

M Management Committee

Meeting date: November 12, 2008

ADVISORY INFORMATION

Date:	November 5, 2008
Subject:	3 rd Quarter Financial Report – September 30, 2008
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 all Council operating funds for the quarter ending September 30, 2008. The narrative below provides information on significant events for each operating fund. The reports will be discussed with the Committee on November 12

Third Quarter Financial Report – September 30, 2008

- General Fund

Overall General Fund operating expenses are under budget. The largest variances are in Salaries and Benefits and Consulting & Contracted Services. Salary savings are the primarily the result of a Council-wide hiring freeze. Hardware and Software Maintenance represent the largest portion of the variance in Contracted Services. These maintenance expenditures normally occur in the fourth quarter and should end near budget. However, these lower expenses will be offset by lower interdivisional allocations, resulting in a minimal change from budget.

- Environmental Services

A small operating surplus for ES is now projected for calendar year 2008. In addition, the budgeted use of \$1 million of operating reserves does not appear needed. If this projection holds the ES operating/contingency reserve will remain over the Council's target for this reserve of 10% of the operations and maintenance budget.

Expenses for Salaries and Benefits continue to be substantially below budget due to intentional vacancies in the division and the savings due to the delay in hiring. Contracted Services and Interdivisional Charges are also expected to be materially below budget. However utilities, and to a lesser extent, materials, supplies and chemicals are likely to exceed budget.

Revenues are expected to be quite close to budget, only off a little due to a slower then expected transfer (and spending) for the water supply initiative and other miscellaneous revenues. However, the pace of SAC receipts has not recovered and the units collected appear likely to set an all-time record low putting future pressure on the SAC reserve.

- Metro Transit

Bus Operations:

The Metro Transit budget included a \$3.7 million use of fund reserves for Bus operations in calendar year 2008. A combination of increased operating revenues (Passenger Fares and Advertising) and a reduction in expenses are expected to result in no use of operating reserves

Metro Transit bus ridership has exceeded budget by 3,515,375 rides for the first 9 months of 2008. The largest ridership increases are in express ridership and in urban local ridership during non-peak periods. Metropass, Upass and College pass programs have had significant growth in 2008 and are expected to remain strong for the balance of the year.

Fuel price hedging contracts are established to smooth swings in fuel prices throughout the year by locking in costs earlier. Budgeted fuel expenses for 2008 were based on an estimated fuel price of \$2.80 that was established mid-year 2007 before the final fuel futures contracts were purchased for 2008. The actual fuel futures purchased for the first 9 months of 2008 were at \$2.66 per gallon, resulting in a positive variance of \$0.14 per gallon. Eighty-four percent of the expected fuel needs for the balance of 2008 are hedged. Projected year end net cost for fuel will be \$2.80 per gallon.

The proposed 2009 budget for fuel is \$3.68 per gallon and is 87% hedged at that price. Based on current calculations, the 2009 budget for fuel at \$3.68 per gallon appears to be appropriate. Staff will continue to monitor future hedging contracts to compare actual contract rates against the 2009 budgeted price per gallon.

Higher than expected expenses in Materials and Supplies are the result of maintaining an aging bus fleet. These expenses will be controlled for the balance of 2008 and into 2009 by the receipt of 132 new buses into the Metro Transit bus fleet by the end of 2008.

Rail Operations:

The Metro Transit Rail budget included a \$675k use of fund reserves in calendar year 2008. Metro Transit rail ridership continues to be very strong and exceeds budgeted ridership levels by 298,538 rides for the first nine months of 2008. Increased advertising revenues and reduced operating expenses contribute to a favorable variance in operations and are expected to carry through to year end resulting in an operating surplus.

- Housing and Redevelopment Authority

Housing Expenses and related Federal and State Revenues are under budget for the Council's Housing and Redevelopment Authority. Current funding formulas are based on actual expenditures. Revenues are under budget because expenditures are under budget.

- Metropolitan Transportation Services

Metropolitan Transportation Services will be on budget.

- Post Employment Health Care Liability

Investments set aside (reserved) for Post Employment Health Care Benefits have declined to \$61.1 million which is due to the current market value of investments. 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. Funds are invested with the Minnesota State Board of Investment and include cumulative unrealized losses of \$10.2 million. Unrealized gains and 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.

