

Metropolitan Council 2004 Unified Budget Budget Summary and Financial Resources

UNIFIED OPERATING, PASSTHROUGH AND DEBT SERVICE BUDGET

Highlights of the Unified Budget are as follows. The Unified budget includes the budget for operations, pass-through grant programs, and debt service.

- Total 2004 revenues and other financing sources for operations, pass-through and debt service are \$597,757,534, an increase of 2.7 percent from \$582,215,982 in the 2003 Adopted budget.
- Total expenditures for operations, pass-through and debt service are \$603,708,621, increasing 5.7 percent from \$571,209,734 in the 2003 Adopted budget.
- The General fund shows a balance between operating revenues and other sources and expenditures.
- Environmental Services shows a balance between operating revenues and other sources and expenditures.
- In Transportation, Metro Transit shows an \$5,691,695 deficit between operating revenues and other sources and expenditures. This deficit will be balanced when results of labor negotiations are known. Metropolitan Transportation Services shows a planned use of reserves in the Regular Route fund.

The Unified Budget is summarized in the following table for operating, pass-through and debt service for all Council units. The table shows 2002 actual; and, Adopted budgets for 2003 and 2004. Operating expenditures increase in 2004 by 2.86 percent from the 2003 Adopted, and debt service expenditures increase by 5.69 percent. Total expenditures increase 5.69 percent.

UNIFIED BUDGET OPERATING, PASSTHROUGH AND DEBT SERVICE

<u>Revenues</u>	<u>2002 Actual</u>	<u>2003 Adopted</u>	<u>2004 Adopted</u>	<u>Change</u>
Reg'l Administration	9,182,692	7,362,198	7,008,329	-4.81%
Comm Development	9,407,132	9,966,075	9,793,715	-1.73%
Environmental Services	93,289,736	101,149,695	103,525,304	2.35%
Transportation	214,195,057	294,540,676	297,690,920	1.07%
Total Operating Revenue	\$326,074,617	\$413,018,644	\$418,018,268	1.21%
Pass Through	69,959,873	58,508,000	71,242,827	21.77%
Debt Service	102,404,420	110,689,338	108,496,439	-1.98%
Total Revenues	\$498,438,910	\$582,215,982	\$597,757,534	2.67%
<u>Expenditures</u>				
Operating	\$370,324,830	\$412,092,540	\$423,895,107	2.86%
Pass Through.	\$68,916,944	\$56,899,550	\$71,781,027	26.15%
Debt Service	\$97,989,628	\$102,217,644	\$108,032,487	5.69%
Total Expenditures	\$537,231,402	\$571,209,734	\$603,708,621	5.69%
Other Sources & Uses	3,226,482	200,000		
Balance / (Deficit)	\$-35,566,010	\$11,206,248	\$-5,951,087	

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OPERATING BUDGET SUMMARY

The 2004 operating budget for all units is \$423,895,107 up 2.9 percent from the 2003 Adopted budget of \$412,092,540 and an increase of 6.9 percent from the reduced 2003 Amended budget. This increase is driven primarily by labor agreements currently in place and new programs such as Light Rail coming on line in 2004.

Operating expenditures by division (not including debt service and pass-through) are shown in the following table. Budgets for 2003 and 2004 are shown before cost allocation for comparison purposes, and after cost allocation for 2004 to reflect the level of expenditure by division after allocation of administrative costs to the operating divisions. This reflects the full expenditure authorization by division being recommended for Council approval.

Operating Expenditures, 2003 and 2004

<u>Division</u>	<u>2003 Before RA Allocation</u>	<u>2004 Before RA Allocation</u>	<u>2004 After RA Allocation</u>
Regional Administration	\$28,553,068	\$29,226,195	\$5,045,905
Community Development	\$9,937,174	\$9,789,652	\$10,018,607
Environmental Services	\$88,765,824	\$91,798,768	\$103,525,304
Transportation	\$282,502,713	\$290,437,052	\$304,478,291
Capital Expense	\$2,333,761	\$2,643,440	\$827,000
Total Operating	\$412,092,540	\$423,895,107	\$423,895,107

OPERATING EXPENDITURES

Major changes in operating expenditures are as follows:

