

# **PRELIMINARY**

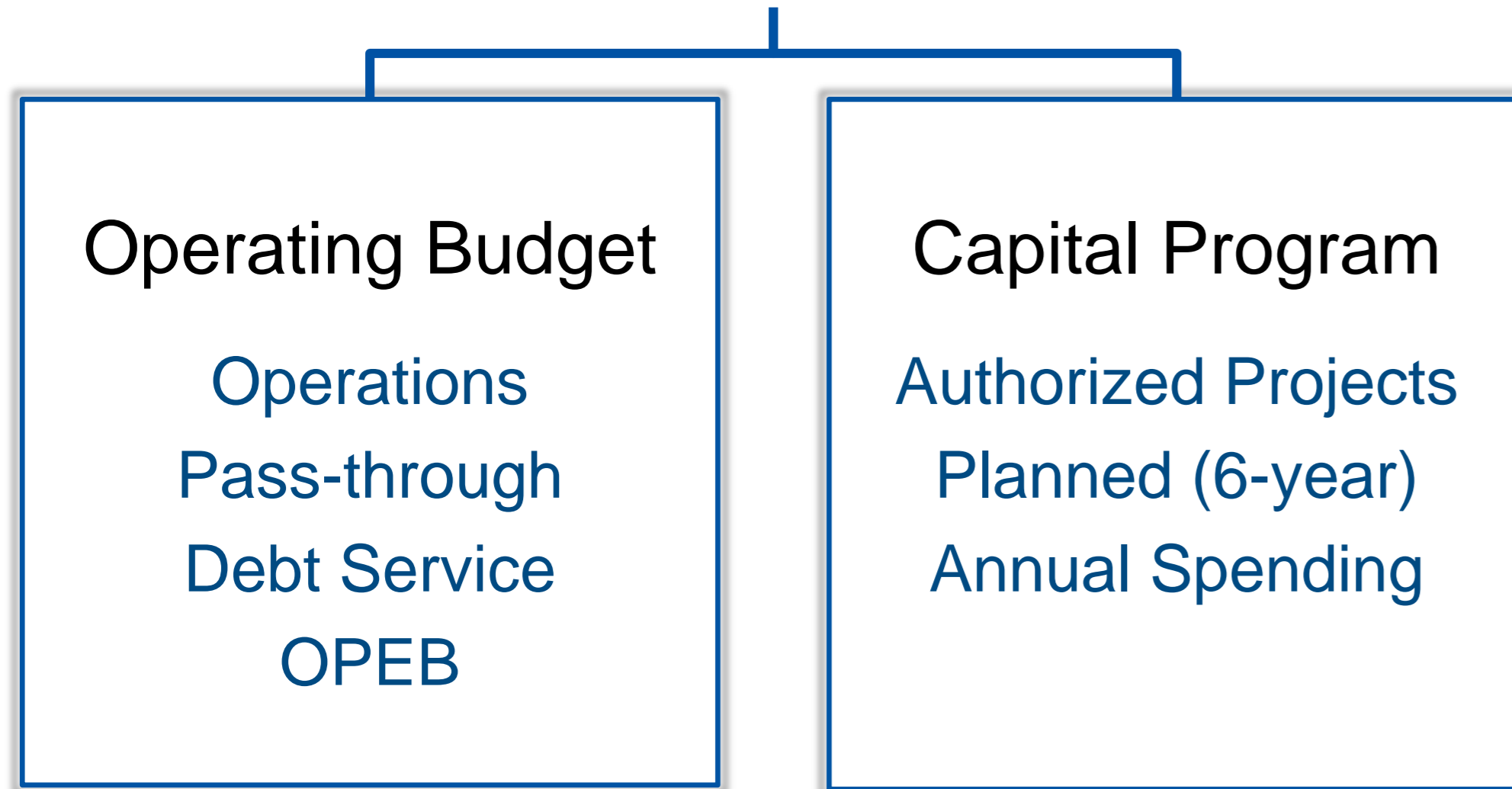
# **2020 Operating Budget & Levies**

Metropolitan Council – August 14, 2019



# Council Budget Development

## Unified Budget



May-July

Staff - Budget Development Activities

**Aug 28**  
(before Sept 1)

**Council - Adopt Preliminary Budget/Levies**

Oct 9

Council - Capital Program Presentation

Oct 23

Council - Adopt Public Comment Draft Budget

**Dec 11**  
(before Dec 20)

**Council - Adopt Final Budget/Levies**

# Budget Authority

## Minnesota Statute 473.125 Regional Administrator

“The regional administrator shall recommend to the council for adoption measures deemed necessary for efficient administration of the council, keep the council fully apprised of the financial condition of the council, and prepare and submit an annual budget to the council for approval.”

# Council Levy Authority

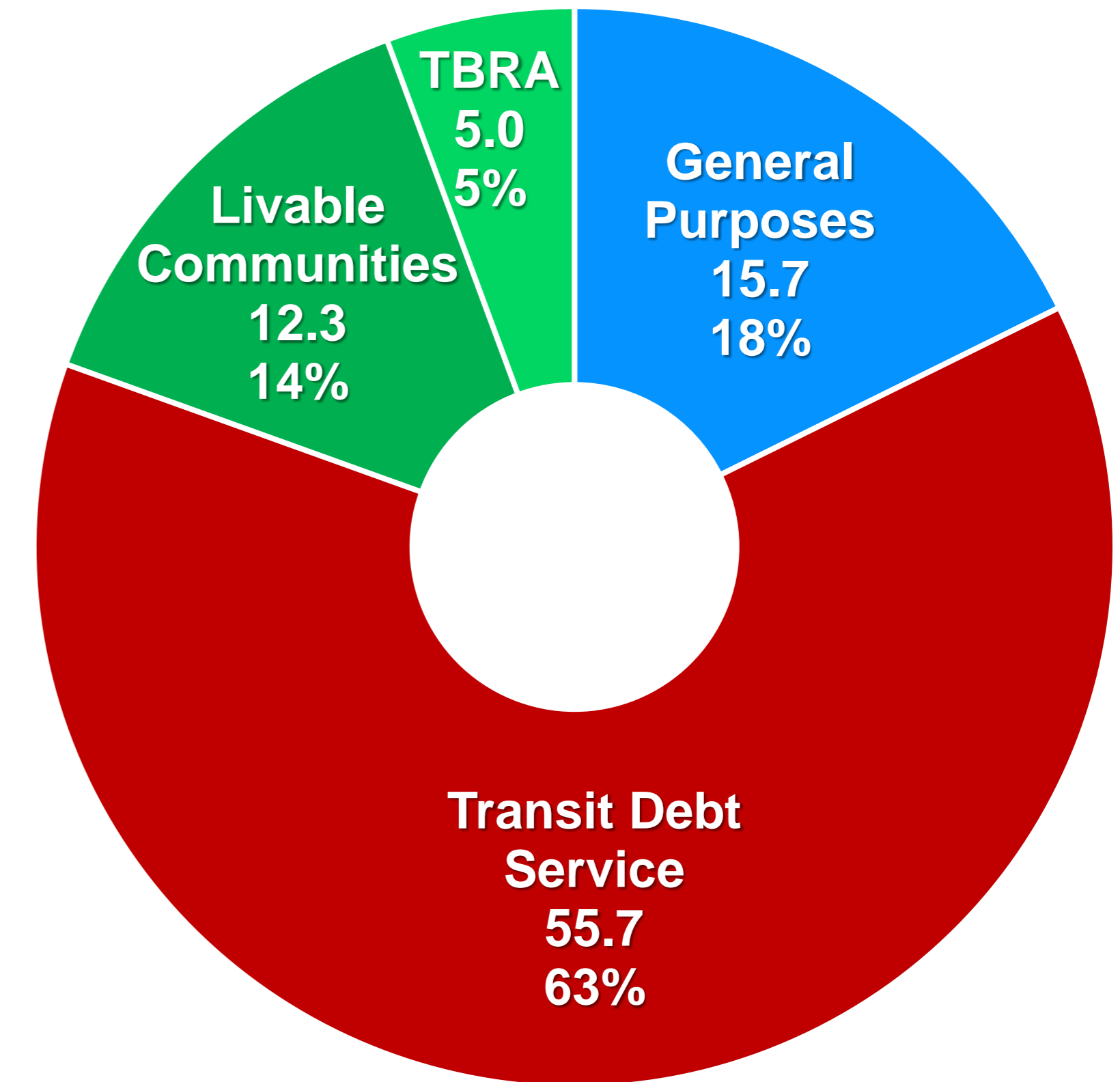
- Non-Debt Service Levy
  - Limited by state statute
  - General Purposes
  - Livable Communities – Development and Redevelopment grants to communities
  - Loans for acquisition of highway right-of-way
- Debt Service Levy
  - Levy is not capped, but bonding authority is limited
  - Parks and Transit debt service only
- Seven County Metro Region and Transit Capital Levy Communities

# Our Levy Strategy

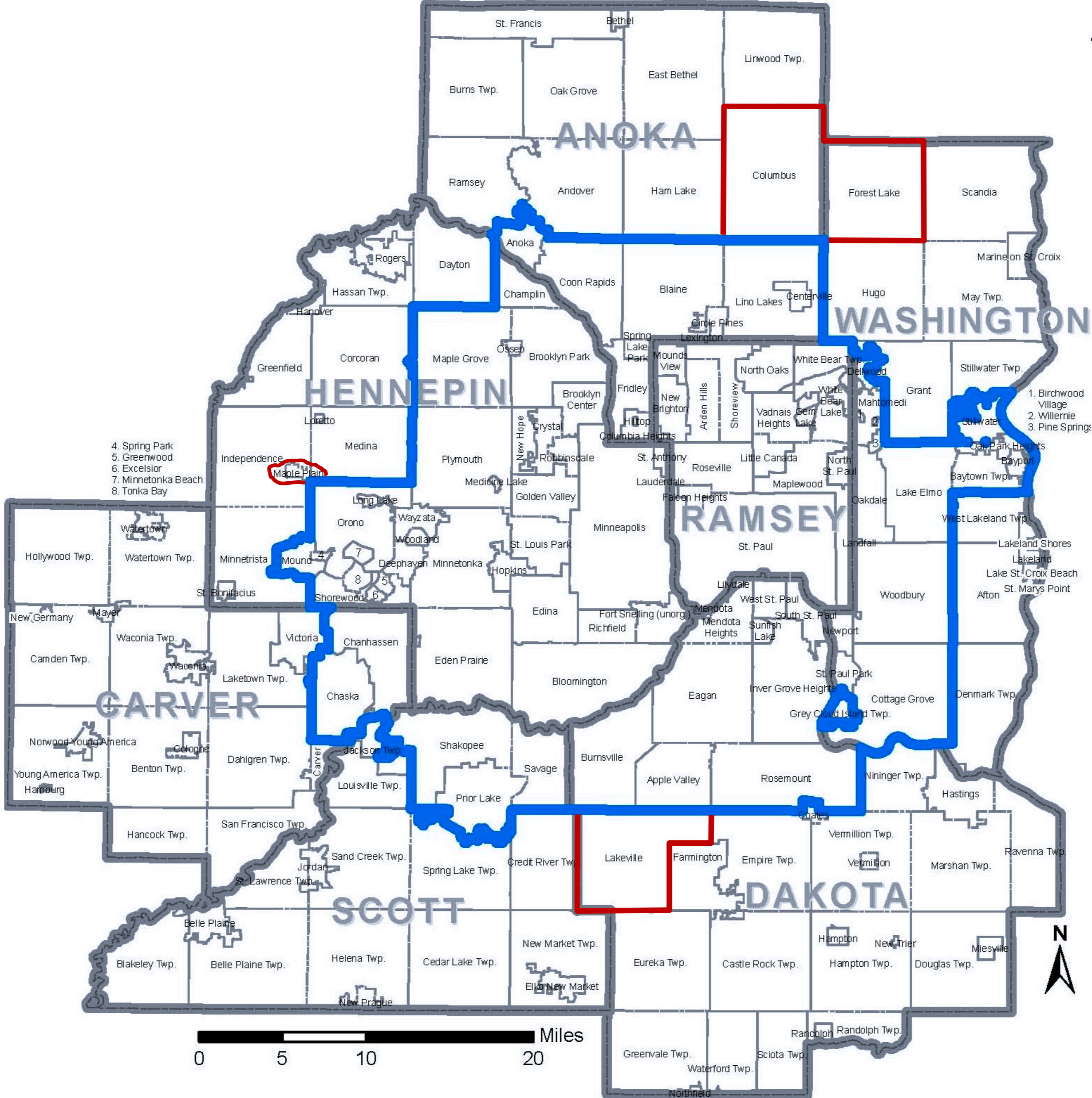
- Levy Givens:
  - Meet Transit and Parks Debt Service Needs
  - Statutory Fiscal Disparities Levy \$5M to Tax Base Revitalization Account
- Strategy Based Decisions:
  - Hold Total Levy Increase to 2% Annually
  - Maximize the Livable Communities Demonstration Account Levy to Create \$5M Transit Oriented Development Component within the Grant Program
  - Maximize General Purpose Levy
  - No Levy for Highway Right of Way Program  
(sufficient reserves)

# Proposed 2020 Property Tax Levies - \$88.7M

	Certified 2019	Proposed 2020	Pct Chg	Levy Limit
<u>Non-Debt Service Levies</u>				
General Purposes	\$ 15.329	\$ 15.672	2.2%	\$ 15.672
Highway Right of Way	-	-	0.0%	4.213
Livable Communities:				
- Demonstration Acct	12.032	12.301	2.2%	12.301
- Tax Base Revitalization	5.000	5.000	0.0%	5.000
<b>Total Non-Debt Levies</b>	<b>\$ 32.361</b>	<b>\$ 32.973</b>	<b>1.9%</b>	<b>\$ 37.186</b>
Levy as Pct of Limit		88.7%		
<u>Debt Service Levies</u>				
Parks	\$ 1.323	\$ -	-100.0%	
Transit	53.315	55.766	4.6%	
<b>Total Debt Levies</b>	<b>\$ 54.638</b>	<b>\$ 55.766</b>	<b>2.1%</b>	
<b>Total All Levies</b>	<b>\$ 86.999</b>	<b>\$ 88.739</b>	<b>2.0%</b>	



# Metro Area and Transit Debt Service Levy



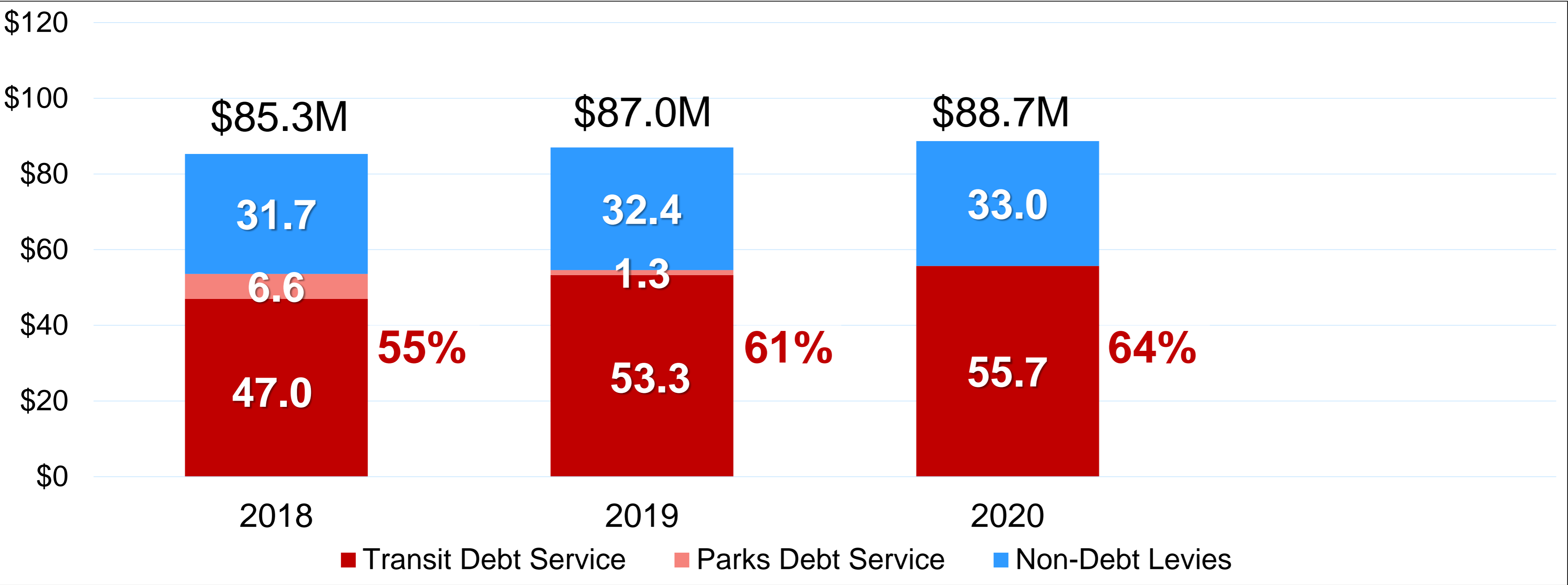
# Debt Service Levies

- Transit

- Legislature grants annual authority
- Success with inflation factor grows ~4.5%
- Outstanding Debt YE 2018 - \$182 M

- Parks

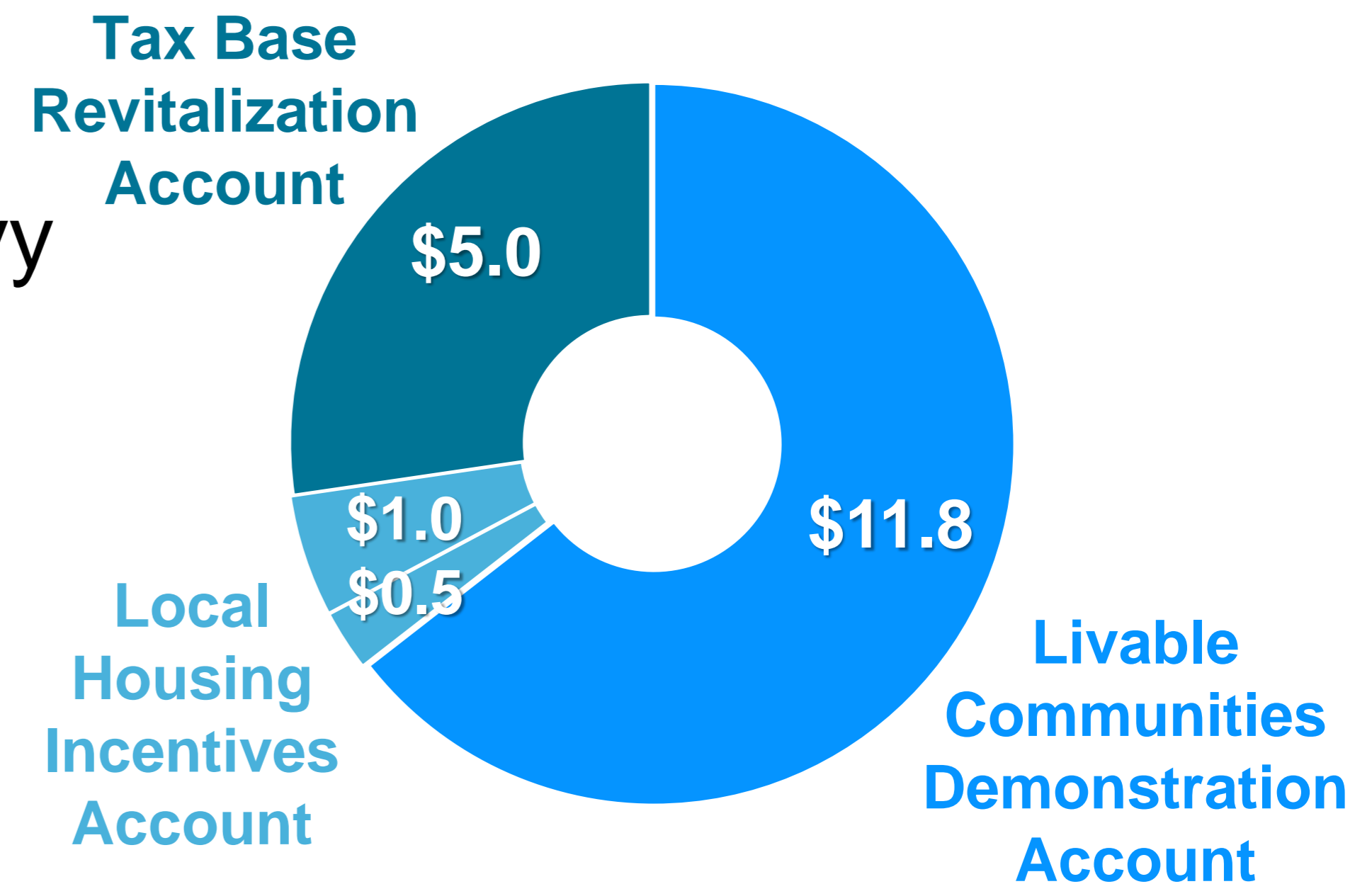
- \$40 M in Revolving Outstanding
- Historically Match State GO Bonds 3:2
- Outstanding Debt YE 2018 - \$2.95 M





