

PRELIMINARY

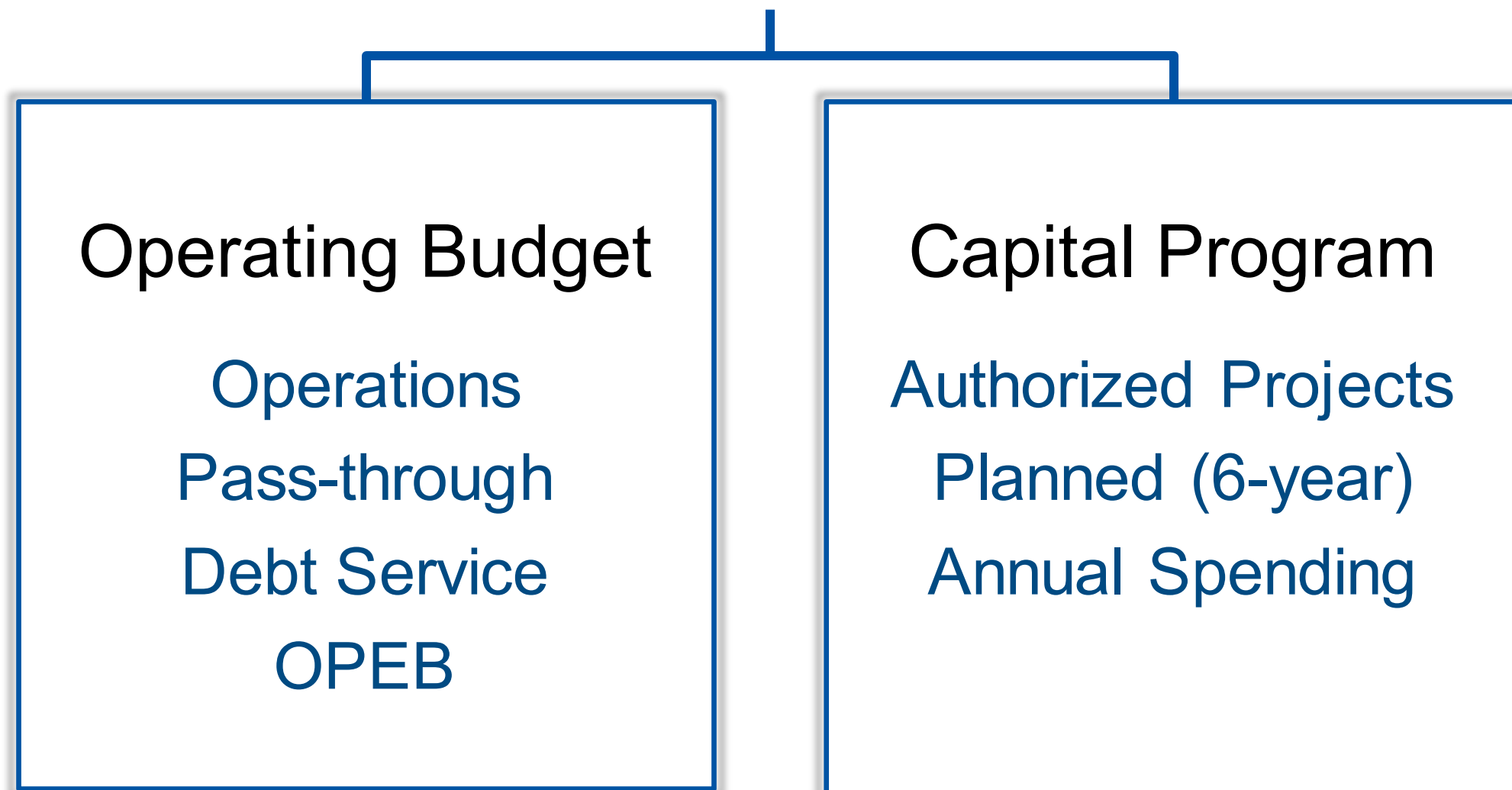
2022 Operating Budget & Levies

Metropolitan Council – August 11, 2021



Council Budget Development

Unified Budget



May-July

Staff - Budget Development Activities

Aug 25
(before Sept 1)

Council - Adopt Preliminary Budget/Levies

Oct 13

Council - Capital Program Presentation

Oct 27

Council - Adopt Public Comment Draft Budget

Dec 08
(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.”

Proposed 2022 Property Tax Levies

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% in 2022 (History was 2% Increase)
 - 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)