BALANCE SHEET
General Fund
September 30, 2008

Account	YTD
Cash & Cash Equivalents	12,994,442
Accounts Receivable	4,876
Delinq Taxes Receivable	348,830
Due from Other Govern Units	15,249
Other	20,144
Total Assets	<u>13,383,542</u>
Accounts Payable	64,089
Salaries/Fringes Payable	(375)
Other	348,851
Total Liabilities	<u>412,565</u>
Fund Equity Accounts	13,807,037
Income Statement	(836,060)
Ending Equity	<u>12,970,977</u>
Total Liabilities and Equity	<u>13,383,542</u>

STATEMENT OF REVENUES AND EXPENSES
General Fund
September 30, 2008

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Property Taxes	5,045,783	4,879,625	166,158	9,759,250	51.70%
State Revenue	-	193,125	(193,125)	386,250	0.00%
Investment Earnings	641,513	801,855	(160,342)	867,471	73.95%
Other Revenue	41,833	2,250	39,583	3,000	1394.43%
Total Revenue	5,729,129	5,876,855	(147,726)	11,015,971	52.01%
<u>EXPENSES</u>					
Salary and Benefits	14,956,423	15,877,597	921,174	23,246,847	64.34%
Consulting & Contractual Services	5,450,711	7,204,370	1,753,659	9,605,827	56.74%
Rent & Utilities	1,757,999	1,708,684	(49,315)	2,278,245	77.16%
Printing	135,319	222,646	87,327	296,861	45.58%
Travel	207,270	350,288	143,018	467,050	44.38%
Insurance	15,725	29,775	14,050	39,700	39.61%
Other Operating Expenses	578,411	1,030,283	451,872	1,373,711	42.11%
Total Expenses	23,101,858	26,423,643	3,321,785	37,308,241	61.92%
<u>TRANSFERS</u>					
Transfer In From MT	9,758,003	11,192,326	(1,434,323)	14,923,101	65.39%
Transfer In From MCES	6,168,614	7,597,748	(1,429,134)	10,130,330	60.89%
A87 Allocations	809,074	1,068,750	(259,676)	1,425,000	56.78%
Transfer In - Other	-	72,643	(72,643)	96,857	0.00%
Chargeback from MAC	48,254	54,750	(6,496)	73,000	66.10%
Transfer Out	(247,276)	(562,500)	315,224	(1,750,000)	14.13%
Total Transfers	16,536,669	19,423,717	(2,887,048)	24,898,288	66.42%
<u>SURPLUS (DEFICIT)</u>	(836,060)	(1,123,071)	287,011	(1,393,982)	

BALANCE SHEET
Environmental Services
September 30, 2008

<u>Account</u>	<u>YTD</u>
Cash & Cash Equivalents	20,517,490
Accounts Receivable	1,157,487
Due from Other Govern Units	357,074
Materials & Supplies	7,467,553
Total Assets	<u>29,499,603</u>
Accounts Payable	4,833,444
Salaries/Fringes Payable	8,737,437
Workers Comp	596,315
Deferred Revenue (Advance payments of sewer charges)	6,611,277
Total Liabilities	<u>20,778,472</u>
Fund Equity Accounts	-
Income Statement	8,721,131
Ending Equity	8,721,131
Total Liabilities and Equity	<u>29,499,603</u>
<u>Contingency Operating Reserves:</u>	
Beginning Equity	18,194,056
Transfer to Liability Self-Insurance	(500,000)
Ending Equity	<u>17,694,056</u>