- Salaries and benefits costs increase 4.6 percent to \$267,213,663 in 2004 from \$255,518,657 in the 2003 Adopted budget. With staffing levels generally down (except Light Rail), this increase is driven primarily by in-place collective bargaining agreements, commencement of Light Rail operations, and Post Retirement benefits.
- Consultant and contractual services increase 24 percent to \$25,234,277 in 2004 from \$20,272,968 in the 2003 Adopted budget. This increase is driven primarily by investment in technology and software, and related project expenses from new systems coming on-line.
- Materials and Supplies costs increase 13.4 percent to \$16,474,312 in 2004 from \$14,522,918 in the 2003 Adopted budget. This increase is driven primarily by Transit relating to fuel and parts.
- Transit Assistance increases 1.3 percent to \$65,490,065 in 2004, from \$64,665,466 in 2003. Transit assistance to Metro Mobility is \$28,267,606 in 2004 up from \$26,246,223 in 2003; and,

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Transit Assistance to Opt-Out communities is \$23,315,000 in 2004, up from \$23,183,268 in 2003.

Capital outlay expenses, which are primarily computer equipment and software applications, decrease 12.7 percent to \$3,694,225 in 2004 from \$4,233,138 in the 2003 Adopted budget. In 2004: \$2,722,325 (73.7 percent of total) supports MCES; \$642,270 (17.4 percent of total) supports Regional Administration; and \$329,630 (8.9 percent of total) supports Community Development (GIS, Metro HRA) and Transportation and Transit Development.

OPERATING REVENUES

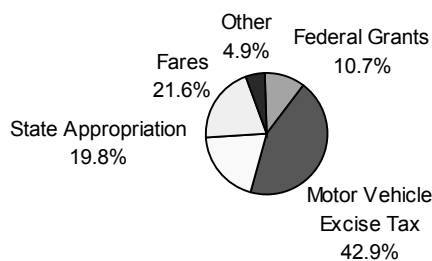
Total 2004 operating revenues increase .7 percent to \$415,924,228 from the Adopted 2003 budget and increase 4.7 percent over the 2003 Amended budget. The major items in operating revenue are:

- State transit funding includes the state transit appropriation (\$59.0 million), which includes funding for Light Rail operations, which commence in 2004.
- State Motor Vehicle Excise Tax (MVET) funds (\$133.3 million) are provided to the Council through the state Metropolitan Transit Fund, of which \$23.3 million will be passed through to Opt-Out communities. State appropriations for MVET funding were increased by the 2003 Legislature. The effect was to increase the Council's portion of the MVET fund from 20.5 percent to 21.5 percent.
- Federal revenue increases \$6.9 million from \$29.4 million in 2003 to \$36.3 million in 2004. The increase is primarily for transit funding.
- Transit passenger fares and special event revenue decline 4.8 percent from \$74.2 million to \$70.7 million.
- Municipal wastewater revenues for operations increase .4 percent from \$90.8 million in 2003 to \$91.2 million in 2004.
- The 2003 Legislature reduced the levy limit 6 percent for the General Operations Levy for 2004. In addition, the Council reduced its General Operations levy by an additional \$222,339.

MAJOR REVENUE SOURCES

The major revenue sources for operations for the Transportation Division (including transit operations) are:

Transportation Revenue Sources for Operations - 2004



Transportation	2004 Adopted
Federal Grants	\$31,982,407
Motor Vehicle Excise Tax	\$127,804,700
State Appropriation	\$59,017,954
Fares	\$64,488,960
Other	\$14,663,899
Total	\$297,957,920

Federal Revenues

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Federal support for transit operations is expected to increase 29.5 percent to \$27,617,628 in 2004, a \$6.3 million increase from \$21,319,074 in 2003. Federal support for transportation planning is expected to increase 9.4 percent to \$4,364,779 for 2004, a \$376,434 increase from \$3,988,345 in 2003.