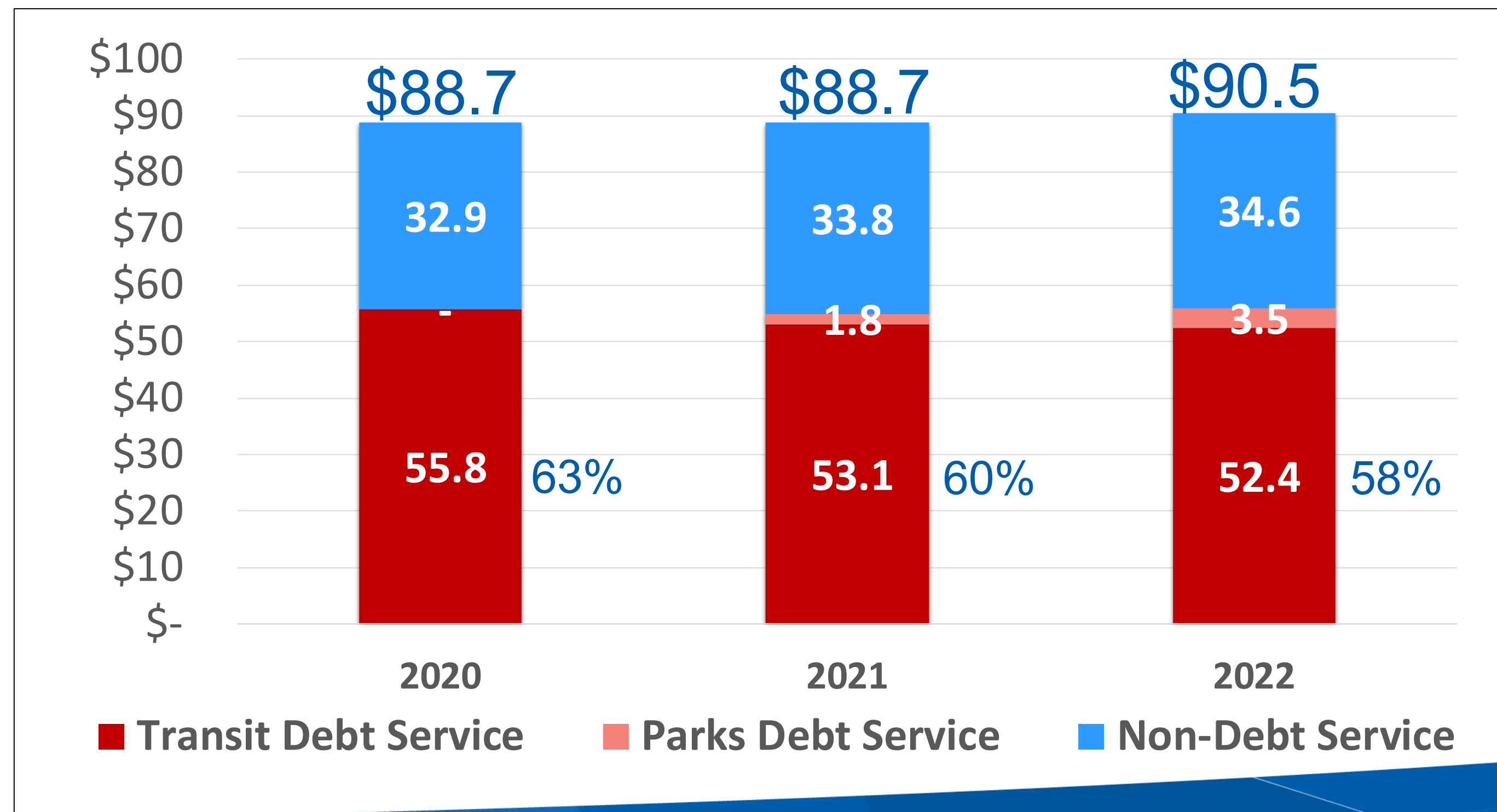
Debt Service Levies (Levy Given)

- Transit

- Legislature grants annual authority
- Success with inflation factor grows ~4.5%
- Outstanding Debt YE 2020 - \$237M

- Parks

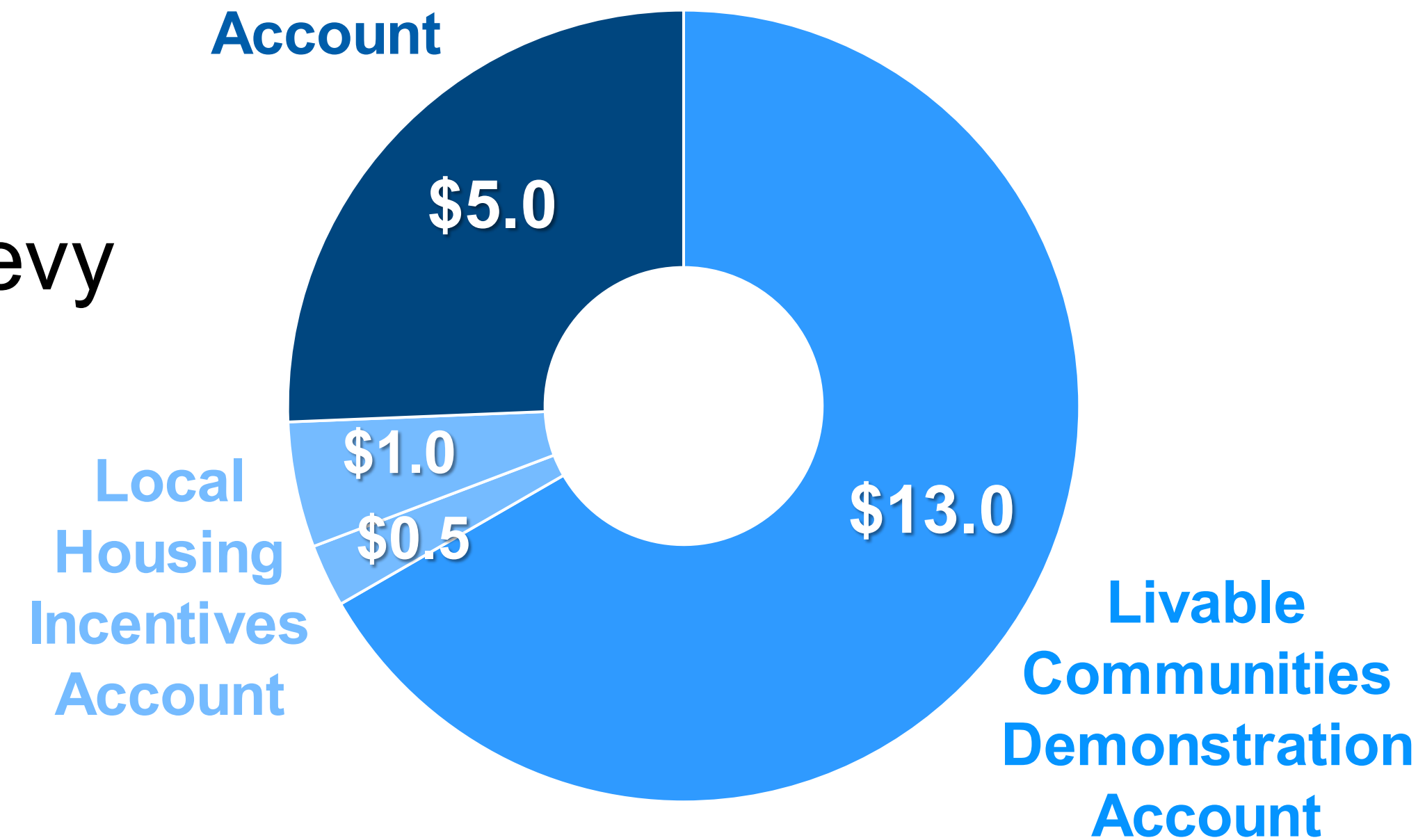
- \$40 M in Revolving Outstanding
- Historically Match State GO Bonds 3:2
- Outstanding Debt YE 2020 - \$8.8M



