

**People**

**Transportation**

**Housing**

**Bikes**

**Planning**

**Financial Condition**

**Future**

**Bus**

**Parks**

**Cars**

**Sustainability**

**Efficient**

**2nd QUARTER 2023 FINANCIAL REPORT**

**Prosperity**

**Train**

**Growth**

**Light Rail**

**August 9, 2023**

**Livability**

**Light Rail**

**Trails**

**Diversity**

**Treatment**

**Equity**

**Airplane**

**Communities**

**Wastewater & Water**

**Lakes**

**Treatment**

**Regional**

**Economic**

**Roads**



# Table of Contents 2nd Quarter 2023 Financial Report

- Financial Management Report..... 1**
  - OPERATING FUNDS—STATEMENT OF REVENUES & EXPENSES ..... 1
  - INVESTMENT PORTFOLIO BALANCES .....2
  - METROPOLITAN COUNCIL INVESTMENT PERFORMANCE—SHORT-TERM PORTFOLIO ..... 3
  - METROPOLITAN COUNCIL INVESTMENT PERFORMANCE—LONG-TERM PORTFOLIO ..... 4
  - OPEB PORTFOLIO INVESTMENT RESULTS ..... 5
  - GENERAL FUND ..... 6
  - ENVIRONMENTAL SERVICES ..... 7
  - HOUSING AND REDEVELOPMENT FUND ..... 8
  - METRO TRANSIT—BUS ..... 9
  - METRO TRANSIT—LIGHT RAIL ..... 10
  - METRO TRANSIT—COMMUTER RAIL ..... 11
  - METROPOLITAN TRANSPORTATION SERVICES ..... 12
  - MTS—METRO MOBILITY ..... 13
  - MTS—CONTRACTED SERVICES..... 14
  - MOTOR VEHICLE SALES TAX (MVST) REVENUES FORECASTS & BUDGET ..... 15
  - MOTOR VEHICLE SALES TAX (MVST) REVENUES FORECASTS & BUDGET ..... 16
  - 2023-2028 CAPITAL IMPROVEMENT PROGRAM ..... 17
  - CAPITAL SPENDING ..... 18
  - CAPITAL FUND CASH BALANCES ..... 19
- Appendix-Statement of Revenues & Expenses ..... 20**
  - General Fund ..... 20
  - Environmental Services Operations ..... 21
  - Housing and Redevelopment Authority ..... 22
  - Metro Transit Bus Operations ..... 23
  - Metro Transit Light Rail Operations ..... 24
  - Metro Transit Commuter Rail Operations ..... 25
  - MTS - Transportation Planning ..... 26
  - MTS - Metro Mobility ..... 27
  - MTS - Contracted Service ..... 28
  - MTS - Federal Pass Thru.....29

OPERATING FUNDS - STATEMENT OF REVENUES & EXPENSES

OPERATING FUNDS  
STATEMENT OF REVENUES AND EXPENSES  
2023 - 2nd Quarter Results  
(in thousands)  
Unaudited

	General Fund					Environmental Services					Housing and Redevelopment Authority				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*
Revenues	1,149	7%	18,619	17,613	1,006	140,820	49%	294,998	287,498	7,500	46,455	50%	99,266	92,766	6,500
Expenses	41,935	39%	105,855	108,387	2,532	71,273	45%	167,134	159,134	(8,000)	45,956	49%	96,297	93,097	(3,200)
Transfers	33,380	39%	83,880	86,666	(2,786)	(63,847)	49%	(130,373)	(130,373)	0	(508)	31%	(1,590)	(1,636)	46
Change in Reserve Balance	(7,406)		(3,356)	(4,108)	752	5,700		(2,509)	(2,009)	(500)	(9)		1,379	(1,967)	3,346
Beginning Reserve Balance			31,144					38,249					16,417		
Assigned/Committed			(7,729)												
Carry Forward - Amendment			(3,829)												
Ending Reserve Balance			16,230					35,740					17,796		
Target Balance			10,839					15,913					7,863		

	Metro Transit - Bus					Metro Transit - Light Rail					Metro Transit - Commuter Rail				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*	YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*
Revenues	258,576	55%	468,062	467,385	677	40,638	40%	101,692	102,175	(483)	6,017	39%	15,003	15,402	(399)
Expenses	145,828	39%	324,470	378,291	53,821	33,131	42%	76,740	78,072	1,332	5,295	34%	13,205	15,363	2,158
Transfers	(13,069)	30%	(45,294)	(43,171)	(2,123)	(10,713)	44%	(22,986)	(24,144)	1,158	(479)	19%	(1,193)	(2,466)	1,273
Change in Reserve Balance	99,679		98,298	45,923	52,375	(3,206)		1,966	(41)	2,007	243		605	(2,427)	3,032
Beginning Reserve Balance			139,482					17,178					11,033		
Ending Reserve Balance			237,780					19,144					11,638		
Target Balance			34,126					8,484					1,480		

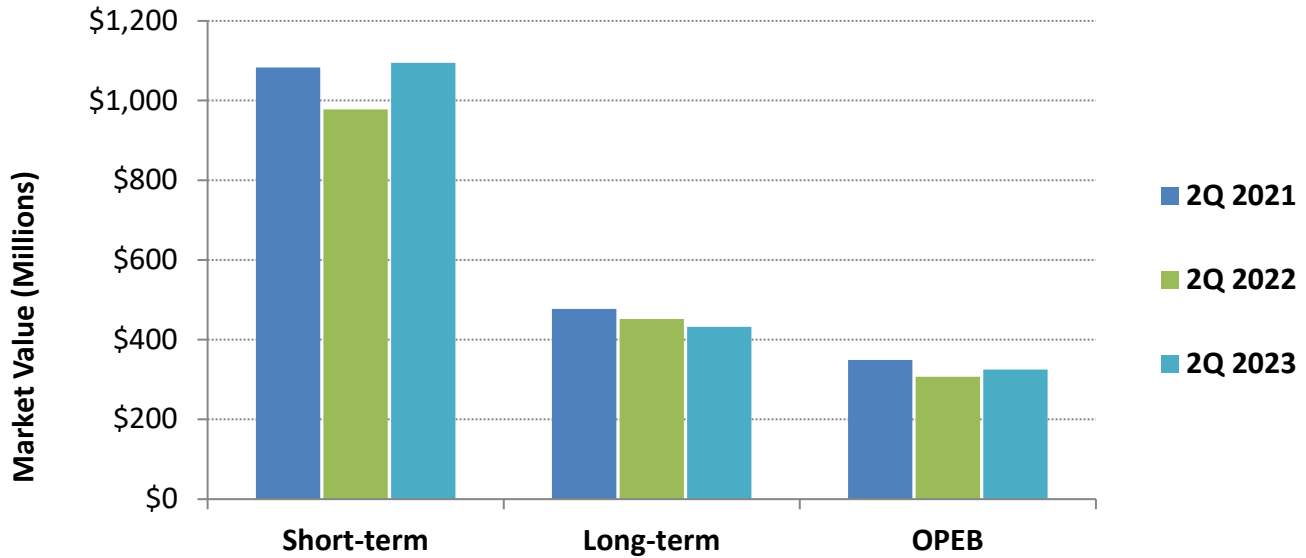
  

	MTS - Transportation Planning					MTS - Metro Mobility					MTS - Contracted Service				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*	YTD Results	% Budget	Projected Year-End	2023 Budget	Variance*
Revenues	4,632	44%	10,281	10,531	(250)	69,004	68%	100,413	101,883	(1,470)	15,769	50%	32,318	31,855	463
Expenses	2,918	34%	7,870	8,670	800	48,160	48%	101,854	99,854	(2,000)	15,824	50%	32,593	31,793	(800)
Transfers	(695)	32%	(2,134)	(2,200)	66	(917)	32%	(2,816)	(2,903)	87	(293)	11%	(2,630)	(2,658)	28
Change in Reserve Balance	1,019		277	(339)	616	19,927		(4,257)	(874)	(3,383)	(348)		(2,905)	(2,596)	(309)
Beginning Reserve Balance			9,620					29,988					17,904		
Ending Reserve Balance			9,897					25,731					14,999		
Target Balance			3,424					10,276					3,445		

\*Variance = Favorable / (Unfavorable)

# Financial Management Report

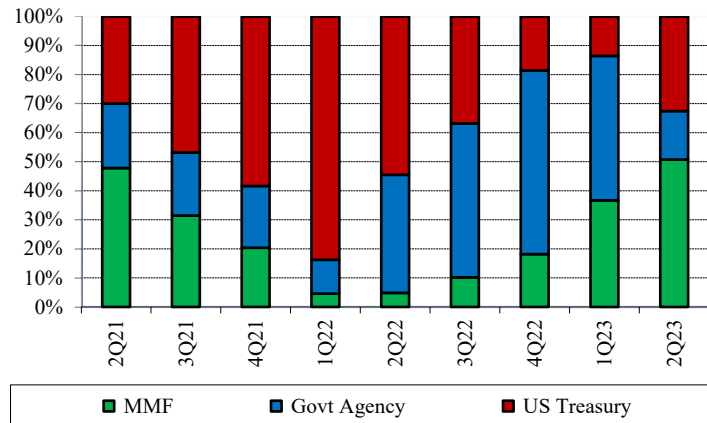
## INVESTMENT PORTFOLIOS BALANCES



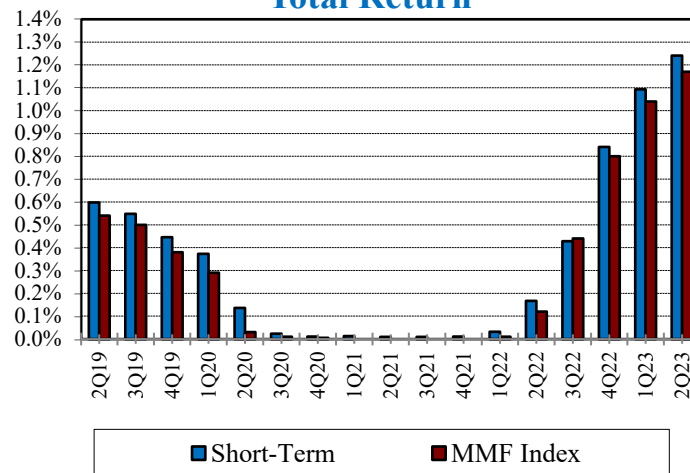
	Market Value (millions)		
	2Q 2021	2Q 2022	2Q 2023
Short-term	1,082.8	977.6	1,094.4
Long-term	477.2	451.9	432.1
OPEB	349.0	306.9	325.0
<b>Total</b>	<b>\$ 1,909.00</b>	<b>\$ 1,736.40</b>	<b>\$ 1,851.50</b>