STATEMENT OF REVENUES AND EXPENSES
Environmental Services
September 30, 2008

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Municipal Wastewater Charges	115,313,908	115,380,000	(66,092)	153,840,000	74.96%
Industrial Charges	6,512,186	6,512,186	-	9,225,000	70.59%
Investment Earnings/Finance Charges	1,547,485	1,724,400	(176,915)	2,300,000	67.28%
State Grant	535,501	390,589	144,912	687,455	77.90%
Miscellaneous Revenue	399,879	543,906	(144,027)	915,000	43.70%
Total Revenue	124,308,959	124,551,081	(242,122)	166,967,455	74.45%
<u>EXPENSES</u>					
Salary and Benefits	35,419,271	36,519,809	1,100,538	53,705,601	65.95%
Retiree Hlth, Wkrs Comp, Leave Benefi	3,875,486	3,750,003	(125,483)	5,000,004	77.51%
Consulting & Contractual Services	6,257,318	11,083,744	4,826,426	14,938,022	41.89%
Materials & Supplies	4,807,167	4,979,242	172,075	6,500,998	73.95%
Chemicals	4,533,040	4,459,999	(73,041)	5,881,666	77.07%
Travel	135,011	315,374	180,363	419,898	32.15%
Utilities & Rent (see below)	14,147,960	13,063,042	(1,084,918)	17,428,534	81.18%
Capital Outlay	1,043,795	1,415,820	372,025	1,881,105	55.49%
Other Direct Expenses	828,262	875,948	47,687	1,049,397	78.93%
Total Expenses	71,047,310	76,462,981	5,415,672	106,805,225	66.52%
<u>TRANSFERS</u>					
SAC Transfer	29,043,000	29,043,000	-	38,733,000	74.98%
Transfers In	247,276	586,000	(338,724)	803,850	30.76%
Debt Service	(65,412,180)	(65,412,180)	-	(87,140,000)	75.07%
Interdivisional Charges	(6,168,614)	(7,919,316)	1,750,702	(10,559,080)	58.42%
Transfers Out	(2,250,000)	(2,250,000)	-	(3,000,000)	75.00%
Total Transfers	(44,540,518)	(45,952,496)	1,411,978	(61,162,230)	72.82%
<u>SURPLUS (DEFICIT)</u>	8,721,131	2,135,604	6,585,528	(1,000,000)	

**BALANCE SHEET
Metro Transit Bus
September 30 2008**

Account	YTD
Cash & Cash Equivalents	25,444,325
Accounts Receivable	8,705,428
Due from Other Govern Units	5,819,315
Materials & Supplies	11,705,171
Other	263,808
Total Assets	<u>51,938,047</u>
Accounts Payable	5,279,974
Salaries/Fringes Payable	22,938,372
Workers Comp/Casualty & Liability Insurance	16,097,264
Deferred Revenue (Monthly ridership passes)	4,247,934
Miscellaneous	2,520,307
Total Liabilities	<u>51,083,851</u>
Fund Equity Accounts	
Unrestricted Net Assets*	(12,409)
Income Statement	866,606
Ending Equity	<u>854,197</u>
Total Liabilities and Equity	<u>51,938,047</u>

* Exclude \$24.8m receivable previously recognized as Cash Flow Adjustment for the half year shift that occurred in 2002 when funding switched from property tax to motor vehicle sales tax.

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - Bus
September 30, 2008

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Passenger Fares	55,179,937	53,717,123	1,462,814	71,168,720	77.53%
Advertising	2,522,975	2,020,347	502,628	2,790,300	90.42%
MVST	66,513,333	66,513,333	0	90,958,404	73.13%
State Appropriations	41,007,261	41,007,261	(0)	52,064,832	78.76%
Federal Grants	9,158,681	9,139,279	19,402	12,191,684	75.12%
Miscellaneous Revenue	1,142,780	764,503	378,277	1,019,330	112.11%
Total Revenue	175,524,967	173,161,846	2,363,121	230,193,270	76.25%
<u>EXPENSES</u>					
Salary and Benefits	132,687,296	133,578,370	891,074	178,373,364	74.39%
Professional & Technical Services	3,829,186	4,133,790	304,604	5,511,570	69.48%
Fuel	16,818,738	17,241,053	422,315	22,244,077	75.61%
Materials & Supplies	9,041,556	8,488,695	(552,861)	11,298,532	80.02%
Utilities	3,608,289	3,421,150	(187,139)	4,958,069	72.78%
Allocated Charges	8,673,296	8,861,872	188,576	11,590,935	74.83%
Total Expenses	174,658,361	175,724,930	1,066,569	233,976,547	74.65%
<u>SURPLUS (DEFICIT)</u>	866,606	(2,563,084)	3,429,690	(3,783,277)	

