# 2016 PRELIMINARY BUDGET IN BRIEF

METROPOLITAN COUNCIL

The Metropolitan Council was established by the Minnesota Legislature in 1967. Our jurisdiction comprises the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington.

Our governing board has 17 members who are appointed by and serve at the pleasure of the governor. Sixteen members represent geographic districts of roughly equal population across the region. The Council chair, the 17th member, serves at large.

We plan for the future of the seven-county Minneapolis-Saint Paul metro area in partnership with 188 communities. Our mission is to foster efficient and economic growth for a prosperous metropolitan region.

### Our priorities

- Create a financially sustainable, 21st century transportation system
- Promote dynamic housing opportunities for all
- Leverage investments that drive regional economic development

### Supporting the region's economic vitality

Our planning and services provide a foundation for regional economic vitality. We:

- Operate Metro Transit, which provided 83.7 million rides, or over 85% of the total regional ridership of 97.6 million rides in 2014.
- Make strategic investments in a growing network of bus and rail transitways, and in transit-oriented development.
- Collect and treat wastewater for 90% of the region's population at rates 40% lower than peer regions, and earn state and national awards for environmental achievements.
- Plan and fund acquisition and development of a world-class regional parks and trails system that attracts more than 48 million visitors a year.
- Provide affordable housing opportunities for nearly 6,900 low- and moderate-income households.

## Thrive MSP 2040

*Thrive MSP 2040* is our vision and long-range plan for the seven-county Twin Cities region over the next 30 years. It calls for regional investments that support a prosperous, equitable, and livable region now and in the future.

Under state law, we prepare a long-range plan for the Twin Cities region every 10 years. *Thrive MSP 2040* sets the policy foundation for regional systems and policy plans we  develop. These include Transportation, Water Resources, Regional Parks and Housing Policy Plans.

### 2040 projections

The region will have more than 800,000 additional residents by 2040, and more than 500,000 new jobs. Our population is also getting older. More than one in five residents will be age 65 and older in 2040, compared with one in nine in 2010. By 2040 40% of the population will be people of color, compared with 24% in 2010.

*Thrive* identifies five key outcomes for the Twin Cities metro area to strive for over the next decades:

- Stewardship: Natural and financial resources are managed wisely.
- Prosperity: The region's economic competitiveness is enhanced through investments in infrastructure and amenities.
- Equity: All residents share in the benefits and challenges of growth and change.
- Livability: Our great quality of life is maintained and improved.
- Sustainability: Regional vitality is protected for generations to come.

These five outcomes guide our proposed 2016 Unified Operating Budget and Property Tax Levy.

August 12, 2015

## *Thrive* in Motion

We are moving toward achieving the outcomes in *Thrive* with our 2016 preliminary budget.

### Connecting communities

The Bus Rapid Transit line opening down Snelling Ave. in 2016, the A-Line, is a new kind of bus service with transit enhancements that add up to a faster trip and an improved experience. It is a collaborative effort among MnDOT, local governments and the Council that creates access to jobs, housing, businesses and entertainment.

Investments in transit-oriented development are helping create more livable and sustainable communities around transportation systems.

Adding and improving shelters and transit information enhances accessibility, safety and comfort for transit customers.

### Sustaining our regional resources

Stormwater/reuse grants to local governments focus on reducing polluted runoff that enters our rivers, lakes, streams and wetlands without treatment.

The Industrial Pretreatment Incentive Program targets industrial users that discharge highly contaminated wastewater into the system for treatment. Pre-treating contamination avoids increased operating costs and reduces energy consumption, easing demands on our budget.

We are also investing in our ability to develop, monitor and share climate change information throughout the region and incorporating it in our planning process.

### Promoting dynamic housing opportunities

Housing Choice Voucher Mobility Counseling creates access to opportunities for families by providing them with better information on housing choices outside areas of concentrated poverty.

An additional $1 million investment in the local housing investment program will help preserve lifecycle and affordable housing choices across the region.

### Promoting collaboration and equity

Expanded engagement with our regional partners improves communication and collaboration in the region.