# INVESTMENT HOLDINGS AND PERFORMANCE - SHORT-TERM PORTFOLIO

## Sector Allocation



## Total Return

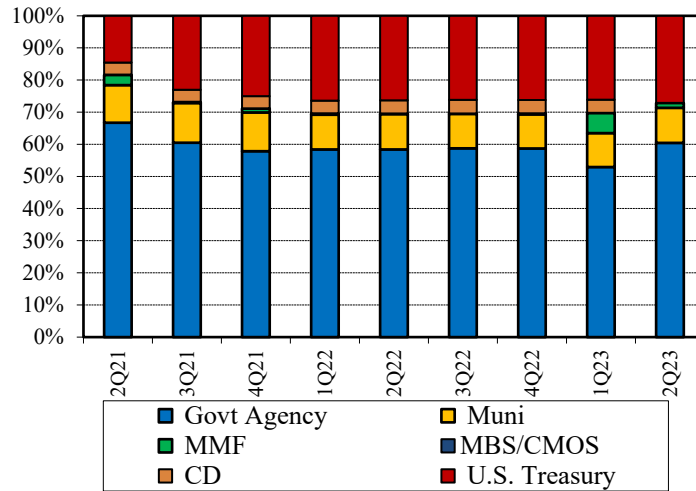


**Short-term Portfolio 2Q23 Performance.** The Short-term portfolio invests available short-term funds around the Council’s cash-flow. The portfolio outperformed for the quarter with a total return of 1.24%, compared to 1.17% for the portfolio’s benchmark. The average yield in the portfolio has risen dramatically over the past 15 months as the Federal Reserve increased short-term interest rates. The average yield of portfolio holdings increased to 5.14% for the 2<sup>nd</sup> quarter, up from 4.77% for the first quarter and 4.19% for the 4<sup>th</sup> quarter 2022. Portfolio earnings are also increasing, rising to \$11.8 million for the second quarter, up from \$10.8 million in the first quarter and \$8.9 million for the fourth quarter 2022. The \$1.1 billion portfolio was invested in U.S. Treasury Bills (\$356 million, 33%), U.S. Government Agency Discount Notes (\$183 million, 17%), and government money market funds (\$555 million, 50%). Allocation to U.S. Treasury Bills and money market funds increased due to their yield advantage. Securities in the portfolio mature from 0 to 5 months and portfolio duration was .10 years, slightly longer than the benchmark’s duration of .06 years.

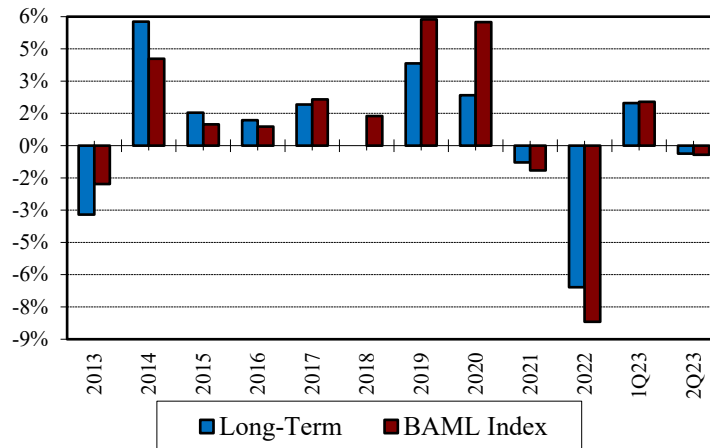
**Strategy.** This portfolio will continue investing available short-term funds around the cash flow needs of the Council. Investment maturities align with large cash outflows such as capital expenditures, payroll, and debt service. The portfolio is diversified among high quality short-term securities permissible under MN. Statutes Chapter 118A. Yields on short-term fixed income securities have increased quickly from Federal Reserve rate hikes. The Fed’s target short-term rate started 2022 at zero and is currently 5.25 - 5.50%. Another rate hike is expected July 26.

# INVESTMENT HOLDINGS AND PERFORMANCE - LONG-TERM PORTFOLIO

## Sector Allocation

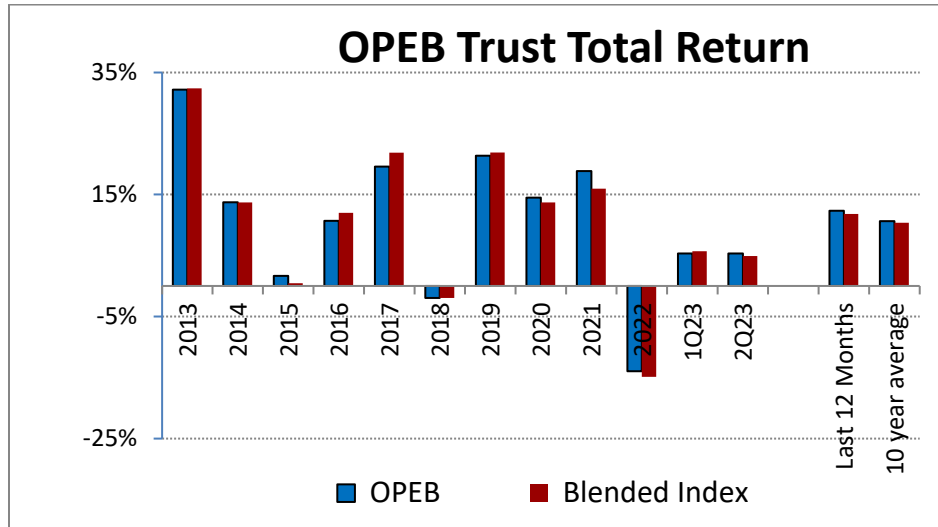


## Total Return



**Long-term Portfolio 2Q23 Results.** The Long-term portfolio invests longer-term reserves. There was little activity in the portfolio during the quarter due to a lack of maturing bonds. The portfolio slightly outperformed its benchmark during the second quarter with a total return of  $-0.375\%$ , compared to  $-0.425\%$  for the portfolio benchmark. Fixed-income securities experienced slightly negative total returns as intermediate-term interest rates rose during the second quarter. The \$432 million portfolio was invested in U.S. Government Agency securities (\$261 million, 60%), U.S. Treasury Notes (\$117 million, 27%), municipal bonds (\$47 million, 11%), and government money funds (\$6.3 million, 1.5%) and a small amount of mortgage-backed securities. Portfolio allocation was very much the same as the previous quarter with the exception of CDs, which were allowed to mature off with reinvesting due to a liquidity crisis in the regional and small bank industry. The CD program will continue, and reinvestments are expected in the third quarter as the crisis settles down. The duration of the portfolio remains short of the benchmark, 1.70 years vs 3.36 years.

**Strategy.** As investments mature in the second half of 2023 and CD re-investments are made, the portfolio will begin to take advantage of higher yields. Duration has been defensive for some time during the rising rate environment but may be extended in later 2023 into expected peak yields of the current interest rate cycle. We expect to fill the Certificate of Deposit program in 2023 to the program maximum allocation of \$20-25 million.



**OPEB Trust 2Q23 Results.** The OPEB Trust contains assets set aside to fund future OPEB liabilities, which stretch 30+ years into the future. Trust assets are managed by the Minnesota State Board of Investment and allocated at the Council’s direction. The Trust has a total return of 5.33% for the second quarter, which outperformed its benchmark return of 4.91%. Outperformance came from the shorter duration of the fixed income portion of the trust and a slightly higher allocation to the S&P 500 pool. The Trust experienced quarterly total returns of 8.73% on its allocation to the SBI S&P 500 pool, -.77% return on fixed income securities, and 1.29% return on cash holdings. The Trust market value increased from \$308.5 million to \$325 million for the quarter. At quarter end, \$212.3 million (65%) was allocated to the S&P 500 index pool, \$99.6 million (31%) to US Treasury and Government Agency securities, and \$13.0 million (4%) to the cash pool.

**Strategy.** The Trust uses the S&P 500 index pool to realize the historically higher average returns of the equity markets over the long term. The current cycle to higher interest rates increased market price volatility which the Trust experienced in both equity and fixed income holdings, but Trust returns have still averaged 8.57% over the past 5 years and 10.62% over the past 10 years. These solid returns have resulted in OPEB liability projections being currently fully funded. OPEB liability funding levels and Trust investment allocations are monitored monthly. Periodic adjustments are made to remain near the allocation target of 60/40 equity-to-fixed income/cash. The Council also annually makes withdrawals to fund OPEB benefits.