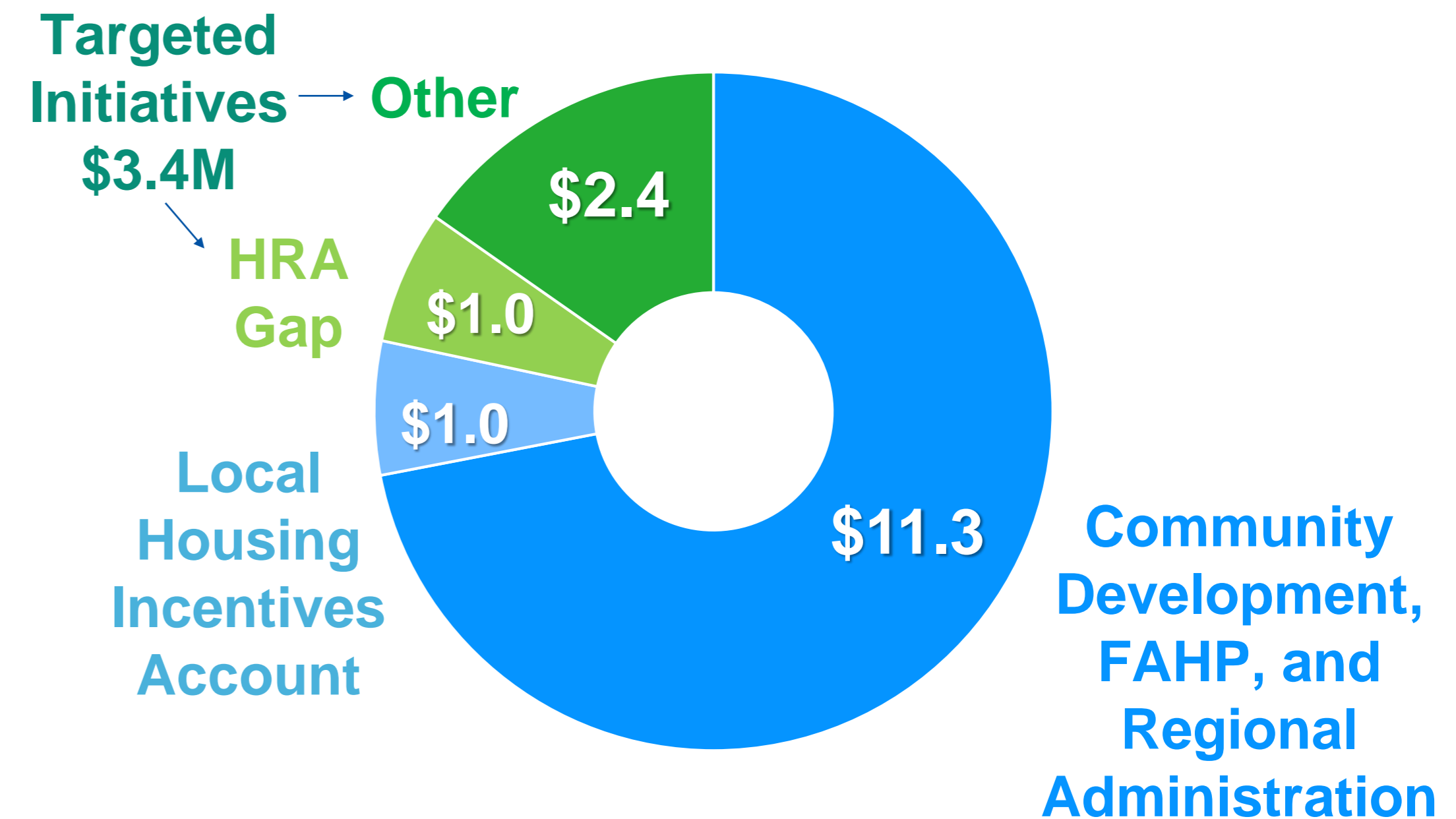
# Livable Communities Levies (Grant Programs)

- Tax Base Revitalization Account Levy
  - \$5M annually from regional fiscal disparities pool
  - Clean up polluted land in the metropolitan area
- Livable Communities Demonstration Account Levy
  - \$12.3M proposed levy for 2020
  - Strategy: Grow to accommodate TOD Component
  - Limitation: Capped by implicit price deflator
- Local Housing Incentives Account
  - Statutory transfers from LCDA (\$0.5M) and General Purposes Levy (\$1.0M)



# General Purposes Levy - \$15.7M

- Most Flexible Use Levy Funding
  - Carry out Council responsibilities as provided in law
- Primary Uses
  - Community Development Administration
  - Statutory Transfer to Local Housing Incentive Account (\$1M)
- Targeted Initiatives
  - One-Time
  - Pilot or Bridge to other funding sources



# 2020 General Purposes Targeted Initiatives

Proposed Targeted Initiatives		Recommended
CD	Preserve Housing Vouchers	\$1.0
MTS	Metro Mobility Pilot (Premium Service - Uber/Lyft)	0.7
CW	Mgmt Workforce Diversity	0.2
CD	Homeless Initiative	1.0
CD	Housing that is Affordable	0.5
		<b>\$3.4</b>

# Impact on the Taxpayer



\$250,000  
Market Value

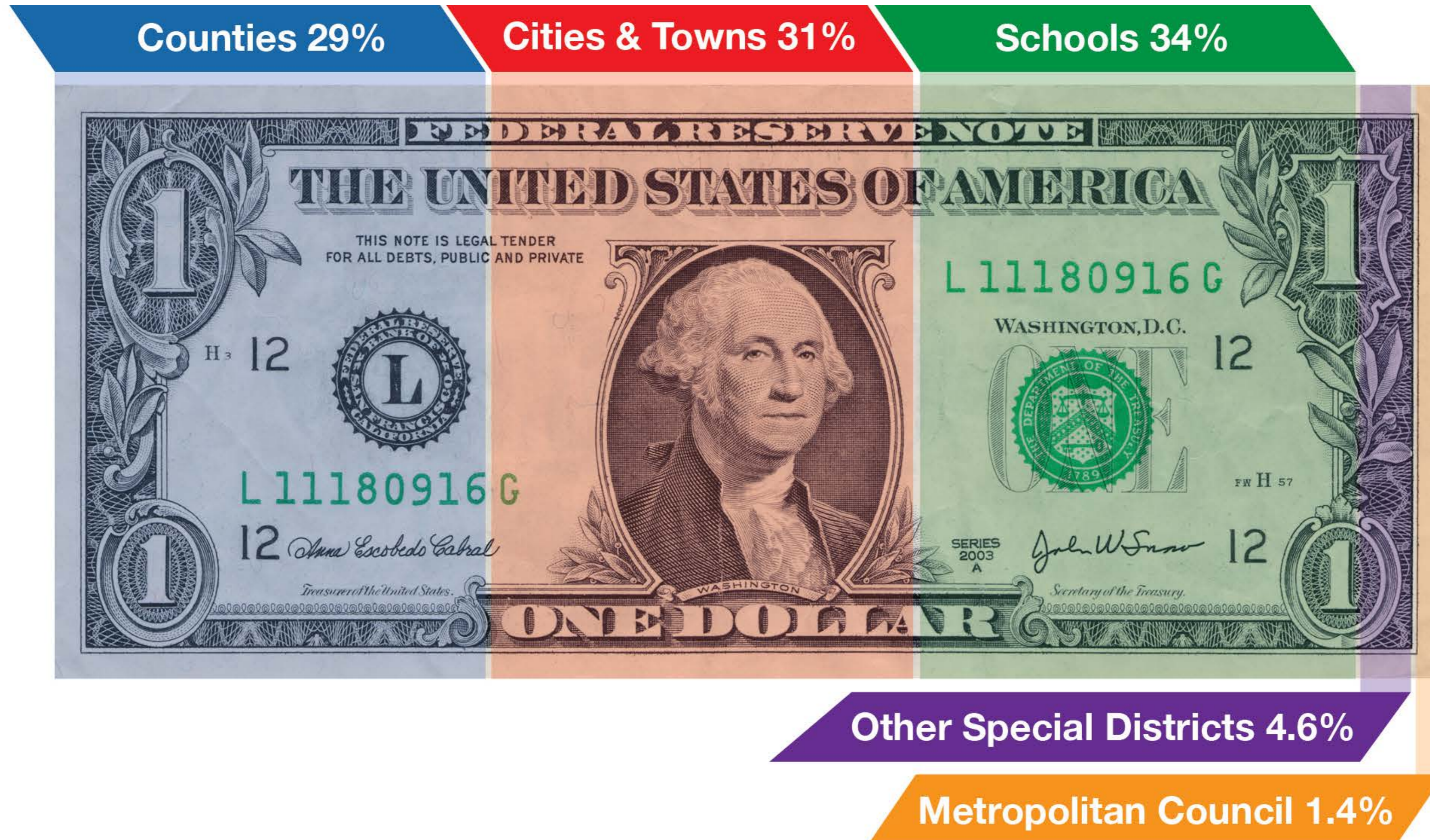
## Transit Tax Communities

<u>Inside</u>	<u>Outside</u>
---------------	----------------

\$52.97

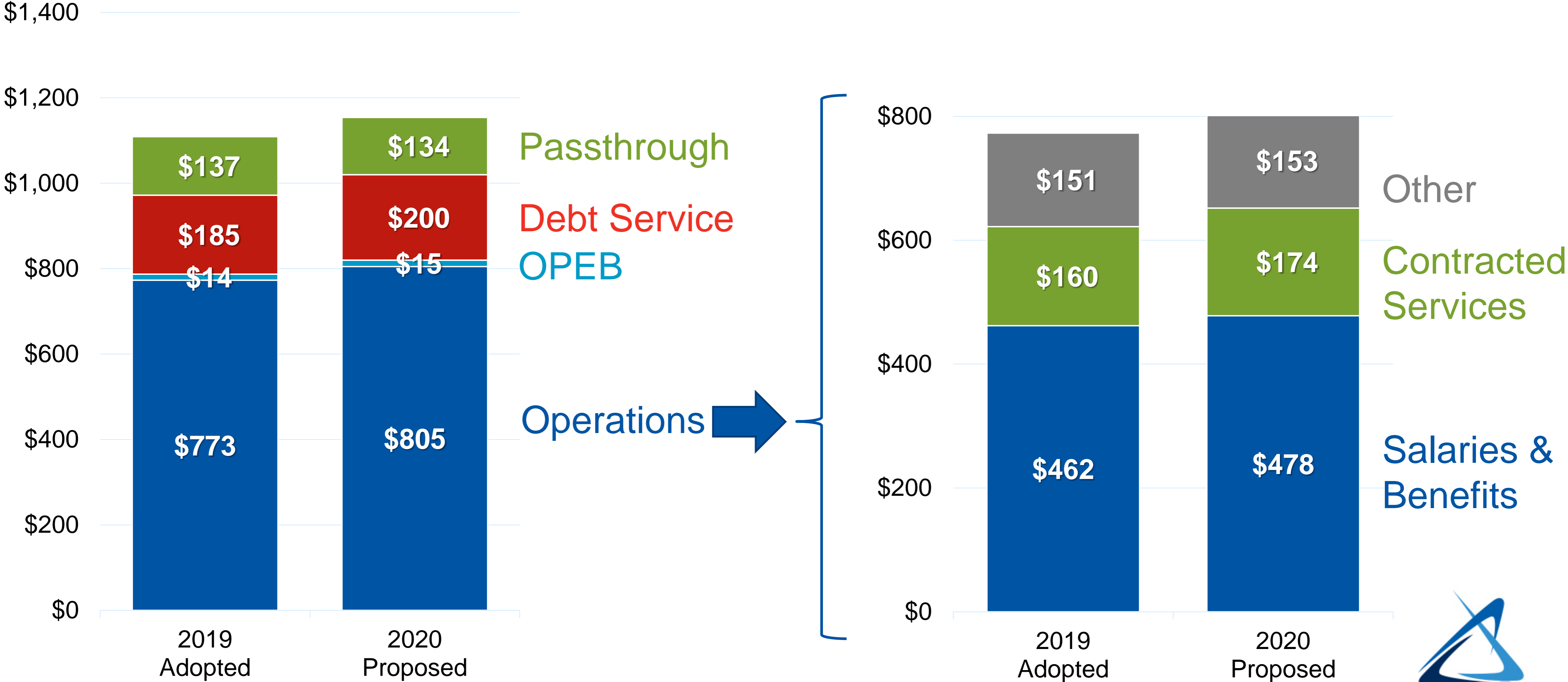
\$16.22

# Impact on the Taxpayer

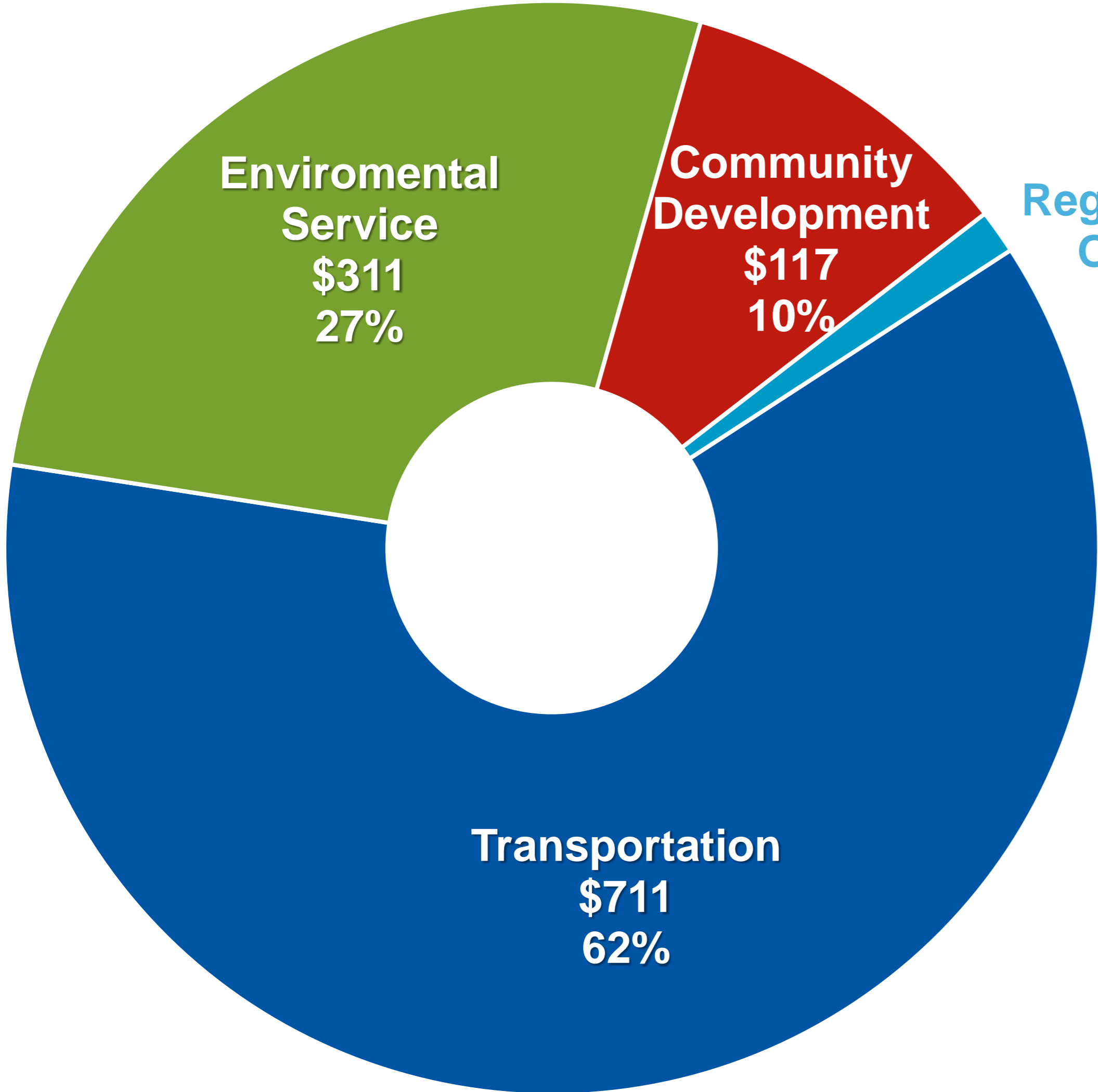


# Proposed 2019 Operating Budget

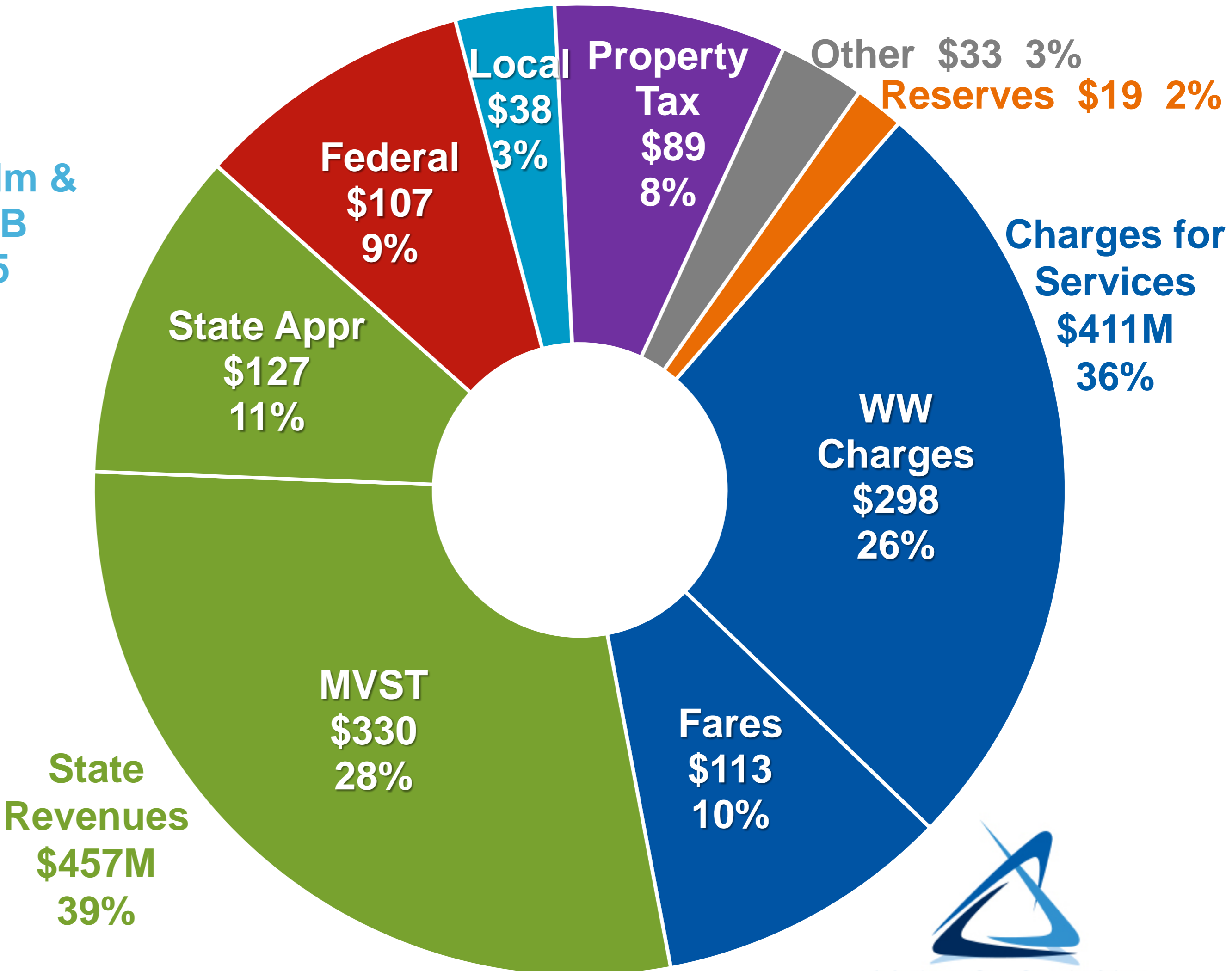
# Proposed Operating Budget - \$1.2 Billion



