

# M Management Committee

Transportation Committee: April 11, 2011

Metropolitan Council: May 11, 2011

**Meeting date: April 27, 2011**

## ADVISORY INFORMATION

<b>Date:</b>	April 19, 2011
<b>Subject:</b>	2011 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</b>	Wes Kooistra (602-1567) Chief Financial Officer
<b>Prepared/Presented:</b>	Paul Conery (602-1374), Director, Budget & Operations
<b>Division/Department:</b>	All

## Proposed Action

That the Metropolitan Council amend the 2011 Unified Operating Budget as indicated and in accordance with attached tables.

## Background

Staff recommends the following revisions to the 2011 budget.

### Transportation

**Change in Revenues: (\$9,416,030); Expenditures: (\$516,447);  
Reserves: (\$8,899,583)**

- \$5,035,330 reduction in Fare Revenues in Metro Transit Bus Operations, Hiawatha LRT and Northstar Commuter Rail is recognized to reflect lower ridership estimates and a fare product mix. This is partially offset by a reduction of \$516,447 in expenditure authority for Northstar. This will require the use of reserves.
- \$80,700 reduction in State Revenues in Metro Transit Bus Operations is recognized to reflect the transfer of State Appropriations to the Minnesota Department of Transportation for administrative expenses of the Minnesota Council on Transportation Access. This will require the use of reserves.
- \$4,300,000 reduction in Federal Revenues in Metro Mobility and Contracted Transit Services is recognized to reflect that Federal Revenues drawn in calendar year 2010 were greater than the amount necessary to fund operations. The additional revenues were deposited into fund balances during 2010. This will require the use of reserves.

## Rationale

Staff is recommending the following revisions to the 2011 budget.

## Funding

The proposed operating budget amendment makes the following changes to the 2011 Unified Operating Budget.

The Transportation Division request is funded almost entirely with the use of reserves. All funds will continue to meet Council targets.

	<b>Adopted Budget</b>	<b>Previous Amendments</b>	<b>Proposed Amendment</b>	<b>Proposed Budget</b>
<b>Revenues</b>				
Operating	\$ 510,941,143	\$ 4,962,090	\$ (9,416,030)	\$ 506,487,203
Pass Through	103,378,051	-	-	103,378,051
Debt Service	141,339,630	-	-	141,339,630
<b>Total Revenues</b>	<b>\$ 755,658,824</b>	<b>\$ 4,962,090</b>	<b>\$ (9,416,030)</b>	<b>\$ 751,204,884</b>
<b>Expenditures</b>				
Operating	\$ 514,474,138	\$ 8,828,864	\$ (516,447)	\$ 522,786,555
Pass Through	99,740,843	-	-	99,740,843
Debt Service	146,351,079	-	-	146,351,079
<b>Total Expenditures</b>	<b>\$ 760,566,060</b>	<b>\$ 8,828,864</b>	<b>\$ (516,447)</b>	<b>\$ 768,878,477</b>
<b>Surplus / (Deficit)</b>	<b>\$ (4,907,236)</b>	<b>\$ (3,866,774)</b>	<b>\$ (8,899,583)</b>	<b>\$ (17,673,593)</b>

## Know Support / Opposition

Committee Actions:

Transportation Committee: presented and passed on April 11, 2011

**Metropolitan Council**  
**2011 Annual Budget - Summary of Revisions**  
**Operating Budget Amendment - Business Item 2011-64**