Livable Communities Levies (Grant Programs)

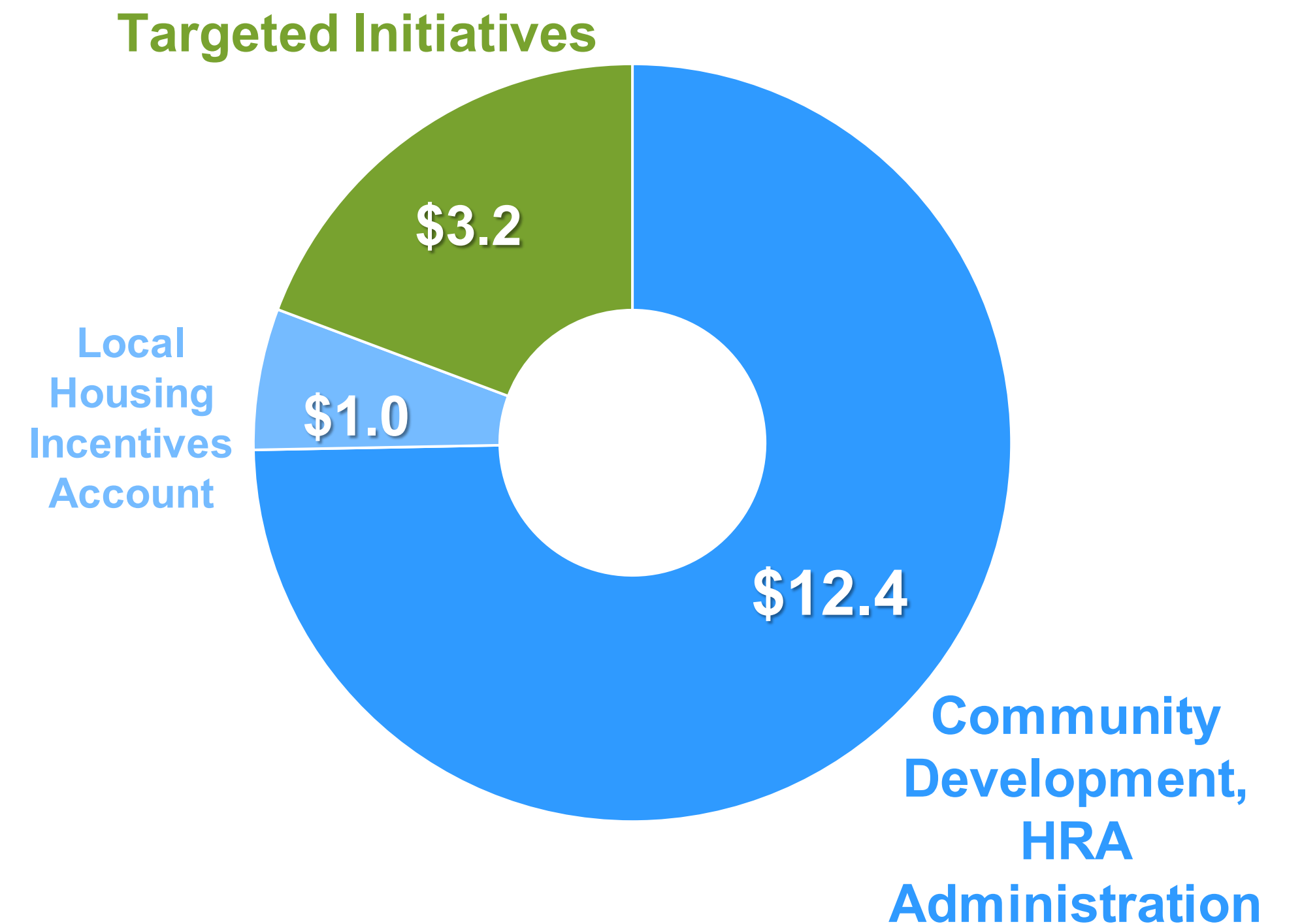
- Tax Base Revitalization Account Levy
 - \$5M annually from regional fiscal disparities pool
 - Clean up polluted land in the metropolitan area
- Livable Communities Demonstration Account Levy
 - \$13.0M proposed levy for 2022
 - Strategy: Grow to accommodate TOD Component
 - Limitation: Capped by implicit price deflator at 2.7%
- Local Housing Incentives Account
 - Statutory transfer from LCDA (\$0.5M) and General Purposes Levy (\$1.0M)