### Budget Process

#### Reviewing and Developing the Budget

*January - June*

The Regional Administrator meets with division managers to build a proposed budget that meets guidance from the Council.

A "big picture" budget overview is presented to the Council (June).

*July - August*

The Council's standing committees review and refine our divisions' budget proposals, priorities, and funding options.

The Council is required to adopt a preliminary operating budget and property tax levy by Sept. 1 of each calendar year.

*August - October*

The Council's standing committees review the proposed capital improvement program. The capital improvement program is a six-year plan and includes projects such as replacement of fleet vehicles (buses and trains), park improvements and land acquisition, and wastewater system infrastructure.

The Council approves a Unified Operating and Capital Budget for public comment.

#### Receiving Public Comment

*November - December*

Public comment is welcome on the proposed budget and levies until final adoption at the Council meeting on December 9, 2015.

"Truth in Taxation" notices are mailed by metro area counties to property owners showing the proposed amount of property tax that they will be required to pay during the coming year from all taxing jurisdictions. These notices also indicate the date the Council will hold its public meeting to consider and adopt its final budget and levies.

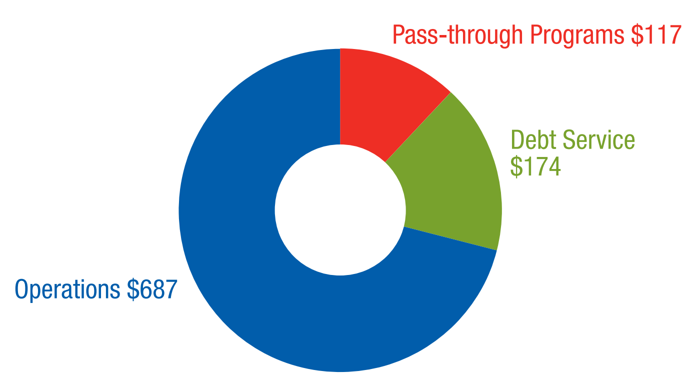
#### Adopting the Budget

At its meeting on Dec. 9, 2015, the Council will adopt a final budget that reflects any changes made to the public comment draft budget. The property tax levy adopted with the preliminary operating budget in August may be lowered, but not increased, when the final budget is adopted.

## 2016 PRELIMINARY BUDGET AND LEVIES

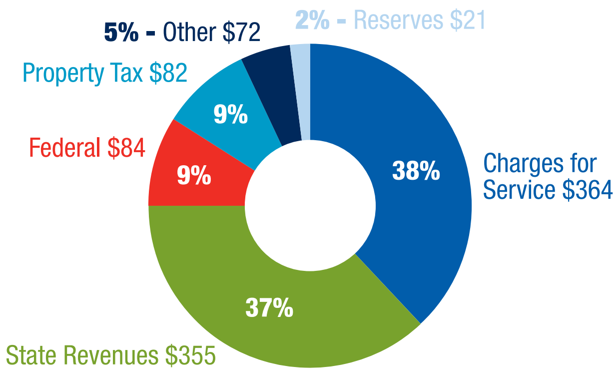
The Metropolitan Council is proposing to spend $979 million in 2016 for operations, pass-through programs, and debt service (loan repayments).

*2016 Preliminary Budget - Uses by Function: $978 Million*



## How the Council is Funded

*2016 Preliminary Budget – Sources of Funds: $978 Million*




### Charges for Services

More than one-third of our funding comes from services that customers pay for. Our primary “paying” customers are transit riders and local municipalities.

**Transit.** Regional transit ridership is projected to top 100 million rides and travel over 50 million miles in 2016. Demand for metro Mobility service is projected to grow by 8% in 2016.

The proposed budget does not include a fare increase but the Council may consider changes to its fare policy.

**Wastewater Services to Communities.** The preliminary budget includes an adopted increase in the metropolitan wastewater charge of 5.4%. With this increase, the average metro household will pay about $22 a month in retail sewer charges, which include the Council’s wastewater charges and sewer charges from local units of government.  The sewer availability charge imposed on development will not increase for 2016.

