

Agenda

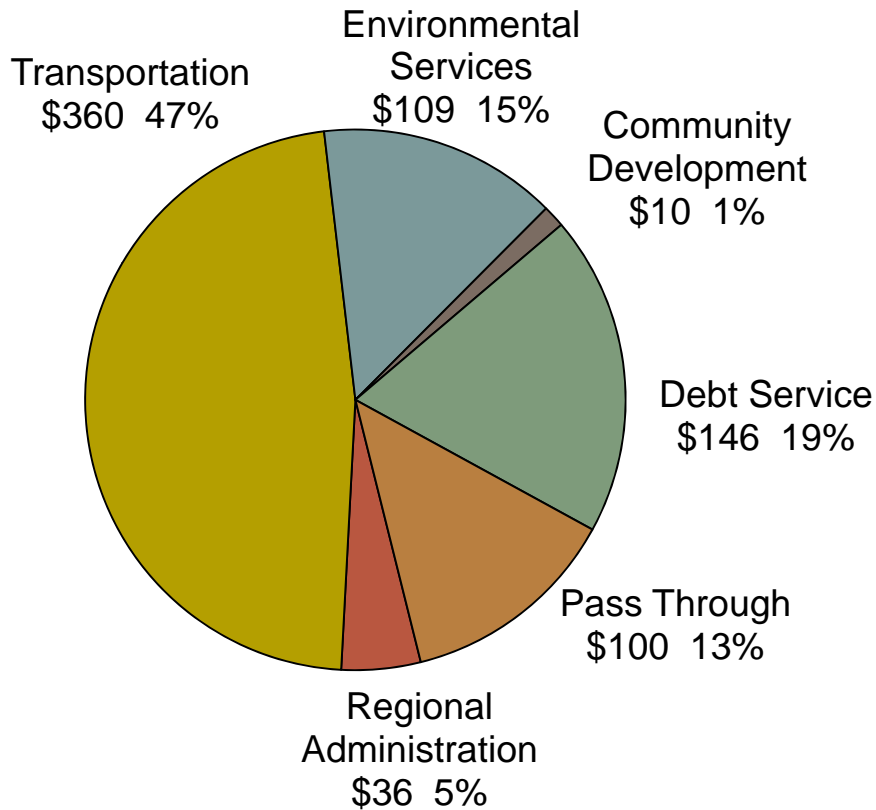
- ❖ Overview & Levies Wes Kooistra
- ❖ Transportation Brian Lamb
- ❖ Community Development Beth Reetz
- ❖ Environmental Services Bill Moore
- ❖ Council Guidance Wes Kooistra

2012 Budget Development Council Schedule

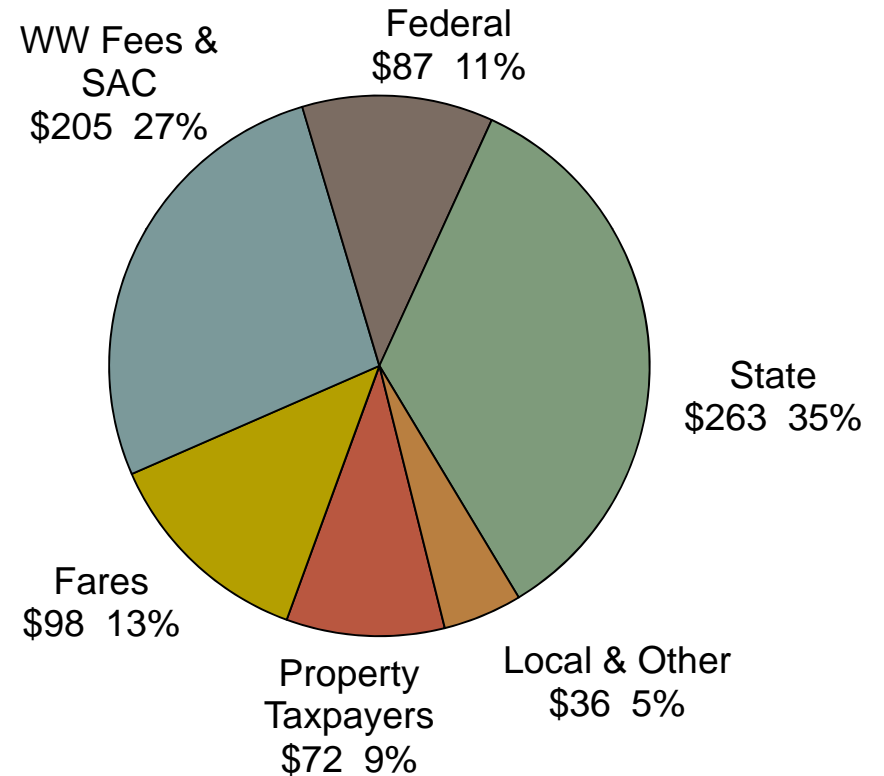
- ❖ Jul 27 or Aug 10 Presentation of Preliminary Operating Budget
Levies & Adoption of Final Rates
- ❖ Aug 24 Adoption of Preliminary Operating
Budget & Levies
- ❖ Sep 28 Present Preliminary Capital Program
- ❖ Oct 26 Adopt Public Comment Versions of Operating
Budget, Levies & Capital Program
- ❖ Dec 14 6:00 PM Hear Public Comment
Adopt Final Operating Budget, Levies &
Capital Program