Tax Base Revitalization Account



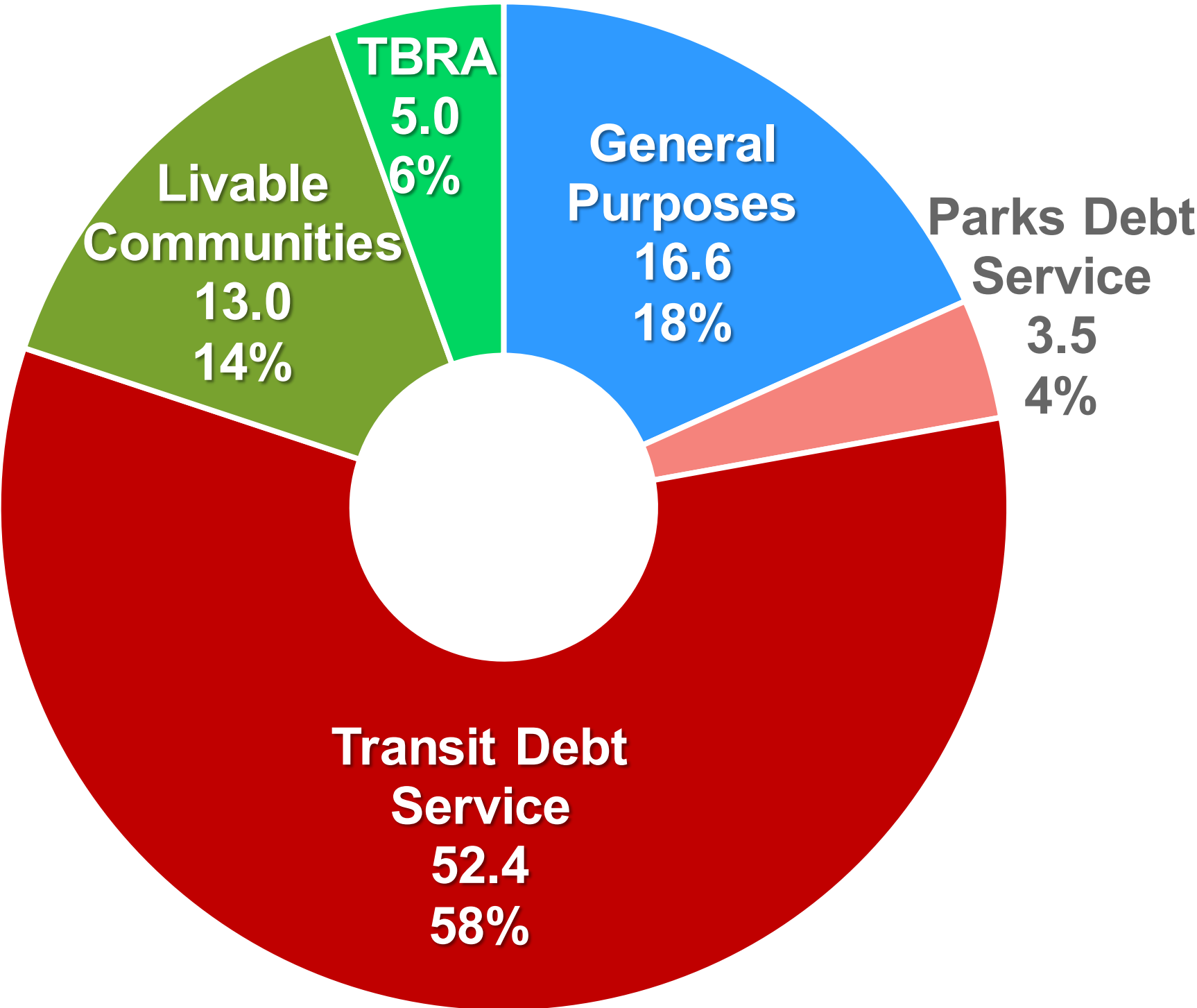
General Purposes Levy - \$16.6M

- 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

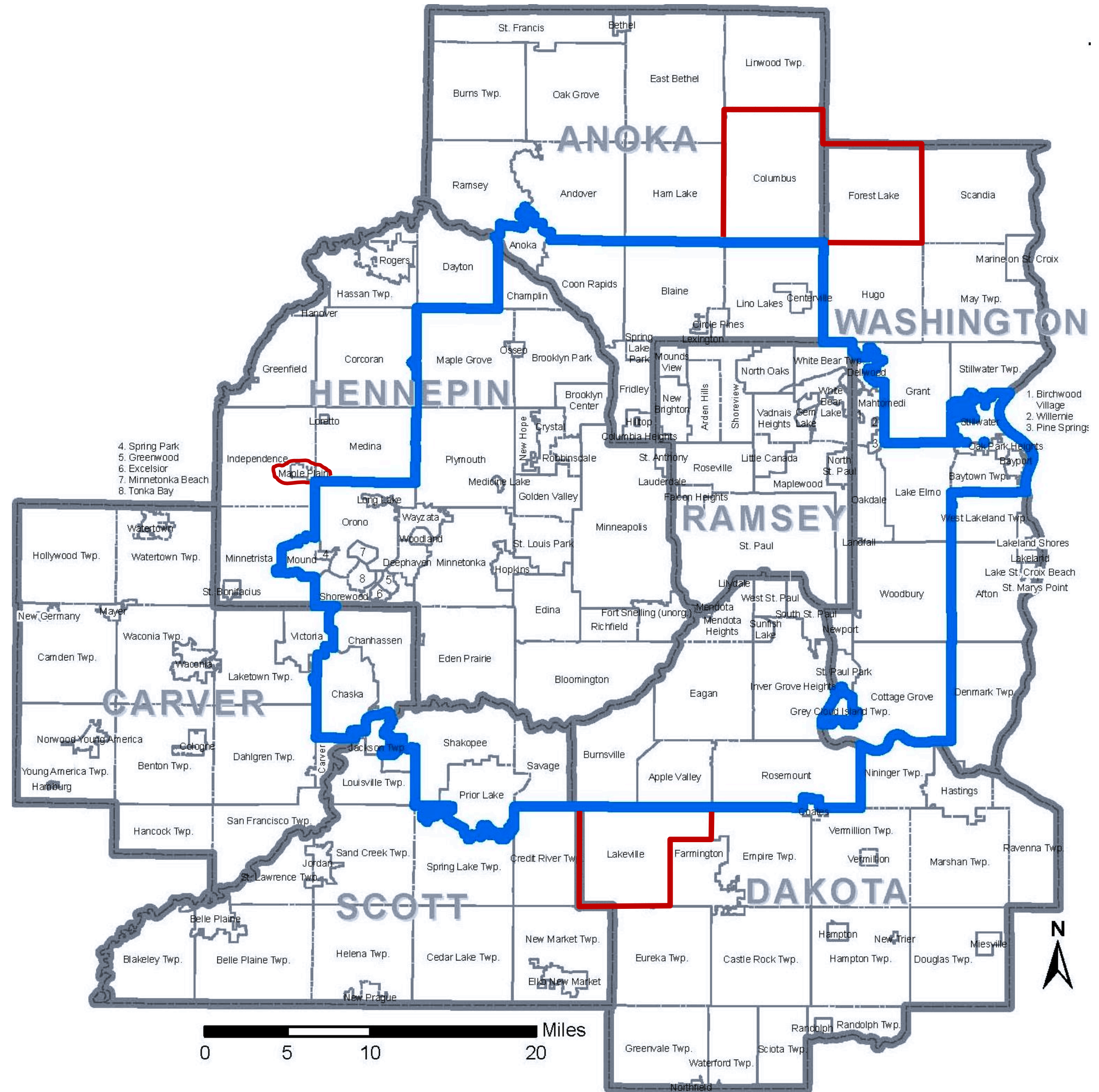


Proposed 2022 Property Tax Levies - \$90.5M

	Certified 2021	Proposed 2022	Pct Chg	Levy Limit
<u>Non-Debt Service Levies</u>				
General Purposes	\$ 16.139	\$ 16.580	2.731%	\$ 16.580
Highway Right of Way	-	-	0.0%	4.457
Livable Communities:				
- Demonstration Acct	12.668	13.014	2.731%	13.014
- Tax Base Revitalization	5.000	5.000	0.0%	5.000
Total Non-Debt Levies	\$ 33.807	\$ 34.594	2.327%	\$ 39.051
Levy as Pct of Limit		88.6%		
<u>Debt Service Levies</u>				
Parks	\$ 1.800	\$ 3.477	93.2%	
Transit	53.132	52.443	-1.3%	
Total Debt Levies	\$ 54.932	\$ 55.920	1.8%	
Total All Levies	\$ 88.739	\$ 90.514	2.0%	



