

# T Transportation Committee

Meeting date: March 12, 2007

## ADVISORY INFORMATION

<b>Date:</b>	March 5, 2007
<b>Subject:</b>	2006/2007 Unified Operating Budget Amendment
<b>District(s), Member(s):</b>	All
<b>Policy/Legal Reference:</b>	Mn Statutes Seciton 473.13, sub. 1 – Council Budget Requirements
<b>Staff Prepared/Presented:</b>	Amy Vennewitz, Deputy Director, MTS Planning & Finance (651-602-1058) Edwin Petrie, Director Finance Metro Transit (612-349-7624) Paul Conery, Manager Budget & Evaluation (651-602-1374)
<b>Division/Department:</b>	All

### Proposed Action/Motion

That the Metropolitan Council:

- Amend the 2006 Unified Operating Budget in accordance with the attached table.
- Amend the 2007 Unified Operating Budget in accordance with the attached table.

### 2006 Overview and Funding

The proposed operating amendment is brought to the Transportation Committee for review and endorsement before presentation to the Management Committee on March 14 and the Council on March 28, 2007.

This budget amendment includes recommended changes to the 2006 Operating Budget to provide expenditure authority. Expenditures exceeded the amended budget in two programs. In Metro Mobility revenues were also over budget with a net effect on fund balance being favorable. In the case of Rural Small Urban, the primary reason is an adjusting entry made for cash fares received directly by the providers. Regardless of cause, programs are not authorized to exceed the authorized budget as set by the Council. Staff is currently working on a revised reporting format and schedule that will assist in identifying issues.

Staff is recommending the following revisions to the 2006 budget.

#### Metropolitan Transportation Services

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

- Metro Mobility transit provider contract expenditures exceeded budget by \$1.3 million. Staff worked to bring the other program expenses in under budget through reductions in salary and consulting expenses and the gain realized from forward pricing of fuel. Metro Mobility also received unexpected revenue from the federal fuel excise tax rebate. The result of these changes was that the Metro Mobility program realized an increase in fund balance, but also exceeded total expenditure authority. Staff requests an increase of \$700,000 expenditure authority in the Metro Mobility program.
- At the time the 2006 budget was established, several Regular Route contracts were thought to be eligible for federal 5307 funding and \$2.5 million in federal revenue was budgeted. Further inquiry revealed that the contracts were not eligible because the contracts did not meet all of the FTA requirements. The lost federal revenue resulted in a use of reserves of \$1.8 million. However, an additional \$2.0 million in federal revenue was drawn down against eligible Metro Mobility expenses.

To offset the lost federal revenues in Regular Route, staff requests authority to reprogram state appropriations of \$1.8 million from Metro Mobility to the Regular Route program.

- The Rural Small Urban final adjustment for fare revenue exceeded budget. This adjustment resulted in the program exceeding both revenue projections and expenditure authority by off-setting amounts. Staff requests an increase of \$650,000 in expenditure authority for the Rural Small Urban program.

## **2007 Overview and Funding**

The proposed operating amendment is brought to the Transportation Committee for review and endorsement before presentation to the Management Committee on March 14 and the Council on March 28, 2007.

This Amendment:

- Incorporates the changes to the operating budget of Metro Transit due to the addition of staff support for the Central Corridor light rail line, the Northstar commuter rail line and a Principal Contract Administrator for Purchasing.
- Reflects the shift of Metro Transit payroll staff to Regional Administration (RA).
- Adjusts revenues and expenses related to amended service plans for bus and rail operations at Metro Transit, including the goal of producing 75 million rides during the year.
- Amends the full-time equivalent (FTE) positions funded in the Metro Transit budgets.
- Conforms to the 2007 indirect cost rate as mandated by the Federal Transit Administration (FTA).
- Recognizes the addition of two federal grants to Metropolitan Transportation Services.

## **Fiscal Analysis**

### **Metro Transit Bus Operations**

**Changes: Revenues/Sources: +\$401,170; Expenditures/Uses: +\$401,170; Reserves: \$0; FTEs +24.3**

- Shift the Metro Transit payroll function from Metro Transit to Regional Administration. Remove previously budgeted salary and fringe costs from those categories and add costs to the Council Allocated line item. Reduce the full-time equivalent (FTE) position count in the Metro Transit budget by 8.
- The A-87 indirect cost rate has been adjusted to the finalized adopted FTA rate for 2007. This has the effect of reducing costs in the operating budget for bus and increasing costs in federally-funded capital projects and in the rail operating fund.
- Costs for the work of employees required to work on legal holidays have been added to the operating budget in conformance with negotiated salary agreements.
- Add twenty-one (21) new 2007 full-time positions to the Metro Transit budget. These positions along with a portion of the time of existing staff already budgeted in Metro Transit are needed to perform required engineering, design and contract administration related to the Central Corridor LRT project. The cost of all staff will be supported with the capital funding provided for the project. As the Central Corridor project matures, additional staff requests will be made when needed at a later date which will be supported with the capital funding provided for the project.
- Add three (3) full-time positions to the Metro Transit budget in the Transit System Development Division. These positions are needed to perform required contract administration related to the Northstar Commuter Rail project. The cost of staff will be supported with the capital funding provided for the project.