Adopted 2011 Operating Budget \$761M

Expenses & Uses

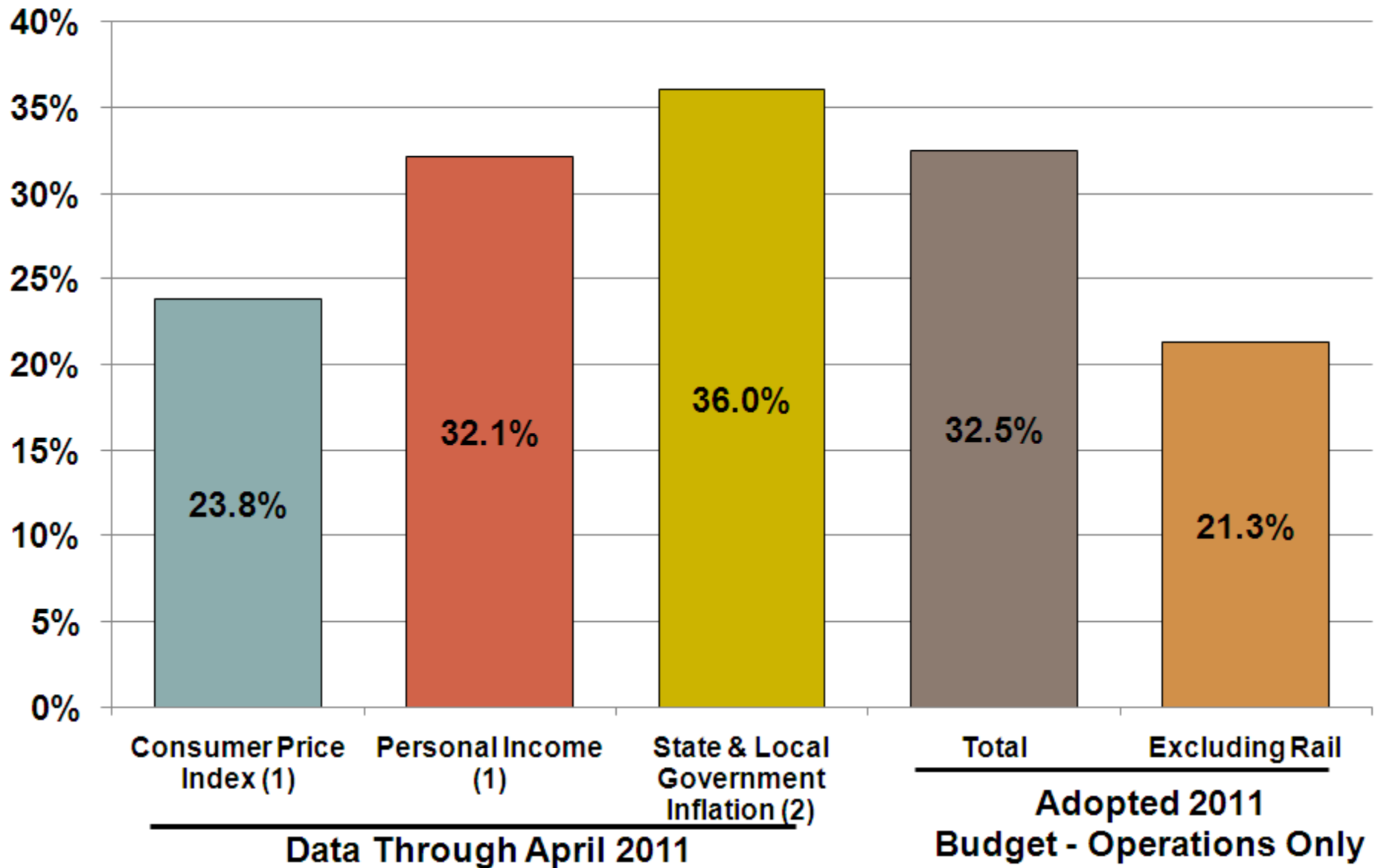


Revenues & Sources



\$ in Millions

Total Change Since January 2003

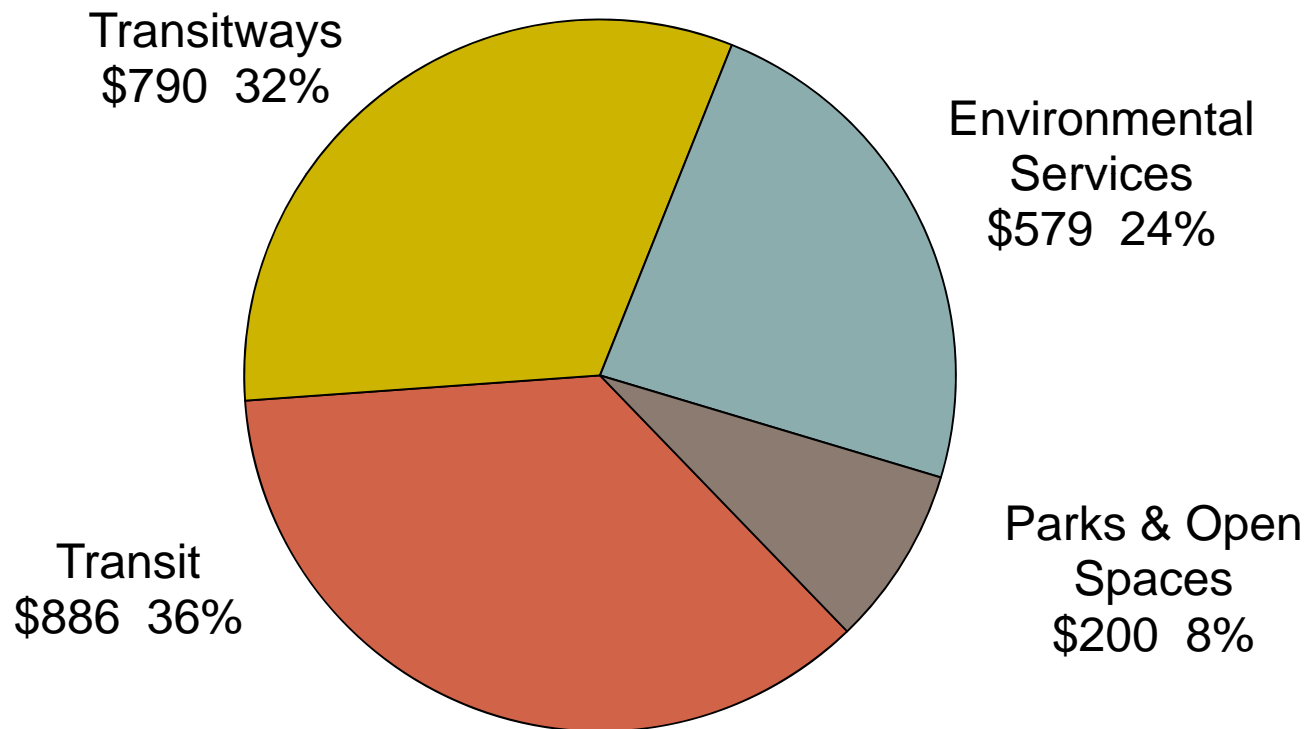


(1) US Bureau of Labor Statistics - National Income and Products Account

(2) US Bureau of Economic Analysis - Table 1.1.9

2011-16 Capital Improvement Plan

Total \$2.455 Billion



\$ in Millions

Predominance of Categorical Funding

❖ Transportation

- ❖ Dedicated MVST
- ❖ Federal, State and Local
- ❖ Fares
- ❖ Highway Right-of-Way Levy
- ❖ Transit Debt Service Levy

❖ Environmental Services

- ❖ Wastewater Fees
- ❖ SAC Fees

❖ Community Development

- ❖ Federal
- ❖ **General Purposes Levy**
- ❖ Livable Communities Levies (LCDA & TBRA)
- ❖ Parks Debt Service Levy

❖ Regional Administration

- ❖ Cost Allocation
- ❖ **General Purposes Levy**

Changes from 2011 to 2012

- ❖ Pending Reductions in State Funding
- ❖ Fuel Price Increases
- ❖ Commercial & Residential Development Projections
- ❖ Federal Funding Reductions to HRA Administration
- ❖ Federal Transportation Funding Uncertainties
- ❖ New or Increasing Operational Demands
 - ❖ CCLRT Pre-Op
 - ❖ TGB, Land Mgmt., Software Maintenance, Document Mgmt.
 - ❖ New Forecasting Model, Development Framework Revisions, HUD Sustainable Communities Grant, Housing Policy Plan
- ❖ Employee Wages and Benefits
- ❖ General Inflation