# Financial Management Report

## GENERAL FUND

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report General Fund Unaudited - dollars in thousands

	General Fund				
	2023 YTD		Projected		Variance
	Results	% Budget	Year-End	2023 Budget	
Revenues	1,149	7%	18,619	17,613	1,006
Expenses	41,935	39%	105,855	108,387	2,532
Transfers	33,380	39%	83,880	86,666	(2,786)
Change in Reserve Balance	(7,406)		(3,356)	(4,108)	752
Beginning Fund Balance			31,144		
Assigned/Committed			(7,729)		
Carry Forward - Amendment			(3,829)		
Ending Unassigned Reserve Balance			16,230		
Target Balance (10%)			10,839		

### General Fund

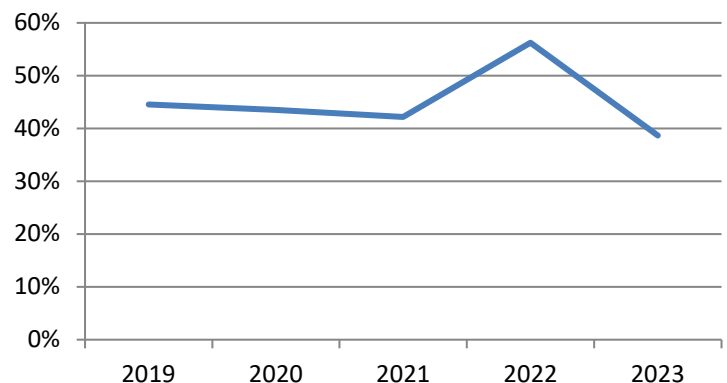
Revenues for the General fund are primarily property tax and are reflected, largely, in the second half of the year.

At mid-year the General Fund has spend 39% of annual budgeted operating expense. The trend is slightly lower then prior years. This mainly due to open positions in IS and on the Thrive initiatives.

Currently, the 2023 General Fund budget approved by the Council reflects a \$4.1 million use of General Fund reserves.

The projected year-end available reserve balance is \$16.2 million.

### General Fund % of Budget Spent - 2nd Quarter





## Environmental Services

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Environmental Services Unaudited - dollars in thousands

	Environmental Services				
	2023 YTD		Projected		
	Results	% Budget	Year-End	2023 Budget	Variance
Revenues	140,820	49%	294,998	287,498	7,500
Expenses	71,273	45%	167,134	159,134	(8,000)
Transfers	(63,847)	49%	(130,373)	(130,373)	0
Change in Reserve Balance	5,700		(2,509)	(2,009)	(500)
Beginning Reserve Balance			38,249		
Ending Unassigned Reserve Balance			<u>35,740</u>		
Target Balance			15,913		

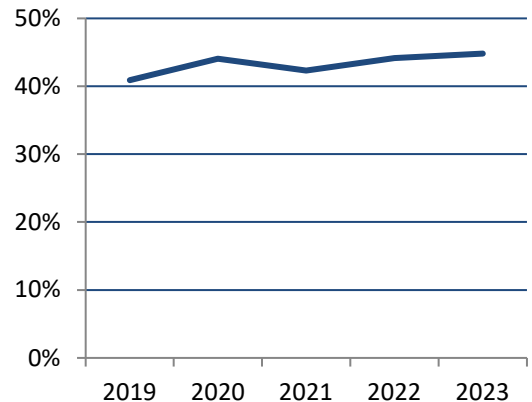
#### Environmental Services

Total revenues are expected to exceed budget by \$7.5M. State Appropriations from the 2023 session include \$4.75M for the City of Newport (\$2M) and White Bear Lake (\$2.75M). Industrial Charges are expected to be \$2M over budget resulting from a large customer who corrected monitoring issues that resulted in significantly higher strength charges. In addition, Investment earnings are expected to run \$0.75M above budget due to rising interest rates.

Total expenses are expected to be \$8M over budget, unless a budget amendment is completed in quarter 3 or 4, or unless spending comes in under the projection. Chemicals and Utilities are expected to be over budget by a combined \$7M, which is driven by inflation (e.g., natural gas has doubled in price, and nitrate salts have substantially increased in price). In addition, Materials and Supplies are expected to be \$3M over budget (due to the completions of outstanding maintenance projects, and price increases approaching 24%). We also anticipate \$2M of savings from labor costs, which are driven by vacancies. Other variances are mostly offsetting. Transfers are expected to be on budget.

Based on the above forecasted variances, operating reserves are projected to decrease by \$2.5M (compared to the budgeted \$2.1M decrease). This figure includes \$4.75M in state funds earmarked for specific purposes, of which related expenses are not expected to begin until FY 2024. Omitting these state appropriations results in an estimated \$7.25M budget deficit, which will decrease the operating fund balance to \$31M. This exceeds the year-end target balance of \$15.9M by a healthy margin.

### Environmental Services % of Budget Spent - 2nd Quarter



# Financial Management Report

## HOUSING AND REDEVELOPMENT FUND

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Housing and Redevelopment Fund Unaudited - dollars in thousands

	Housing and Redevelopment Authority				
	2023 YTD		Projected		Variance
	Results	% Budget	Year-End	2023 Budget	
Revenues	46,455	50%	99,266	92,766	6,500
Expenses	45,956	49%	96,297	93,097	(3,200)
Transfers	(508)	31%	(1,590)	(1,636)	46
Change in Reserve Balance	(9)		1,379	(1,967)	3,346
Beginning Reserve Balance			16,417		
Ending Reserve Balance			<u>17,796</u>		
Target Balance			7,863		

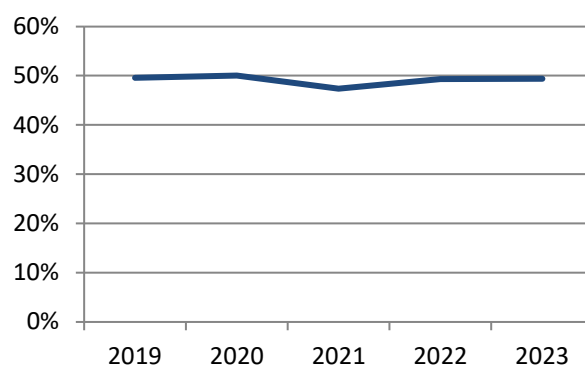
#### Housing and Redevelopment Authority

HRA revenues are projected to be \$6.5M favorable to budget. The main reason for the favorable variance is higher federal pass-through and administrative fee revenue than budgeted for federal housing voucher programs.

Expenses are projected to be unfavorable to budget by \$3.2M. This unfavorable variance is primarily the result of Housing Choice Voucher subsidy payments being higher than budgeted due to rapidly rising rent and increased utility costs (+\$2.6M). The rest of the unfavorable variance is from higher administrative fees related to current voucher holders moving outside of the Metro HRA's jurisdiction and increased maintenance costs for council-owned homes. Lower spending than budgeted on contracted services and other general administrative expenses (-\$0.3M) partially offsets the unfavorable variance.

The projected reserve balance for the HRA is \$17.8M, which is above the Council's minimum reserve target balance of \$7.9M.

### HRA % of Budget Spent - 2nd Quarter



# Financial Management Report

## METRO TRANSIT - BUS

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report

#### Metro Transit - Bus

Unaudited - dollars in thousands

	Metro Transit - Bus				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance
Revenues	258,576	55%	468,062	467,385	677
Expenses	145,828	39%	324,470	378,291	53,821
Transfers	(13,069)	30%	(45,294)	(43,171)	(2,123)
Change in Reserve Balance	99,679		98,298	45,923	52,375
Beginning Reserve Balance			139,482		
Ending Reserve Balance			<u>237,780</u>		
Target Balance			34,126		

#### Metro Transit - Bus

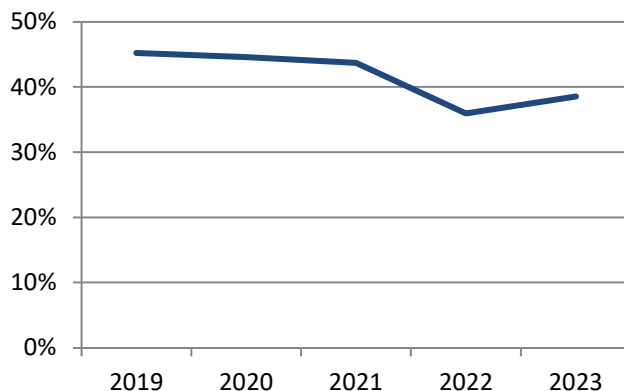
The 2023 Amended budget has an addition to reserves of \$45.9M with a forecasted positive balance of \$52.4M bringing ending reserves contribution to \$98.3M with a forecasted reserve balance of \$237.8M.

Passenger fares are expected to be \$5.1M below the revised budget due to lower than expected ridership.

Operating expenses in the amended budget \$378M and are expected to be below budget by \$53.8M. These savings are due to:

- Reduced service and vacant positions with labor and benefits under budget \$37.7M.
- Professional and technical services should be \$3.1M below budget.
- Fuel savings were \$3.6M due to lower service levels.
- Increases in parts and materials will cause a budget overage of \$3.1M.
- Modal allocations will be below the budgeted level due to the savings in labor and benefits.