	2011 Adopted Budget	2011 Amended Budget	Total Reg'l Admin & Community Dev	HRA Programs	Total Transportation	Environmental Services	Capital	Net Change	2011 Revised Budget
<b>Revenues &amp; Other Sources</b>									
Property Tax (Net)	\$ 7,855,432	\$ 7,855,432	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,855,432
Federal	38,098,923	42,824,613	-	-	(4,300,000)	-	-	(4,300,000)	38,524,613
State	225,084,672	225,084,672	-	-	(80,700)	-	-	(80,700)	225,003,972
Municipal & Wastewater Charges	100,735,609	100,735,609	-	-	-	-	-	-	100,735,609
Industrial Waste Charges	11,472,000	11,472,000	-	-	-	-	-	-	11,472,000
Passenger Fares	103,786,979	103,786,979	-	-	(5,035,330)	-	-	(5,035,330)	98,751,649
Debt Service	141,339,630	141,339,630	-	-	-	-	-	-	141,339,630
Passthrough	103,378,051	103,378,051	-	-	-	-	-	-	103,378,051
Other Sources	23,907,528	24,143,928	-	-	-	-	-	-	24,143,928
<b>Total Revenues and Other Sources</b>	<b>\$ 755,658,824</b>	<b>\$ 760,620,914</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,416,030)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,416,030)</b>	<b>\$ 751,204,884</b>
<b>Expenses</b>									
Salaries & Benefits	\$ 316,534,538	\$ 316,634,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,634,538
Consultant / Contractual Services	40,148,630	44,540,566	-	-	-	-	-	-	44,540,566
Materials , Supplies & Chemicals	34,098,362	34,590,362	-	-	(200,000)	-	-	(200,000)	34,390,362
Rent, Utilities, & Insurance	27,321,392	27,321,392	-	-	(316,447)	-	-	(316,447)	27,004,945
Other Operating Expenses	36,750,927	36,750,927	-	-	-	-	-	-	36,750,927
Grants from Operating Accounts	-	3,844,928	-	-	-	-	-	-	3,844,928
Transit Assistance	55,460,947	55,460,947	-	-	-	-	-	-	55,460,947
Debt Service	146,351,079	146,351,079	-	-	-	-	-	-	146,351,079
Passthrough Grants & Loans	99,740,843	99,740,843	-	-	-	-	-	-	99,740,843
Capital Expenditures	4,259,342	4,259,342	-	-	-	-	-	-	4,259,342
<b>Total Expenses</b>	<b>\$ 760,666,060</b>	<b>\$ 769,494,924</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,447)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,447)</b>	<b>\$ 768,978,477</b>
<b>Other Uses</b>									
Interdivisional Expense Allocation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
A-87 Charges/Planning Chargebacks	-	-	-	-	-	-	-	-	-
Transfers (From) To Other Funds	(100,000)	(100,000)	-	-	-	-	-	-	(100,000)
<b>Total Other Uses</b>	<b>\$ (100,000)</b>	<b>\$ (100,000)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (100,000)</b>
<b>Total Expenses and Other Uses</b>	<b>\$ 760,566,060</b>	<b>\$ 769,394,924</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,447)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,447)</b>	<b>\$ 768,878,477</b>
<b>Surplus/(Deficit)</b>	<b>\$ (4,907,236)</b>	<b>\$ (8,774,010)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,899,583)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (8,899,583)</b>	<b>\$ (17,673,593)</b>

**T** Transportation Committee  
Meeting date: April 11<sup>th</sup>, 2011  
Management Committee: April 13<sup>th</sup>, 2011  
Metropolitan Council: May 11<sup>th</sup>, 2011

**ADVISORY INFORMATION**

**Date:** April 11<sup>th</sup>, 2011  
**Subject:** 2011 Unified Operating Budget Amendment  
**District(s), Member(s):** All  
**Policy/Legal Reference:** MN Statutes Section 473.13, sub. 1 – Council Budget Requirements  
**Staff Prepared/Presented:** Brian Lamb, General Manager, Metro Transit, 612-349-7510  
Arlene McCarthy, MTS Director, 651-602-1217  
Ed Petrie, Director of Finance, Metro Transit 612-349-7624  
Amy Vennewitz, Deputy Director, MTS, 651-602-1058  
Alan Morris, Principal Financial Analyst, 651-602-1446  
Sean Pfeiffer, Financial Analyst, MTS, 651-602-1887  
**Division/Department:** Transportation/Metropolitan Transportation Services

**Proposed Action**

That the Council amend the 2011 Unified Operating Budget in accordance with the attached table.

**Background**

**Metro Transit:** This amendment requests a decrease in operating revenues offset by operating reserves.

**Metropolitan Transportation Services:** This amendment reduces previously budgeted federal revenues within the Transportation Division's 2011 Operating Budget. Each year, the Council earns federal transit formula funds that are eligible to be used for transit capital purposes. Typically these federal funds are allocated for various capital purposes in the Council's Transit Capital Budget. However, some eligible capital expenditures, such as for preventive maintenance purposes or capital cost of contracting, appear in the Transit Operating Budget and are also an allowable use of the federal transit formula funds. Each year, as part of the overall budgeting process, the Council determines what level of federal funds should be used in the operating budget, with the remainder used in the capital budget. This determination balances the need to use federal funds for smaller, on-going eligible capital costs in the operating budget, against the need to preserve these funds for larger capital projects such as bus replacements and facility repairs and construction. During 2010, Metro Mobility and Contracted Transit Services operating reserve balances increased due to a number of factors described below. This amendment reduces the adopted use of federal revenues for these services in the 2011 operating budget and instead spends down the existing operating reserves. This action will allow the federal revenues to be used for future capital purposes or to be drawn into the operating budget in later years.