**State Revenues.** The Council receives revenue from the State of Minnesota, primarily from motor vehicle sales taxes (MVST - $261 million) and from state general fund appropriations for transit ($77 million) and parks operations ($10 million).

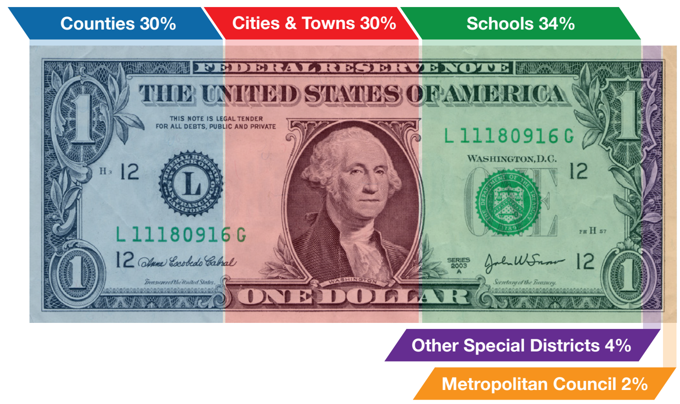
Thirty-six percent of MVST revenues are constitutionally dedicated to metropolitan area transit. The budget includes pass-through funds of $29.5 million in MVST revenues to Suburban Transit Providers.

The Council’s procedure for allocating regional transit revenues draws from and replenishes operating reserves to established target balances.  Applying the procedure results in a planned use of transportation reserves of $14.5 million for 2016.

**Federal Revenues.** The 2016 budget for the Housing and Redevelopment Authority is $62 million. Federal revenues fund nearly 93% of the program with $53 million passed through as rental assistance payments directly to landlords.

**Property Taxes.** Metro area property taxes are split among several different governmental organizations. Three organizations that receive the greatest portion of metro area property taxes are counties, cities, and school districts. The Council typically receives about 2% of the revenue from property taxes paid by metro area residents.

*Where your property tax dollar goes*




Source: MN Department of Revenue, Certified Payable 2015 Property Tax Levies

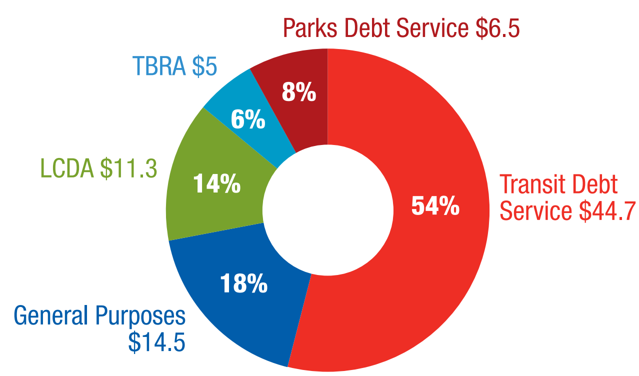
## PROPOSED PROPERTY TAX LEVY

The 2016 budget proposes property tax levies, payable in 2016, of $82 million. Property taxes are primarily used to pay debt service on bonds issued to support the Transit and Parks capital improvement programs and to provide pass-through grants to local communities under the Livable Communities Act.

### Livable Communities Fund

This fund consists of three active accounts: the Local Housing Incentives Account (LHIA), the Tax Base Revitalization Account (TBRA), and the Livable Communities Demonstration Account (LCDA). Together, they support community investments that revitalize economies, create affordable housing, and connect land uses and transportation.

*2016 Preliminary Property Tax Levies: $82.0 Million*




The LCDA and TBRA also fund a category of transit-oriented development (TOD) grant awards for high-density, mixed-use projects located along transit corridors.