### Metro Transit - Bus % of Budget Spent - 2nd Quarter



# Financial Management Report

## METRO TRANSIT - LIGHT RAIL

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Metro Transit - Light Rail Unaudited - dollars in thousands

	Metro Transit - Light Rail				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance
Revenues	40,638	40%	101,692	102,175	(483)
Expenses	33,131	42%	76,740	78,072	1,332
Transfers	(10,713)	44%	(22,986)	(24,144)	1,158
Change in Reserve Balance	(3,206)		1,966	(41)	2,007
Beginning Reserve Balance			17,178		
Ending Reserve Balance			<u>19,144</u>		
Target Balance			8,484		

#### Metro Transit - Light Rail

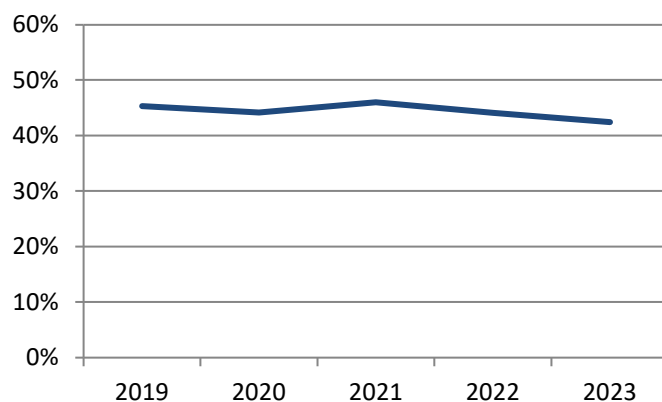
The 2023 amended budget for LRT is to use \$41K from reserves. The forecast is a positive balance of \$2.0M bringing ending reserve contributions of \$2.0M with a forecasted reserve balance of \$19.1M.

Passenger fares are expected \$340K over budget due to ridership increases. Federal CARES act funds of \$30.4M will be drawn in 2023 consistent with the budget.

Operating expenses are expected to be \$1.3M below the budgeted level due to:

- Labor and benefits will be under budget by \$99K due to open positions.
- Materials and supplies were \$2.3M under budget.
- Utilities will be \$1.5M over budget due to changes in utility rates.
- Transit allocations will be \$1.5M under budget due to labor reductions in these departments resulting in decreases in the allocations.

### Metro Transit - Light Rail % of Budget Spent - 2nd Quarter



# Financial Management Report

## METRO TRANSIT - COMMUTER RAIL

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Metro Transit - Commuter Rail Unaudited - dollars in thousands

	Metro Transit - Commuter Rail				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance
Revenues	6,017	39%	15,003	15,402	(399)
Expenses	5,295	34%	13,205	15,363	2,158
Transfers	(479)	19%	(1,193)	(2,466)	1,273
Change in Reserve Balance	243		605	(2,427)	3,032
Beginning Reserve Balance			11,033		
Ending Reserve Balance			<u>11,638</u>		
Target Balance			1,480		

#### Metro Transit - Commuter Rail

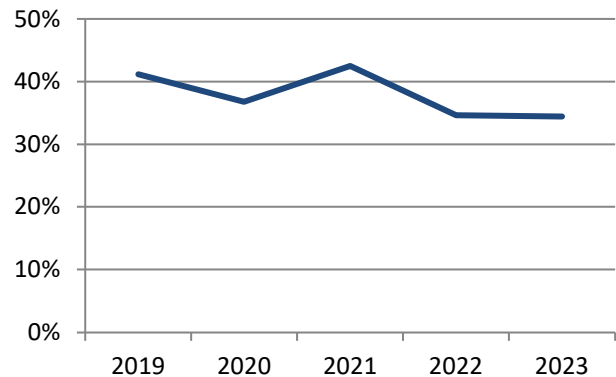
Commuter Rail has an amended budget to use fund balance of \$2.4M for 2023. The forecast is a positive balance of \$3.0M bringing ending reserve contributions of \$605K with a forecasted reserve balance of \$11.6M.

Passenger fares will be \$73K under budget due to lower than anticipated ridership.

Labor and benefits are expected to be \$2.3M under budget due reduced service. Consulting expenses (which include BNSF services) should be \$247K under the budget. Transit allocations will be \$1.3M under budget due to labor reductions in the allocation departments resulting in decreases in the allocations.

The result is that Commuter Rail will add \$605K to fund balance, after refunds to funding partners in 2023.

### MT - Commuter Rail % of Budget Spent - 2nd Quarter



# Financial Management Report

## MTS - Transportation Planning

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Metropolitan Transportation Services - Transportation Planning Unaudited - dollars in thousands

	MTS - Transportation Planning				
	2023 YTD		Projected		Variance
	Results	% Budget	Year-End	2023 Budget	
Revenues	4,632	44%	10,281	10,531	(250)
Expenses	2,918	34%	7,870	8,670	800
Transfers	(695)	32%	(2,134)	(2,200)	66
Change in Reserve Balance	1,019		277	(339)	616
Beginning Reserve Balance			9,620		
Ending Reserve Balance			<u>9,897</u>		
Target Balance			3,424		

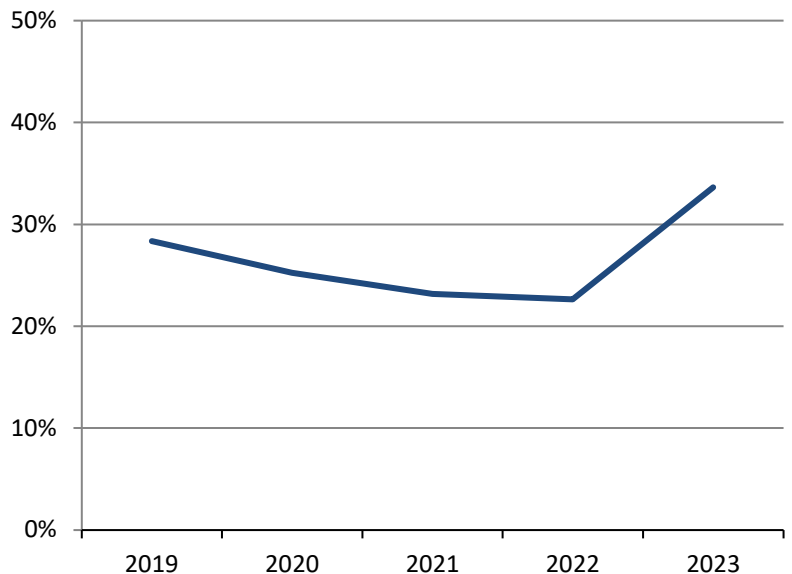
#### MTS - Transportation Planning

Transportation Planning's revenue is projected to be unfavorable by \$250K as a result of less federal planning grant revenue anticipated in 2023 than originally budgeted. This grant revenue will be carried forward into 2024 and be available to spend next year.

Expenses are projected to be favorable to budget by \$0.8M primarily due to lower consulting activity and administrative expenses.

The projected ending reserve balance is \$9.9M for 2023, which is above the Council's minimum reserve target balance of \$3.4M.

### MTS - Transportation Planning % of Budget Spent - 2nd Quarter



# Financial Management Report

## MTS - METRO MOBILITY

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Metropolitan Transportation Services - Metro Mobility Unaudited - dollars in thousands

	MTS - Metro Mobility				
	2023 YTD		Projected		Variance
	Results	% Budget	Year-End	2023 Budget	
Revenues	69,004	68%	100,413	101,883	(1,470)
Expenses	48,160	48%	101,854	99,854	(2,000)
Transfers	(917)	32%	(2,816)	(2,903)	87
Change in Reserve Balance	19,927		(4,257)	(874)	(3,383)
Beginning Reserve Balance			29,988		
Ending Reserve Balance			<u>25,731</u>		
Target Balance			10,276		

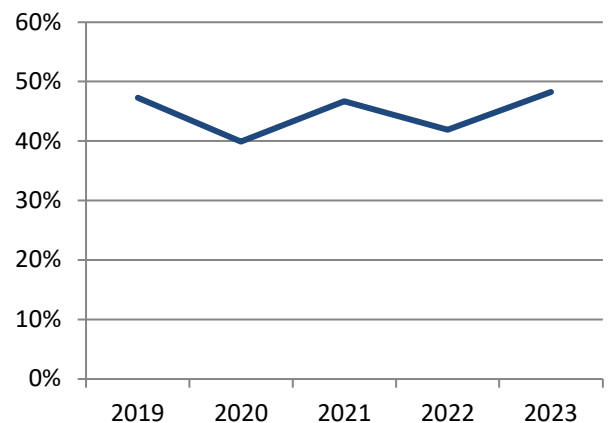
#### MTS - Metro Mobility

Metro Mobility's revenue is projected to be unfavorable by \$1.5M as a result of lower passenger fare revenue than budgeted. Ridership is below budgeted and pre-COVID levels year-to-date.

Total expenses for Metro Mobility are projected to end the year \$2.0M unfavorable to budget, unless a budget amendment is completed in quarter 3 or 4, or unless spending comes in under the projection. Higher contracted services expenses as a result of recent rate increases (+\$7.7M) are being offset by lower fuel costs (-\$5.3M) and general administrative expenses (-\$0.4M) than budgeted. Contract rates were increased at the end of 2022 to raise driver wages. Fuel costs are down as a result of lower gas prices than anticipated and fewer vehicle hours on the road than budgeted.

The projected ending reserve balance is \$25.7M for 2023, which is above the Council's minimum reserve target balance of \$10.3M.