# Proposed Budget - \$1.2 Billion



**Uses By Division**



**Source of Funds**





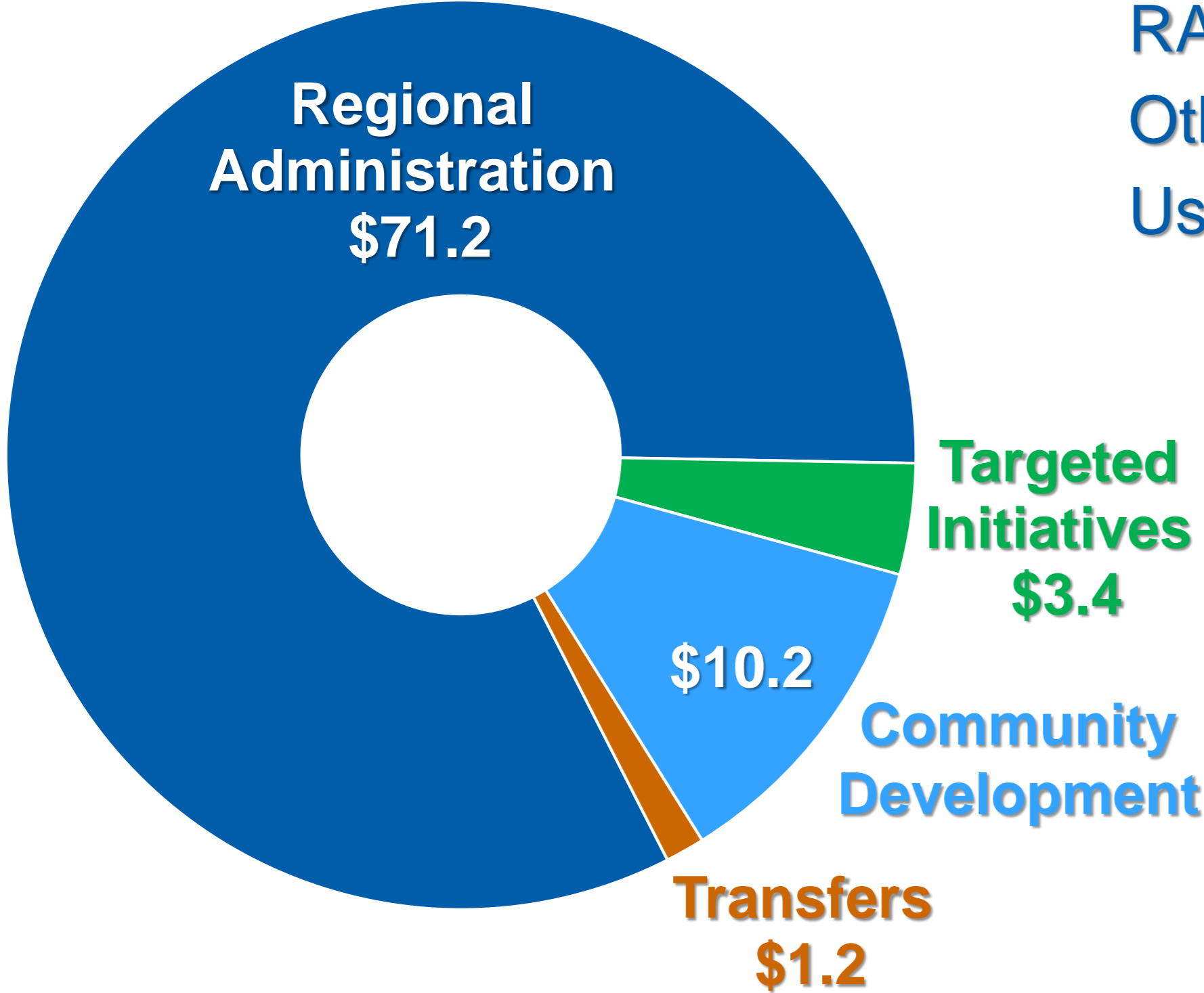
# General Fund Operations

# General Fund Operations - \$86 M

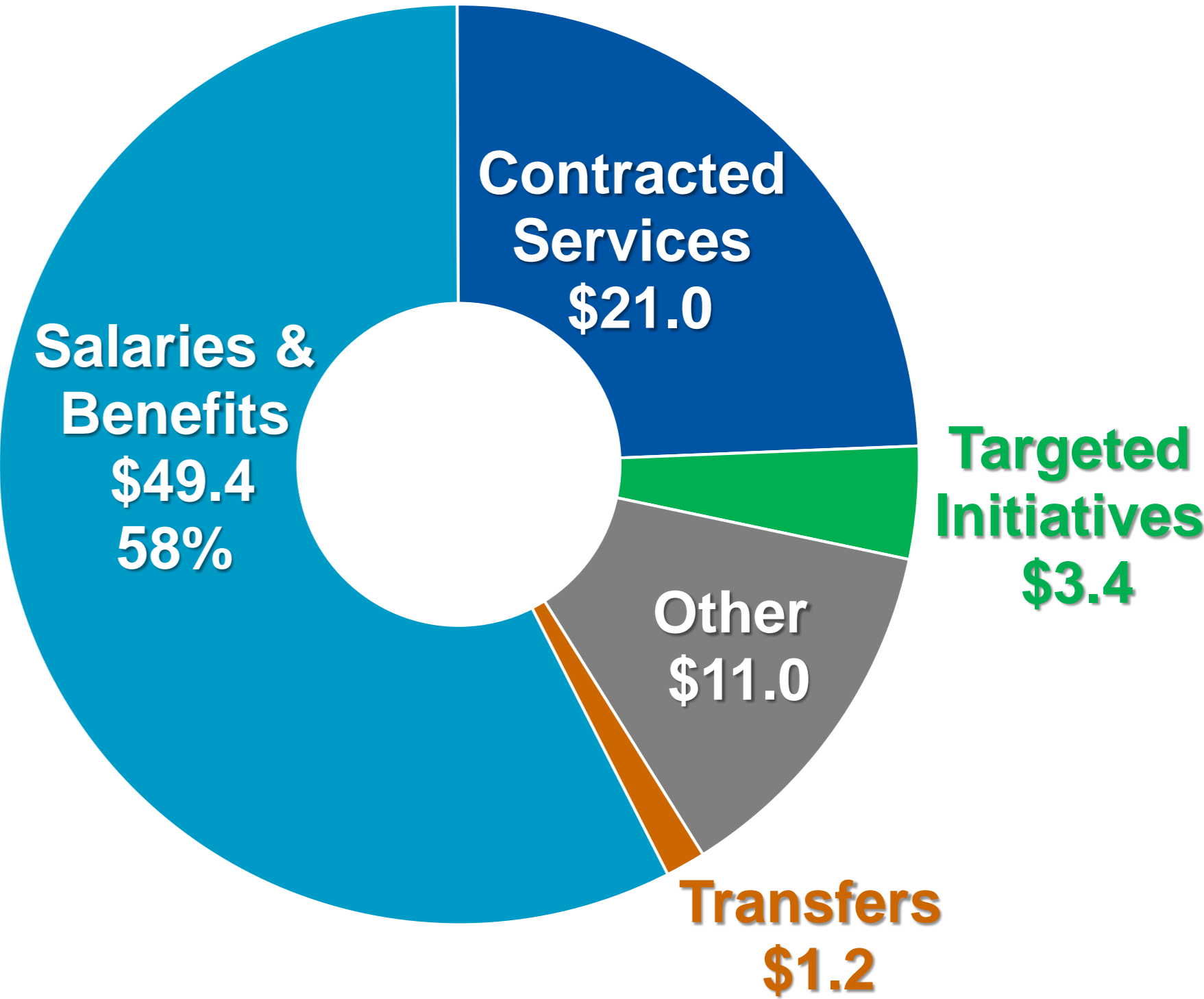
## Sources

GP Levy	\$14.895
RA Allocations	69.963
Other	883
Use of Reserves	318
	<hr/>
	\$86.059