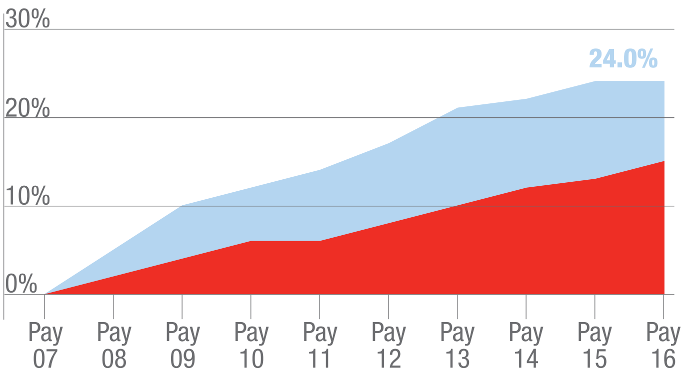
### Proposed Levy

The proposed payable 2016 levy of $82 million represents a 2% increase over the amount payable in 2015. Under the proposed levy, a metro area home with an estimated value of $250,000 will pay a Council-related property tax of approximately $59 inside the transit taxing communities and $23 outside the transit taxing communities.

From 2007 to 2016, the inflation factor for state and local governments increased by 24.0%, while Council levies have increased by only 15.4%.

The Council's statutory limit for general purposes levy, which is primarily used for administrative functions, and other non-debt service levies is $30.8 million for taxes payable in 2016, (about 11% below the levy cap). Levies for debt service are not directly limited, but the levies for Parks and Transit are essentially restricted to bonding authority (that is the dollar amount of bonds we can issue) as defined in statute.

*Metro Council Levies Compared with Inflation Factor, payable 2007-2016*




### Debt Service and Bonds

Nearly 62% of the total preliminary property tax levies is dedicated to paying debt service on bonds issued to support preserving and investing in capital assets for Transit and Parks.

The Council's total general obligation debt outstanding as of December 31, 2014, is $1.4 billion. General obligation debt is backed by the full faith and taxing authority of the Metropolitan Council. Approximately 85% ($1.2 billion) of this debt is for wastewater assets and is paid for by fees collected from wastewater services.

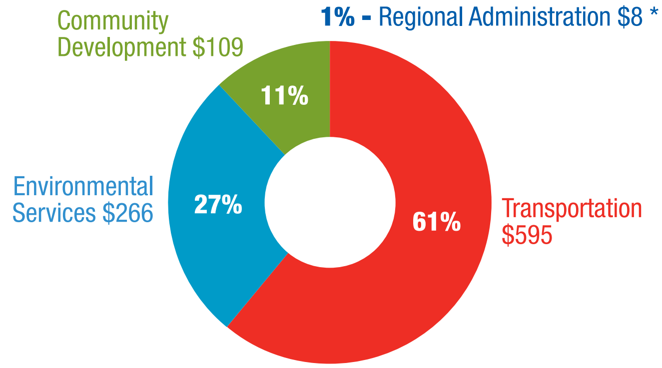
The Council's bonds receive the highest possible ratings from Moody's and Standard and Poor's credit ratings agencies. The Council's top ratings reflect the sound financial management of the Council and allow us to borrow money at the lowest market interest rates.

### Right-of-Way Acquisition Loan Fund

The proposed levy does not include an amount for the Right-of-Way Acquisition Loan Fund (RALF). It has sufficient funds available to meet program needs for 2016. The RALF program provides zero-interest loans to local governments to acquire right-of-way along highway corridors in advance of development.

## PROPOSED SPENDING BY DIVISION

*2016 Preliminary Budget - Uses by Division: $978 Million*




* $60 million prior to interdivisional allocation

### Council Fund Accounting

Revenue collected by the Council is directed into different funds. These funds allow the Council to manage spending by directing the revenue dedicated to specific activities or objectives to a group of related accounts.

By maintaining separate funds, the Council is able to comply with laws that require funds be spent for a specific purpose. For example, the Council may not raise transit fares to pay for wastewater services.

The General Fund is used to account for administration functions of the Council's Regional Administration and Community Development Divisions. The Council has the most discretion in the use of General Fund dollars. The General Fund accounts for about 6% of the Council budget and is primarily funded by the general purpose property tax levy and interdivisional allocations.