

M Management Committee

Meeting date: June 23, 2010

ADVISORY INFORMATION

Date:	June 23, 2010
Subject:	Year-End Financial Report – December 31, 2009
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 year ending December 31, 2009. The narrative below provides information on significant events for each operating fund.

Year-End Financial Report – December 31, 2009

- **General Fund**

The General Fund ended the year with a surplus of \$1.5M compared to a budgeted \$100 thousand use of reserves. *Salary and benefits* savings of approximately \$1M coupled with *Contracted Services* \$1.6M under-budget were offset by \$2M of reduced interdivisional allocations. Contracted services of \$494K were approved for carry-over by the Council in the March 25, 2010 Operating Budget Amendment.

The total fund balance at December 31, 2009 was \$15.8M with \$10.8M undesignated and available for operations.

- **Environmental Services**

Environmental Services ended 2009 with an operating budget surplus of \$5.4 million compared to a budget using \$1M of reserves. Savings were realized in the *salary & benefits* \$1.3M, *contracted services* \$2.8M, *materials and chemicals* \$1.6, *interdivisional charges* \$1.1M expense categories and above budget *industrial charges revenue* \$1.4M. Those savings and additional revenue were partially offset by above-budget expenses for *utilities* -\$1.1M and *miscellaneous charges* -\$0.4M and lower than budgeted *investment earnings* -\$1.3M.

Total operating reserves at year end were \$26.9M.

- **Metro Transit**

Bus Operations:

Metro Transit bus operations had an adopted 2009 balanced budget. During 2009 additional Federal funds became available and the budget was amended to include \$17.7M in funding that would be used to balance the 2010 budget. In addition a reduction in spending resulted in an additional \$5.7M savings which added a total of \$23.4M to the operating fund balance.

Metro Transit bus ridership was 4,727,854 below the budgeted level. This reduction was related to the overall economic downturn and resulted in passenger fares being \$7.1M below budget.

Metro Transit bus operating expenses were reduced by \$12.5M from the 2009 budget. *Salaries and Benefits* were reduced by \$5M through temporarily not filling of vacant positions; *Professional and Technical Services* \$1.6M due to savings on various maintenance contracts; *Diesel Fuel* \$4.7M due to prices dropping significantly during 2009; and *Allocated Charges* \$2.5M below budget due to savings in Casualty and Liability costs and savings in Council Allocated charges. *Materials and supplies* were over budget by \$1.3M.

Light Rail Operations:

Metro Transit Hiawatha Light Rail 2009 amended operating budget included using \$1M from reserves. Even though Light rail ridership was 443,285 passengers below budget, Passenger fares were \$420K over the budgeted level. This was due to a change in the mix of passengers. In addition to the increased revenues, cost savings of \$280K resulted in use of only \$224K of reserves in 2009.

Commuter Rail Operations:

Metro Transit Northstar Commuter Rail operations began in November 2009. Ridership revenues were \$118K over budget due to a higher than anticipated average fare per customer. Throughout pre-revenue operations hiring was delayed and work was done by Metro Transit employees, resulting in an operating savings of \$191K. This savings, along with MVST of \$502K resulted in an addition to the Commuter rail fund balance of \$785K.

- **Metropolitan Transportation Services**

The Metropolitan Transportation Services 2009 budget included a \$2.9M use of reserves. Lower outside transit provider expenses coupled with increased Federal revenues resulted in an operating surplus of \$4.1M compared to a budgeted \$4.2M use of reserves. For 2009 MTS received \$12.2M of ARRA revenues.

The target fund balance policy for Metropolitan Transit Services is 10% of budgeted operating expenses. Year-end operating reserves of \$13.4M represent 23% of the 2009 budgeted operating expenses. The Metro Mobility portion of the operating reserve is \$6.1M, or 17% of targeted fund balance, and Contracted Services is \$7.3M or 35% of targeted fund balance.

- **Housing and Redevelopment Authority**

Housing Expenses and related *Federal and Local Revenues* are close to budget with the use of the HUD Housing Assistance Payments Equity Reserve balance. Fund equity balances are primarily reserved for program purposes.

- **Post Employment Health Care Liability**

Investments set aside (reserved) for Post Employment Health Care Benefits were \$71.5M at December 31, 2009. Funds are invested with the Minnesota State Board of Investment and include *cumulative unrealized losses* of \$10.4M. Unrealized 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.