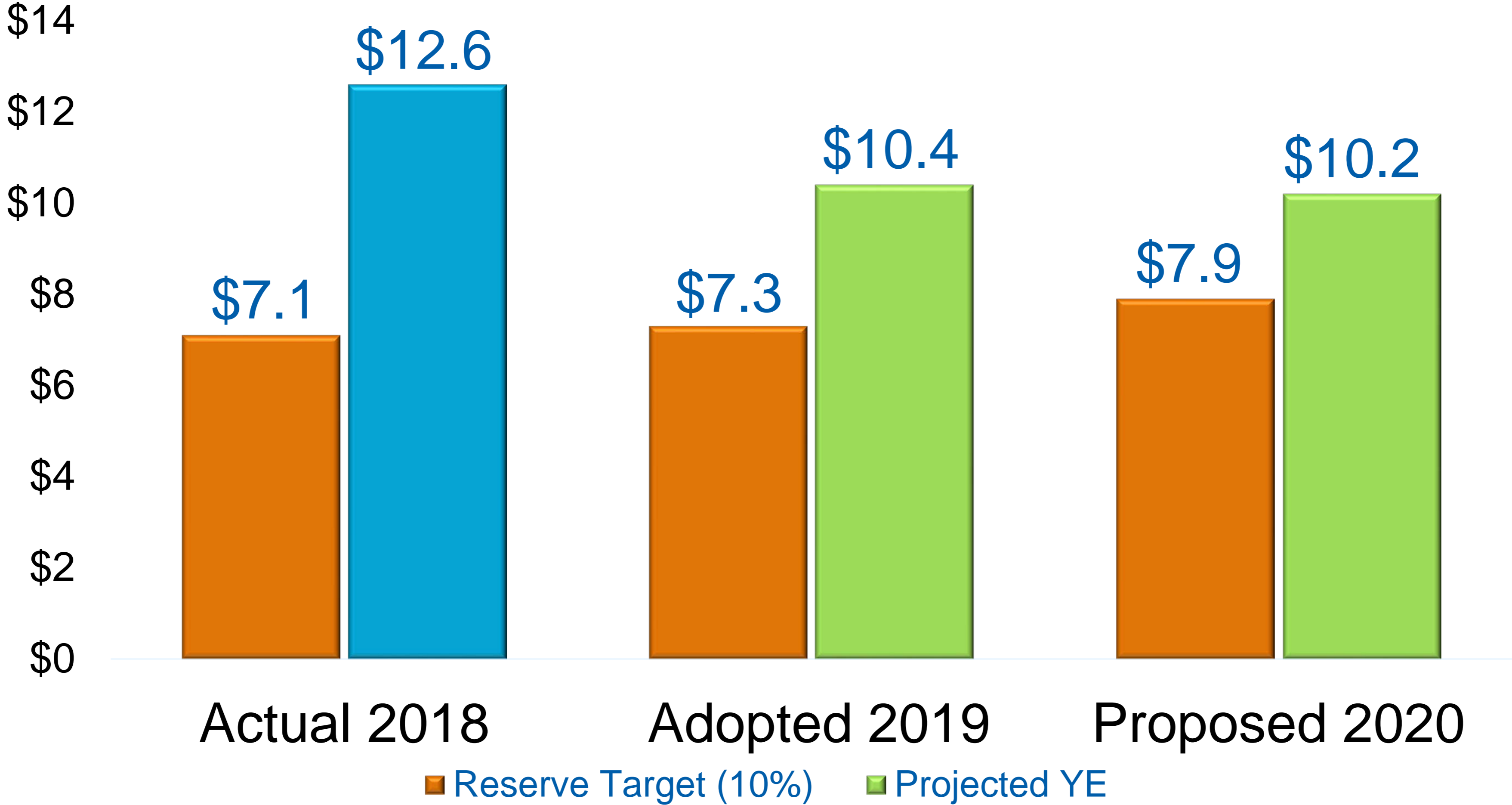
## Uses by Department



## Uses by Category

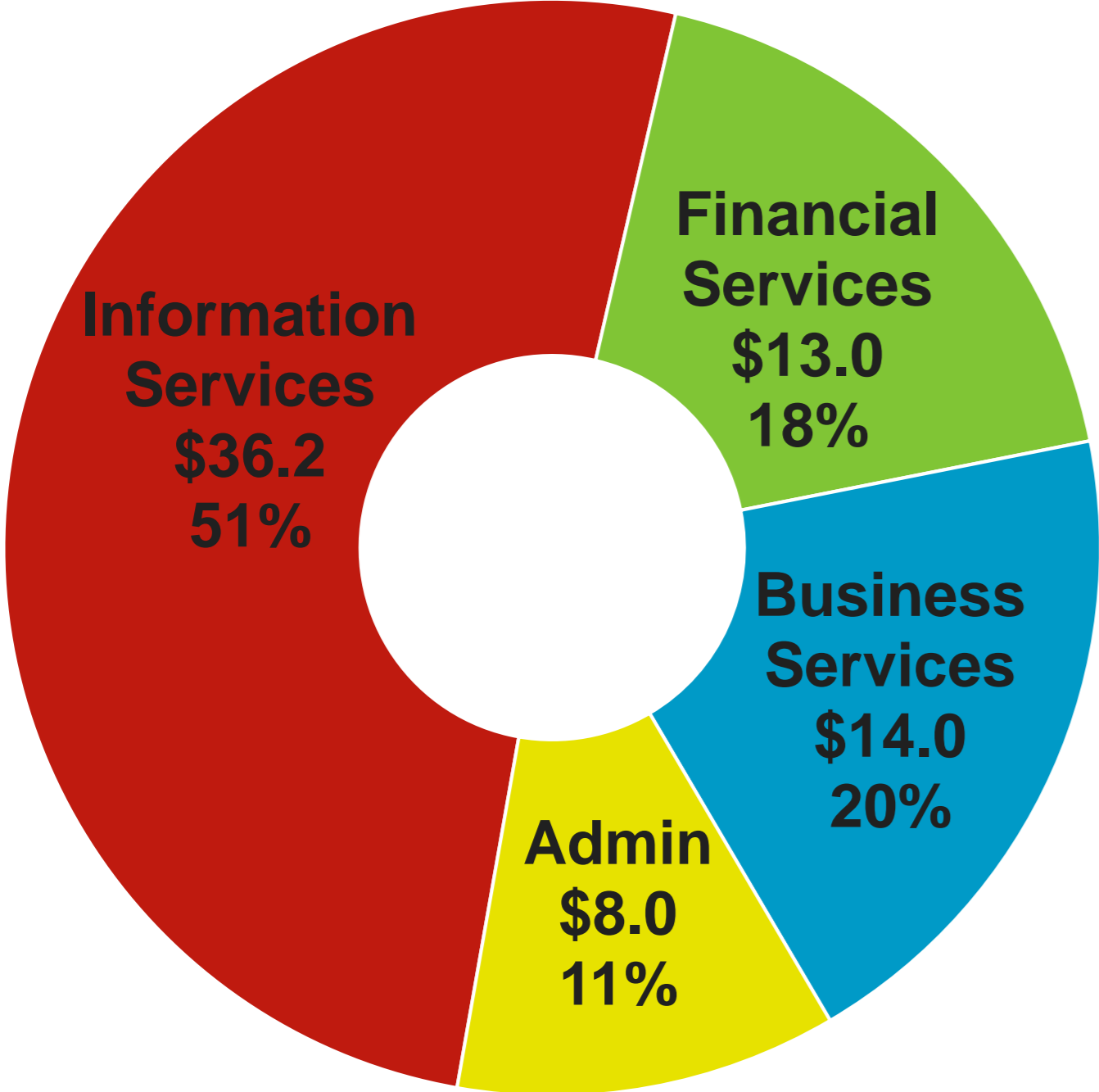


# General Fund Unassigned Operating Reserve

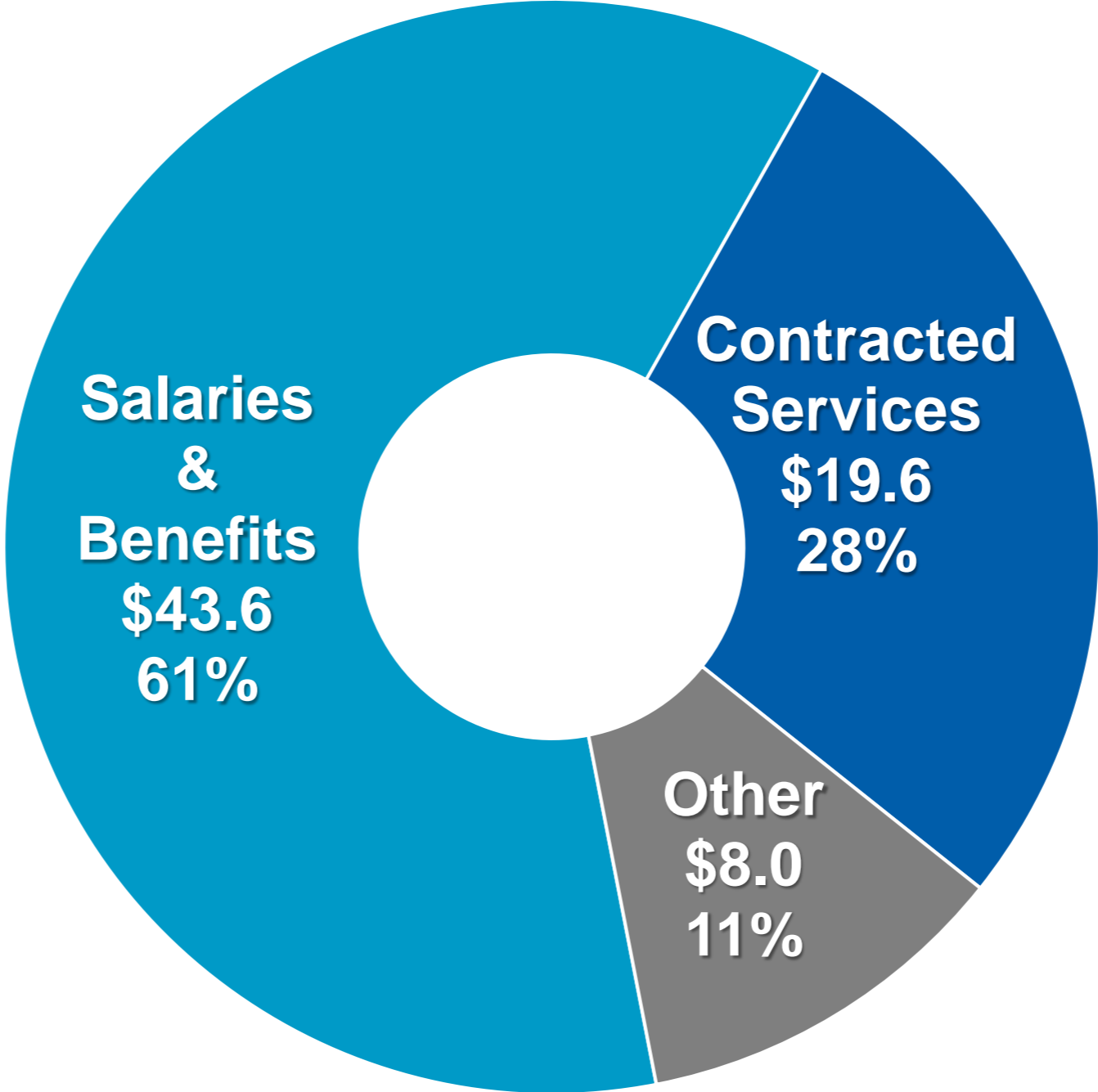


# Regional Administration - \$71.2M

Uses by Department



Uses by Category

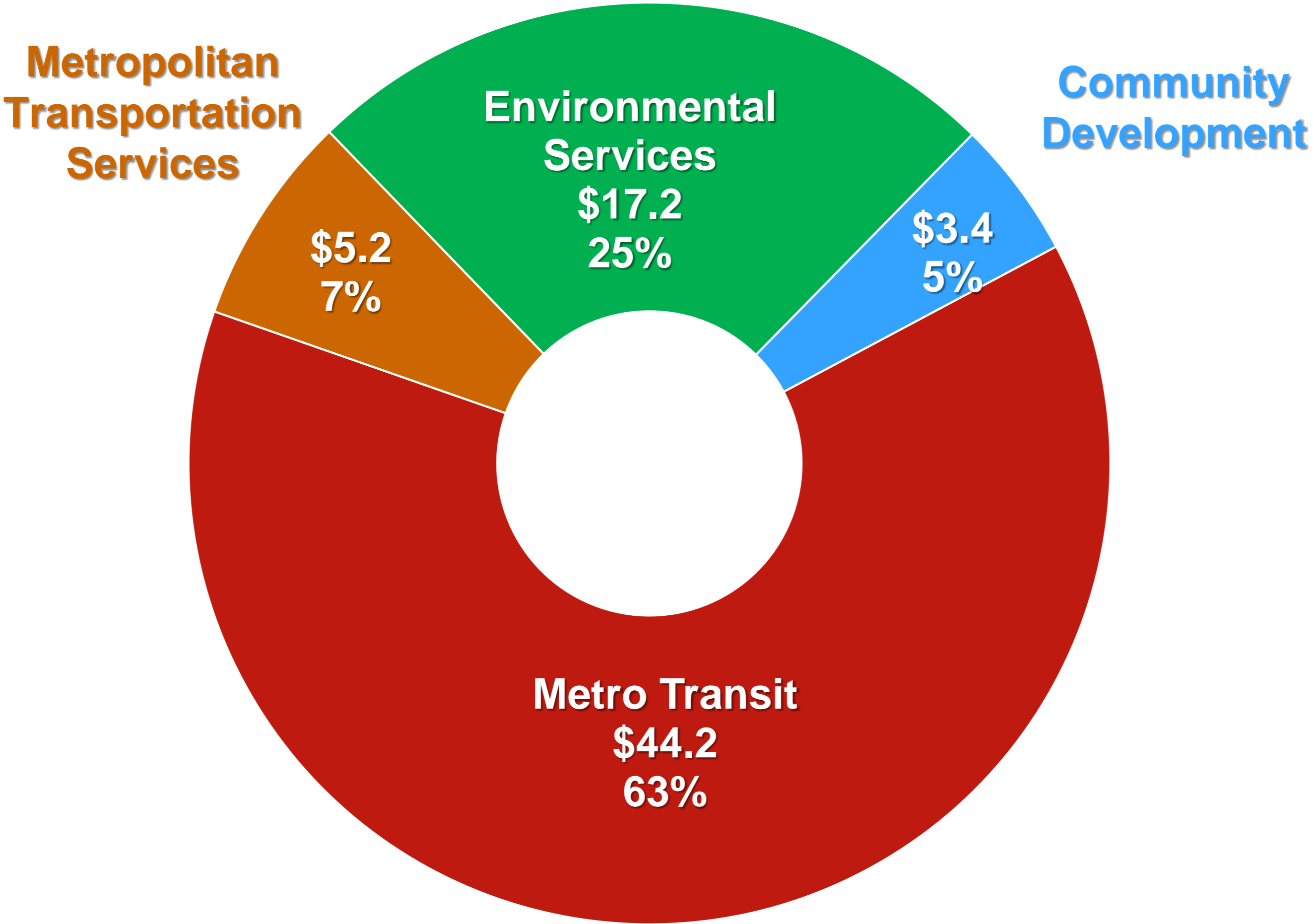


Sources

RA Allocations	\$69,963
GP Levy	232
Other Revenue	883
Reserves	118
	<hr/>
	\$71,196



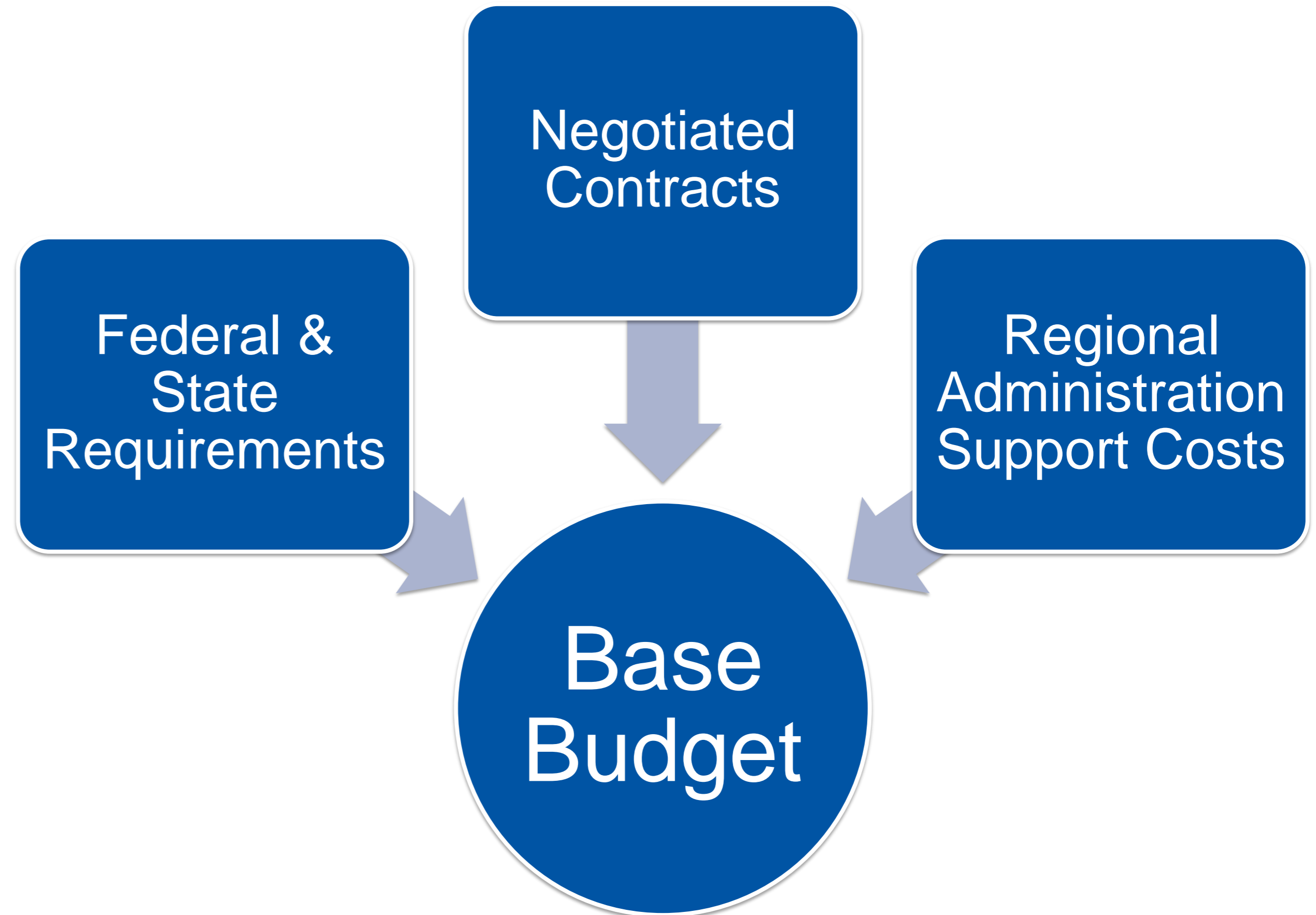
# RA Interdivisional Allocation - \$70 M



# Community Development

# 2020 Overview

- HRA Budget +2.4%
- Initiatives
  - Homeless Initiative
  - Affordable Housing
  - Parks Visitor Study
  - Climate Stats
  - Plan It



# HRA Program Participants

- 19,000 families a month, including 9,500 children
  - Average income \$18,000
  - 46% of households have wage income
  - 47% of households are elderly or disabled
  - Average tenant rent share is \$420
  - Average HRA rent share is \$765





# HRA Program



- HRA Unknowns
  - Fair Market Rent
  - Federal Funding
  - Moving to Work Status
- Future Council Considerations (fall 2019)
  - Rent Standards
  - Utility Allowance
  - Community Choice
  - Program Size
  - General Purpose Levy Investment

# Region Parks Visitor Study

- Helps Council meet state statute
- Partner with Regional Parks Implementing Agencies
- Better understand inequities in parks use across demographic groups
- Collects data at system level
- Explores ability to study park use at individual park and trail level



# Plan It: Implementing Comprehensive Plans



- Implement Metropolitan Land Planning Act
- Technical assistance in multiple areas including land use, economic competitiveness, and equity
- Partner with communities to identify training tools and preferred delivery methods

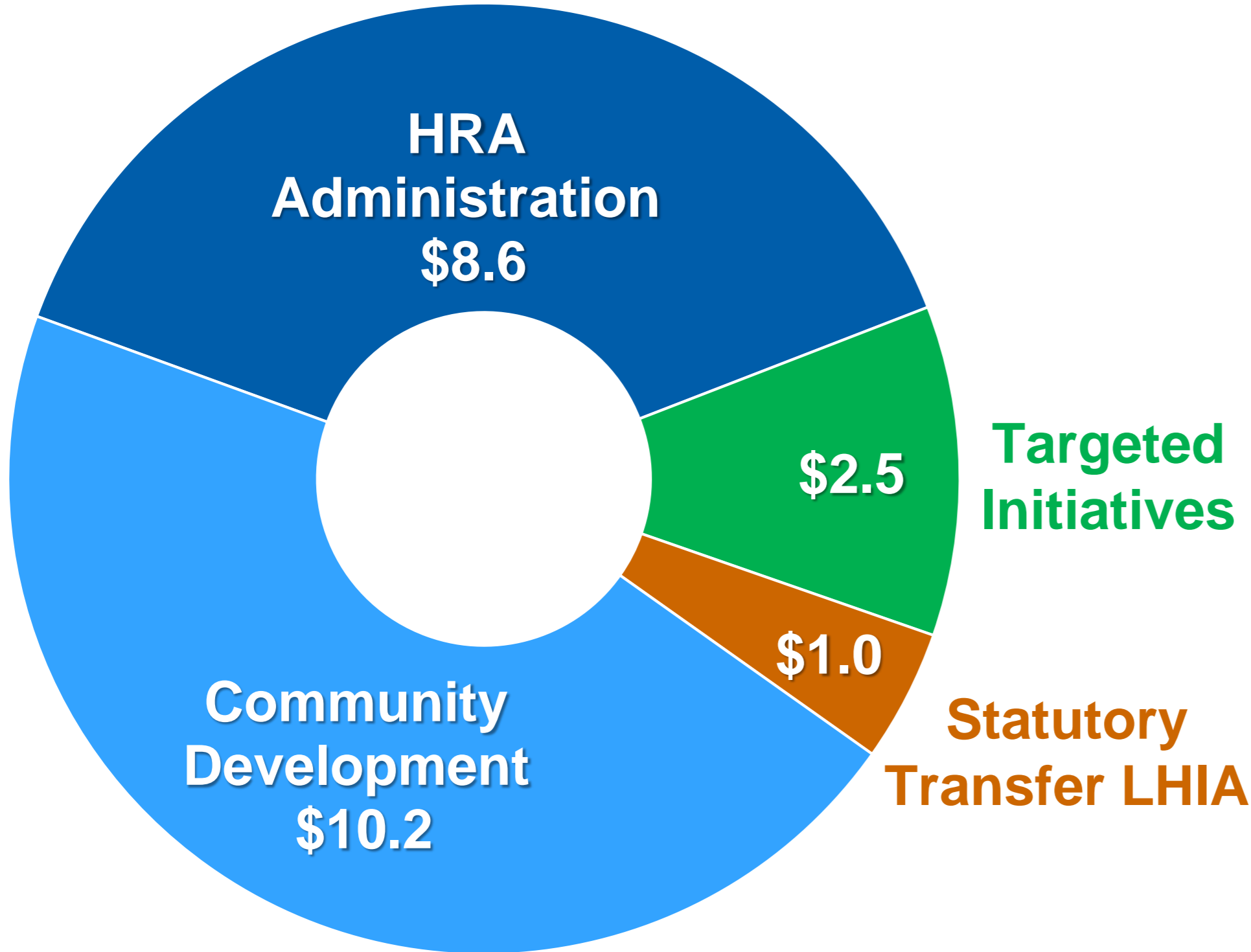
# Climate Stats

- Provides high quality data and research to help inform planning across the region
- Portfolio of cost-benefit informed strategies to reduce carbon in the transportation and land use sectors
- Removes technical obstacles for community climate action planning

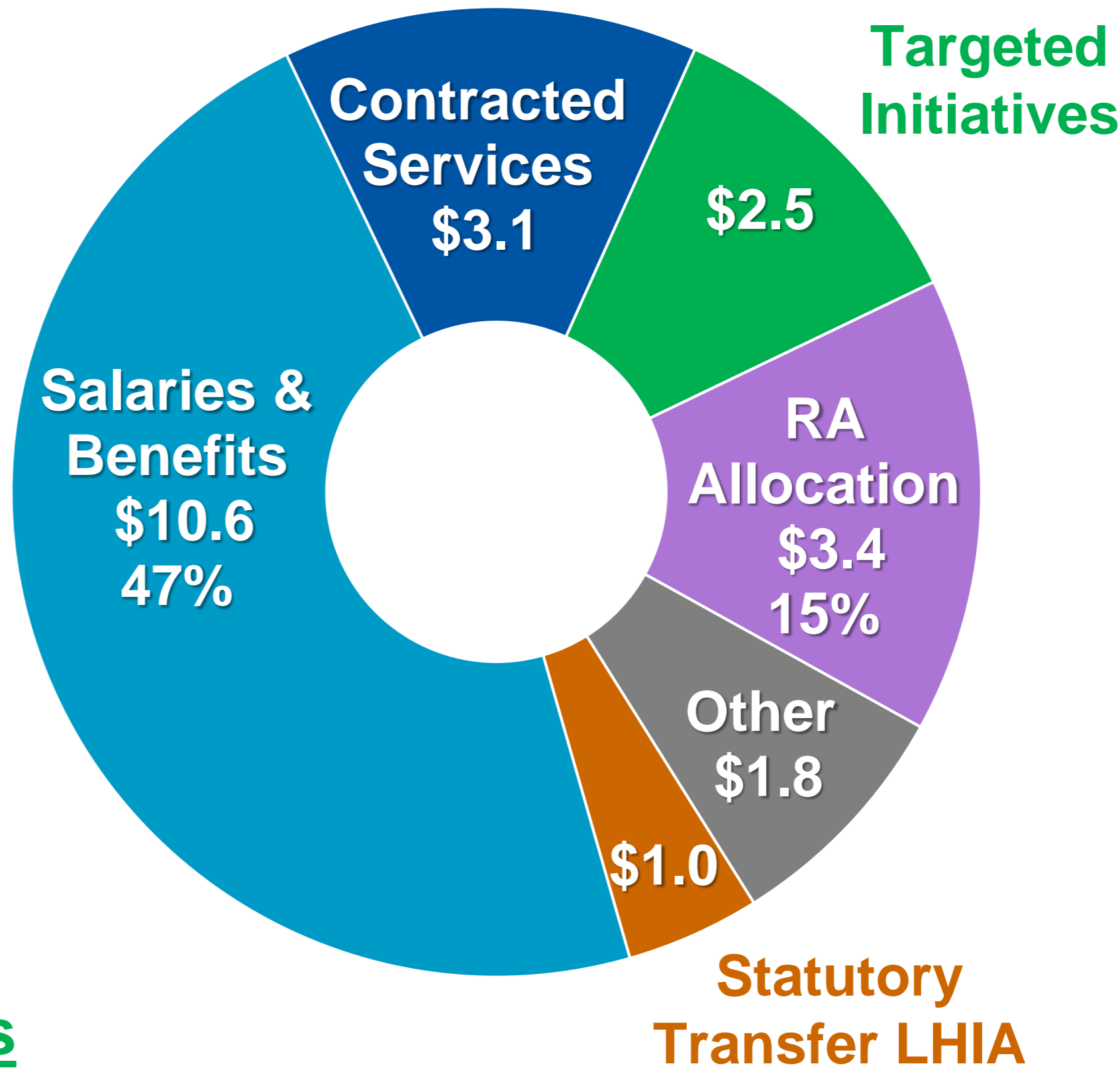


# Community Development Operations - \$22 M

Uses by Department



Uses by Category

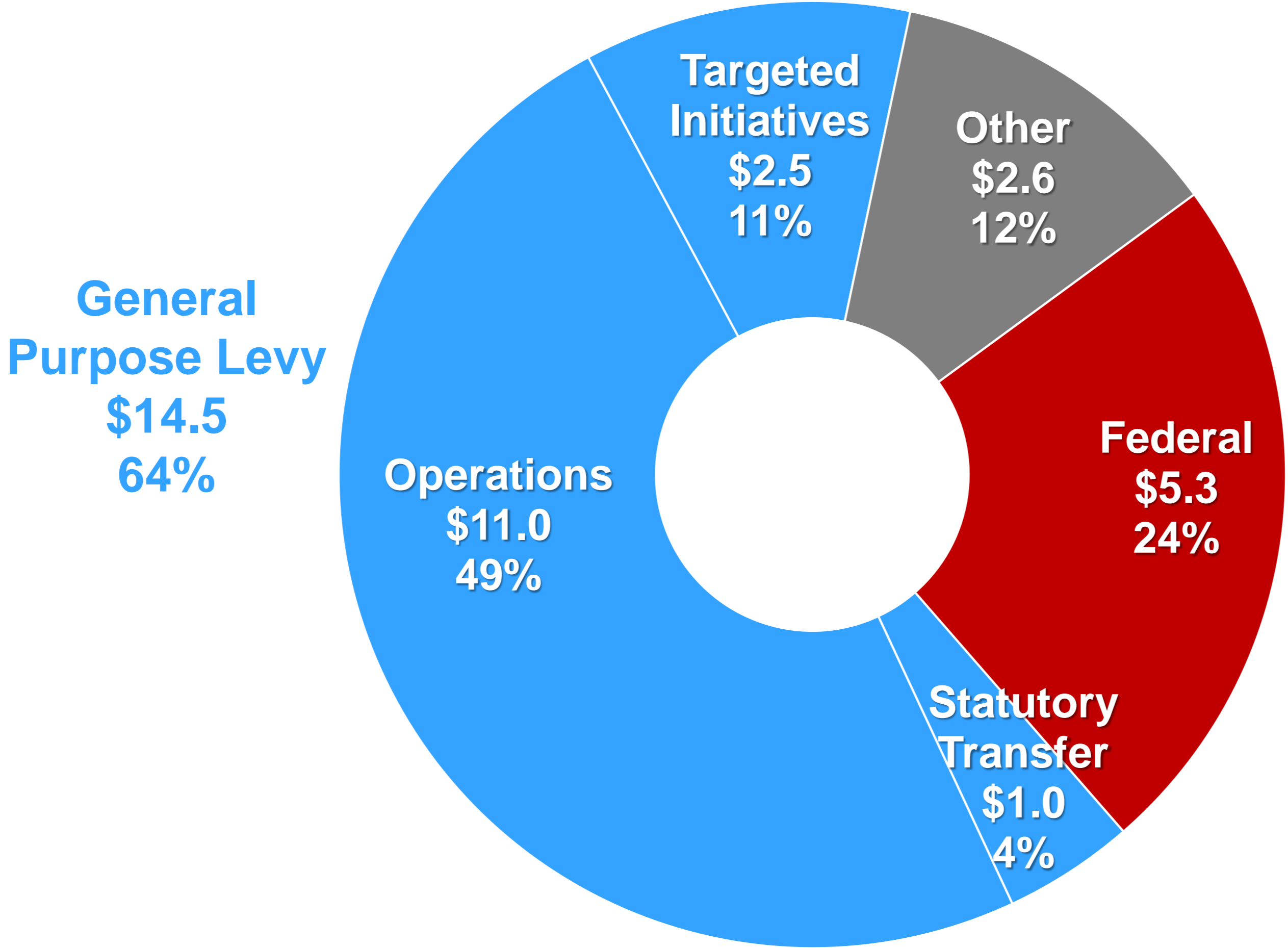


Targeted Initiatives

- Preserve Housing Vouchers - \$1.0M
- Homeless Initiative - \$1.0M
- Housing that is Affordable - \$0.5M