**BALANCE SHEET
Metro Transit LRT
September 30, 2008**

Account	YTD
Cash & Cash Equivalents	(1,648,635)
Accounts Receivable	504,766
Due from Other Govern Units	5,795,239
Materials & Supplies	1,900,034
Other	56,214
Total Assets	<u>6,607,618</u>
Accounts Payable	558,880
Salaries/Fringes Payable	1,387,464
Workers Comp/Casualty & Liability Insurance	967,104
Miscellaneous	461,475
Total Liabilities	<u>3,374,923</u>
Fund Equity Accounts	2,939,812
Income Statement	292,883
Ending Equity	<u>3,232,695</u>
Total Liabilities and Equity	<u>6,607,618</u>

STATEMENT OF REVENUES AND EXPENSES
Metro Transit - LRT
September 30, 2008

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Passenger Fares	6,485,371	6,564,559	(79,188)	8,916,731	72.73%
Advertising	687,378	636,660	50,718	848,875	80.98%
State Appropriations	3,975,003	3,975,003	-	5,300,000	75.00%
Henn. Cty Regional Rail	3,975,003	3,975,003	-	5,300,000	75.00%
MVET	2,824,925	2,824,925	-	3,735,442	75.62%
Federal Revenue	7,830	-	7,830	-	0.00%
Miscellaneous Revenue	(52,270)	89,991	(142,261)	120,000	-43.56%
Total Revenue	17,903,239	18,066,141	(162,901)	24,221,048	73.92%
<u>EXPENSES</u>					
Salary and Benefits	9,118,037	9,296,095	178,058	12,455,824	73.20%
Professional & Technical Serv	393,086	777,321	384,235	1,036,421	37.93%
Materials & Supplies	1,067,842	1,345,167	277,325	1,803,556	59.21%
Utilities	1,353,542	1,611,117	257,575	2,158,522	62.71%
Allocated Charges	5,677,849	5,574,910	(102,939)	7,423,741	76.48%
Total Expenses	17,610,356	18,604,610	994,254	24,878,064	70.79%
<u>SURPLUS (DEFICIT)</u>	292,883	(538,469)	831,352	(657,016)	

BALANCE SHEET
Housing and Redevelopment Authority (HRA)
September 30, 2008

Account	YTD
Cash & Cash Equivalents	12,324,399
Accounts Receivable	264,613
Fixed Assets - Houses/Other	22,517,743
Total Assets	<u>35,106,754</u>
Accounts Payable	96,297
Salaries/Fringes Payable	99,213
Family Affordable Housing Program (FAHP) Loan	1,405,000
Total Liabilities	<u>1,600,510</u>
Fund Equity Accounts	
Unrestricted Net Assets	1,012,957
HUD Housing Assistance Payments Equity	6,063,401
HUD Administrative Fee Equity	3,461,751
FAHP Loan	1,405,000
Capital Assets	21,125,728
Income Statement	437,407
Ending Equity	<u>33,506,244</u>
Total Liabilities and Equity	<u>35,106,754</u>

STATEMENT OF REVENUES AND EXPENSES
Housing and Redevelopment Authority (HRA)
September 30, 2008

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	37,744,008	41,361,103	(3,617,095)	55,148,137	68.44%
State Revenue	1,036,149	1,114,290	(78,141)	1,485,720	69.74%
Local Revenue	154,792	2,670,750	(2,515,958)	3,561,000	4.35%
Investment Earnings	323,300	150,000	173,300	200,000	161.65%
Other Revenue	548,425	457,500	90,925	610,000	89.91%
Total Revenue	39,806,674	45,753,643	(5,946,969)	61,004,857	65.25%
<u>EXPENSES</u>					
Salary and Benefits	1,605,307	1,594,003	(11,304)	2,333,826	68.78%
Consulting & Contractual Services	226,181	477,000	250,819	636,000	35.56%
Rent & Utilities	145,716	218,610	72,894	291,480	49.99%
Housing Expenses	36,657,155	42,448,031	5,790,876	56,597,375	64.77%
Travel	27,931	32,250	4,319	43,000	64.96%
Insurance	91,704	75,000	(16,704)	100,000	91.70%
Other Operating Expenses	183,514	362,006	178,492	482,675	38.02%
Total Expenses	38,937,508	45,206,900	6,269,392	60,484,356	64.38%
<u>TRANSFERS</u>					
Allocations	(431,759)	(465,000)	33,241	(620,000)	69.64%
Total Transfers	(431,759)	(465,000)	33,241	(620,000)	69.64%
<u>SURPLUS (DEFICIT)</u>	437,407	81,743	355,664	(99,499)	