The actuarial accrued liability at January 1, 2008 was \$301.3M. The next actuarial valuation will be as of January 1, 2010 and should be available in July.

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. At the end of the first quarter of 2010, we had a balance of \$77.2M with unrealized losses of \$6.8M.

**BALANCE SHEET
General Fund Operating
December 31, 2009**

<u>ACCOUNT</u>	<u>YEAR-END</u>
Cash & Cash Equivalents	17,830,868
Accounts Receivable	191,907
Delinq Taxes Receivable	476,233
Due from Other Govern Units	15,227
Other	235,662
Total Assets	<u>18,749,897</u>
Accounts Payable	946,566
Salaries & Benefits Payable	1,714,716
Deferred Revenue - Delinq Taxes Receivable	300,049
Total Liabilities	<u>2,961,331</u>
Fund Equity Accounts:	
Undesignated	10,768,553
Compensated Absences	2,688,264
Encumbrances	336,800
Self-Insurance	1,500,000
Water Planning	494,949
Ending Equity	<u>15,788,566</u>
Total Liabilities and Equity	<u>18,749,897</u>

STATEMENT OF REVENUES AND EXPENSES
General Fund
December 31, 2009

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Property Taxes	9,910,973	9,759,250	151,723	101.55%
State Revenue	411,992	386,250	25,742	106.66%
Investment Earnings	690,454	817,471	(127,017)	84.46%
Other Revenue	17,085	3,000	14,085	569.50%
Total Revenue	11,030,504	10,965,971	64,533	100.59%
<u>EXPENSES</u>				
Salaries & Benefits	22,989,536	23,991,757	1,002,221	95.82%
Consulting & Contractual Services	8,040,460	9,637,313	1,596,853	83.43%
Rent & Utilities	2,618,596	2,508,588	(110,008)	104.39%
Printing	192,400	311,650	119,250	61.74%
Travel	211,551	485,900	274,349	43.54%
Insurance	21,577	25,500	3,923	84.62%
Other Operating Expenses	661,820	994,550	332,730	66.54%
Total Expenses	34,735,940	37,955,258	3,219,318	91.52%
<u>TRANSFERS</u>				
Transfer In From MT	14,662,862	15,502,239	(839,377)	94.59%
Transfer In From MCES	9,524,005	10,635,454	(1,111,449)	89.55%
A87 Allocations	2,316,435	2,203,758	112,677	105.11%
Chargeback from MAC	86,683	73,000	13,683	118.74%
Transfer Out	(1,354,095)	(1,551,000)	196,905	87.30%
Total Transfers	25,235,890	26,863,451	(1,627,561)	93.94%
<u>SURPLUS (DEFICIT)</u>	1,530,454	(125,836)	1,656,290	

BALANCE SHEET
Environmental Services Operating Fund
December 31, 2009

<u>ACCOUNT</u>	<u>YEAR-END</u>
Cash & Cash Equivalents	14,665,688
Accounts Receivable	4,672,656
Due from Other Govern Units	178,538
Materials & Supplies	8,045,766
Total Assets	<u>27,562,648</u>
Accounts Payable	4,405,144
Salaries & Benefits Payable	11,958,979
Workers Comp	603,062
Deferred Revenue (Advance payments of sewer charges)	5,184,882
Total Liabilities	<u>22,152,067</u>
Fund Equity Accounts	
Income Statement	5,410,581
Ending Equity	<u>5,410,581</u>
Total Liabilities and Equity	<u>27,562,648</u>
<u>Contingency Operating Reserves:</u>	
Beginning Equity	21,468,493
Transfer from Operating	5,410,581
Ending Equity	<u>26,879,074</u>

STATEMENT OF REVENUES AND EXPENSES
Environmental Services Operating Fund
December 31, 2009