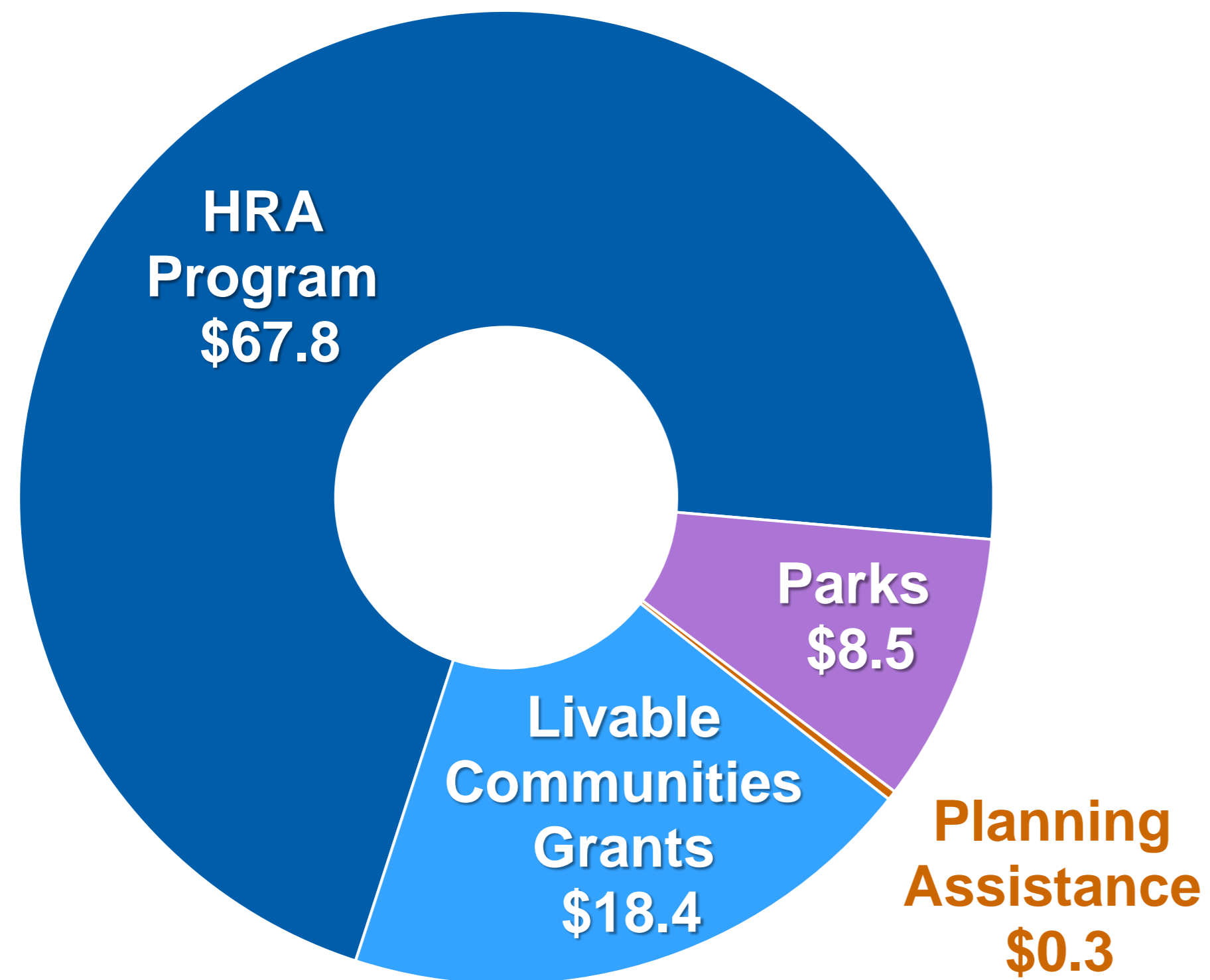


# Community Development Sources - \$22 M

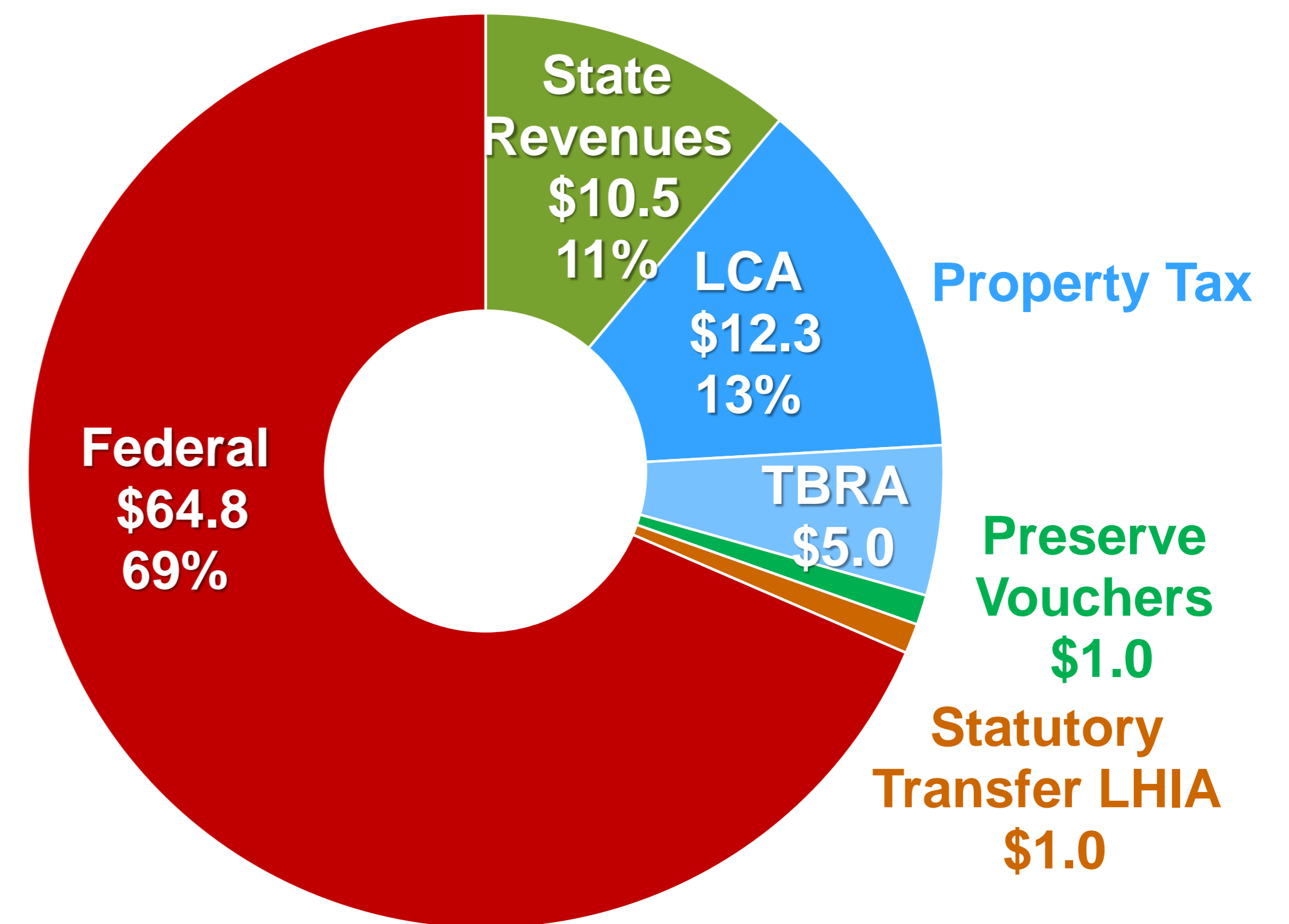


# Community Development Passthrough - \$95 M

Uses by Department



Uses by Category



# Environmental Services



METROPOLITAN  
COUNCIL





# Metropolitan Council Environmental Services



**Protect public health**



**Protect the environment**



**Foster economical growth of the region**



# Service Area and Facilities

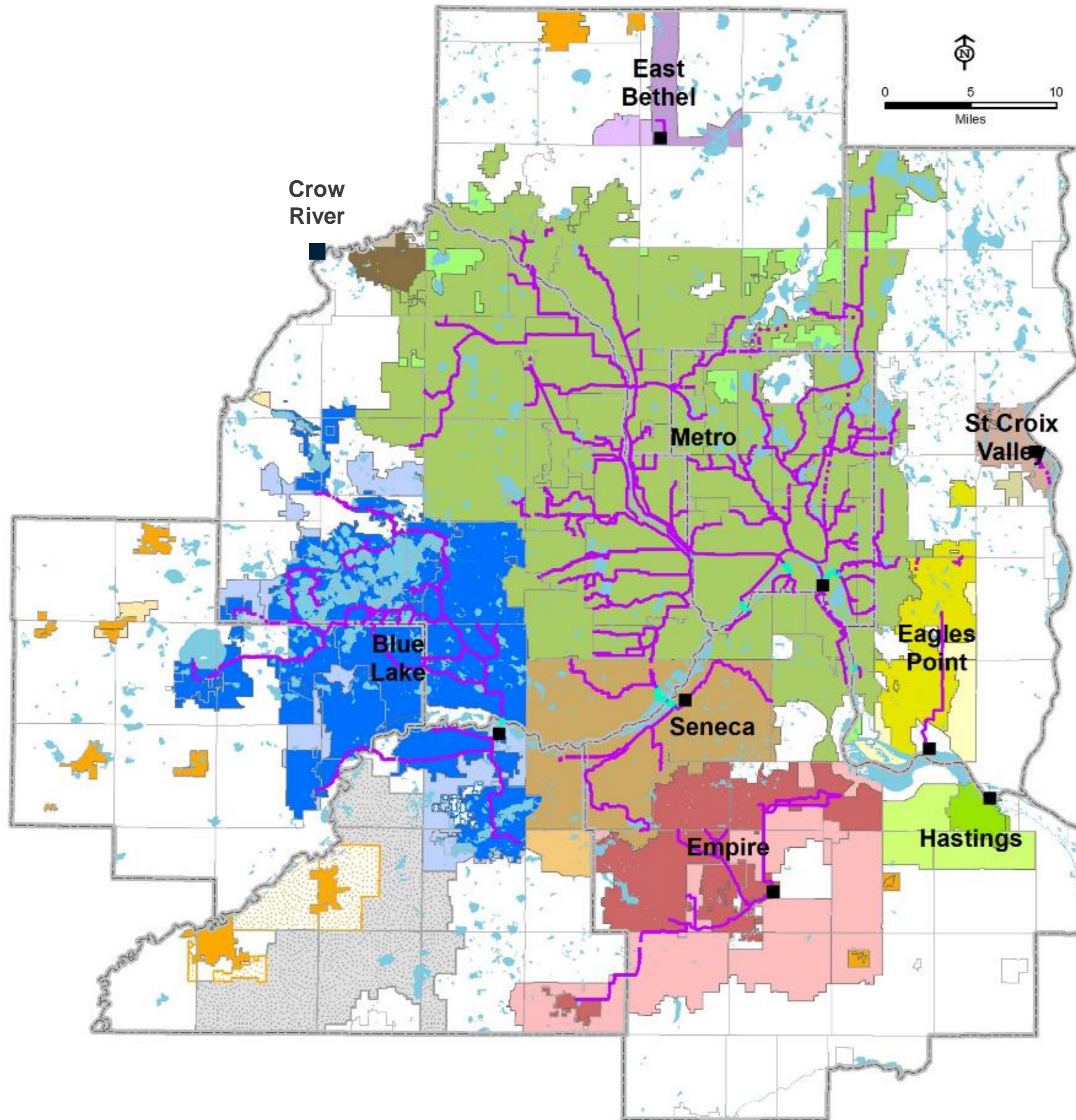


We serve ~50% of Minnesota's population

## Service Areas

- Blue Lake
- Eagles Point
- East Bethel
- Empire
- Hastings
- Metro
- Seneca
- St. Croix Valley
- Crow River

## Interceptors



## WHO WE SERVE

- 7-county Twin Cities Metro Area
- 110 communities
- 3,000 square miles
- 2,600,000+ people

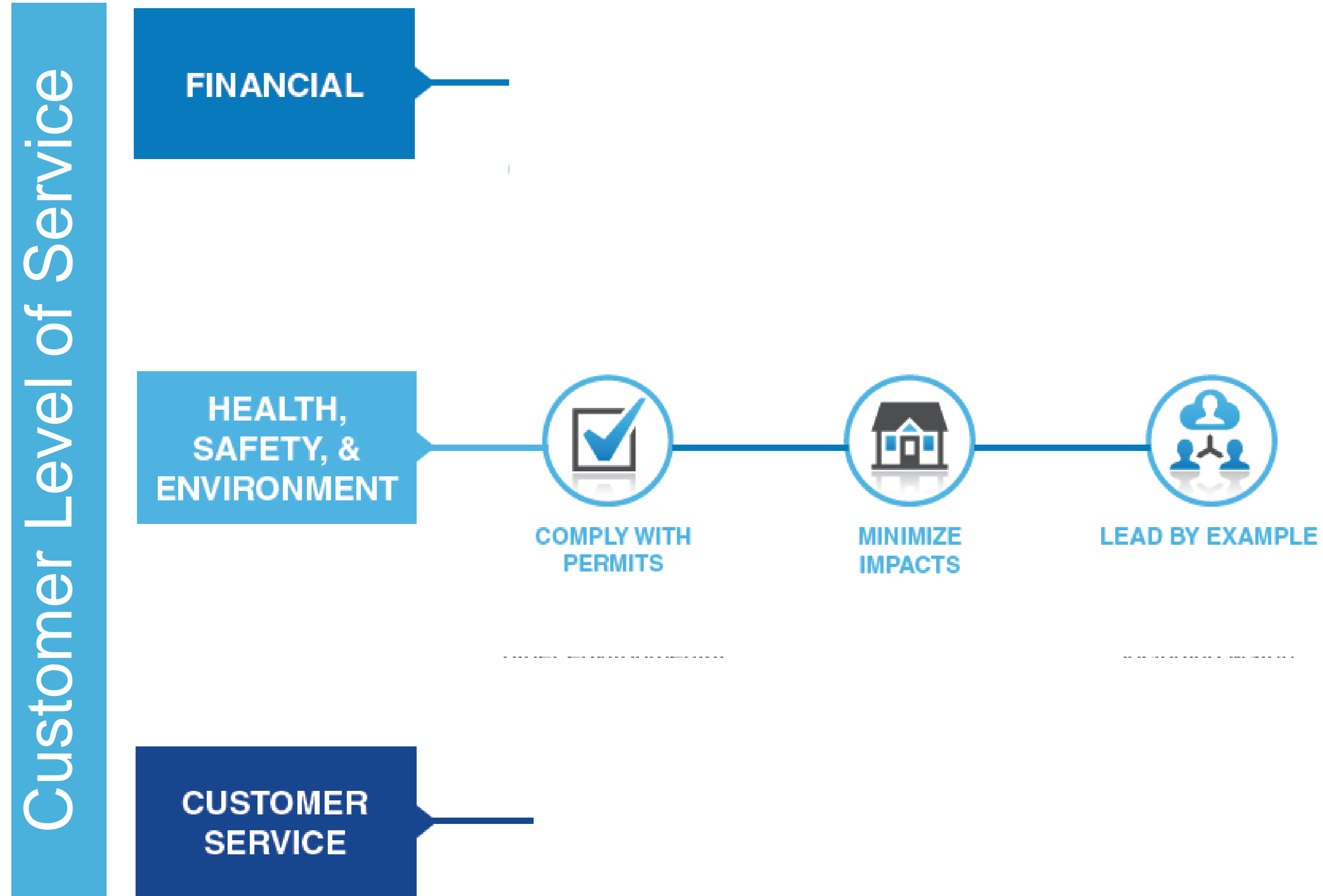
## OUR FACILITIES

- 9 wastewater treatment plants
- 610 miles of interceptors
- 61 pump stations
- 250 million gallons per day (avg)

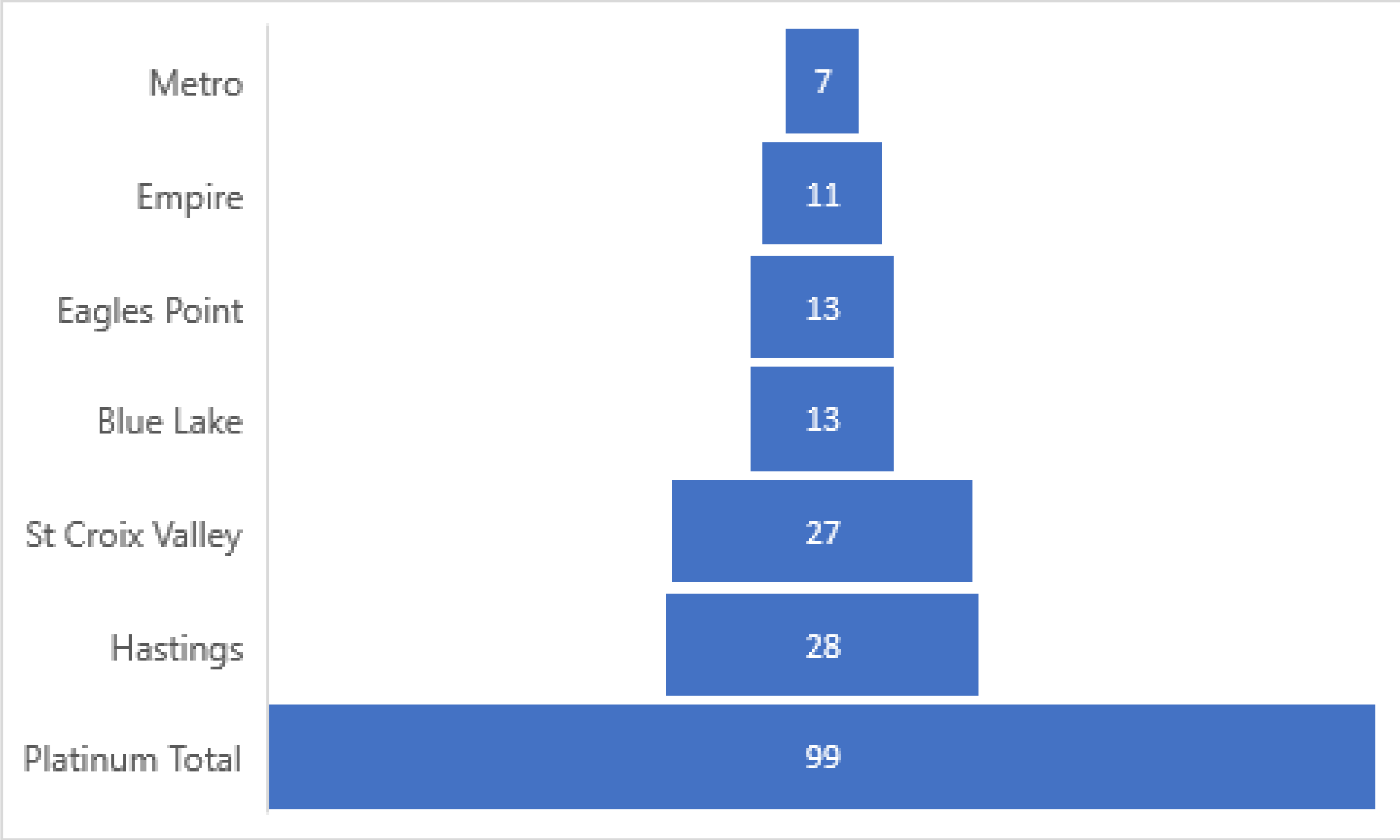
## OUR ORGANIZATION

- 600+ employees
- \$7 billion in valued assets
- \$140 million per year capital program
- \$311 million annual operating budget

# How Well are We Doing?



# Exceptional Regulatory Performance





# How Well are We Doing?

Customer Level of Service

FINANCIAL

HEALTH, SAFETY, & ENVIRONMENT

CUSTOMER SERVICE



BE A GOOD NEIGHBOR



MEET CAPACITY NEEDS



COMMUNICATE



ENGAGE CUSTOMERS



COLLABORATE WITH OTHERS



**INTERCEPTOR COLLECTION SYSTEM**

The MCES Interceptor System collects wastewater from 110 communities in the seven county metro and transports to one of eight treatment plants.

