Utilities	1,594,554	1,228,200	(366,354)	2,456,384	64.91%
Allocated Charges	3,569,347	3,605,988	36,641	7,249,388	49.24%
Total Expenses	12,515,040	12,616,139	101,099	25,360,197	49.35%
<u>SURPLUS (DEFICIT)</u>	(439,980)	(1,036,850)	596,870	-	

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - Commuter Rail (Northstar) - Operating Fund
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Passenger Fares	-	-	-	151,386	0.00%
CTIB/Counties	1,161,466	1,161,466	-	4,521,289	25.69%
MVST	1,161,466	1,161,466	-	4,521,290	25.69%
Miscellaneous Revenue	2,177	-	2,177	-	0.00%
Total Revenue	2,325,109	2,322,932	2,177	9,193,965	25.29%
<u>EXPENSES</u>					
Salaries and Benefits	418,793	729,244	310,451	1,980,166	21.15%
Consulting & Contractual Services	168,437	472,577	304,140	1,872,481	9.00%
Materials & Supplies	141,430	203,145	61,715	258,393	54.73%
Utilities	36,001	140,749	104,748	281,496	12.79%
Allocated Charges	125,083	777,217	652,134	4,801,429	2.61%
Total Expenses	889,744	2,322,932	1,433,188	9,193,965	9.68%
<u>SURPLUS (DEFICIT)</u>	1,435,365	-	1,435,365	-	

BALANCE SHEET
Metropolitan Transit Services (MTS)
June 30, 2009
(Un-audited)

Account	Metro Mobility	Suburban Providers	Contracted Transit	YTD
Cash & Cash Equivalents	10,438,155	1,845,577	9,690,767	21,974,499
Accounts Receivable	102,639	-	1,612,697	1,715,336
Due from Other Governmental Units	-	2,440,718	-	2,440,718
Other	9,451	-	-	9,451
Total Assets	10,550,245	4,286,295	11,303,464	26,140,004
Accounts Payable	3,511,644	4,286,295	3,551,175	11,349,114
Total Liabilities	3,511,644	4,286,295	3,551,175	11,349,114
Fund Equity Accounts				
Beginning Fund Equity	3,782,045	-	6,728,895	10,510,940
Income Statement	3,256,556	-	1,023,394	4,279,950
Ending Equity	7,038,601	-	7,752,289	14,790,890
Total Liabilities and Equity	10,550,245	4,286,295	11,303,464	26,140,004

STATEMENT OF REVENUES AND EXPENSES
Metro Transportation Services (MTS)
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	5,520,271	6,854,221	(1,333,950)	16,441,436	33.58%
State Revenue	35,874,985	33,305,621	2,569,364	66,611,241	53.86%
Local Revenue	373,955	387,036	(13,081)	774,072	48.31%
Investment Earnings	218,173	107,500	110,673	215,000	101.48%
Other Revenue	3,431,061	2,949,773	481,288	5,899,545	58.16%
Total Revenue	45,418,445	43,604,151	1,814,294	89,941,294	50.50%
<u>EXPENSES</u>					
Salaries and Benefits	1,545,108	1,628,028	82,920	3,633,991	42.52%
Consulting & Contractual Services	36,937,500	39,919,922	2,982,422	79,839,844	46.26%
Rent & Utilities	138,577	160,959	22,382	321,918	43.05%
Travel	5,262	19,250	13,988	38,500	13.67%
Grants	164,457	688,885	524,428	1,377,770	11.94%
Other Operating Expenses	1,857,062	3,125,978	1,268,916	6,251,956	29.70%
Total Expenses	40,647,966	45,543,022	4,895,056	91,463,979	44.44%
<u>TRANSFERS</u>					
Transfer In	-	1,237,552	(1,237,552)	2,475,104	0.00%
Chargeback from MAC	52,823	52,250	573	104,499	50.55%
Allocations	(543,352)	(540,959)	(2,393)	(1,081,918)	50.22%
Total Transfers	(490,529)	748,843	(1,239,372)	1,497,685	-32.75%
<u>SURPLUS (DEFICIT)</u>	4,279,950	(1,190,028)	5,469,978	(25,000)	