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Municipal Wastewater Charges	161,322,000	161,322,000	-	104.86%
Industrial Charges	11,353,192	9,996,550	1,356,642	123.07%
Investment Earnings/Finance Charges	933,074	2,200,000	(1,266,926)	40.57%
State Grant	269,746	175,000	94,746	39.24%
Miscellaneous Revenue	491,177	550,000	(58,823)	53.68%
Total Revenue	174,369,189	174,243,550	125,639	104.43%
<u>EXPENSES</u>				
Salaries & Benefits	52,675,651	54,075,331	1,399,680	98.08%
Retiree Hlth, Wkrs Comp, Leave Benefits	5,338,523	5,200,000	(138,523)	106.77%
Consulting & Contractual Services	11,252,220	14,083,541	2,831,321	75.33%
Materials & Supplies	6,041,752	6,965,158	923,406	92.94%
Chemicals	6,097,331	6,797,206	699,875	103.67%
Travel	178,212	287,125	108,913	42.44%
Utilities & Rent	18,279,170	17,146,190	(1,132,980)	104.88%
Capital Outlay	1,404,931	1,996,830	591,899	74.69%
Other Direct Expenses	955,973	1,042,565	86,592	91.10%
Total Expenses	102,223,763	107,593,946	5,370,183	95.71%
<u>TRANSFERS</u>				
SAC Transfer	37,860,000	37,860,000	-	97.75%
Transfers In	407,945	604,850	(196,905)	50.75%
Debt Service	(90,478,785)	(90,479,000)	215	103.83%
Interdivisional Charges	(9,524,005)	(10,635,454)	1,111,449	90.20%
Transfers Out	(5,000,000)	(5,000,000)	-	166.67%
Total Transfers	(66,734,845)	(67,649,604)	914,759	109.11%
<u>SURPLUS (DEFICIT)</u>	5,410,581	(1,000,000)	6,410,581	

BALANCE SHEET
Metro Transit Operating Funds
December 31, 2009

ACCOUNT	BUS	LIGHT RAIL	COMMUTER RAIL	YEAR-END TOTAL
Cash & Cash Equivalents	47,498,040	(5,235,173)	(1,544,933)	40,717,934
Accounts Receivable	8,315,108	238,089	(7,075)	8,546,122
Due from Other Govern Units	6,464,649	7,478,128	3,921,789	17,864,566
Materials & Supplies	11,750,147	3,388,841	148,597	15,287,585
Other	251,273	28,933	1,336,557	1,616,763
Total Assets	74,279,217	5,898,818	3,854,935	84,032,970
Accounts Payable	4,532,276	(49,857)	924,596	5,407,015
Salaries & Benefits Payable	24,732,827	830,778	95,474	25,659,079
Wrks Comp/Casualty-Liability Insurance	13,629,938	1,119,661	1,500,000	16,249,599
Deferred Revenue (Monthly ridership passes)	2,976,524	-	-	2,976,524
Other	1,042,059	906,628	393,977	2,342,664
Total Liabilities	46,913,624	2,807,210	2,914,047	52,634,881
Fund Equity Accounts				
Beginning Fund Equity	3,933,215	3,316,072	155,761	7,405,048
Income Statement	23,432,378	(224,464)	785,127	23,993,041
Ending Equity	27,365,593	3,091,608	940,888	31,398,089
Total Liabilities and Equity	74,279,217	5,898,818	3,854,935	84,032,970

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - Bus Operating Fund
December 31, 2009

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Passenger Fares	75,878,020	83,031,643	(7,153,623)	91.38%
Advertising	2,430,714	2,715,000	(284,286)	89.53%
MVST	81,095,263	81,095,263	-	100.00%
State Appropriations	40,854,091	40,854,091	-	100.00%
CTIB	30,783,000	30,877,722	(94,722)	99.69%
Federal Grants	29,487,109	29,350,977	136,132	100.46%
Miscellaneous Revenue	1,709,150	1,094,630	614,520	156.14%
Total Revenue	<u>262,237,347</u>	<u>269,019,326</u>	<u>(6,781,979)</u>	97.48%
<u>EXPENSES</u>				
Salaries & Benefits	181,644,158	186,696,280	5,052,122	97.29%
Professional & Technical Services	4,987,779	6,543,525	1,555,746	76.22%
Fuel	23,932,055	28,595,608	4,663,553	83.69%
Materials & Supplies	13,687,257	12,414,613	(1,272,644)	110.25%
Utilities	4,882,562	4,968,886	86,324	98.26%
Allocated Charges	9,671,158	12,140,967	2,469,809	79.66%
Total Expenses	<u>238,804,969</u>	<u>251,359,879</u>	<u>12,554,910</u>	95.01%
<u>SURPLUS (DEFICIT)</u>	<u>23,432,378</u>	<u>17,659,447</u>	<u>5,772,931</u>	