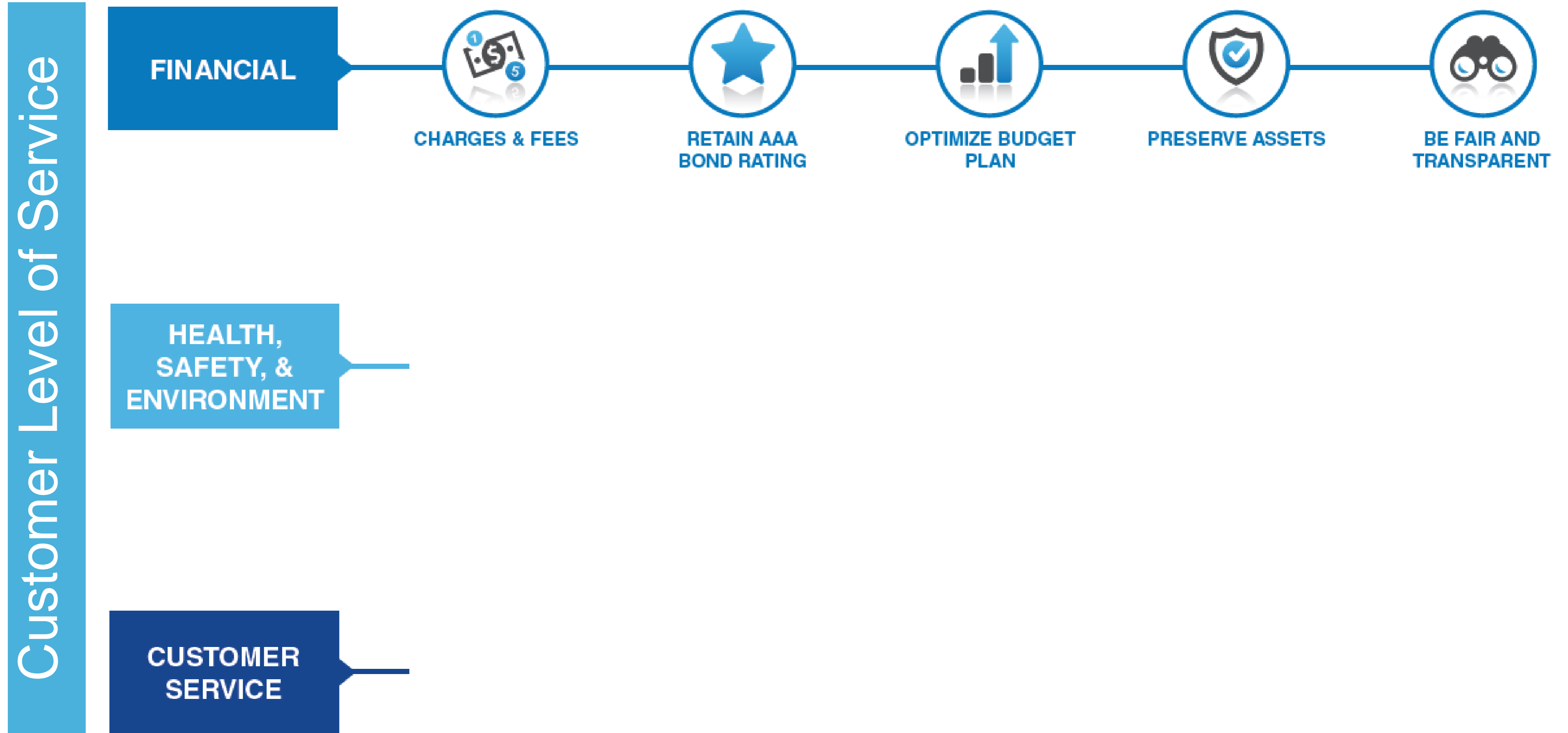
Our Metering and Alarm system is the 24/7 information and control center of the Interceptor Collection System.

Interceptor Services ensures that MCES's collection system is well maintained and operated.

- 24/7 SCADA Monitoring
- Lift Station Maintenance
- Flow Meter Maintenance
- Pipe Cleaning
- CCTV Inspection
- Utility Locating
- GIS System Support
- Data Analysis

**INFRASTRUCTURE**

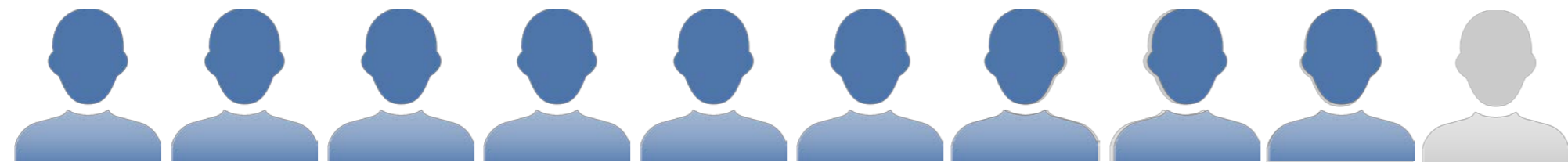
# How Well are We Doing?



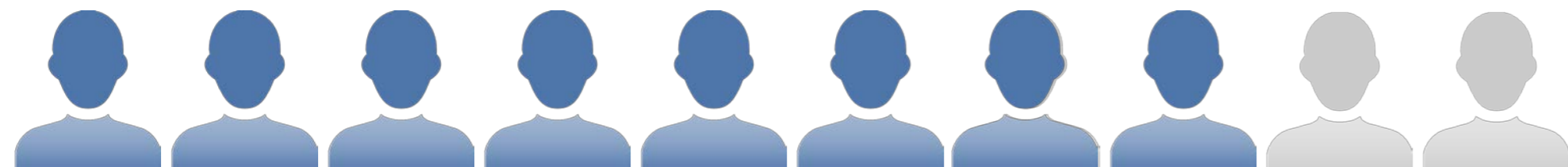


# 2018 Customer Survey Results

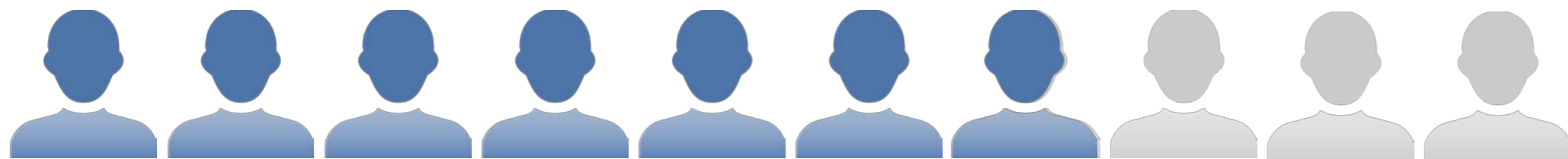
## Respondents Satisfied or Very Satisfied



**88% Industries**

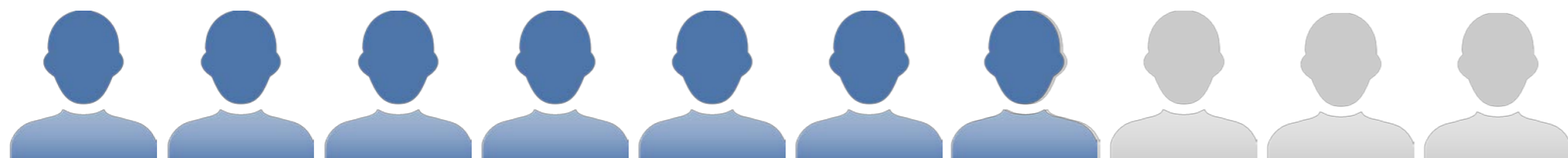


**77% Water Resources**



**72% Communities**

## Respondents Agree or Strongly Agree



**69% Services Priced Fairly**



# Financial Level of Service

## The 4% Promise



MCES has committed to our customers that **aggregate of municipal wastewater charges will not increase more than 4% annually** through 2022

### Optimizing Budget

- Facility teams
- Planning & scheduling office
- Energy effects
- Technology

### Improve customer understanding

Improve customer understanding of fees by providing detailed information early and holding workshops

### CIP program structure

Structure Capital Improvement Program to even out peaks



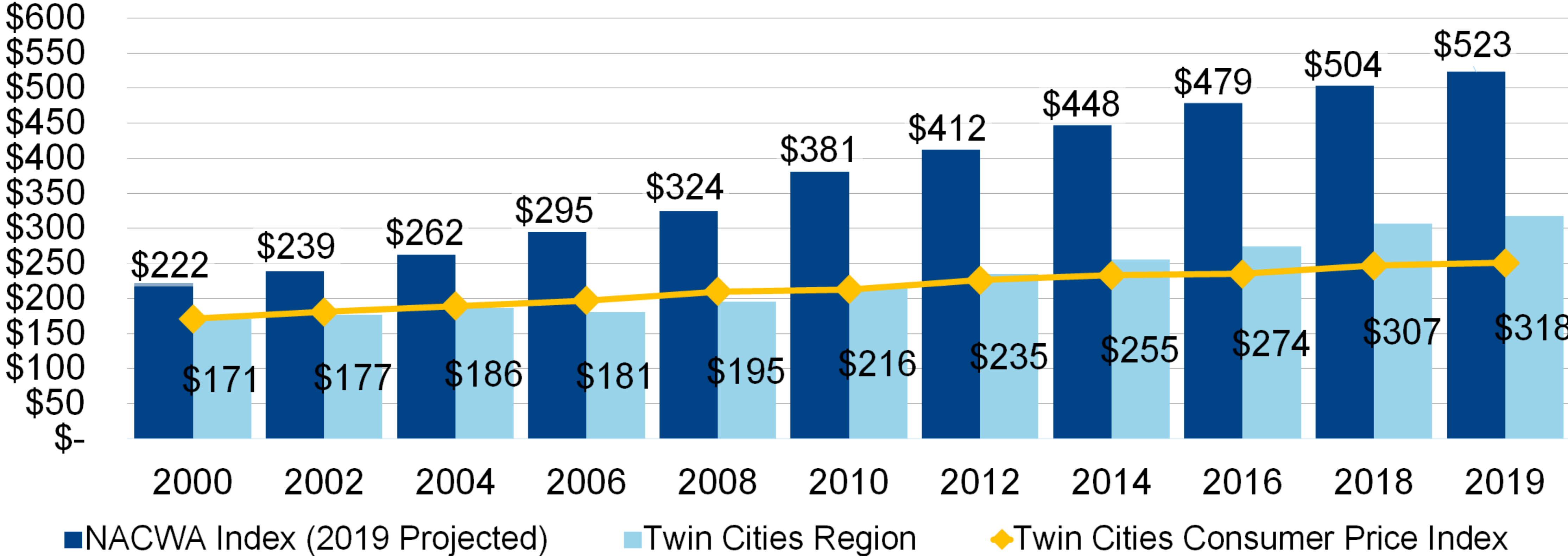
# Operating Budget Highlights

- **Municipal Wastewater Charge: +3.6%**
  - 2020 = \$235.6M (\$8.6M higher than 2019)
  - \$5 annual increase per REC (residential equivalent connection)
- **Sewer Access Charge: No Change**
  - \$2,485 per SAC (flat since 2014)
  - Total FY20 transfer = \$48.2M (includes \$2M for PAYGO\*)
- **Industrial Waste Strength Charge: +4.5%**
- **Industrial Waste Permit Fees: +3.6%**

\*PAYGO = Pay As You Go (Paying cash for capital projects)

# Annual Retail Sewer Charge per Household

Average Annual Service Charge per Household, 2000-2019



**Source:** NACWA 2018 Cost of Clean Water Index, and 2018 MCES Rate Survey\*

\*with 2019 rate adjusted for MCES rate increases.