Metro Area and Transit Debt Service Levy



Impact on the Taxpayer



\$250,000
Market Value

Transit Tax Communities

Inside

Outside

\$47.89

\$17.12

Impact on the Taxpayer

Counties 28.3%

Cities & Towns 31.8%

Schools 34.2%



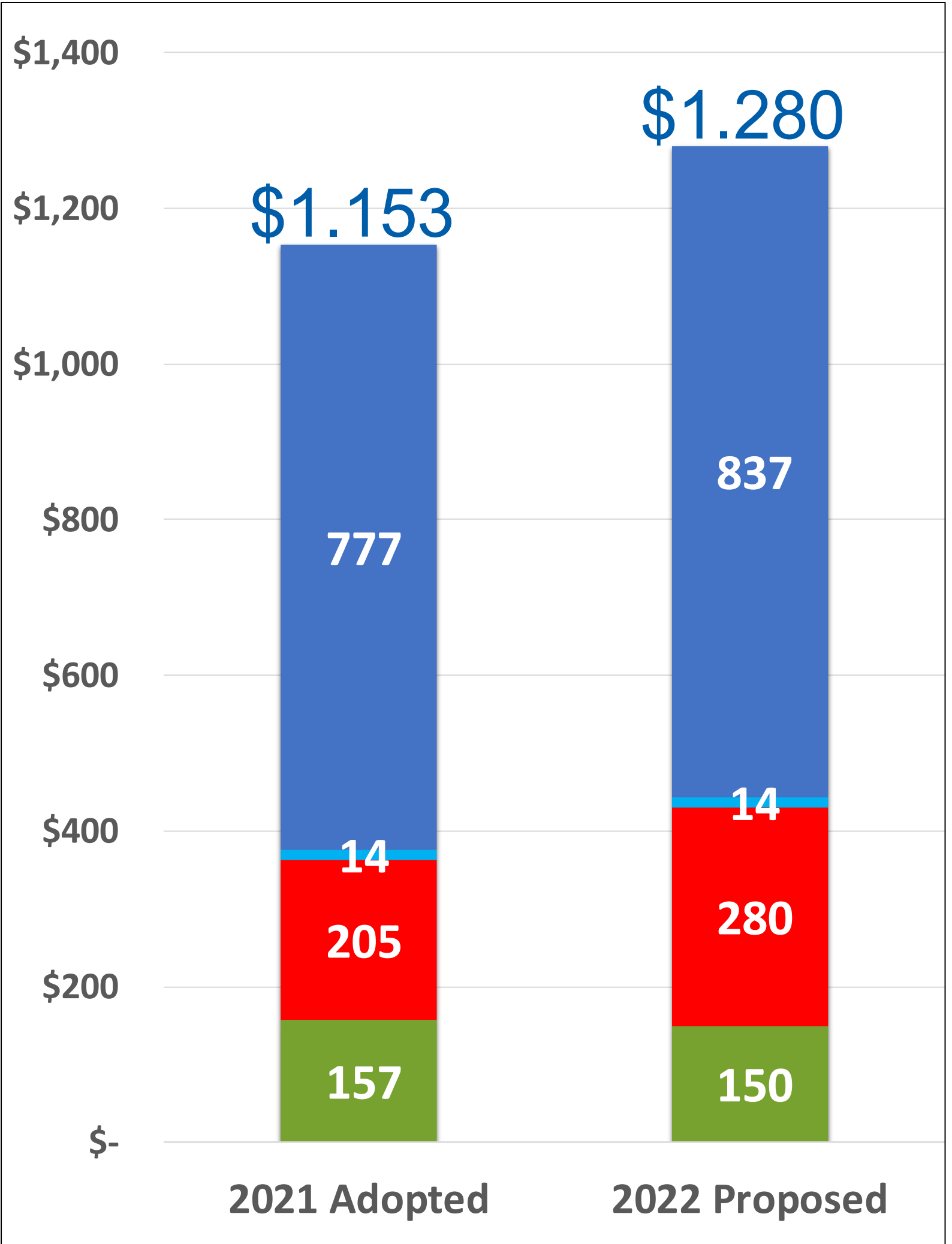
Other Special Districts 4.3%

Metropolitan Council 1.4%



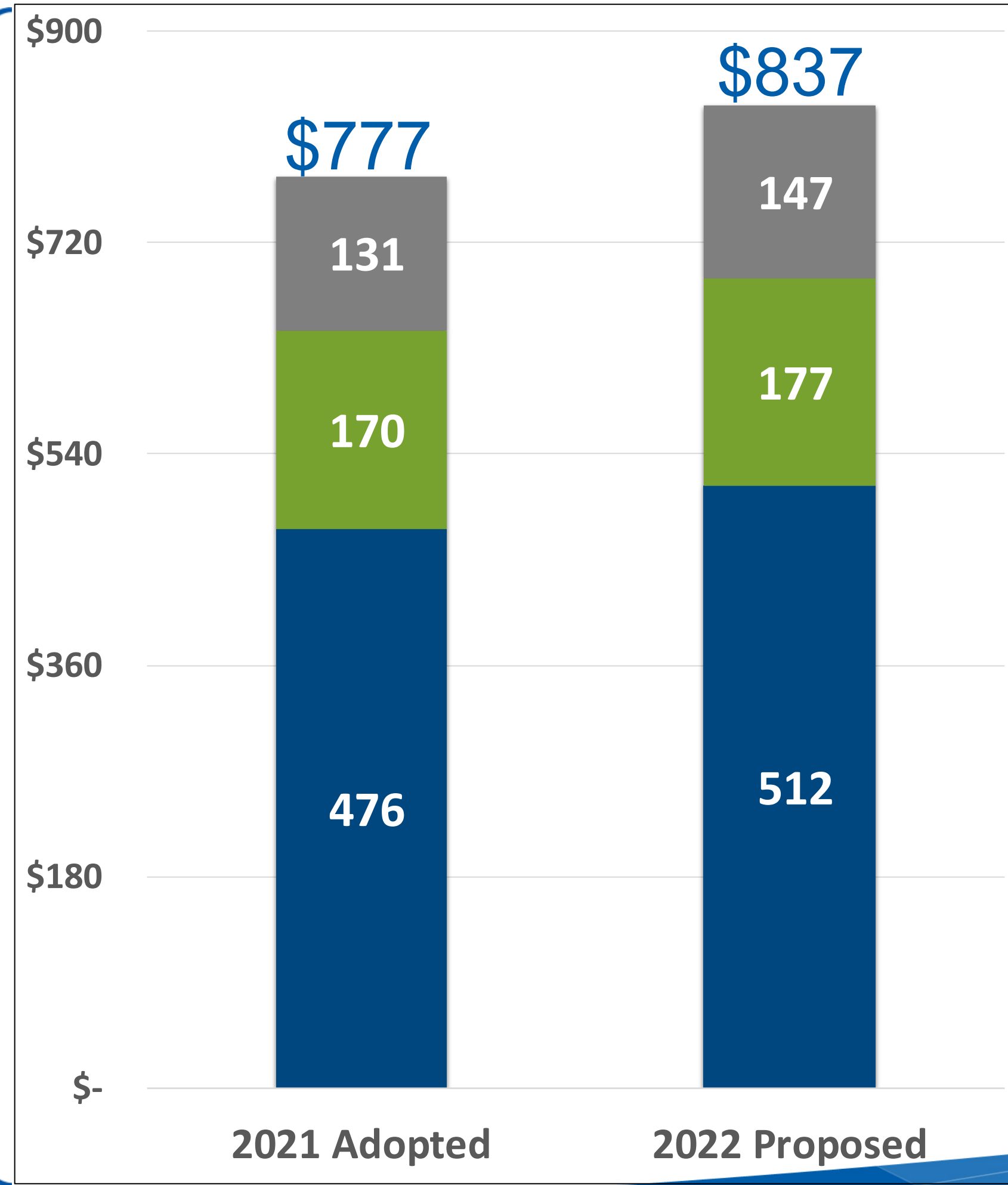
Proposed 2022 Operating Budget