- Add one (1) full-time position to the Metro Transit budget in the Purchasing Department to oversee contract administration for contracts with Metro Transit and Metropolitan Transportation Services.
- Adjust the revenues and expenses budgeted for Plymouth Metrolink contracted service, I-394 Corridor service expected to be funded with TAD garage revenues and policing contract services to the City of Minneapolis. These anticipated agreements will not be realized in the foreseeable future. Also, adjust other contract service and non-operating revenues and expenses to conform to experience from 2006.
- Adjust passenger fare revenues to conform to the goal of providing 75 million bus and rail rides in 2007 at an average fare per passenger that continues the experience realized in 2006.
- Add federal revenue for training of staff.
- Table 7 (Staff Complement in FTEs) of the Adopted Budget understated operator overtime by seven (7.3) FTEs. This adjustment, in addition to the above-stated FTE changes, amends the total FTE complement for bus and rail operations from 2,562.4 to 2,586.7 full-time equivalent positions.

**Metro Transit Rail Operations**

**Changes: Revenues/Sources: +\$1,570,491; Expenditures/Uses: +\$1,570,491; Reserves: \$0**

- The A-87 indirect cost rate has been adjusted to the finalized adopted FTA rate for 2007 as described above.
- Excess position expense was budgeted in the Rail budget and is being removed in this amendment.
- Clerical overtime costs are adjusted to conform to the negotiated labor contract provisions.
- Passenger fare revenues adjusted to conform to the goal of providing 75 million bus and rail rides in 2007 at an average fare per passenger that continues the experience realized in 2006.
- Metropolitan Airport Commission (MAC) contract service revenue is revised to reflect the construction schedule at Humphrey Terminal.
- Advertising revenues is amended to conform to experience from 2006.
- The receipt of the last three months of Congestion Mitigation and Air Quality (CMAQ) revenue for service enhancements is allocated to the January to March 2007 time period.
- An additional amount is added to the budget for anticipated increases in propulsion costs.

**MTS Operations**

**Changes: Revenues / Sources: +163,306; Expenditures / Uses: +163,306; Reserves: \$0**

- To recognize Federal grant for Access Minneapolis Study
- To recognize Federal grant for Twin Cities Mode Choice Model Update.
- The 5307 eligibility issue in the Contracted Transit Services was identified after the 2007 budget was established with \$2.5 million in revenue from this source. Staff has been working to correct the problem in the competitive bidding process. Their efforts to date have resulted in a budgeted recovery of \$1.7 million leaving a deficit of \$800,000 in federal revenues. Staff recommends reprogramming

\$800,000 in State Appropriations from Metro Mobility to Contracted Transit Services. Metro Mobility will program an additional \$800,000 in federal revenues against eligible expenses.

## 2006 Financial Summary

The proposed operating budget amendment makes the following changes to the Amended 2006 Unified Operating Budget:

	2006 Amended Budget	Proposed Amendment	2006 Budget (Revised 3/28/07)
<b>Revenues</b>			
Operating	\$ 446,237,183	\$ 0	\$ 446,237,183
Pass Through	91,729,949	0	91,729,949
Debt Service	125,660,000	0	125,660,000
<b>Total Revenues</b>	<b>\$ 663,627,132</b>	<b>\$ 0</b>	<b>\$ 663,627,132</b>
<b>Expenditures</b>			
Operating	\$ 450,343,858	\$ 1,350,000	\$ 451,693,858
Pass Through	95,923,749	0	95,923,749
Debt Service	126,500,844	0	126,500,844
<b>Total Expenditures</b>	<b>\$ 672,768,451</b>	<b>\$ 1,350,000</b>	<b>\$ 674,118,451</b>
<b>Balance / (Deficit)</b>	<b>\$ (9,141,319)</b>	<b>\$ (1,350,000)</b>	<b>\$ (10,491,319)</b>

## 2007 Financial Summary

The proposed operating budget amendment makes the following changes to the Adopted 2007 Unified Operating Budget:

	2007 Adopted Budget	Proposed Amendment	2007 Budget (Revised 3/28/07)
<b>Revenues</b>			
Operating	\$ 449,174,700	\$ 2,134,967	\$ 451,309,667
Pass Through	79,569,916	0	79,569,916
Debt Service	127,048,572	0	127,048,572
<b>Total Revenues</b>	<b>\$ 655,793,188</b>	<b>\$ 2,134,967</b>	<b>\$ 657,928,155</b>
<b>Expenditures</b>			
Operating	\$ 451,925,432	\$ 2,134,967	\$ 454,060,399
Pass Through	80,409,683	0	80,409,683
Debt Service	133,234,446	0	133,234,446
<b>Total Expenditures</b>	<b>\$ 665,569,561</b>	<b>\$ 2,134,967</b>	<b>\$ 667,704,528</b>
Net Transfers In/Out	\$ -	\$ -	\$ -
<b>Balance / (Deficit)</b>	<b>\$ (9,776,373)</b>	<b>\$ -</b>	<b>\$ (9,776,373)</b>