#### MTS - Metro Mobility % of Budget Spent - 2nd Quarter



## MTS-CONTRACTED SERVICES

Unaudited - dollars in thousands

### 2023 2nd Quarter Financial Report Metropolitan Transportation Services - Contracted Service Unaudited - dollars in thousands

	MTS - Contracted Service				
	2023 YTD Results	% Budget	Projected Year-End	2023 Budget	Variance
Revenues	15,769	50%	32,318	31,855	463
Expenses	15,824	50%	32,593	31,793	(800)
Transfers	(293)	11%	(2,630)	(2,658)	28
Change in Reserve Balance	(348)		(2,905)	(2,596)	(309)
Beginning Reserve Balance			17,904		
Ending Reserve Balance			<u>14,999</u>		
Target Balance			3,445		

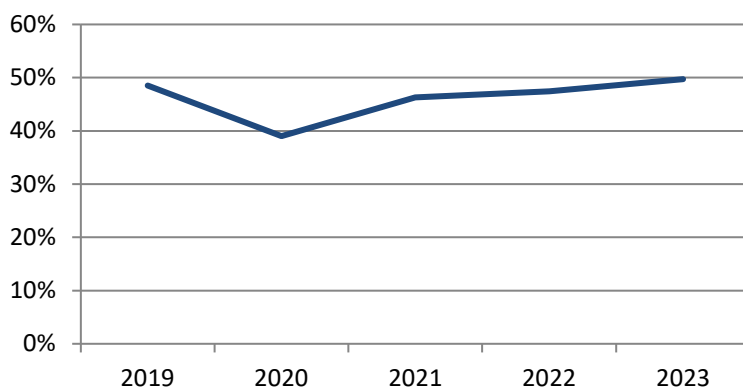
#### MTS - Contracted Service

Contracted Services revenue are projected to be slightly favorable to budget by \$463K. This is mainly due to higher interest earnings.

Expenses for 2023 are forecasted to be unfavorable to budget by \$800K, unless a budget amendment is completed in quarter 3 or 4, or unless spending comes in under the projection. Contract rate increases at the end of 2022 along with anticipated service increases in Fixed Route (\$1M) are partially offset by savings from lower fuel costs and lower general administration expenses (-\$0.2M).

The projected ending reserve balance is \$15M for 2023, which is above the Council's minimum reserve target balance of \$3.4M.

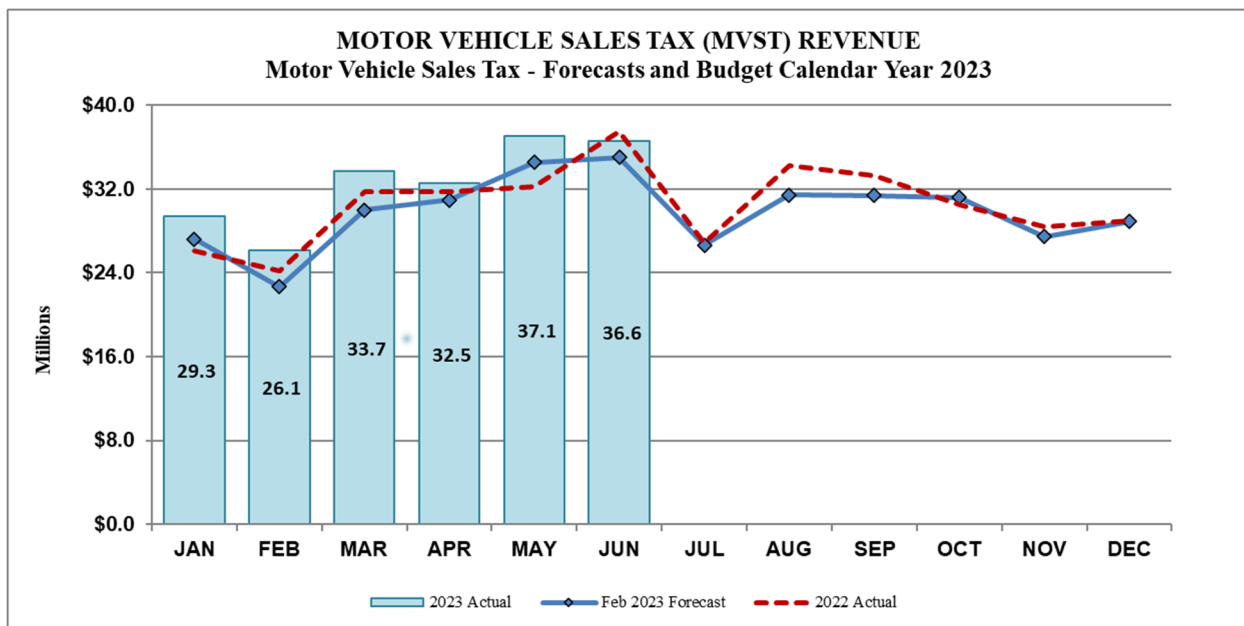
#### MTS -Contracted Service % of Budget Spent - 2nd Quarter



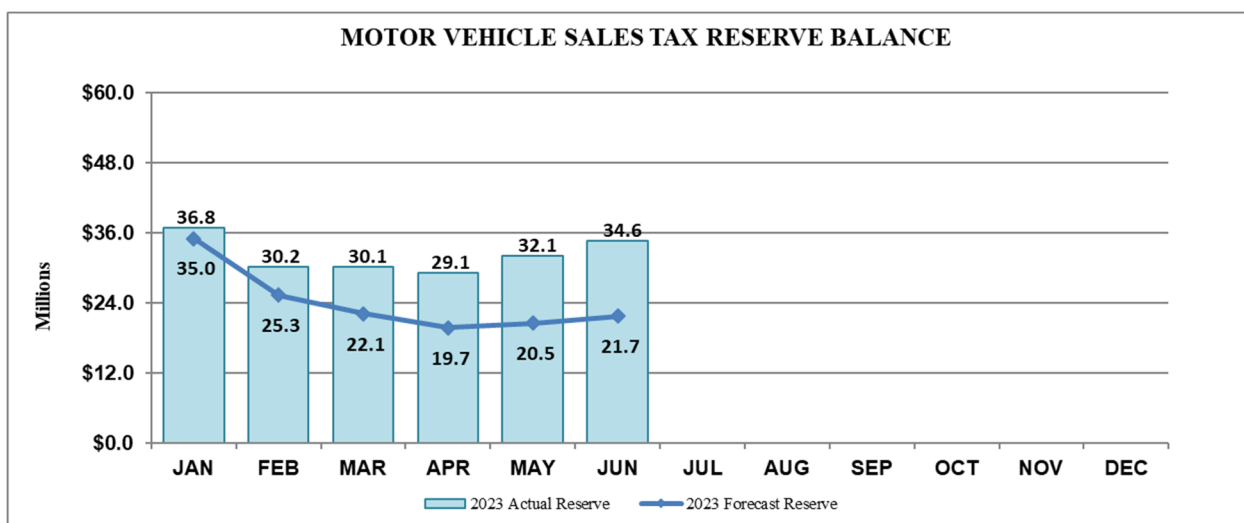


# Financial Management Report

## MOTOR VEHICLE SALES TAX (MVST) REVENUES



Motor vehicle sales tax receipts for 2023 thru June totaled around \$195.4 million, 108.3% of February 2023 forecast thru June. MVST reserves were \$34.6 million at the end of June.