Starting from a Position of Relative Strength

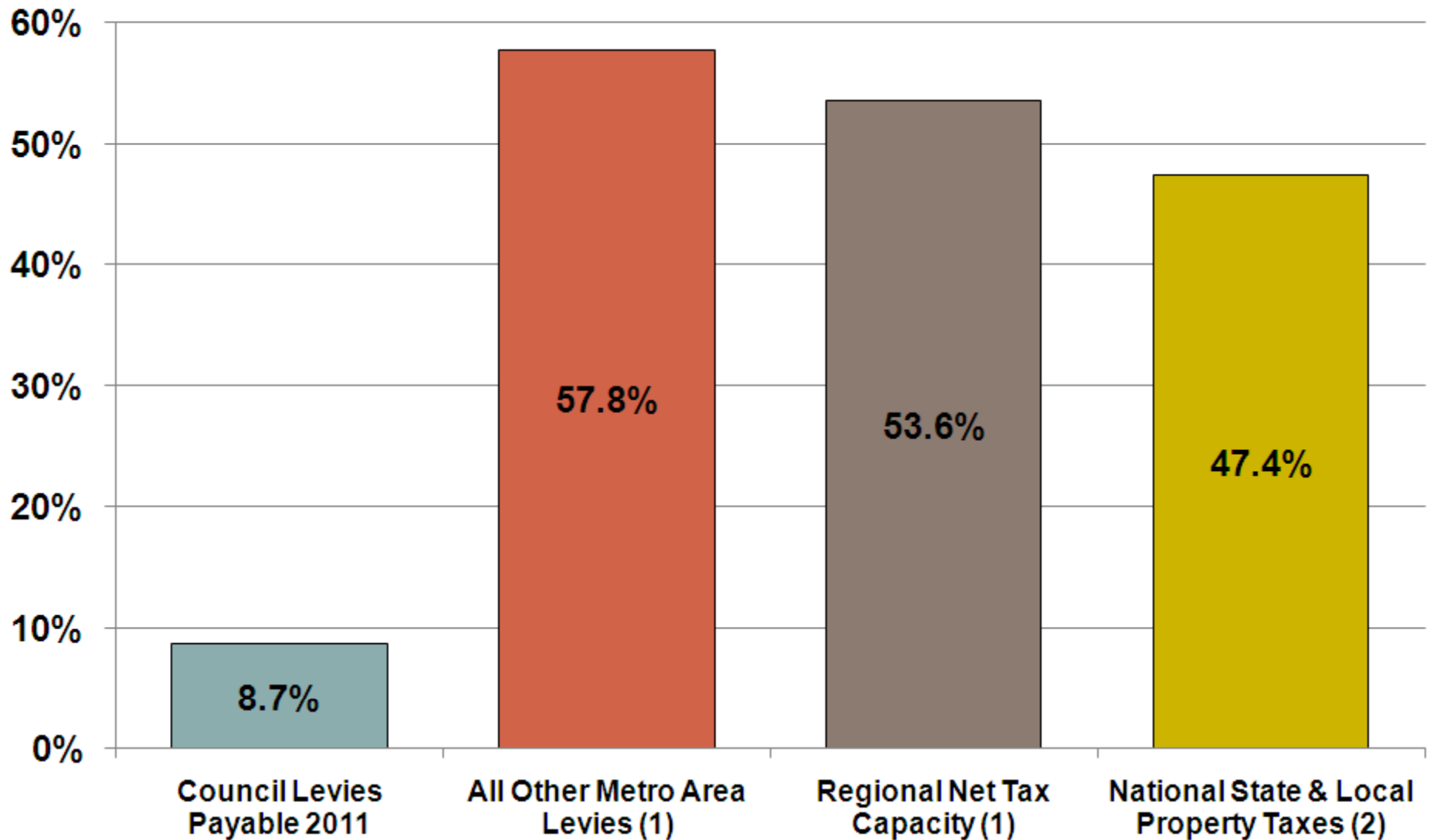
- ❖ Fund Balances
- ❖ SAC Legislation
- ❖ Fuel Forward Pricing Program
- ❖ Aaa Bond Rating
- ❖ Levy Growth and Budget Constraint

2011 Levies vs Limits

| | 2011 | Limit | Variance | |
|---------------------------------------|-----------------|----------------------------------|----------------|--------------|
| | | | Amount | Percent |
| <u>Non-Debt Service Levies</u> | | | | |
| General Purposes | \$ 9.35 | \$ 13.36 | \$ 4.01 | 42.9% |
| Highway Right of Way | 3.59 | 3.59 | - | 0.0% |
| Livable Communities | | | | |
| - Demonstration Acct | 8.18 | 10.49 | 2.31 | 28.2% |
| - Tax Base Rev. | 5.00 | 5.00 | - | 0.0% |
| Total Non-Debt Levies | \$ 26.12 | \$ 32.44 | \$ 6.32 | 24.2% |
| <u>Debt Service Levies</u> | | | | |
| Transit | \$ 42.18 | Limited by ability to issue debt | | |
| Parks | 7.12 | | | |
| Total Non-Debt Levies | \$ 49.30 | | | |
| Total Levies | \$ 75.42 | | | |