The specific changes for Transportation are as follows:

### **Metro Transit**

**Increase/(Decrease) in Revenues: (\$5,116,030); Expenditures: \$(516,447); Reserves: (\$4,599,583)**

- Reducing Ridership estimates in 2011 from 83,000,000 rides to 80,000,000 rides. Other factors effecting Bus Revenue is the change in the passenger fare product mix resulting in a lower average fare per passenger. With the use of reserves, the Bus, Hiawatha and Northstar reserve balances are forecasted to exceed the council target of 8.3% for 2011.
- Legislative action during the 2010 Session transfers \$80,700 of State Appropriations to the Minnesota Department of Transportation (MNDOT) for administrative expenses of the Minnesota Council on Transportation Access. The Council was originally appropriated the funding in 2009 with the requirement to pay MNDOT.

### **Metropolitan Transportation Services**

**Increase/(Decrease) in Revenues: (\$4,300,000); Expenditures: \$0; Reserves: (\$4,400,000)**

- In 2010, Metro Mobility received higher than anticipated fare revenue while also coming in 3% under budgeted expenses. These additional revenues and expense savings resulted in an increase in Metro Mobility's 2010 year-end fund balance. As of year-end 2010 Metro Mobility's fund balance exceeds the 10% adopted minimum policy reserve level (see table below). This amendment will decrease Metro Mobility's anticipated use of federal funds in 2011 by \$1.5 M resulting in a \$1.5 M use of reserves in 2011. The reduction in the use of 2011 federal operating funds will allow these funds to be used in Metro Mobility's capital budget while continuing to maintain a fund balance above minimum policy reserve levels.
- In 2010, Contracted Transit Services also received higher than anticipated fare revenue and came in 12% under budgeted expenses. The expense savings was generated by Transit Link dial-a-ride provider contract rates which came in lower than the budgeted rates and by lower than anticipated participation in the VanGO! vanpool program. In addition, during 2010, federal revenues for Contracted Transit Services were inadvertently drawn in \$1.0 M more than originally budgeted. These factors combined to result in a 2010 year-end fund balance for Contracted Transit Services that exceeds the 10% minimum policy reserve level (see table below). This amendment will decrease the Contracted Transit Services use of federal revenues in 2011 by \$2.8 M resulting in a \$2.8 M use of reserves in 2011. The reduction in the use of 2011 federal operating funds will allow these funds to be used in Contracted Transit Service's capital budget while continuing to maintain a fund balance above minimum policy reserve levels.

### **Rationale**

This amendment also reduces the use of federal funds in the Metro Mobility and Contracted Transit Services 2011 transit operating budget allowing these funds to be used for future capital purposes and continuing to maintain adequate operating policy reserve levels.

## Funding

The table below shows 2010 year end fund balance status and the impact of this amendment on the use of reserves during 2011. The amendment will maintain policy reserves above the minimum target levels.

<b>MT &amp; MTS - Status of Fund Balances / Reserves</b>							
	<u>Unaudited 12/31/2010</u>	<u>2011 Changes</u>		<u>Net Balance</u>	<u>Reserve Targets</u>		
		<u>Adopted</u>	<u>Amendments</u>		<u>Min</u>	<u>Max</u>	<u>Range</u>
<b>Metro Transit</b>							
Bus	25.8	2.7	(4.1)	24.4	21.6	31.2	8.3-12%
Hiawatha	3.2	(0.7)	(0.3)	2.2	2.2	3.2	8.3-12%
Northstar	1.7	0.2	(0.3)	1.6	1.4	2.0	8.3-12%
<b>Metro Mobility</b>	5.5	0.4	(1.5)	4.4	4.1	6.1	10-15%
<b>Contracted Services</b>	7.6	(2.5)	(2.8)	2.3	2.1	3.2	10-15%

## Known Support / Opposition

No known opposition.