STATEMENT OF REVENUES AND EXPENSES
Metro Transit Hiawatha LRT Operating Fund
December 31, 2009

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Passenger Fares	9,865,515	9,444,911	420,604	104.45%
Advertising	1,021,303	840,089	181,214	121.57%
State Appropriations	5,188,309	5,188,309	-	100.00%
CTIB	7,477,598	7,477,598	-	100.00%
MVET	1,289,290	1,289,290	-	100.00%
Federal Revenue	540	-	540	0.00%
Miscellaneous Revenue	12,842	120,000	(107,158)	10.70%
Total Revenue	24,855,397	24,360,197	495,200	102.03%
<u>EXPENSES</u>				
Salaries & Benefits	13,187,438	13,517,848	330,410	97.56%
Professional & Technical Services	544,686	606,391	61,705	89.82%
Materials & Supplies	1,136,552	1,530,186	393,634	74.28%
Utilities	2,219,813	2,456,384	236,571	90.37%
Allocated Charges	7,991,372	7,249,388	(741,984)	110.24%
Total Expenses	25,079,861	25,360,197	280,336	98.89%
<u>SURPLUS (DEFICIT)</u>	(224,464)	(1,000,000)	775,536	

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - Northstar CRT Operating Fund
December 31, 2009

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Passenger Fares	269,527	151,386	118,141	178.04%
CTIB	3,290,381	3,290,381	-	100.00%
MVST	3,793,362	3,290,381	502,981	115.29%
Miscellaneous Revenue	1,235,522	1,262,816	(27,294)	97.84%
Total Revenue	8,588,792	7,994,964	593,828	107.43%
<u>EXPENSES</u>				
Salaries & Benefits	1,993,267	2,346,259	352,992	84.96%
Professional & Technical Services	1,660,780	1,890,306	229,526	87.86%
Materials & Supplies	874,773	575,352	(299,421)	152.04%
Utilities	227,231	281,497	54,266	80.72%
Allocated Charges	3,047,614	2,901,550	(146,064)	105.03%
Total Expenses	7,803,665	7,994,964	191,299	97.61%
<u>SURPLUS (DEFICIT)</u>	785,127	-	785,127	

BALANCE SHEET
Metropolitan Transit Services (MTS)
December 31, 2009

<u>ACCOUNT</u>	<u>METRO MOBILITY</u>	<u>SUBURAN PROVIDES</u>	<u>CONTACTED TRANSIT</u>	<u>YEAR-END TOTAL</u>
Cash & Cash Equivalents	9,978,195		8,179,600	18,157,795
Accounts Receivable	132,789	-	745,750	878,539
Due from Other Govern Units	120,622	1,374,197	7,529,179	9,023,998
Total Assets	10,231,606	1,374,197	16,454,529	28,060,332
Accounts Payable	4,108,639	1,374,197	9,176,124	14,658,960
Total Liabilities	4,108,639	1,374,197	9,176,124	14,658,960
Fund Equity Accounts				
Beginning Fund Equity	3,782,045	-	6,728,895	10,510,940
Income Statement	2,340,922	-	549,510	2,890,432
Ending Equity	6,122,967	-	7,278,405	13,401,372
Total Liabilities and Equity	10,231,606	1,374,197	16,454,529	28,060,332

STATEMENT OF REVENUES AND EXPENSES
Metro Transportation Services (MTS)
December 31, 2009

	YTD ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Federal Revenue	19,947,407	19,392,762	554,645	102.86%
State Revenue	67,807,520	59,038,600	8,768,920	114.85%
Local Revenue	898,104	1,404,571	(506,467)	63.94%
Investment Earnings	1,730,565	215,000	1,515,565	804.91%
Other Revenue	5,259,807	5,927,545	(667,738)	88.73%
Total Revenue	95,643,403	85,978,478	9,664,925	111.24%
<u>EXPENSES</u>				
Salaries & Benefits	3,477,117	3,633,991	156,874	95.68%
Consulting & Contractual Services	82,549,419	81,901,614	(647,805)	100.79%
Rent & Utilities	274,538	243,118	(31,420)	112.92%
Travel	66,533	117,300	50,767	56.72%
Grants	4,989,708	3,680,295	(1,309,413)	135.58%
Other Operating Expenses	171,751	611,700	439,949	28.08%
Total Expenses	91,529,066	90,188,018	(1,341,048)	101.49%
<u>TRANSFERS</u>				
Transfer In	21,150	2,475,104	(2,453,954)	0.85%
Chargeback from MAC	104,987	-	104,987	0.00%
Allocations	(1,350,042)	(1,122,639)	(227,403)	120.26%
Total Transfers	(1,223,905)	1,352,465	(2,576,370)	-90.49%
<u>SURPLUS (DEFICIT)</u>	2,890,432	(2,857,075)	5,747,507	