\$ in Millions

Total Change Since Payable 2003 Levies



Data Through Payable 2011 Levies

(1) MN Department of Revenue

(2) US Bureau of Economic Analysis - Nat'l Income & Products Account Table 3.3

Development of Levy Policy for 2012

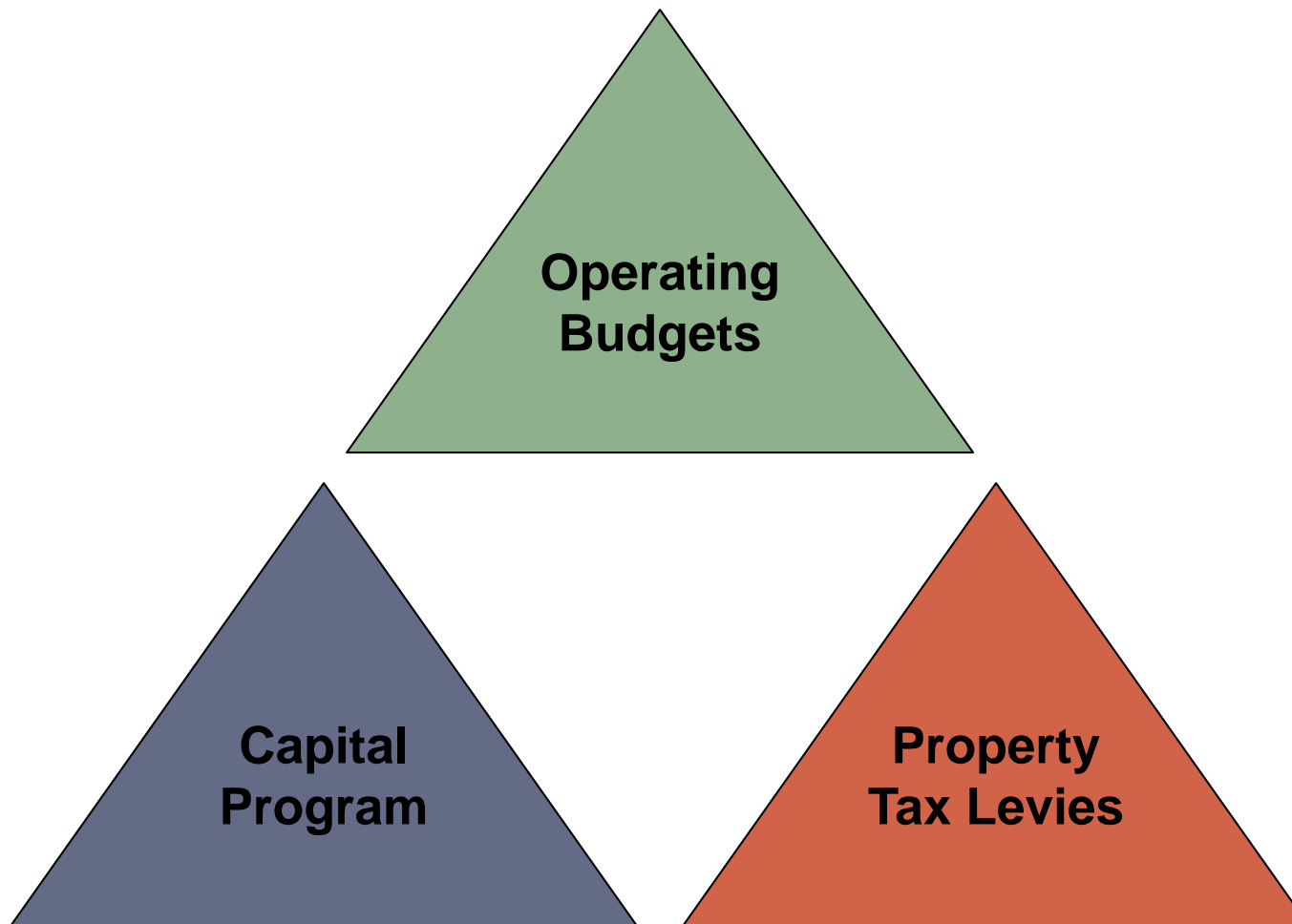
- ❖ Total 2012 Levies
 - ❖ 7 County Region
 - ❖ Transit Capital Levy Communities

- ❖ Distribution of Levies Among Levy Categories
 - ❖ Alignment with Priorities and Objectives
 - ❖ Levy Account Fund Balances
 - ❖ Structural Integrity

Summary of Key 2012 Decision Points

- ❖ Solutions to Funding Transit Operations
- ❖ Strategy for SAC Funded Obligations
- ❖ Establishment of Wastewater Rates
- ❖ Total Levies & Distribution Among Categories
- ❖ Wages & Benefits Assumptions
- ❖ Alignment of Capital Preservation & Development Objectives with Available Resources