BALANCE SHEET
Metropolitan Transit Services (MTS)
September 30, 2008

Account	Metro Mobility	Suburban Providers	Contracted Transit	YTD
Cash & Cash Equivalents	7,388,013	285,364	5,859,421	13,532,798
Accounts Receivable	91,168	-	611,280	702,448
Due from Other Govern Units	-	2,347,904	806,847	3,154,751
Other	9,479	-	-	9,479
Total Assets	7,488,660	2,633,268	7,277,548	17,399,476
Accounts Payable	2,759,775	2,633,268	2,511,552	7,904,595
Total Liabilities	2,759,775	2,633,268	2,511,552	7,904,595
Fund Equity Accounts				
Beginning Fund Equity	3,398,605	-	6,035,366	9,433,971
Income Statement	1,330,280	-	(1,269,370)	60,910
Ending Equity	4,728,885	-	4,765,996	9,494,881
Total Liabilities and Equity	7,488,660	2,633,268	7,277,548	17,399,476

STATEMENT OF REVENUES AND EXPENSES
Metro Transportation Services (MTS)
September 30, 2008

	YTD ACTUALS	YTD BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YEARLY BUDGET	% OF YRLY BUDGET
<u>REVENUES</u>					
Federal Revenue	5,570,246	10,501,932	(4,931,686)	14,002,576	39.78%
State Revenue	50,413,537	48,761,546	1,651,991	65,015,395	77.54%
Local Revenue	327,057	595,811	(268,754)	794,414	41.17%
Investment Earnings	338,086	151,500	186,586	202,000	167.37%
Other Revenue	4,151,587	3,797,360	354,227	5,063,146	82.00%
Total Revenue	60,800,513	63,808,149	(3,007,636)	85,077,531	71.46%
<u>EXPENSES</u>					
Salary and Benefits	2,445,953	2,518,066	72,113	3,686,773	66.34%
Consulting & Contractual Services	54,972,547	57,073,616	2,101,069	76,098,155	72.24%
Rent & Utilities	223,785	244,739	20,954	326,318	68.58%
Travel	25,542	32,250	6,708	43,000	59.40%
Grants	266,346	-	(266,346)	-	0.00%
Other Operating Expenses	2,479,232	3,388,714	909,482	4,518,285	54.87%
Total Expenses	60,413,405	63,257,385	2,843,980	84,672,531	71.35%
<u>TRANSFERS</u>					
Transfer In	-	15,863	(15,863)	21,150	0.00%
Chargeback from MAC	51,117	78,750	(27,633)	105,000	48.68%
Allocations	(377,315)	(676,393)	299,078	(901,857)	41.84%
Total Transfers	(326,198)	(581,780)	255,582	(775,707)	42.05%
<u>SURPLUS (DEFICIT)</u>	60,910	(31,016)	91,926	(370,707)	

BALANCE SHEET
Retiree Health Care Liability (OPEB)
September 30, 2008

Account	Environmental Services 901	Metropolitan Transit 902	Regional Administration 903	Total Retiree Health
Investments OPEB Pool	28,394,205	39,977,687	2,224,963	70,596,855
Investment Shares	167,715	400,829	-	568,543
Cumul Unreal Gain/Loss OPEB	(4,116,338)	(5,795,800)	(322,567)	(10,234,705)
Accrued Earnings Rec OPEB Pool	51,981	73,177	4,074	129,232
Assets	<u>24,497,563</u>	<u>34,655,892</u>	<u>1,906,470</u>	<u>61,059,925</u>
OPEB Liability	<u>3,119,764</u>	<u>10,848,749</u>	<u>510,915</u>	<u>14,479,428</u>
Liabilities	<u>3,119,764</u>	<u>10,848,749</u>	<u>510,915</u>	<u>14,479,428</u>
Fund Equity Accounts:				
Beginning Fund Equity	25,340,115	27,780,873	1,833,267	54,954,255
Income Statement	(3,962,316)	(3,973,730)	(437,712)	(8,373,757)
Ending Equity	<u>21,377,799</u>	<u>23,807,143</u>	<u>1,395,555</u>	<u>46,580,497</u>
Total Liabilities + Equity	<u>24,497,563</u>	<u>34,655,892</u>	<u>1,906,470</u>	<u>61,059,925</u>