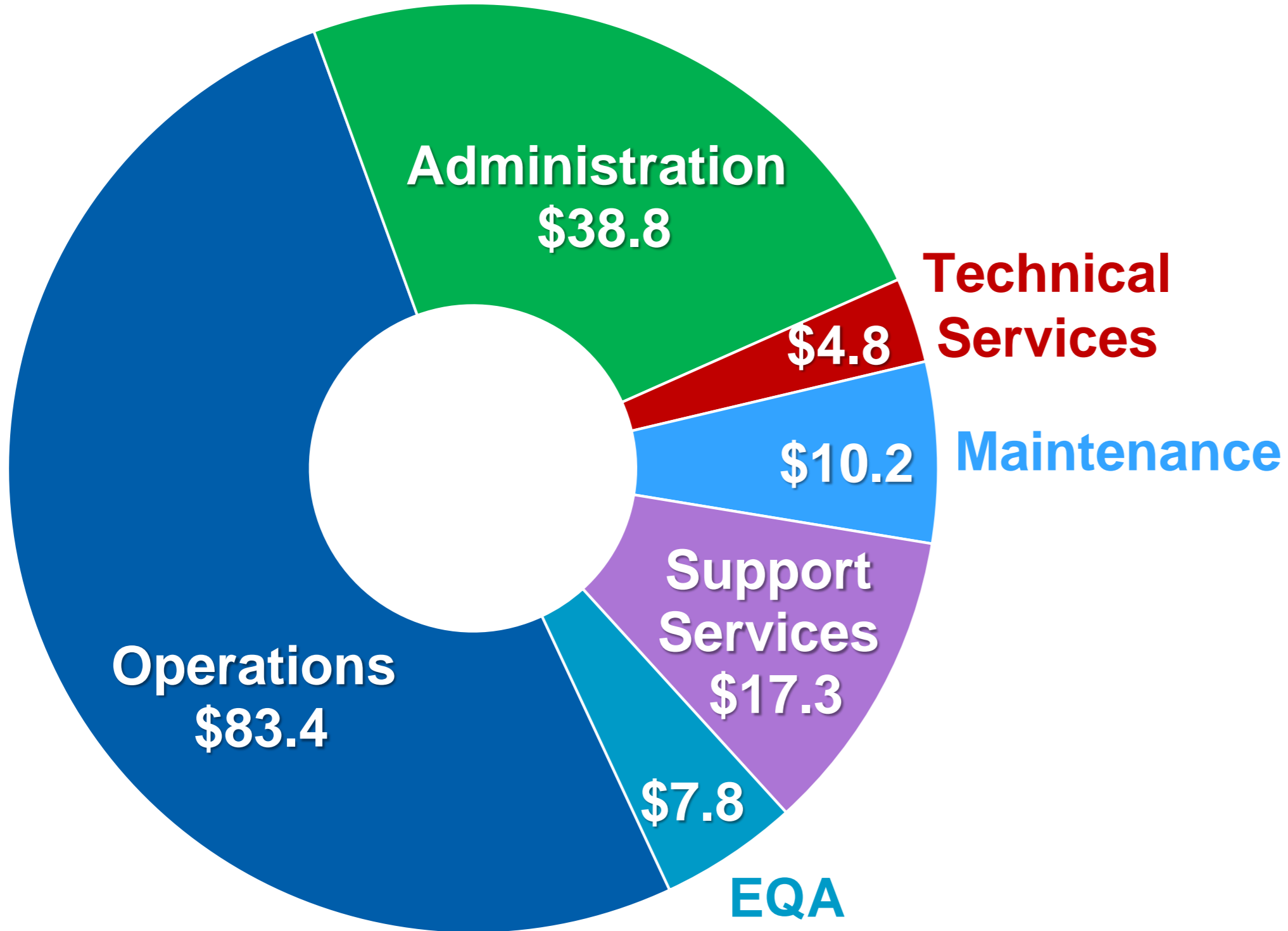


# 5 Year Municipal Wastewater Charge Projection

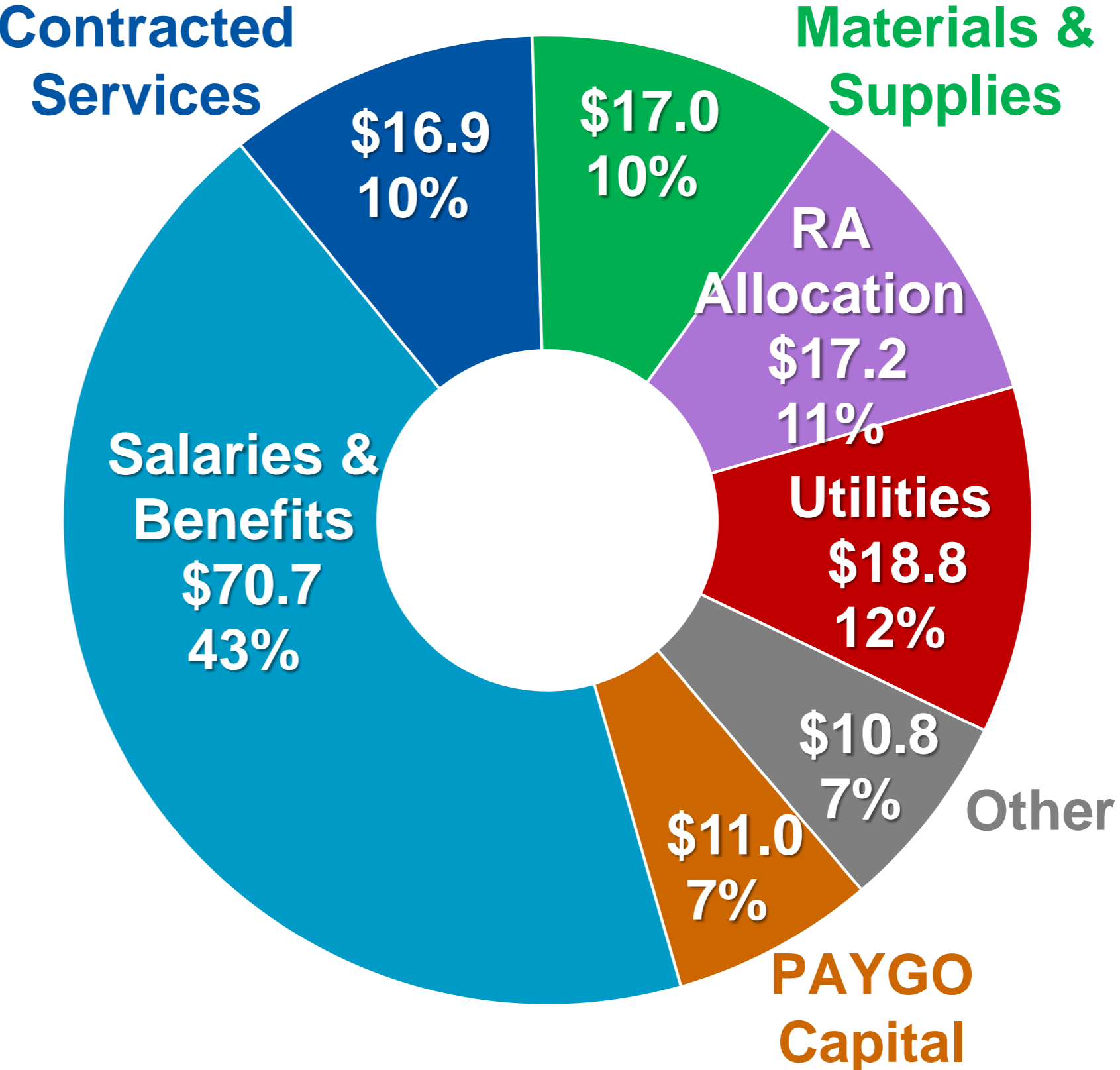


# Environmental Services Operations - \$162 M

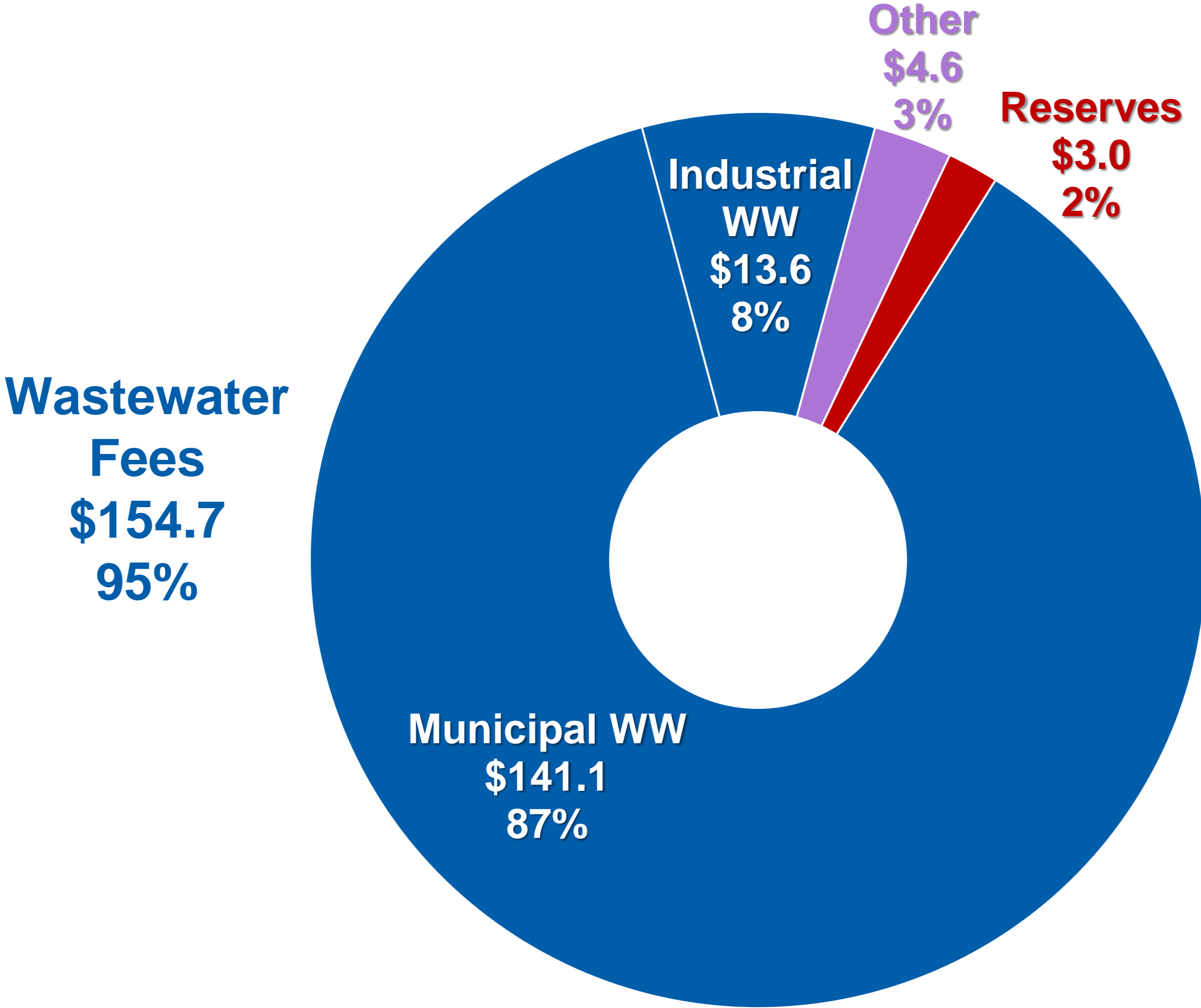
Uses by Department



Uses by Category



# Environmental Services Sources - \$162 M

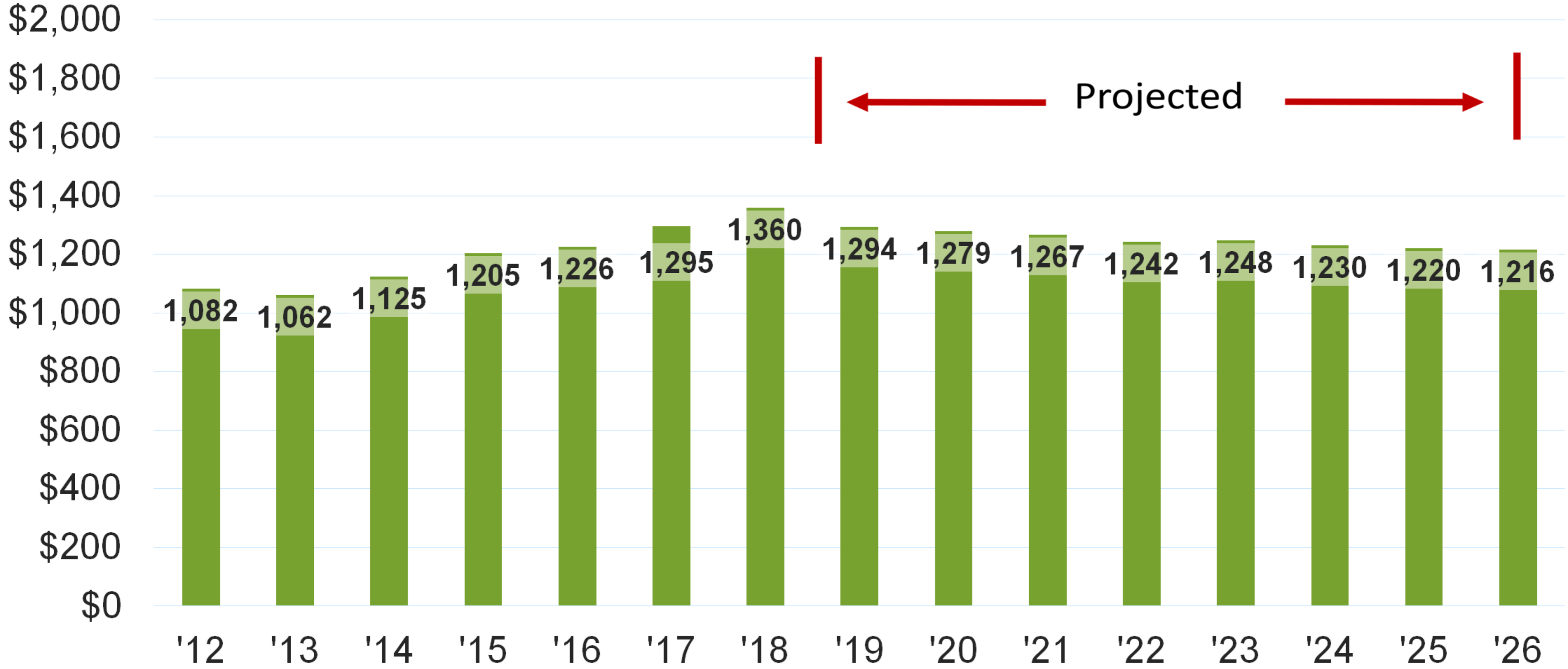


Dollars in Millions

\* Total 2020 Municipal Wastewater Charge is \$235.6M

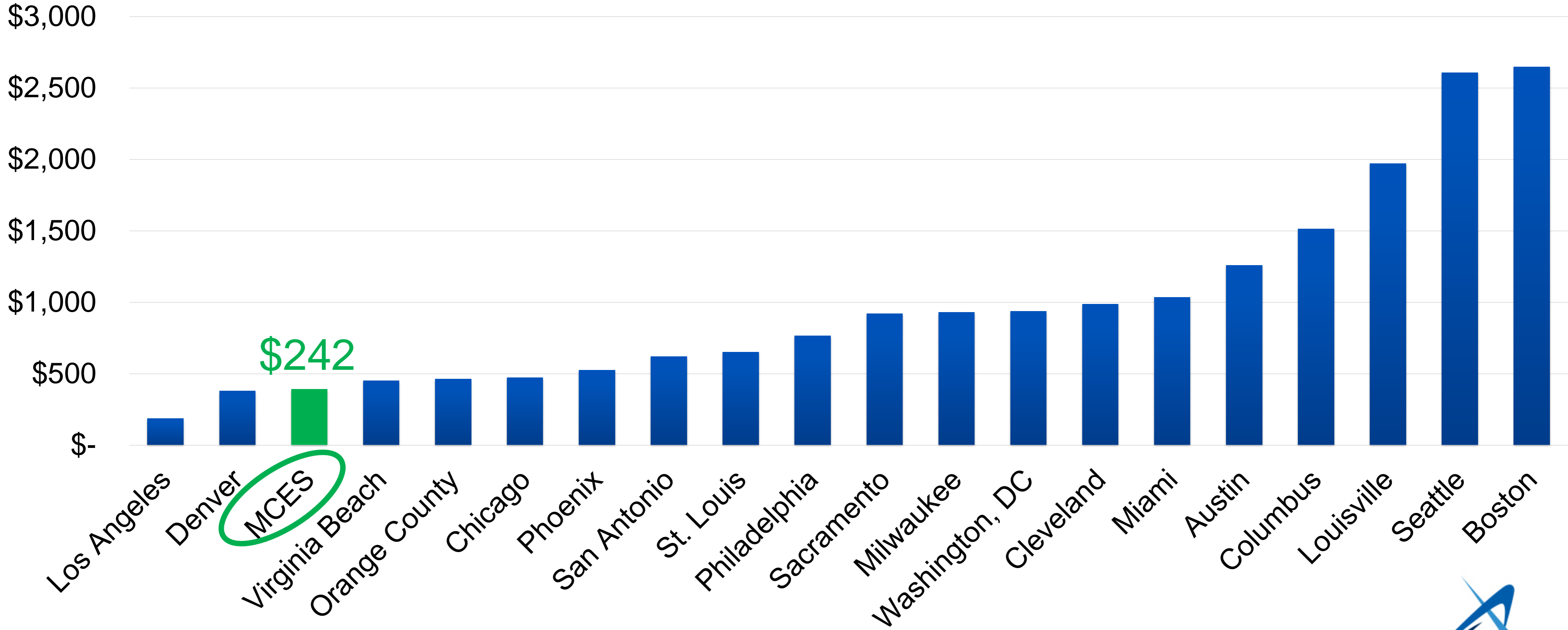


# Wastewater Outstanding Debt (\$M)



# Peer Agencies

## Debt per Capita



*\*2013 data (per 2014 NACWA survey, next update 2018)*



# Transportation



# Basis For Budget Development

## Metropolitan Council Policy and Actions:

- Council adopted the Transit Performance Standards in the Transportation Policy Plan (TPP)
  - Regional Transit Service annually evaluated and compared to TPP performance standards
  - Includes service operated by the Metropolitan Council and Suburban Transit Providers
  - Routes not meeting TPP standards are reviewed for potential change
  - Regional route analysis performed annually
- Labor agreements (ATU, TMSA, LELS, AFSME, Non-rep)
- Fare policy review
- Target Fund Balance

# Basis for Budget Development

## Forecasts and Legislation:

- Preliminary Budget has been reviewed with all forecasts and financial plans
- Legislature provided separate State Appropriation line for Metro Mobility
- Legislature did not address structural deficit in the future biennia.
- Financial considerations:
  - State General Fund Appropriation
  - Motor Vehicle Sales Tax (MVST)
  - Financial Outlook – Multi-year

# State General Fund Appropriation

- Appropriated by Legislature on a biennial basis
- Per legislation must cover 50% net operating assistance light rail (excluding METRO Green Line Extension)
- State General Fund consumed by Metro Mobility, Light Rail, Commuter Rail, none for base bus operations
- Metro Mobility on path to consume entire General Fund by SFY 2022
- 2019 Legislature Separated General Fund into two separate appropriations
  - Transit Operations and Metro Mobility
  - Legislature recognition of federally mandated service
  - Establishes basis for future legislative requests

# State General Fund Appropriation

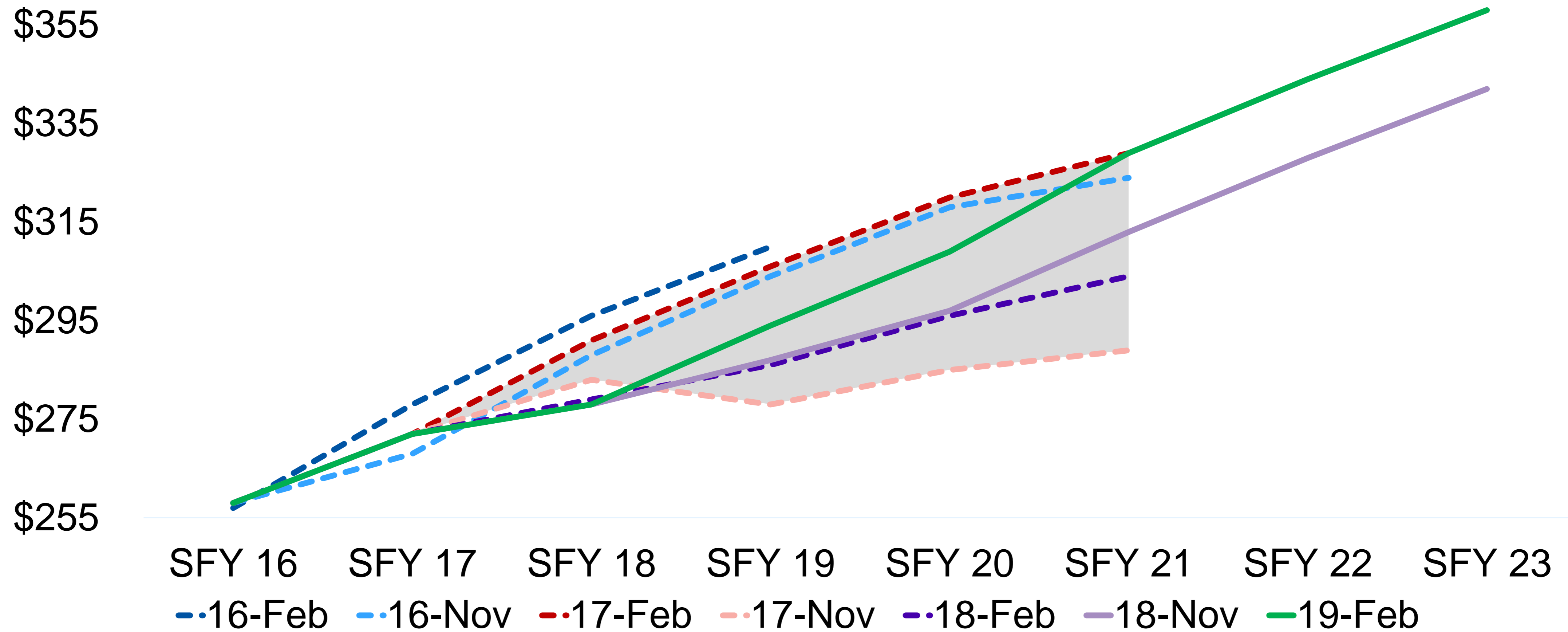
SFY	2020	2021	2022	2023
<b>Metro Mobility</b>				
Base	\$ 57.17	\$ 57.17	\$ 56.42	\$ 55.98
One Time	23.17	13.00	-	-
Subtotal	\$ 80.34	\$ 70.17	\$ 56.42	\$ 55.98
<b>Light Rail</b>				
Base	\$ 25.51	\$ 25.51	\$ 25.51	\$ 25.51
<b>Commuter Rail</b>				
Base	\$ 7.15	\$ 7.15	\$ 7.15	\$ 7.15
<b>Bus</b>				
Base	\$ -	\$ -	\$ -	\$ -
Pass Through (MVTA)	\$ 0.20	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 113.19</b>	<b>\$ 102.82</b>	<b>\$ 89.07</b>	<b>\$ 88.63</b>

# Motor Vehicle Sales Tax (MVST)

- State of MN forecast February and November each year
  - Preliminary Budget – February 2019 State Forecast
  - Adopted Budget – November 2019 State Forecast
- Volatile revenue source – can change February & November
- Budget Risk Management:
  - Council budgets 95% of MVST; plus
  - Actual MVST receipts above 95% from the preceding year

# Motor Vehicle Sales Tax – SFY 16-21

## Forecast Trend



# Tracking Financial Outlook

- Council Finance forecasts Transportation Financial Operations current year plus 4 years forward (2 biennia) (5 years)
- Uses current Law State Funding
- Uses most recent MVST forecast
- Forecasts structural financial position
- Update every bi-annual MVST forecast and end of Legislative Session
- Details funding expense assumptions, use of reserves
- Reserves increase was purposeful savings for financial cliff
  - Bus operator shortage
  - Harvest and non-reinvest service
  - Administrative savings/short-term open positions

# Structural & Financial Position

State Fiscal Years

<b>2020 Proposed Budget &amp; Feb-19 State MVST Forecast</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Base Revenues for Operations	547	576	598	609	626
Operating Expenses	588	619	647	668	691
<b>Structural Position</b>	<b>(41)</b>	<b>(43)</b>	<b>(49)</b>	<b>(59)</b>	<b>(65)</b>
Non-Base State Appropriation	40	23	13	-	-
Available Reserves	2	20	35	12	-
<b>Financial Position</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>(47)</b>	<b>(65)</b>



METROPOLITAN  
COUNCIL

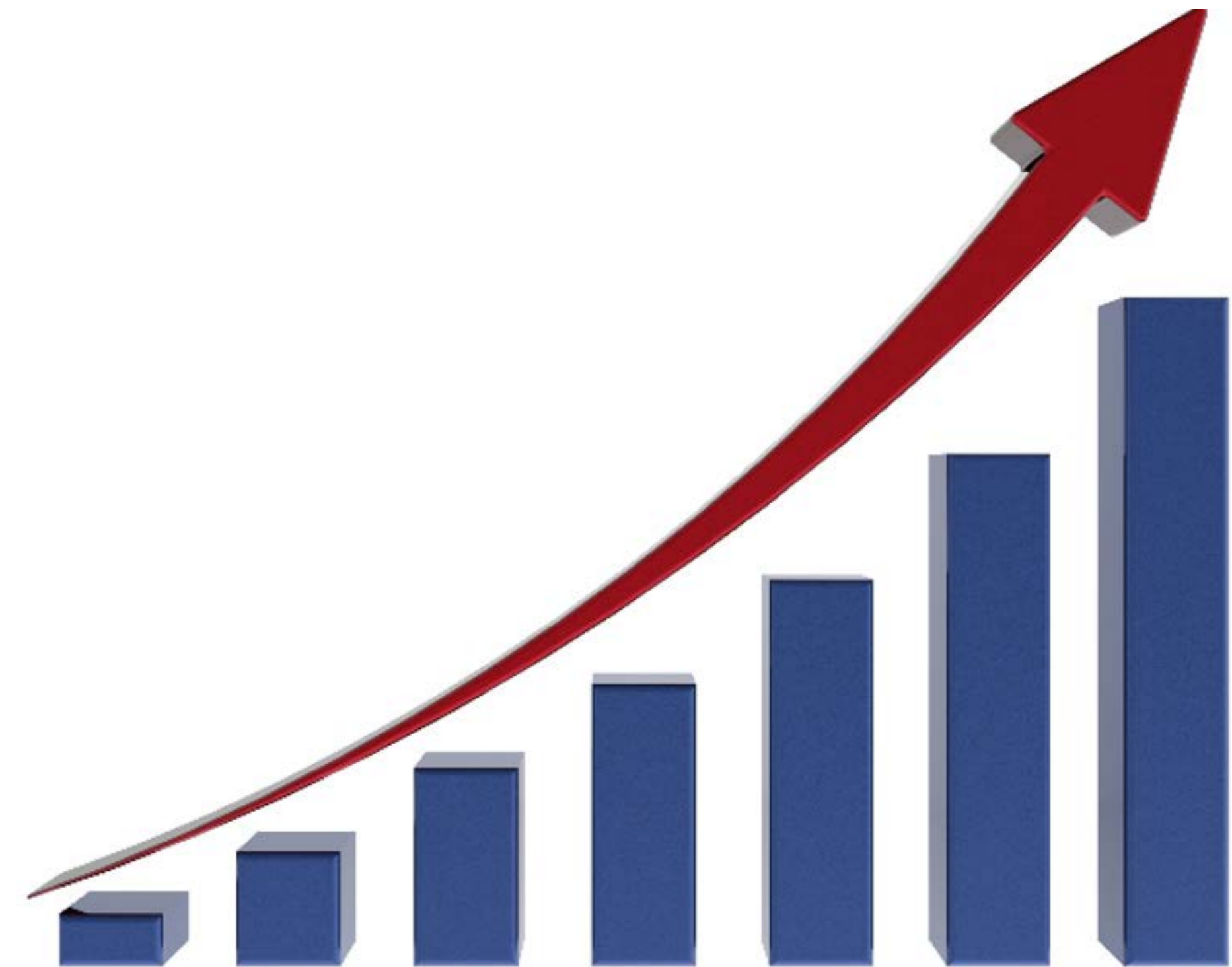


# Budget Framework

- Tight Parameters on budget development
  - Anticipated revenue growth (MVST, state appropriations, fares)
  - Service on the street including labor and service contracts
- Metro Mobility expansion to Lakeville
- 2019 Customer Improvements (Annualized in 2020)
  - Improving customer communications
  - Safety
  - Improving condition of trains, stations and other facilities
  - Improving winter performance
- Ridership
  - Bus
  - Light/Commuter rail
  - Metro Mobility