Achieving Structural Balance



Transportation Division Budget Outlook



Transportation Division – Objectives

- ❖ Support the Council's framework and Regional Transportation Policy Plan (TPP)
 - ❖ TPP: Double 2003 transit ridership by 2030
- ❖ Construct a balanced transit budget over 4 years
- ❖ Prioritize structural solutions – mitigate structural gaps over time

Division Specific Assumptions

- ❖ Maintain 2011 service levels
- ❖ Maintain current fare structure
- ❖ CTIB funding for Northstar, Hiawatha and Cedar Avenue BRT and I-35W BRT express operations
- ❖ Metro Mobility: Maintain 0% denial rate for ADA-eligible rides
- ❖ CCLRT system construction; begin pre-revenue operations
- ❖ Update 2012 Budget once State Funding for transit finalized

Challenges & Pressures

- ❖ State transit funding unknown SFY 2012/2013
- ❖ Uncertainty with federal reauthorization-funding and its potential impact on operations
- ❖ Volatility in fuel pricing
- ❖ Healthcare costs increases
- ❖ MVST revenues unstable

Options & Considerations

- ❖ Balanced Budget 2yrs vs 4yrs
- ❖ Structural vs One-Time Solutions
- ❖ Use of transit reserves
- ❖ Administrative reductions/savings
- ❖ Use of federal funds in operations
- ❖ Balance between service reductions and a fare increase

Community Development Division Budget Outlook



Challenges & Pressures

- ❖ Federal funding reduction for Section 8 administration impact on staffing capacity while service level and demand remain unchanged
- ❖ Growing demand for Livable Communities funding as economy improves

Anticipated Changes

- ❖ Activities/Initiatives for 2012
 - ❖ New Forecast Model and Forecasts
 - ❖ Revisions to Regional Development Framework
 - ❖ HUD Sustainable Communities Grant – Corridors of Opportunity
 - ❖ Development of a Regional Housing Policy Plan

Environmental Services Budget Outlook



Challenges & Pressures

- ❖ Continued slowdown in development
- ❖ More stringent environmental regulations
- ❖ Rehabilitation of facilities needed to preserve function and value of assets
- ❖ Metro Plant needs additional solids capacity

Division Specific Assumptions

- ❖ Limited increase in Municipal Wastewater Charges
- ❖ No use of Operating Reserve (designated for SAC relief)
- ❖ SAC units will be at 7,000 in 2011
- ❖ Growth related capital projects can be deferred
- ❖ No adverse regulatory impact in 2012
- ❖ Energy, chemicals and materials costs are as estimated

Anticipated Changes

- ❖ As year progresses, SAC receipts will have impact on SAC revenues and reserve balance

Summary of Key 2012 Decision Points

- ❖ June 2011 Public input on process
- ❖ July 2011 SAC shift decision
- ❖ July 2011 2012 rate setting
- ❖ DATE? Metro Plant NPDES permit development

Council Guidance



Council Guidance

❖ April

- ❖ CDC: Decision on preliminary LCA Fund Distribution Plan

❖ May

- ❖ COUNCIL: Decision to use Wastewater Operating Reserves to fund SAC shift
- ❖ EC: Acceptance of Industrial Rate fee formulas and phase-in plan for increases to certain rates (permit fees, holding tank load charge)

❖ June

- ❖ Committee presentations of recommended operating budgets
- ❖ EC: Decision about increase of out-of-region administrative component to load charge or others
- ❖ MC: Recommendation for maximum levies

Council Guidance

- ❖ July
 - ❖ Council presentation of recommended operating budgets
 - ❖ COUNCIL: Decision on rates and fees
- ❖ August
 - ❖ COUNCIL: Adoption of preliminary operating budgets and maximum levies
- ❖ September
 - ❖ Committee presentations of capital program
 - ❖ Council presentation of capital program

Council Guidance

- ❖ October
 - ❖ Council adoption of the public comment versions of operating budgets and capital program. (Levies unchanged from August.)
- ❖ November
 - ❖ Public comment period
- ❖ December
 - ❖ Public comment
 - ❖ Council adoption of final operating budgets, levies and capital program