BALANCE SHEET
Housing and Redevelopment Authority (HRA)
December 31, 2009

<u>ACCOUNT</u>	<u>YEAR-END</u>
Cash & Cash Equivalents	9,879,505
Accounts Receivable	385,637
Due from Other Government Units	201,633
Fixed Assets - Houses/Other	<u>20,392,513</u>
Total Assets	<u>30,859,288</u>
Accounts Payable	889,267
Salaries & Benefits Payable	213,309
Family Affordable Housing Program (FAHP) Loan	1,405,000
Deferred HUD Housing Choice Voucher January 2010	<u>3,956,010</u>
Total Liabilities	<u>6,463,586</u>
Fund Equity Accounts	
Unrestricted Net Assets	483,562
HUD Administrative Fee Equity	3,519,627
Capital Assets	<u>20,392,513</u>
Ending Equity	<u>24,395,702</u>
Total Liabilities and Equity	<u>30,859,288</u>

STATEMENT OF REVENUES AND EXPENSES
Housing and Redevelopment Authority (HRA)
December 31, 2009

	YEARLY ACTUALS	YEARLY BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	% OF YRLY BUDGET
<u>REVENUES</u>				
Federal Revenue	45,699,303	43,271,293	2,428,010	105.61%
State Revenue	1,763,080	1,723,000	40,080	102.33%
Local Revenue	-	50,000	(50,000)	0.00%
Investment Earnings	187,883	200,000	(12,117)	93.94%
Other Revenue	781,022	920,000	(138,978)	84.89%
Total Revenue	48,431,288	46,164,293	2,266,995	104.91%
<u>EXPENSES</u>				
Salaries & Benefits	2,319,837	2,595,897	276,060	89.37%
Consulting & Contractual Services	312,546	825,000	512,454	37.88%
Rent & Utilities	202,384	298,280	95,896	67.85%
Housing Expenses	50,888,238	49,539,554	(1,348,684)	102.72%
Travel	34,301	43,000	8,699	79.77%
Insurance	96,240	115,000	18,760	83.69%
Other Operating Expenses*	206,589	320,136	113,547	64.53%
Total Expenses	54,060,135	53,736,867	(323,268)	100.60%
<u>TRANSFERS</u>				
Allocations	(1,071,785)	(1,135,890)	64,105	94.36%
Total Transfers	(1,071,785)	(1,135,890)	64,105	94.36%
<u>SURPLUS (DEFICIT)</u>	(6,700,632)	(8,708,464)	2,007,832	

*Removed depreciation expense of \$1,069,000

BALANCE SHEET
Retiree Health Care Liability (OPEB)
December 31, 2009

ACCOUNT	ENVIRONMENTAL SERVICES	METRO TRANSIT	REGIONAL ADMINISTRATION	TOTAL RETIREE
Investments OPEB Pool	31,573,057	47,406,066	2,275,661	81,254,784
Investment Shares	166,970	438,917	-	605,887
Cumulative Unreal Gain/Loss OPEB	(4,055,924)	(6,090,558)	(292,318)	(10,438,800)
Accrued Earnings Rec OPEB Pool	41,559	63,202	2,945	107,706
Assets	27,725,662	41,817,627	1,986,288	71,529,577
OPEB Liability	8,749,549	33,852,881	1,797,659	44,400,089
Liabilities	8,749,549	33,852,881	1,797,659	44,400,089
Fund Equity Accounts:				
Beginning Fund Equity	13,821,186	6,081,278	367,350	20,269,814
Income Statement	5,154,927	1,883,468	(178,721)	6,859,674
Ending Equity	18,976,113	7,964,746	188,629	27,129,488
Total Liabilities + Equity	27,725,662	41,817,627	1,986,288	71,529,577