BALANCE SHEET
Housing and Redevelopment Authority (HRA)
June 30, 2009
(Un-audited)

Account	YTD
Cash & Cash Equivalents	9,439,595
Accounts Receivable	137,928
Due from Other Governmental Units	663,817
Fixed Assets - Houses/Other	<u>21,444,507</u>
Total Assets	<u>31,685,847</u>
Accounts Payable	41,154
Salaries/Fringes Payable	104,016
Family Affordable Housing Program (FAHP) Loan	<u>1,405,000</u>
Total Liabilities	<u>1,550,170</u>
Fund Equity Accounts	
Unrestricted Net Assets	922,478
HUD Housing Assistance Payments Equity	6,066,947
HUD Administrative Fee Equity	3,714,288
Capital Assets	21,461,621
Income Statement	<u>(2,029,657)</u>
Ending Equity	<u>30,135,677</u>
Total Liabilities and Equity	<u>31,685,847</u>

STATEMENT OF REVENUES AND EXPENSES
Housing and Redevelopment Authority (HRA)
June 30, 2009
(Un-audited)

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	23,842,512	27,987,319	(4,144,807)	55,974,638	42.60%
State Revenue	866,926	861,500	5,426	1,723,000	50.31%
Local Revenue	-	25,000	(25,000)	50,000	0.00%
Investment Earnings	137,185	100,000	37,185	200,000	68.59%
Other Revenue	406,777	280,000	126,777	560,000	72.64%
Total Revenue	25,253,400	29,253,819	(4,000,419)	58,507,638	43.16%
<u>EXPENSES</u>					
Salaries and Benefits	1,046,901	1,124,535	77,634	2,510,123	41.71%
Consulting & Contractual Services	141,445	337,500	196,055	675,000	20.95%
Rent & Utilities	101,571	149,140	47,569	298,280	34.05%
Housing Expenses	25,302,656	27,093,464	1,790,808	54,186,927	46.70%
Travel	14,230	21,500	7,270	43,000	33.09%
Insurance	96,240	57,500	(38,740)	115,000	83.69%
Other Operating Expenses	93,958	122,568	28,610	245,136	38.33%
Total Expenses	26,797,001	28,906,207	2,109,206	58,073,466	46.14%
<u>TRANSFERS</u>					
Allocations	(486,056)	(317,500)	168,556	(638,000)	76.18%
Total Transfers	(486,056)	(317,500)	168,556	(638,000)	76.18%
<u>SURPLUS (DEFICIT)</u>	(2,029,657)	30,112	(1,722,657)	(203,828)	

BALANCE SHEET
Retiree Health Care Liability (OPEB)
June 30, 2009
(Un-Audited)

	Environmental Services	Metropolitan Transit	Regional Administration	Total Retiree Health
Investments OPEB Pool	30,259,612	44,301,178	2,252,708	76,813,498
Investment Shares	167,452	440,751	-	608,203
Cumulative Unrealized Gain/Loss OPEB	(8,784,023)	(12,802,544)	(657,592)	(22,244,159)
Accrued Earnings Receivable OPEB Pool	47,946	69,878	3,589	121,413
Assets	<u>21,690,987</u>	<u>32,009,263</u>	<u>1,598,705</u>	<u>55,298,955</u>
OPEB Liability	<u>6,010,259</u>	<u>22,417,598</u>	<u>1,150,968</u>	<u>29,578,825</u>
Liabilities	<u>6,010,259</u>	<u>22,417,598</u>	<u>1,150,968</u>	<u>29,578,825</u>
Fund Equity Accounts:				
Beginning Fund Equity	13,821,186	6,081,278	367,350	20,269,814
Income Statement	1,859,542	3,510,387	80,387	5,450,316
Ending Equity	<u>15,680,728</u>	<u>9,591,665</u>	<u>447,737</u>	<u>25,720,130</u>
Total Liabilities and Equity	<u>21,690,987</u>	<u>32,009,263</u>	<u>1,598,705</u>	<u>55,298,955</u>