Proposed Operating Budget - \$1.3 Billion



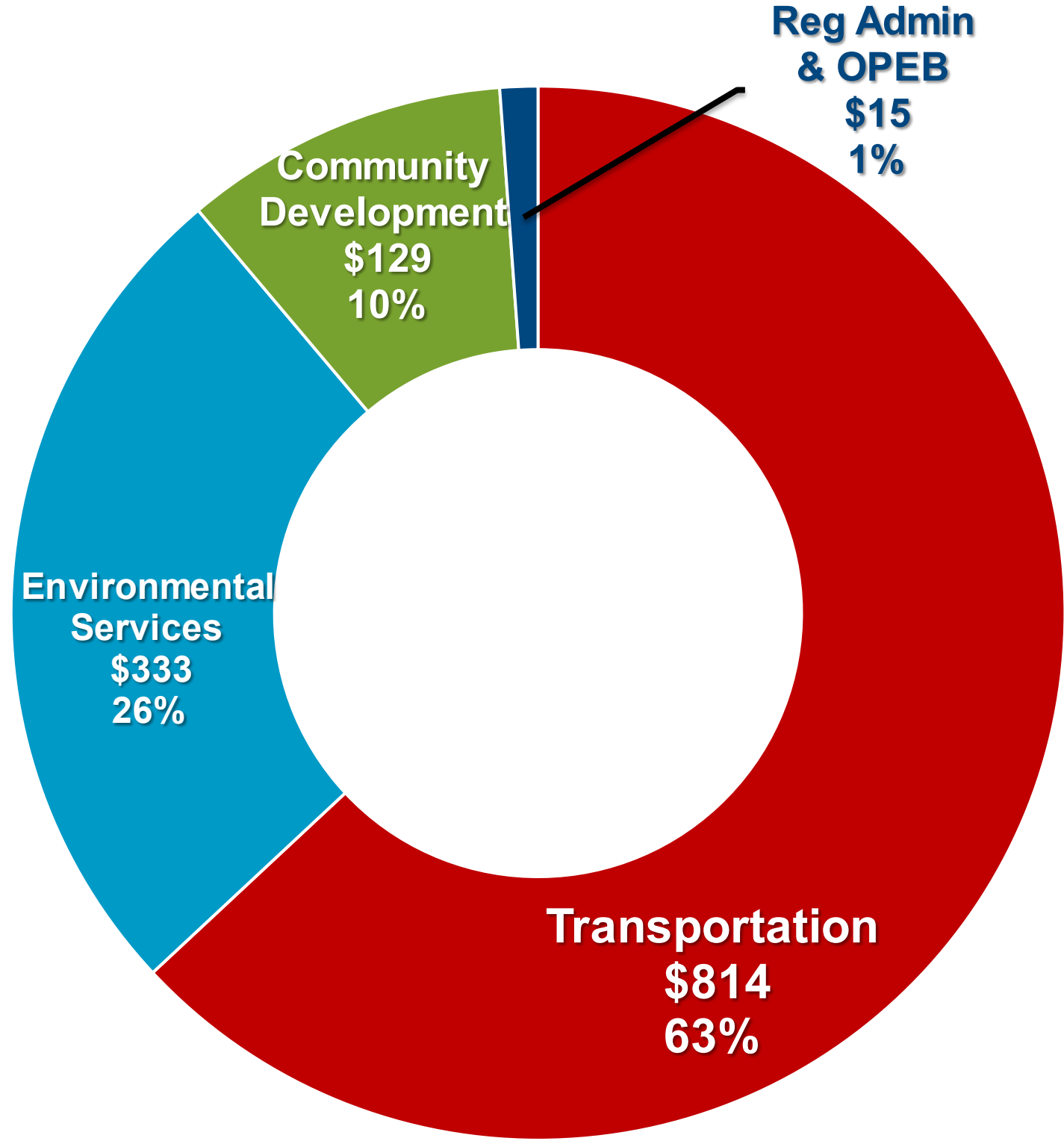
Operations →

OPEB
Debt Service
Pass through

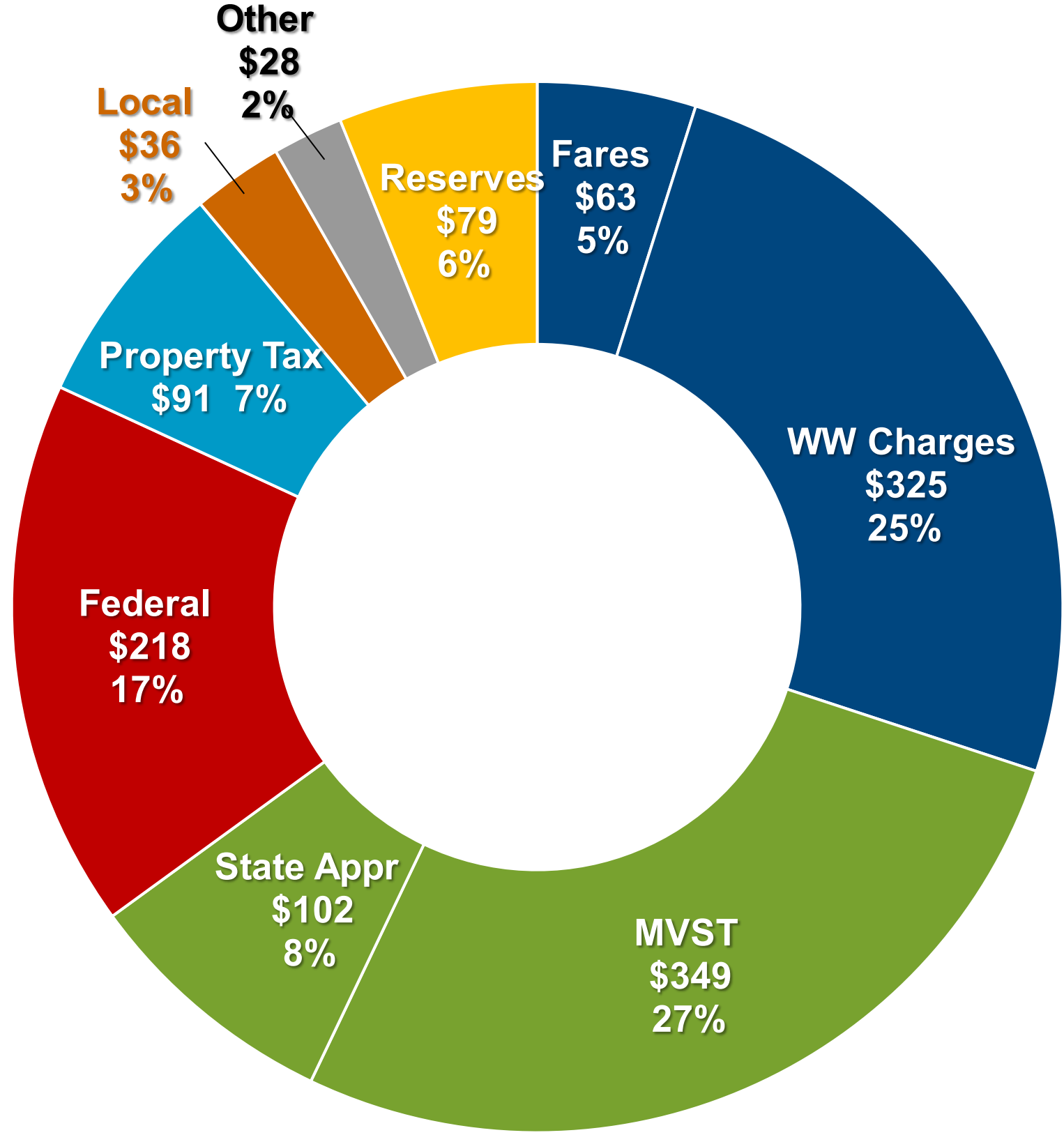


Proposed Budget - \$1.3 Billion