# Financial Management Report

## MOTOR VEHICLE SALES TAX (MVST) REVENUES FORECASTS & BUDGET

Dollars in millions

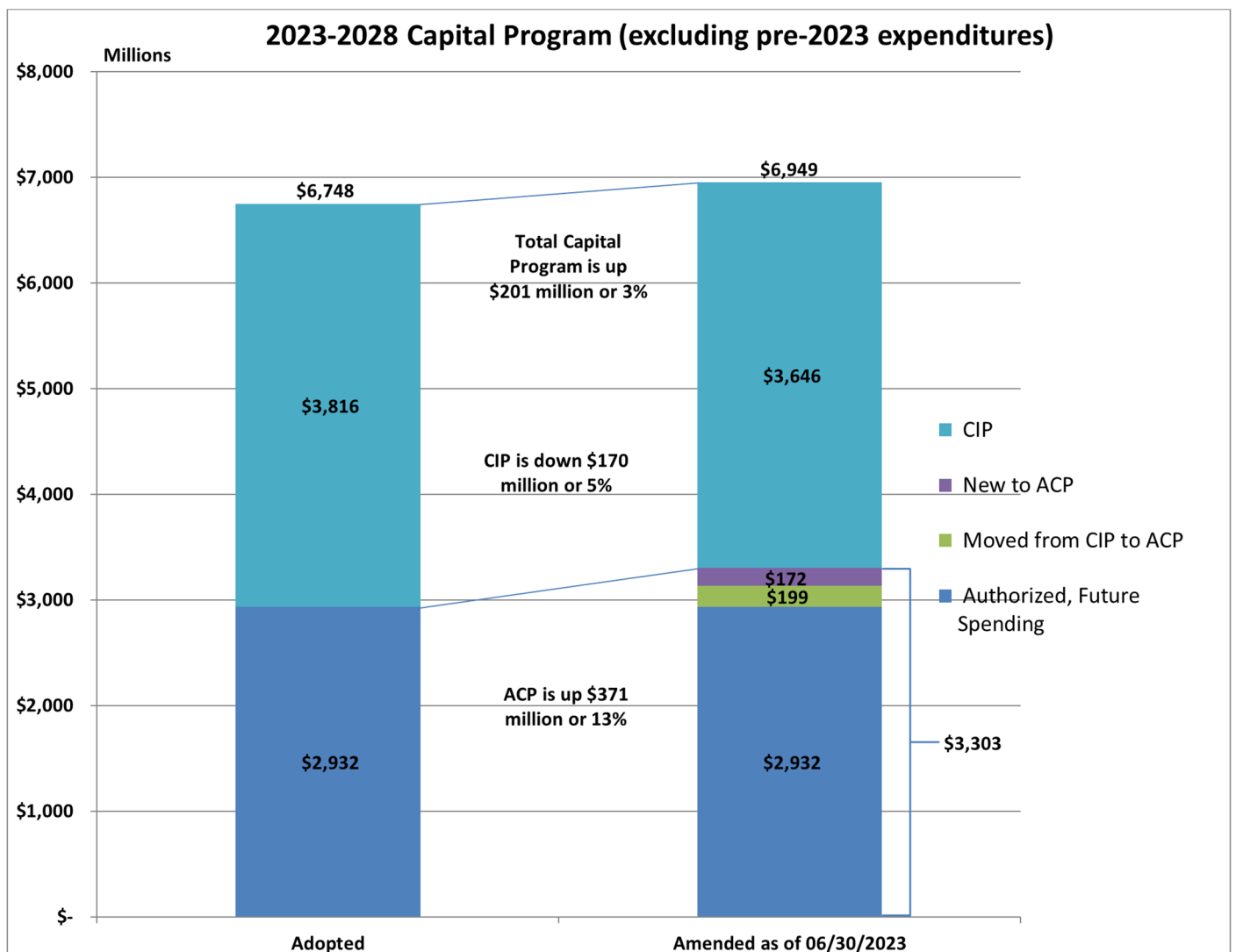
### MOTOR VEHICLE SALES TAX – FORECASTS AND BUDGET CALENDAR YEAR 2023

<b>Motor Vehicle Sales Tax – Forecasts and Budget Calendar Year 2023</b>			
<b>(Millions)</b>			
	<b>Total</b>	<b>Jan-Jun</b>	<b>Jul-Dec</b>
<b>Nov 2022 Forecast (2023 Adopted Budget)</b>	366.9	183.5	183.5
<b>2023 Council Budget:</b>			
Current MVST Revenues	350.7	175.4	175.4
Use of MVST Reserve	16.2	8.1	8.1
<b>November 2022 Forecast</b>	366.9	183.5	183.5
<b>YTD Actuals</b>	195.4	195.4	0.0
<b>February 2023 Forecast</b>	357.3	180.4	176.9
<b>YTD Actuals</b>	195.4	195.4	0.0
<b>% of November 2022 Forecast</b>	53.2%	106.5%	0.0%
<b>% of February 2023 Forecast</b>	54.7%	108.3%	0.0%

## 2023-2028 CAPITAL PROGRAM

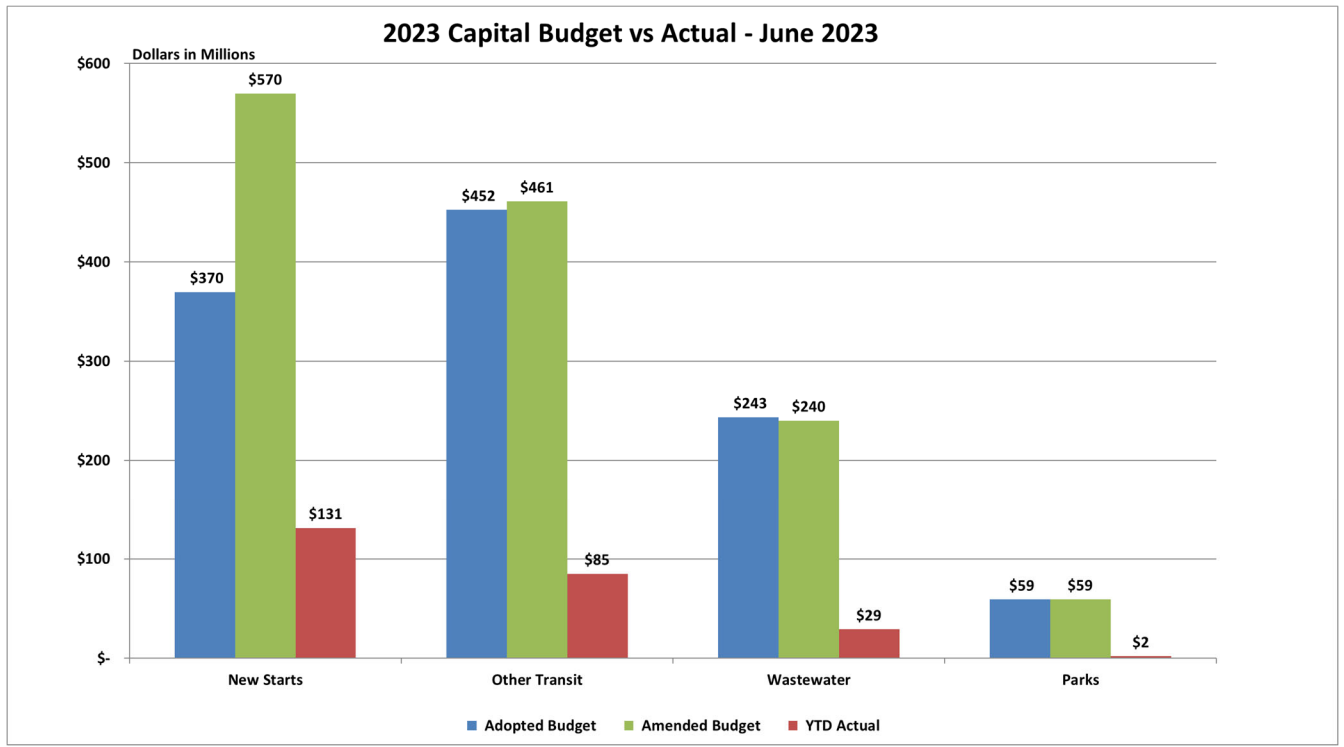
### Capital Program (Excluding Pre-2023 Expenditures)

The Capital Program (excluding pre-2023 expenditures) increased by \$201 million, or a 3% increase, for amendments through June 2023. The authorized portion of the capital program (ACP) is up \$371 million, or a 13% increase, through June 2023. The ACP typically increases during the year as federal, state, and regional funding becomes available to transit and parks. Additionally, projects are moved from the planned portion of the capital program, called the capital improvement plan (CIP), to the authorized capital program (ACP) throughout the year.



## CAPITAL SPENDING

### Capital Budget



The adopted 2023 Capital Budget was \$1.125 billion. Amendments through June 2023 increased the amended 2023 Capital Budget to \$1.330 billion. Actual 2023 capital expenditures total 22% of the adopted budget and 19% percent of the amended budget. Actual expenditures as a percent of their amended budget were 21% for transit projects, 12% for wastewater projects and 3% for parks projects.

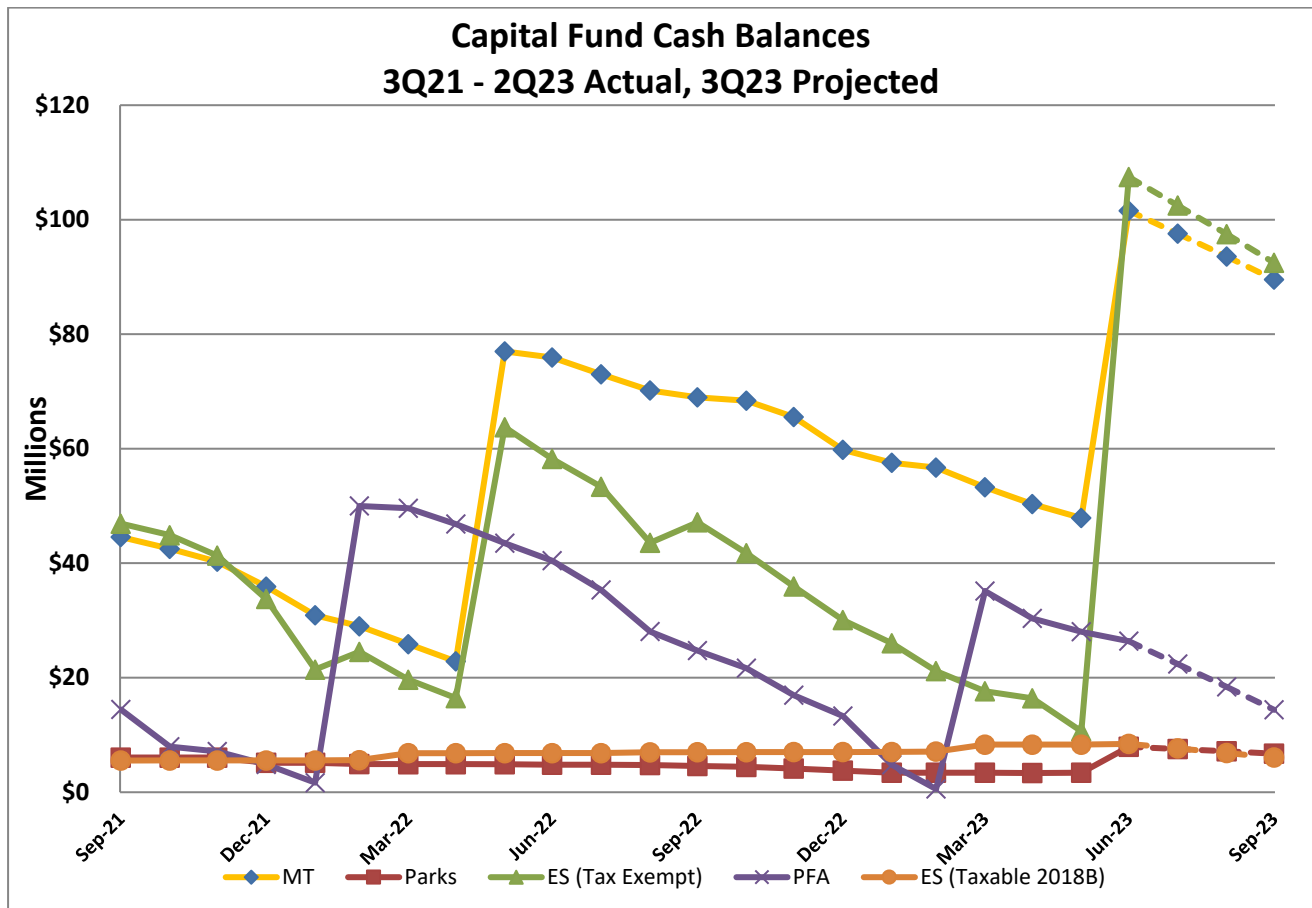
## CAPITAL FUND CASH BALANCES

Transit (MT) increased their new capital program cash balance by \$55 million during the 2<sup>nd</sup> quarter in the form of proceeds from new General Obligation Transit Bonds. Regarding spend, the pace of Transit bond fund capital spending increased slightly during the 2<sup>nd</sup> quarter, as the average monthly spend went from \$2.1 million per month in 1Q23 to \$2.2 million per month in 2Q23.