State Revenues

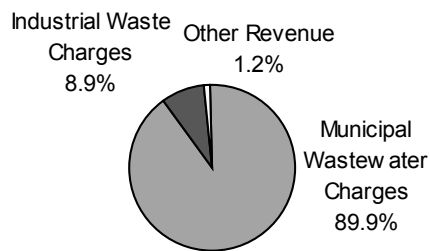
State appropriations primarily support transit operations, and are estimated at \$186,939,878 for 2004, a 2.5 percent decrease from \$191,774,790 in 2003. State revenues support transportation and transit (99.8% of total), Environmental Services (< 1% of total), and HRA operations (<1% of total). The major changes in state funding for 2004 include:

- **Motor Vehicle Excise Tax**
State appropriations for MVET funding were increased by the 2003 Legislature. The effect was to increase the Council's portion of the MVET fund to 21.5 percent from 20.5 percent. MVET funding in 2004 is \$133,304,158 from which an allowance for variability of \$5,499,458 is deducted, as is the portion that is passed through to the Opt-Out communities of \$23,315,000. The net MVET revenues in the Council budget are \$104,489,700.
- **State Appropriations for Transit Operations**
The 2004 Transportation budget includes \$59,017,954 Base General Transit Assistance. This amount is \$287,522 or .49% higher than 2003, due primarily to funding for Light Rail.

Transit Fares

Revenues from passenger fares are estimated to decrease .4 percent to \$64,488,960 in 2004 from \$64,771,467 in 2003. Transit fares were increased in August 2003; no fare increase is assumed in 2004.

Environmental Services Revenue Sources for Operations - 2004



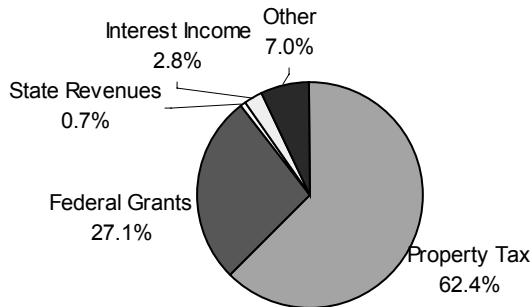
Environmental Services	2004 Adopted
Municipal Wastewater Charges	\$91,179,661
Industrial Waste Charges	\$9,007,819
Other Revenue	\$1,243,784
Total Operating	\$101,431,264

Municipal Wastewater Charges

Combined, Municipal Wastewater Charges and Industrial Strength Charges supporting water resources management increase 1.3 percent, or \$1,298,319, to \$100,187,480 in 2004, from \$98,889,161 in 2003.

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Regional Administration / Community Development Revenue Sources for Operations - 2004



Regional Admin/Comm Dev	2004 Proposed
Property Tax	\$9,957,100
Federal Grants	\$4,326,044
State Revenues	\$117,224
Interest Income	\$450,000
Other	\$1,116,676
Total	\$15,967,044

Property Tax

The Property tax levy Adopted for 2004 reflects a levy amount \$222,339 below the levy limit. The 2003 Legislature reduced the levy limit 6 percent for the General Operations Levy for 2004.

Federal Revenues

Federal revenues supporting HRA administration are expected to increase 5.6 percent to \$4,326,044 for 2004, a \$231,161 increase from \$4,094,883 in 2003.

PROPERTY TAX LEVY

Property taxes support Council operations and debt service, and provide funds for grant and loan programs. Property taxes are levied under a number of state authorizing statutes, and include support for:

- General Fund (which supports community development planning, and administration),
- Debt service for parks, transit and Metro Radio Communications bonds, and,
- Grant and loan programs including Livable Communities Act programs and the Highway Right-of-Way Acquisition Loan Fund.

Approximately 50.8 percent of the Council's total property tax levy supports transit debt service, while 18.8 percent of the levy is for purposes specified in the Livable Communities Act; 11.7 percent supports parks, solid waste, and radio program debt service; and 4.0 percent supports the Highway Right-of-Way Acquisition Loan program. The remainder (14.7 percent) supports the general operations of the Council.

Total 2004 property taxes for all purposes are \$70,066,045, a 1.0 percent increase from 2003, which was \$69,371,639. Changes in the property tax levies for 2004 are as follows:

- The general-purpose levy decreased 7.5 percent, or \$830,137, to \$10,300,000. State statute requires the Council to annually provide \$1 million from the general-purpose levy for support of Livable Communities. The general purposes levy is \$222,329 below the 2004 levy limit.
- Transit levies for debt service are \$35,574,713 in 2004, up 8.1 percent from \$32,894,175 in 2003.
- The Highway Right-of-Way Loan program (HROW) levy decreases 10.8 percent to \$2,803,379 from \$3,142,643 in 2003. The HROW 2004 levy is \$25,000 below the levy limit.
- Levies for the Livable Communities program decrease .6 percent to \$13,184,070 from \$13,259,070 in 2003. The 2004 levies are \$75,000 below the levy limits.