# Metro Mobility by the numbers\*

- 2.38 million annual rides
- 30% ridership growth from 2013 to 2018
- 62,000 certified riders in system
- 616 vehicles
- 93 communities
- \$28.68 average subsidy per trip
- 10.48 mile average trip length



*\*2018 data*

# Metro Mobility

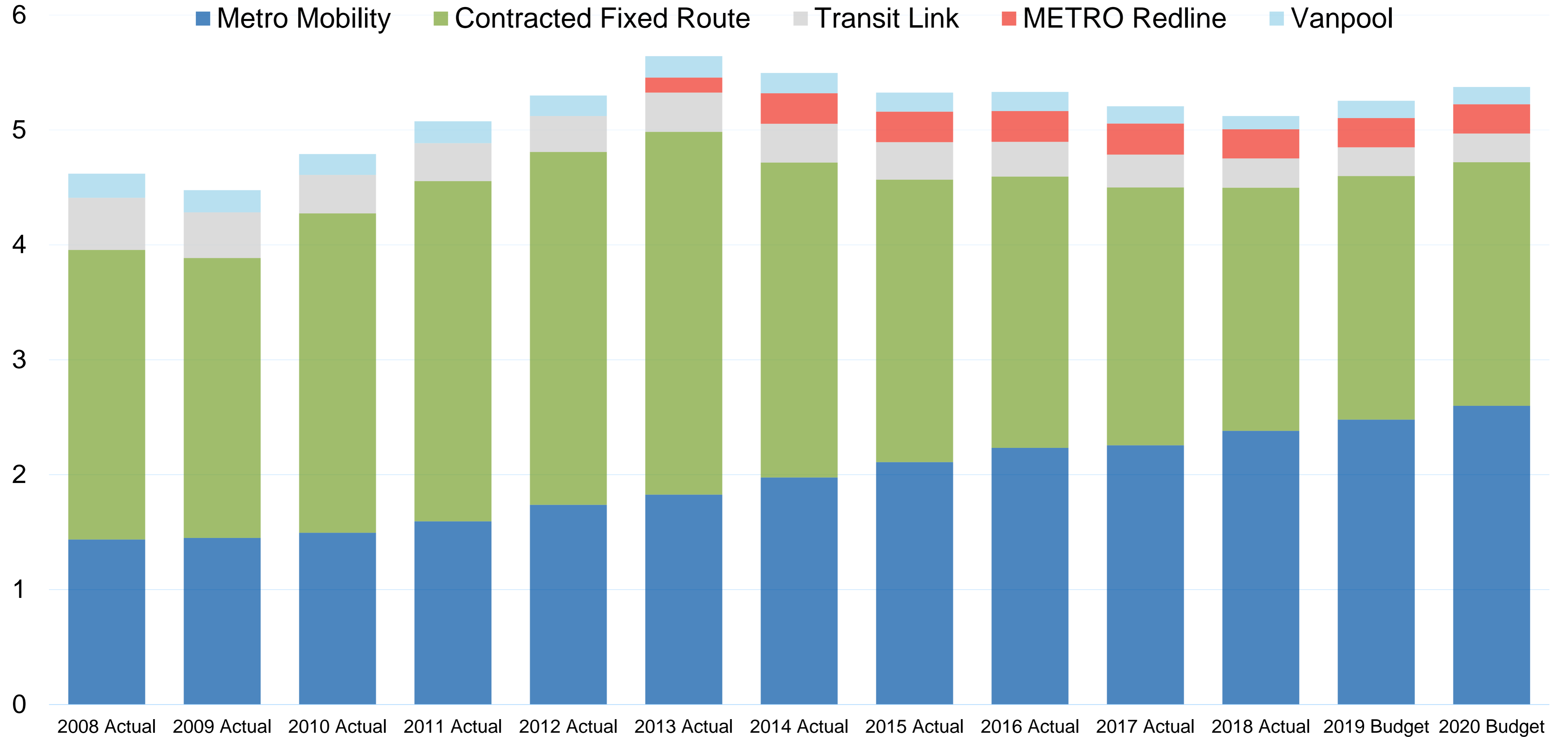
- Initiatives
  - Lakeville expansion
  - On-demand service pilot
  - Data sharing with Department of Human Services



- Challenges
  - Rising demand
  - Expanded service area
  - Wage pressure
  - Federal requirements
  - Increasing trip length
  - Rising costs
  - Stable funding source

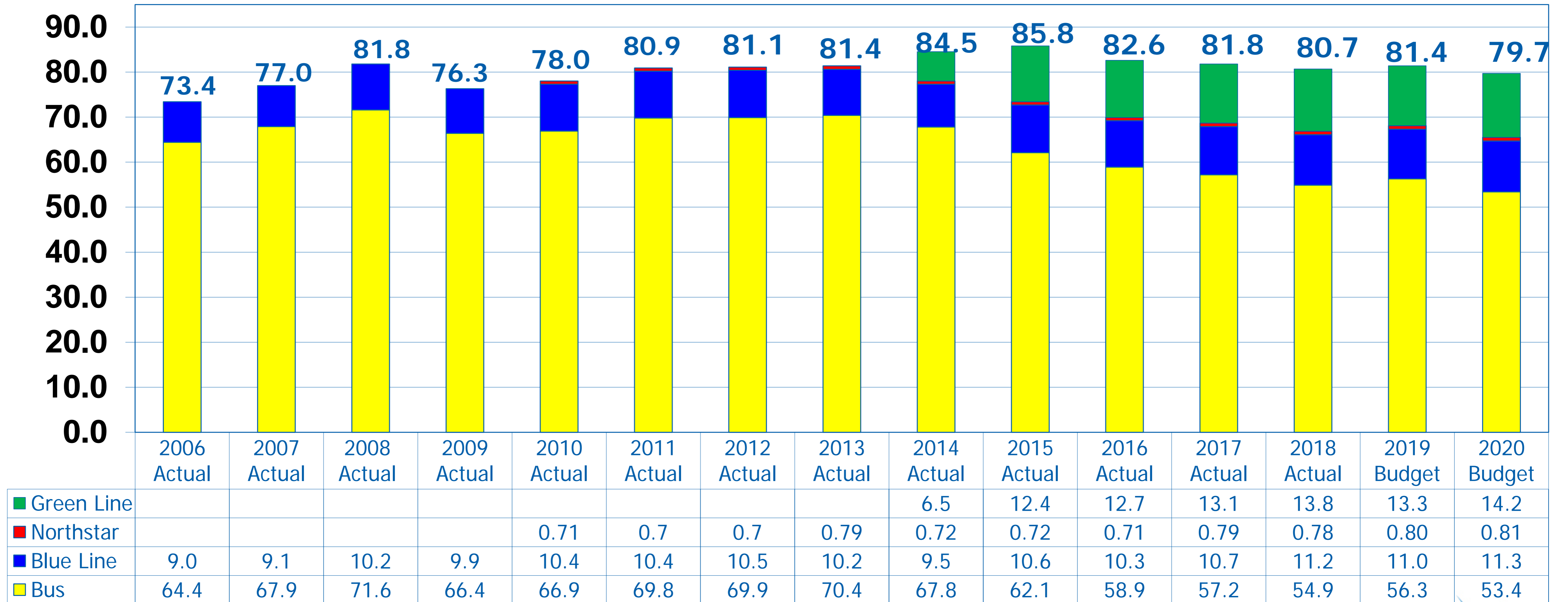
# Contracted Services Ridership

(in millions)



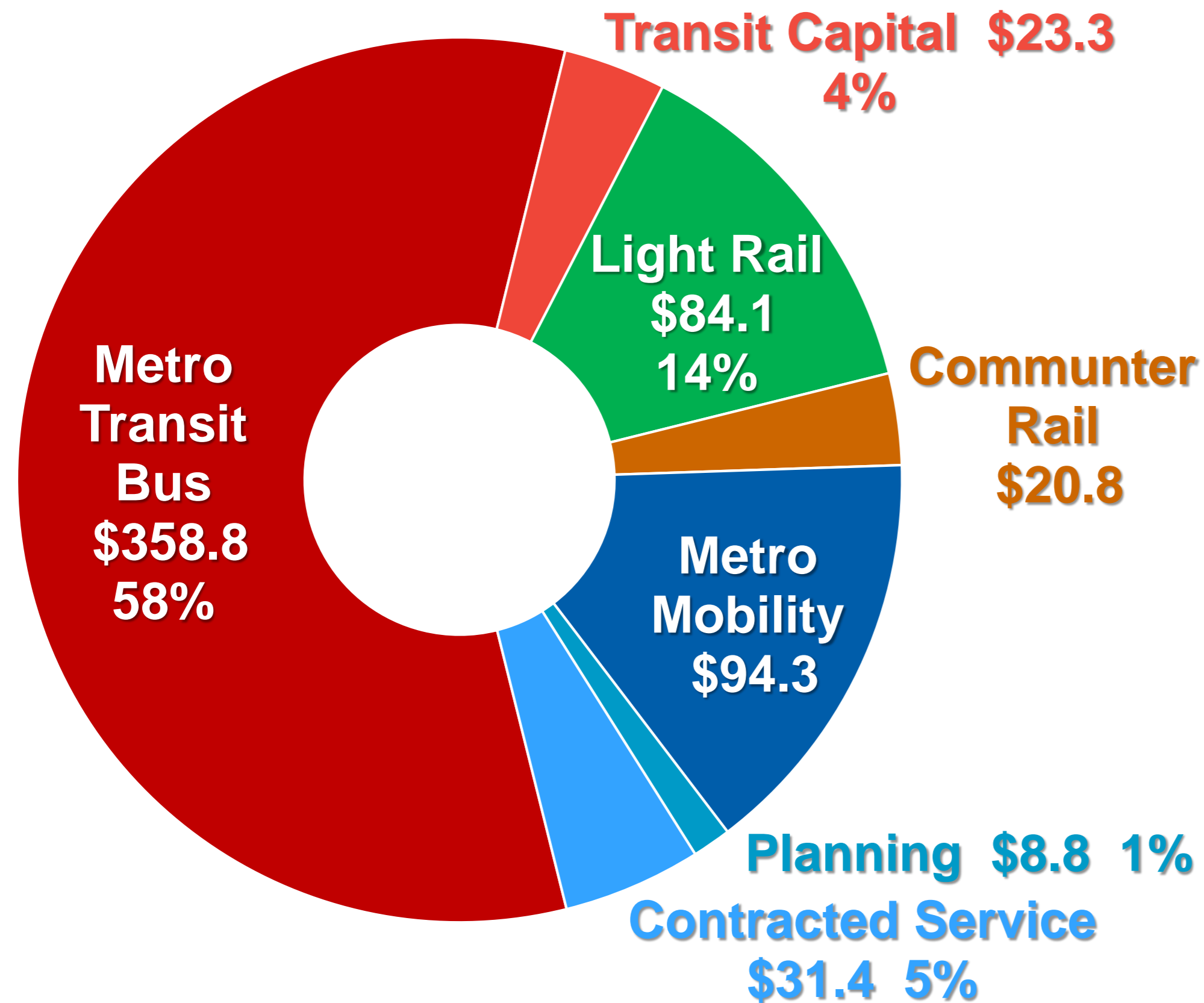
# Metro Transit Ridership

(in millions)

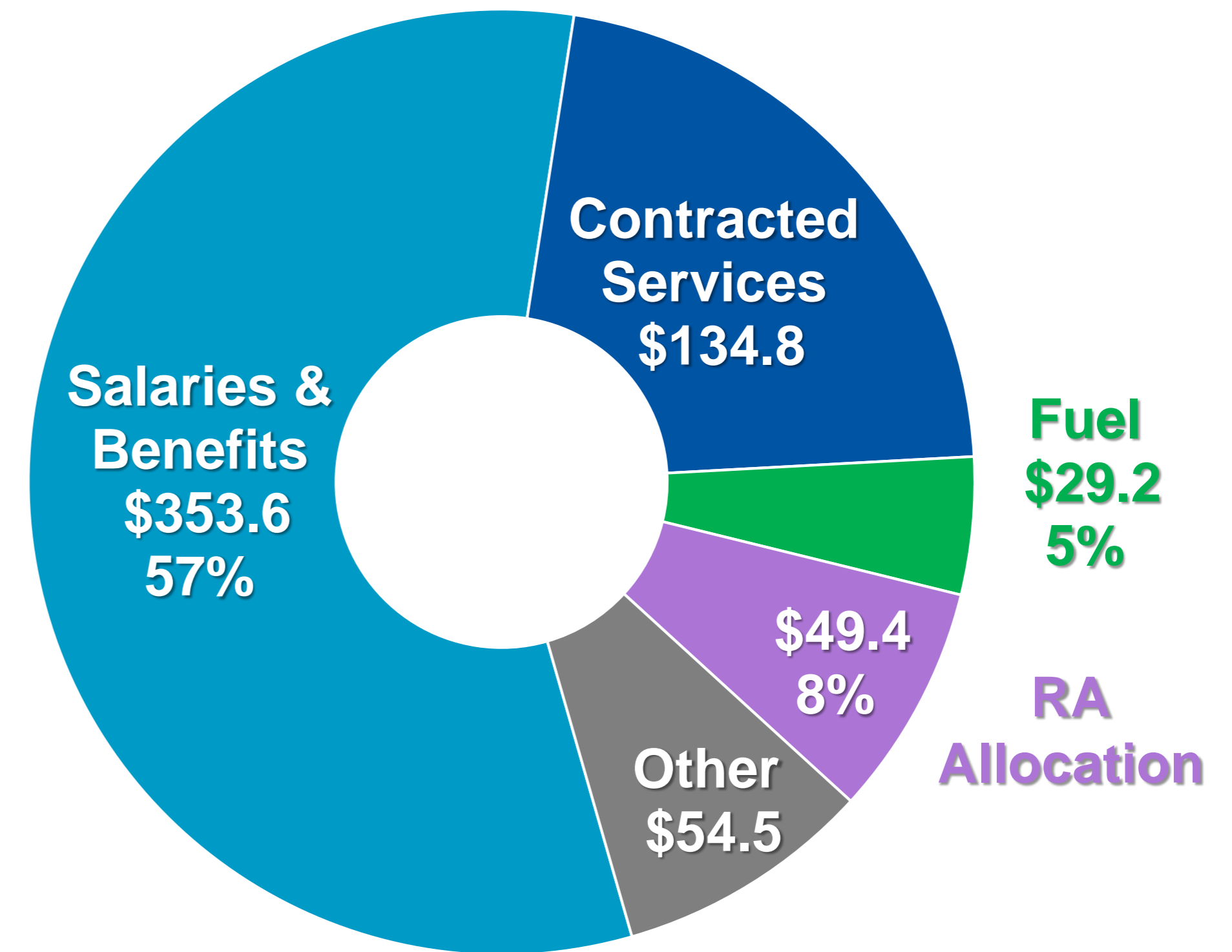


# Transportation Operations - \$622 M

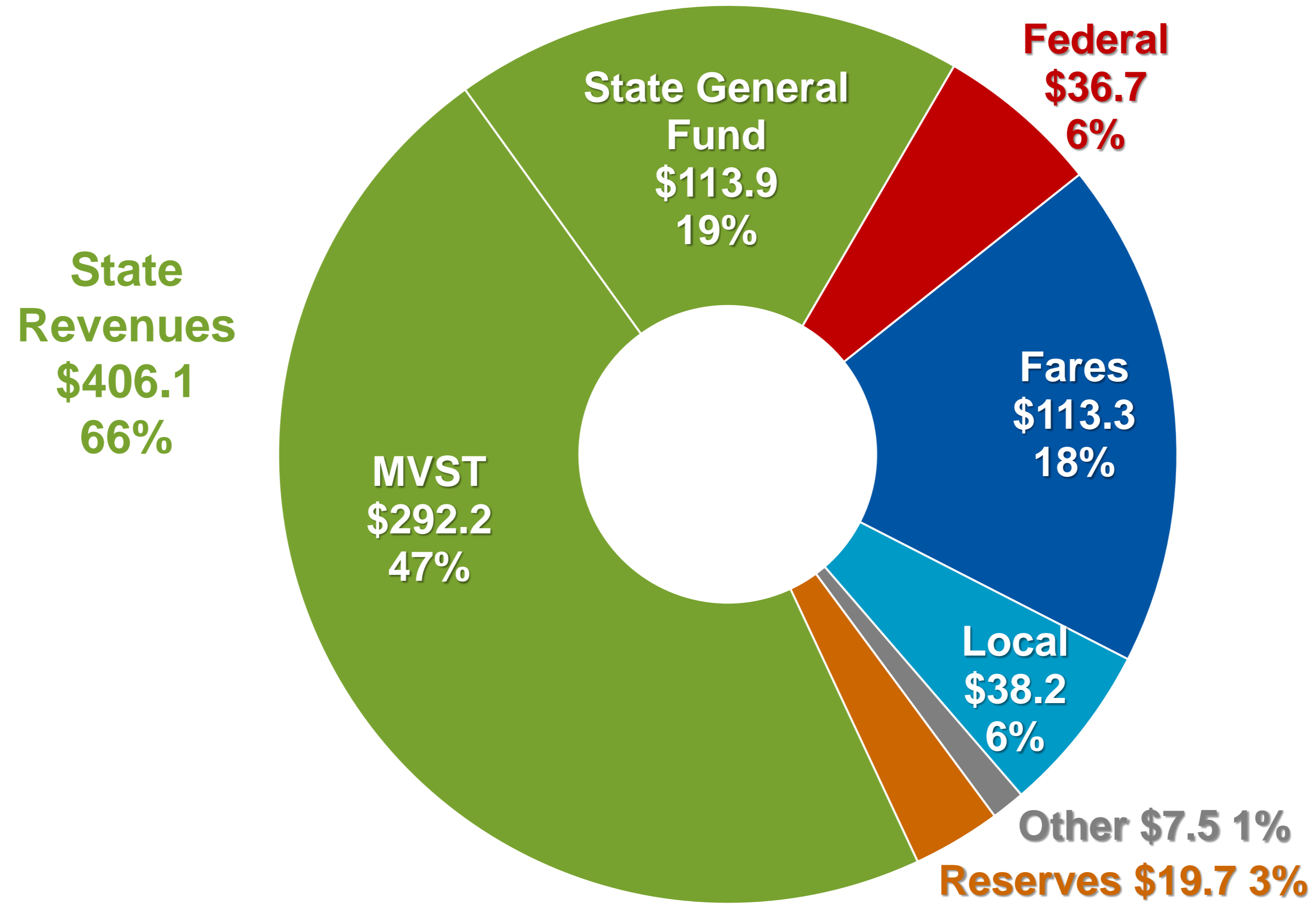
Uses by Department



Uses by Category



# Transportation Operations Sources - \$622 M



# Budget - \$1.2 Billion

# Levy - \$888.7 Million