Environmental Services (ES) received an infusion \$100 million of new capital program cash during the 2<sup>nd</sup> quarter also in the form of proceeds from new General Obligation Wastewater Revenue Bonds. The pace of Environmental Services (ES) bond fund capital spending decreased during the 2<sup>nd</sup> quarter, as the average monthly spend dropped from \$4.1 million per month in 1Q23 to \$3.4M per month in 2Q23. The 2023 PFA loan has had an average draw of \$4.4 million per month YTD.

In 2Q23 Parks increased its cash balances by issuing \$4.5 million of new General Obligation Park Bonds. Parks bond proceeds continue to be spent very slowly. \$275,000 was spent during 2Q23, which is down from \$368,000 in 1Q23.

The Council realized significant future interest costs savings by refunding bonds in both 2020 and 2021 and the debt portfolio is continually monitored for additional refunding opportunities. No additional new or refunding bond issuance is expected in 2023.



**STATEMENT OF REVENUES AND EXPENSES**

**General Fund**

**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Property Taxes	205,277	16,833,034	16,833,034	-
Investment Earnings	671,370	1,342,740	630,389	712,351
Chargebacks - MAC	95,496	190,992	-	190,992
Other Revenue	177,083	252,083	150,000	102,083
Total Revenues	1,149,226	18,618,849	17,613,423	1,005,426
<b><u>EXPENSES</u></b>				
Salary and Benefits	25,059,043	59,073,036	60,027,986	954,950
Consulting & Contractual Services	11,939,163	34,932,500	35,432,867	500,367
Rent & Utilities	3,238,435	6,417,754	6,417,754	-
Printing	3,370	30,870	55,000	24,130
Travel & Professional Development	329,664	793,514	927,700	134,186
Insurance	159,202	200,000	123,000	(77,000)
Other Operating Expense	1,206,208	4,407,664	5,402,911	995,248
Total Expenses	41,935,085	105,855,338	108,387,218	2,531,881
<b><u>TRANSFERS</u></b>				
Transfer In	38,253,092	90,061,676	92,847,089	(2,785,413)
Transfer Out	(4,872,983)	(6,181,243)	(6,181,243)	-
Total Transfers	33,380,109	83,880,433	86,665,846	(2,785,413)
Change in Reserve Balance	\$ (7,405,750)	\$ (3,356,056)	\$ (4,107,949)	\$ 751,894
Beginning Fund Balance		31,144,372		
Assigned/Committed		(7,728,798)		
Carry Forward - Amendment		(3,829,000)		
Ending Unassigned Reserve Balance		16,230,518		
2023 Target Balance (10%)		10,838,722		

**STATEMENT OF REVENUES AND EXPENSES**  
**Environmental Services**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Municipal Wastewater Charges	131,851,500	263,703,000	263,703,000	-
Industrial Charges	7,652,718	18,500,000	16,500,000	2,000,000
State Appropriations Revenue	415,890	10,819,000	6,069,000	4,750,000
Investment Earnings	799,260	1,250,000	500,000	750,000
Other Revenue	100,291	726,417	726,417	-
<b>Total Revenues</b>	<b>140,819,659</b>	<b>294,998,417</b>	<b>287,498,417</b>	<b>7,500,000</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	34,446,405	79,274,129	81,274,129	2,000,000
Consulting & Contractual Services	7,423,122	22,301,785	19,801,785	(2,500,000)
Rent & Utilities	11,604,123	24,816,090	21,816,090	(3,000,000)
Travel	208,242	730,636	730,636	-
Materials & Supplies	8,166,223	14,246,059	11,246,059	(3,000,000)
Chemicals	7,468,394	16,610,365	12,610,365	(4,000,000)
Capital Outlay	912,794	2,453,460	2,453,460	-
I&I, Storm water, CWF, WOMP Grant Expense	491,070	5,065,000	5,065,000	-
Other Operating Expense	552,853	1,636,528	4,136,528	2,500,000
<b>Total Expenses</b>	<b>71,273,227</b>	<b>167,134,052</b>	<b>159,134,052</b>	<b>(8,000,000)</b>
<b><u>TRANSFERS</u></b>				
SAC Transfer	30,028,500	60,057,000	60,057,000	-
Transfers In	235,191	350,000	350,000	-
Debt Service	(78,250,000)	(156,500,000)	(156,500,000)	-
Transfer Out - RA Expense Allocation	(10,361,148)	(23,279,673)	(23,279,673)	-
Transfers Out	(5,500,000)	(11,000,000)	(11,000,000)	-
<b>Total Transfers</b>	<b>(63,847,457)</b>	<b>(130,372,673)</b>	<b>(130,372,673)</b>	<b>-</b>
Change in Reserve Balance	5,698,975	(2,508,308)	(2,008,308)	(500,000)
Beginning Reserve Balance		38,248,542		
Ending Unassigned Reserve Balance		<u>35,740,234</u>		
2023 Target Balance (10%)		15,913,405		

**STATEMENT OF REVENUES AND EXPENSES**  
**Housing and Redevelopment Authority (HRA)**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)	YTD ACTUAL PASS THROUGH
<b><u>REVENUES</u></b>					
Federal Revenue	43,872,273	93,589,216	88,374,941	5,214,275	39,893,289
State Revenue	158,650	318,000	318,000	-	147,819
Investment Earnings	614,167	614,167	-	614,167	-
Other Revenue	1,809,706	4,744,454	4,072,896	671,558	-
<b>Total Revenues</b>	<b>46,454,796</b>	<b>99,265,837</b>	<b>92,765,837</b>	<b>6,500,000</b>	<b>40,041,108</b>
<b><u>EXPENSES</u></b>					
Salary and Benefits	2,732,273	6,250,000	6,310,777	60,777	-
Consulting & Contractual Services	420,935	1,026,908	1,197,194	170,286	-
Rent & Utilities	71,478	142,956	145,956	3,000	-
Housing Expenses	42,481,174	88,499,219	84,954,920	(3,544,299)	41,239,065
Travel	16,077	32,154	67,000	34,846	-
Insurance	81,172	85,000	100,000	15,000	-
Other Operating Expense	153,225	260,290	320,680	60,390	-
<b>Total Expenses</b>	<b>45,956,334</b>	<b>96,296,527</b>	<b>93,096,527</b>	<b>(3,200,000)</b>	<b>41,239,065</b>
<b><u>TRANSFERS</u></b>					
Transfer Out - RA Expense Allocation	(658,174)	(1,739,936)	(1,786,016)	46,080	-
Transfer In - Allocation	150,000	150,000	150,000	-	-
<b>Total Transfers</b>	<b>(508,174)</b>	<b>(1,589,936)</b>	<b>(1,636,016)</b>	<b>46,080</b>	<b>-</b>
Change in Reserve Balance	(9,712)	1,379,374	(1,966,706)	3,346,080	(1,197,957)
<b>Beginning Reserve Balance:</b>					
Operating		15,435,478			
Federal Passthrough (HAP Assistance)		981,428			
<b>Total Beginning Balance</b>		<b>16,416,906</b>			
<b>Change in Reserve Balance:</b>					
<b>Total Change in Reserve Balance</b>		<b>1,379,374</b>			
<b>Ending Reserve Balance</b>		<b>17,796,280</b>			
<b>2023 Target Balance (8.3%)</b>		<b>7,862,801</b>			



**STATEMENT OF REVENUES AND EXPENSES**

**Metro Transit - Bus Operations**

**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Passenger Revenues	13,825,095	29,049,440	34,179,194	(5,129,754)
Auxiliary Transit Revenue	795,794	2,391,588	2,439,348	(47,760)
State Revenue - MVST	161,764,403	323,528,808	323,528,808	-
Federal Grants	81,757,545	103,579,522	103,579,522	-
Investment Earnings	2,234,327	3,363,811	50,000	3,313,811
Other Revenue	(1,800,827)	6,148,346	3,608,532	2,539,814
<b>Total Revenues</b>	<b>258,576,337</b>	<b>468,061,515</b>	<b>467,385,404</b>	<b>676,111</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	120,599,725	261,135,193	298,817,305	37,682,112
Consulting & Contractual Services	4,412,086	11,943,802	15,063,432	3,119,630
Fuel	3,875,731	10,632,391	14,287,380	3,654,989
Materials & Supplies	11,724,121	24,492,778	21,357,024	(3,135,754)
Utilities	2,575,874	5,478,008	5,798,268	320,260
Other Operating Expense	2,640,784	10,788,064	22,967,940	12,179,876
<b>Total Expenses</b>	<b>145,828,321</b>	<b>324,470,236</b>	<b>378,291,349</b>	<b>53,821,113</b>
<b><u>TRANSFERS</u></b>				
Transfer In - Transit Allocations	8,161,468	18,445,432	20,567,928	(2,122,496)
Transfer Out - RA Expense Allocation	(21,230,588)	(53,439,051)	(53,439,051)	-
Transfer Out - Capital Funds	-	(10,300,000)	(10,300,000)	-
<b>Total Transfers</b>	<b>(13,069,120)</b>	<b>(45,293,619)</b>	<b>(43,171,123)</b>	<b>(2,122,496)</b>
<b>Change in Reserve Balance</b>	<b>99,678,896</b>	<b>98,297,660</b>	<b>45,922,932</b>	<b>52,374,728</b>
<b>Beginning Reserve Balance</b>		<b>139,481,675</b>		
<b>Ending Reserve Balance</b>		<b>237,779,335</b>		
<b>2023 Target Balance (8.3 - 12.5%)</b>		<b>34,126,485</b>		