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Property taxes support a number of grant and loan programs. Levies are authorized for the Livable Communities Accounts and the Highway Right-of-Way Acquisition Loan Program, which are grant and loan programs administered by the Council. The proceeds from these levies are passed through to local communities in the form of grants and loans. Grant and loan programs are referred to as “passthrough” funds in the budget tables. Total 2004 property taxes levied for these purposes are \$15,987,449, which is a 2.5 percent decrease from \$16,401,713 in 2003.

The Council’s taxing area for all purposes except transit consists of the seven-county Twin Cities Metropolitan Area. The boundaries of the Transit Taxing District include those communities receiving regular route transit service.

PASSTHROUGH GRANTS AND LOANS

The Council operates a number of grant programs that provide:

- Housing assistance payments through the Metro HRA.
- Parks operation and maintenance grants through the Metropolitan Parks and Open Space Commission.
- Grants to local units of government for pollution clean up, affordable housing development and demonstration projects from the Livable Communities accounts.
- Opportunity grants for land use planning and loans to local communities in support of comprehensive planning.
- Loans to local communities to purchase highway right of way under the Highway Right of Way Acquisition Loan Program.
- Grants from MCES for water quality improvement efforts from the Twin Cities Water Quality Initiative grant program, and the Metro Environment Partnership grant program.

These programs receive revenue from federal and state governments and local property taxes for grant expenditures and loans. Grants and loans are made to public and private Metropolitan Area organizations. Housing assistance payments are made to individuals.

Total 2004 expenditures for passthrough grants and loans, including the Highway Right-of-Way loan program, is estimated at \$75,336,027, up 24.7 percent from \$60,399,550 in the Adopted 2003 budget (see Appendix A). Passthrough grants and new loan activity for 2003 and 2004 are summarized below.

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Passthrough Grant Expenditures and Loan Programs 2003 - 2004

Passthrough Grant and Loan Programs	<u>2003 Adopted</u>	<u>2004 Adopted</u>	<u>% Change</u>
<u>Grant Programs:</u>			
-Housing Assistance Payments-HRA	\$32,115,000	\$46,296,027	44.2%
-Parks Open. & Maintenance Grants	8,630,000	8,630,000	-
-Livable Communities Grants and Loans	15,904,550	16,605,000	4.4%
-Planning Assistance Grants	250,000	250,000	-
-Transit for Livable Communities grants	0	0	-
Total Grants	\$56,899,550	\$71,781,027	26.2%
<u>Loan Programs:</u>			
-Highway Right-of-Way (new loans)	3,500,000	3,555,000	1.4%
Total Loans	\$ 3,500,000	\$ 3,555,000	1.4%
Total Grants and Loans	\$60,399,550	\$75,336,027	24.7%

In addition to the grant and loan programs listed above, the Environmental Services Division will make approximately \$2.0 million in grants to local communities and agencies under the Metro Environment Partnership. The grants are supported by penalty fees and operating revenues, and are included as operating expenses in the budget tables.

DEBT SERVICE EXPENDITURES

The Council is authorized under State statutes to issue debt to support capital programs in transit, wastewater, parks and open space, and radio communications. In the past, the Council had authority to issue bonds for solid waste landfill siting. While that authority no longer exists, there are still outstanding solid waste bonds being repaid.

Debt service data for 2003 and 2004 is summarized below. In 2004, total Adopted Council debt service expenditures are \$108,032,487, up 5.7 percent from \$102,217,644 in 2003. Major areas of change are: transit (increases \$7,128,653), parks debt service (increases \$1,296,048), and wastewater debt service (decreases \$2,614,000).

Debt service is financed from the following sources:

- Property taxes (38%), which support transit, parks, solid waste, and radio debt.
- Municipal wastewater charges and service availability charges (62%), which support Environmental Services.
- Interest income on debt service fund balances and use of fund balances (< 1%), supporting transit, parks, and solid waste debt.