## Metropolitan Council - Transportation Division 2011 Annual Budget - Summary of Revisions Operating Budget Amendment - Business Item 2011-064

	2011 Adopted Budget	2011 Amended Budget	Metro Transit Bus	Metro Transit Rail	Metro Transit Northstar	Total Metro Transit	Metro Mobility	Contracted Services	Transportation Planning	Total Metropolitan Transportation Services	2011 Revised Budget
<b>Revenues</b>											
<b>State Revenues</b>											
Motor Vehicle Sales Taxes	\$ 164,145,012	\$ 164,145,012	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 164,145,012
State Revenues	58,154,162	58,154,162	(80,700)	-	-	(80,700)	-	-	-	-	58,073,462
<b>Total State Revenues</b>	<b>\$ 222,299,174</b>	<b>\$ 222,299,174</b>	<b>\$ (80,700)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (80,700)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 222,218,474</b>
<b>Other Revenues</b>											
Federal Revenues	33,297,970	38,023,660	\$ -	\$ -	\$ -	-	\$ (1,500,000)	\$ (2,800,000)	\$ -	(4,300,000)	33,723,660
Local Revenues	14,711,235	14,711,235	-	-	-	-	-	-	-	-	14,711,235
Investment Earnings	749,920	749,920	-	-	-	-	-	-	-	-	749,920
Other Revenues	3,925,635	4,162,035	-	-	-	-	-	-	-	-	4,162,035
Fares - Base	98,083,645	98,083,645	(3,960,798)	(308,085)	(766,447)	(5,035,330)	-	-	-	-	93,048,315
Contract & Special Event Revenue	5,703,334	5,703,334	-	-	-	-	-	-	-	-	5,703,334
<b>Total Revenues</b>	<b>\$ 378,770,913</b>	<b>\$ 383,733,003</b>	<b>\$ (4,041,498)</b>	<b>\$ (308,085)</b>	<b>\$ (766,447)</b>	<b>\$ (5,116,030)</b>	<b>\$ (1,500,000)</b>	<b>\$ (2,800,000)</b>	<b>\$ -</b>	<b>\$ (4,300,000)</b>	<b>\$ 374,316,973</b>
<b>Expenses</b>											
Salaries & Benefits	\$ 227,621,317	\$ 227,621,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,621,317
Consulting & Contractual Services	15,786,691	19,436,727	-	-	-	-	-	-	-	-	19,436,727
Materials & Supplies	21,456,807	21,456,807	-	-	(200,000)	(200,000)	-	-	-	-	21,256,807
Rent & Utilities	7,952,226	7,952,226	-	-	-	-	-	-	-	-	7,952,226
Printing	108,250	108,250	-	-	-	-	-	-	-	-	108,250
Travel	36,000	36,000	-	-	-	-	-	-	-	-	36,000
Insurance	4,808,248	4,808,248	-	-	(316,447)	(316,447)	-	-	-	-	4,491,801
Transit Programs	55,460,947	55,460,947	-	-	-	-	-	-	-	-	55,460,947
Operating Capital	911,422	911,422	-	-	-	-	-	-	-	-	911,422
Grants - Governmental	-	1,344,928	-	-	-	-	-	-	-	-	1,344,928
Other Operating Expenses	25,981,426	25,981,426	-	-	-	-	-	-	-	-	25,981,426
Capital Outlay	-	-	-	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>\$ 360,123,334</b>	<b>\$ 365,118,298</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,447)</b>	<b>\$ (516,447)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 364,601,851</b>
<b>Other Uses</b>											
Interdivisional Expense Alloc-MT & LRT	\$ 17,804,183	\$ 17,804,183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,804,183
A-87- Metropolitan Transportation Services	1,539,030	1,539,030	-	-	-	-	-	-	-	-	1,539,030
Planning Chargeback Expense	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Uses</b>	<b>\$ 19,343,213</b>	<b>\$ 19,343,213</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 19,343,213</b>
MVST Transfers In	-	-	-	-	-	-	-	-	-	-	-
Transfers (To) / From Other Funds	21,150	21,150	-	-	-	-	-	-	-	-	21,150
<b>Total Expenses and Uses</b>	<b>\$ 379,445,397</b>	<b>\$ 384,440,361</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,447)</b>	<b>\$ (516,447)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 383,923,914</b>
<b>Surplus/(Deficit)</b>	<b>\$ (674,484)</b>	<b>\$ (707,358)</b>	<b>\$ (4,041,498)</b>	<b>\$ (308,085)</b>	<b>\$ (250,000)</b>	<b>\$ (4,599,583)</b>	<b>\$ (1,500,000)</b>	<b>\$ (2,800,000)</b>	<b>\$ -</b>	<b>\$ (4,300,000)</b>	<b>\$ (9,606,941)</b>