**STATEMENT OF REVENUES AND EXPENSES**  
**Metro Transit - Light Rail Operations**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Passenger Revenues	6,056,418	12,399,773	12,058,965	340,808
Auxiliary Transit Revenue	320,906	1,545,529	1,178,352	367,177
State Revenue - GF Appropriation	14,612,058	29,224,116	29,224,116	-
Local Revenue	14,623,746	28,047,492	29,247,492	(1,200,000)
Investment Earnings	25,250	59,058	50,688	8,370
Other Revenue	5,000,000	30,415,728	30,415,728	-
<b>Total Revenues</b>	<b>40,638,378</b>	<b>101,691,696</b>	<b>102,175,341</b>	<b>(483,645)</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	27,115,635	57,628,131	57,727,464	99,333
Consulting & Contractual Services	813,188	3,536,254	3,818,370	282,116
Fuel	18,068	36,136	50,544	14,408
Materials & Supplies	1,856,343	7,322,250	9,690,315	2,368,065
Utilities	3,128,730	7,507,460	6,020,664	(1,486,796)
Other Operating Expense	198,835	709,444	764,380	54,936
<b>Total Expenses</b>	<b>33,130,799</b>	<b>76,739,675</b>	<b>78,071,737</b>	<b>1,332,062</b>
<b><u>TRANSFERS</u></b>				
Transfer Out - Transit Allocations	(7,992,375)	(17,184,750)	(18,759,480)	1,574,730
Transfer Out - RA Expense Allocation	(2,720,826)	(5,801,665)	(5,384,328)	(417,337)
<b>Total Transfers</b>	<b>(10,713,201)</b>	<b>(22,986,415)</b>	<b>(24,143,808)</b>	<b>1,157,393</b>
Change in Reserve Balance	(3,205,622)	1,965,606	(40,204)	2,005,810
Beginning Reserve Balance		17,178,266		
Ending Reserve Balance		19,143,872		
2023 Target Balance (8.3 - 12.5%)		8,483,890		

**STATEMENT OF REVENUES AND EXPENSES**  
**Metro Transit - Commuter Rail Operations**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Passenger Revenues	155,871	411,941	485,435	(73,494)
State Revenue - MVST	1,714,938	3,429,876	3,429,876	-
Local Revenue - Counties / MNDOT	4,002,552	7,535,104	8,005,104	(470,000)
Federal Revenues	-	3,481,896	3,481,896	-
Investment Earnings	143,871	143,871	-	143,871
<b>Total Revenues</b>	<b>6,017,232</b>	<b>15,002,688</b>	<b>15,402,311</b>	<b>(399,623)</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	1,628,717	4,175,406	6,525,945	2,350,539
Consulting & Contractual Services	1,651,970	4,035,098	3,787,362	(247,736)
Fuel	274,374	710,226	871,704	161,478
Materials & Supplies	253,801	661,825	712,536	50,711
Utilities	335,425	682,350	402,936	(279,414)
Other Operating Expense	1,151,024	2,940,430	3,062,712	122,282
<b>Total Expenses</b>	<b>5,295,311</b>	<b>13,205,335</b>	<b>15,363,195</b>	<b>2,157,860</b>
<b><u>TRANSFERS</u></b>				
Transfer Out - Transit Allocations	(169,095)	(521,972)	(1,808,448)	1,286,476
Transfer Out - RA Expense Allocation	(309,421)	(670,597)	(657,504)	(13,093)
<b>Total Transfers</b>	<b>(478,516)</b>	<b>(1,192,569)</b>	<b>(2,465,952)</b>	<b>1,273,383</b>
Change in Reserve Balance	243,405	604,784	(2,426,836)	3,031,620
Beginning Reserve Balance		11,032,770		
Ending Reserve Balance		11,637,554		
2023 Target Balance (8.3 - 12.5%)		1,479,819		

**STATEMENT OF REVENUES AND EXPENSES**  
**MTS -Transportation Planning**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Federal Revenue	2,245,580	5,494,114	5,844,813	(350,699)
State Revenue - MVST	2,275,000	4,550,000	4,550,000	-
Investment Earnings	100,699	100,699	-	100,699
Chargebacks from MAC	11,010	136,000	136,000	-
<b>Total Revenues</b>	<b>4,632,289</b>	<b>10,280,813</b>	<b>10,530,813</b>	<b>(250,000)</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	1,578,263	3,764,633	3,914,633	150,000
Consulting & Contractual Services	1,201,608	3,784,816	4,363,125	578,310
Rent & Utilities	74,825	150,415	150,415	-
Travel	15,354	55,000	65,000	10,000
Other Operating Expense	48,153	114,760	176,450	61,690
<b>Total Expenses</b>	<b>2,918,203</b>	<b>7,869,623</b>	<b>8,669,623</b>	<b>800,000</b>
<b><u>TRANSFERS</u></b>				
Transfer Out - RA Expense Allocation	(695,086)	(2,134,079)	(2,200,081)	66,002
<b>Total Transfers</b>	<b>(695,086)</b>	<b>(2,134,079)</b>	<b>(2,200,081)</b>	<b>66,002</b>
Change in Reserve Balance	1,019,000	277,112	(338,891)	616,003
Beginning Reserve Balance		9,620,095		
Ending Reserve Balance		9,897,207		
<b>2023 Target Balance (Combined 15%, 31.5% TP Fund)</b>		<b>3,424,000</b>		

**STATEMENT OF REVENUES AND EXPENSES**  
**MTS - Metro Mobility**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Passenger Revenue	3,420,425	6,841,745	8,907,000	(2,065,255)
Federal Revenue	37,000,000	37,000,000	37,000,000	-
State Appropriations	27,988,000	55,976,000	55,976,000	-
Investment Earnings	595,255	595,255	-	595,255
<b>Total Revenues</b>	<b>69,003,680</b>	<b>100,413,000</b>	<b>101,883,000</b>	<b>(1,470,000)</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	1,256,702	2,841,288	3,010,838	169,550
Consulting & Contractual Services	43,004,816	88,983,674	81,283,674	(7,700,000)
Fuel	3,704,971	9,418,092	14,718,092	5,300,000
Rent & Utilities	43,678	87,351	135,927	48,576
Other Operating Expense	149,476	524,036	705,910	181,874
<b>Total Expenses</b>	<b>48,159,643</b>	<b>101,854,441</b>	<b>99,854,441</b>	<b>(2,000,000)</b>
<b><u>TRANSFERS</u></b>				
Total Transfers	(917,118)	(2,815,767)	(2,902,853)	87,086
Change in Reserve Balance	19,926,919	(4,257,209)	(874,294)	(3,382,915)
Beginning Reserve Balance		<u>29,987,860</u>		
Ending Reserve Balance		25,730,651		
2023 Target Balance (10%)		10,276,000		

**STATEMENT OF REVENUES AND EXPENSES**  
**MTS - Contracted Service**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Passenger Revenues	729,793	1,456,940	1,358,000	98,940
Federal Revenue	2,549,428	4,757,898	2,497,070	2,260,828
State Revenue - MVST	12,267,930	25,659,750	28,000,000	(2,340,250)
Investment Earnings	221,670	443,340	-	443,340
<b>Total Revenues</b>	<b>15,768,821</b>	<b>32,317,928</b>	<b>31,855,070</b>	<b>462,858</b>
<b><u>EXPENSES</u></b>				
Salary and Benefits	461,924	933,120	1,048,207	115,087
Consulting & Contractual Services	15,034,620	31,246,505	30,249,665	(996,840)
Rent & Utilities	27,336	54,669	109,669	55,000
Travel	3,804	5,000	12,500	7,500
Other Operating Expense	296,312	353,747	373,000	19,253
<b>Total Expenses</b>	<b>15,823,996</b>	<b>32,593,041</b>	<b>31,793,041</b>	<b>(800,000)</b>
<b><u>TRANSFERS</u></b>				
Transfer Out - RA Expense Allocation	(292,506)	(898,026)	(925,800)	27,774
Transfers Out	-	(1,732,070)	(1,732,070)	-
<b>Total Transfers</b>	<b>(292,506)</b>	<b>(2,630,096)</b>	<b>(2,657,870)</b>	<b>27,774</b>
Change in Reserve Balance	(347,681)	(2,905,209)	(2,595,841)	(309,368)
Beginning Reserve Balance		17,903,737		
Ending Reserve Balance		14,998,528		
2023 Target Balance (Combined 15%, 10% Cont Svc Funds)		3,445,000		

**STATEMENT OF REVENUES AND EXPENSES**  
**MTS - Federal Pass Through**  
**June 30, 2023**

Unaudited

	YTD ACTUALS	YEAR-END PROJECTIONS	2023 BUDGET	VARIANCE FAVORABLE (UNFAVORABLE)
<b><u>REVENUES</u></b>				
Federal Revenue	328,279	1,235,000	2,685,000	(1,450,000)
<b>Total Revenues</b>	<b>328,279</b>	<b>1,235,000</b>	<b>2,685,000</b>	<b>(1,450,000)</b>
<b><u>EXPENSES</u></b>				
Grants	328,279	1,235,000	2,685,000	1,450,000
<b>Total Expenses</b>	<b>328,279</b>	<b>1,235,000</b>	<b>2,685,000</b>	<b>1,450,000</b>

Revenues and expenses are forecasted to come in under budget (\$1.45M) by year end. Suburban Transit Providers federally funded Congestion Mitigation and Aid Quality (CMAQ) services have been delayed resulting from COVID-19.