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Debt Service Expenditures Comparison 2003-2004

<u>Division</u>	<u>2003 Adopted</u>	<u>2004 Adopted</u>
Transportation – Transit	\$26,225,560	\$33,354,213
Environmental Services	68,615,339	66,001,339
Other		
-Parks & Open Space	6,589,967	7,886,015
-Solid Waste	399,725	404,460
-800 Megahertz Radio	387,053	386,460
Total Debt Service	<u>\$102,217,644</u>	<u>\$108,032,487</u>

DIVISION FINANCIAL SUMMARIES

TRANSPORTATION DIVISION

The 2004 transit budget includes support for the base transit system at the current level of service. The 2004 budget for transportation shows a decrease in state appropriations and MVET funds of 2.3 percent for the year 2004 from 2003. The 2004 budget includes \$127.8 million in MVET funds, after an allowance for funding variability, and includes \$59.0 million from the “base” biennial state appropriation for transit support.

Federal revenues for transportation are projected to increase 26.4 percent to \$31.9 million. This Adopted budget assumes no additional fare increases in 2004. In August 2003, Metro Transit implemented a transit fare increase; the last fare increases occurring in 2001 and 1996 respectively.

METROPOLITAN TRANSPORTATION SERVICES

Metropolitan Transportation Services’ 2004 budget is \$73,446,139, which increases 2.1 percent compared to the Adopted 2003 budget of \$71,920,219. The 2004 budget includes \$23,315,000 which is passed through to the Opt-Out communities and \$752,807 which is passed through to Travel Demand Organizations.

METRO TRANSIT

The Metro Transit 2004 Adopted budget supports transit system goals that include enhancement of its reputation with customers, maintaining ridership, continuing to deliver cost effective and efficient service, and positioning itself for future growth. In 2004, the Metro Transit budget for bus operations is \$218,967,940, an increase of \$418,680 (.2 percent) over the 2003 budget of \$218,549,260. Metro Transit shows an (\$5,691,695) deficit between operating revenues and other sources and expenditures largely the impact of its unfunded retiree health benefits liability. The Metro Transit budget will be balanced when results of the labor negotiations are known.

The Council has established an Early Operation Date for Light Rail Transit (LRT) of April 2004 to begin revenue service from downtown Minneapolis to the Fort Snelling Station. Limited operating costs for LRT began in 2003 for the purposes of testing, training and calibration. Metro Transit is seeking a State of Minnesota operating subsidy for the Hiawatha rail line in the State 2004-2005

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Biennium Budget Request. With this support the Adopted 2004 Metro Transit Operating Budget for Hiawatha LRT will include \$12,064,213 for 2004 LRT operations.

ENVIRONMENTAL SERVICES DIVISION

Communities pay MCES for the flow entering the regional wastewater system. Municipal wastewater charges pay for the conveyance and treatment of wastewater, a service that protects the water quality of the region. Each community pays the same rate for wastewater services. In 2004, this rate will be \$134 per hundred thousand gallons, up from \$130 in 2003. Revenue generated by municipal wastewater charges accounts for 79 percent of MCES's total revenue for the year 2004. Approximately 14 percent of revenues come from Service Availability Charges (SAC), and 5 percent from industrial waste charges.

The total expenditures in 2004 for the Division are \$169,526,643 of which \$103,525,304 is for operations and \$66,001,339 is budgeted for debt service. Total 2004 expenses reflect a slight reduction of \$72,420 from the 2003 Amended budget of \$169,599,063.

COMMUNITY DEVELOPMENT

The 2004 operating budget for Community Development is \$10,018,607 which is a \$84,469 decrease from the 2003 budget. Community Development has the responsibility for managing \$71.8 million in passthrough grants and loans for Section 8 Housing Assistance, Livable Communities, regional parks operations and maintenance, and local planning assistance.

HOUSING AND REDEVELOPMENT AUTHORITY

The Housing and Redevelopment Authority includes 2 major units, the rental assistance program including HUD Section 8 rental assistance; and the Family Affordable Housing Program that rents 150 housing units owned and operated by the Council. 2003 was the first full year of operation for the Family Affordable Housing Program and total operating expenditures are budgeted at \$897,915.

REGIONAL ADMINISTRATION

The 2004 budget for Regional Administration is \$29,226,195, which is a 2.3 percent increase from the 2003 budget. The majority of the budget (\$24.2 million) is allocated to the operating and line divisions of the Council in recognition of the Council-wide benefits provided by Regional Administration to those divisions.