Uses by Division



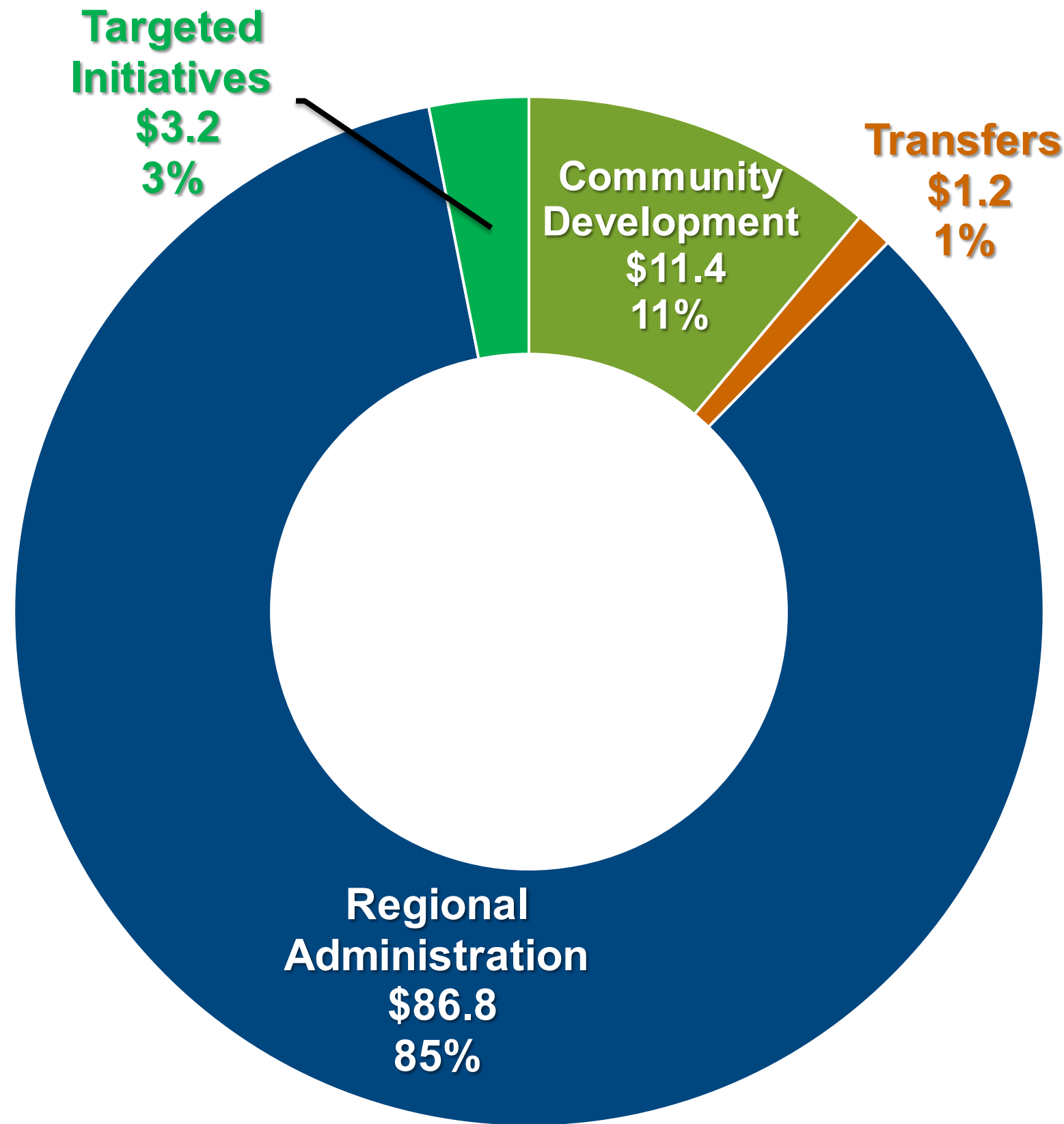
Sources of Funds



General Fund Operations

General Fund Operations - \$102.6M

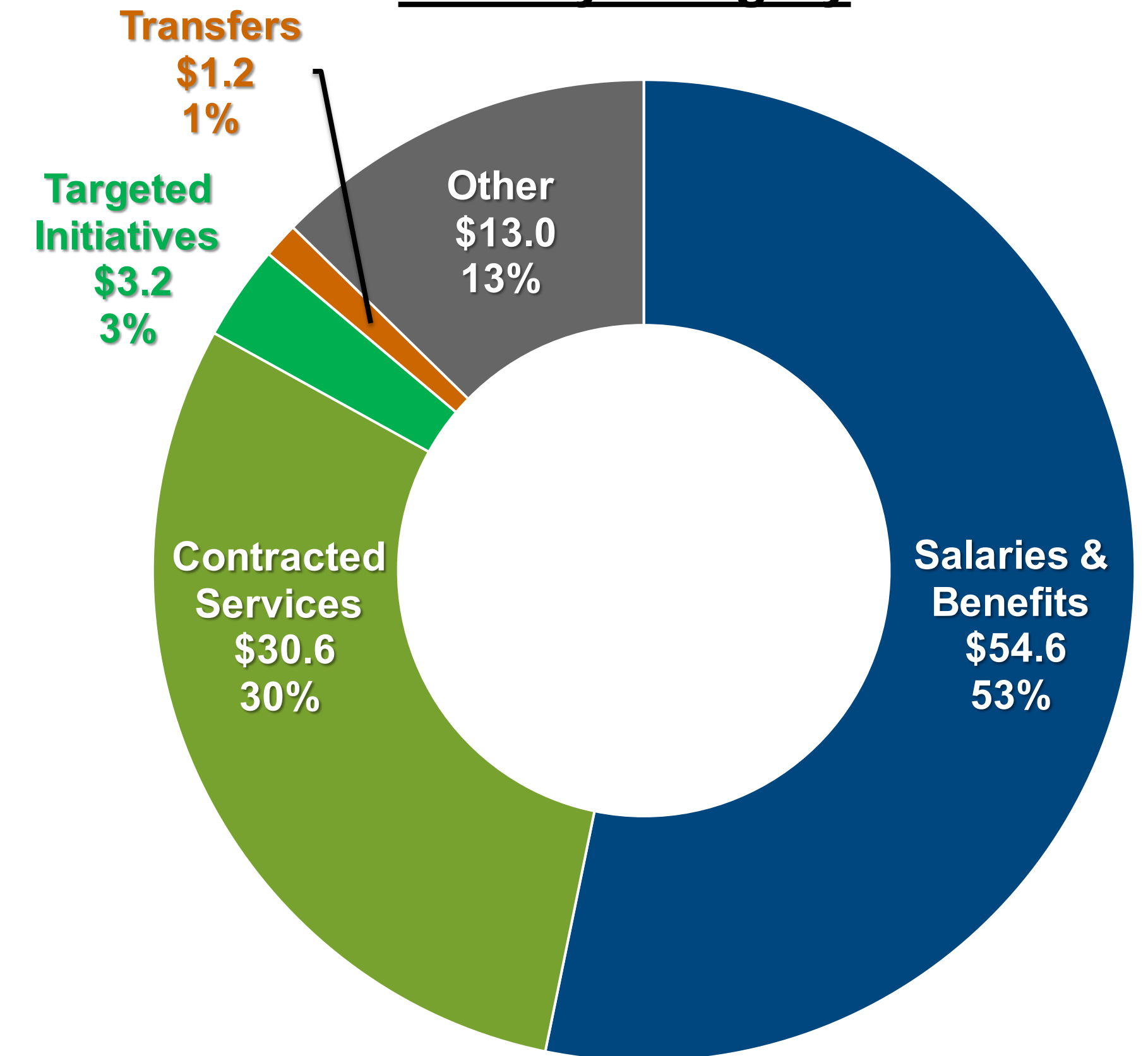
Uses by Department



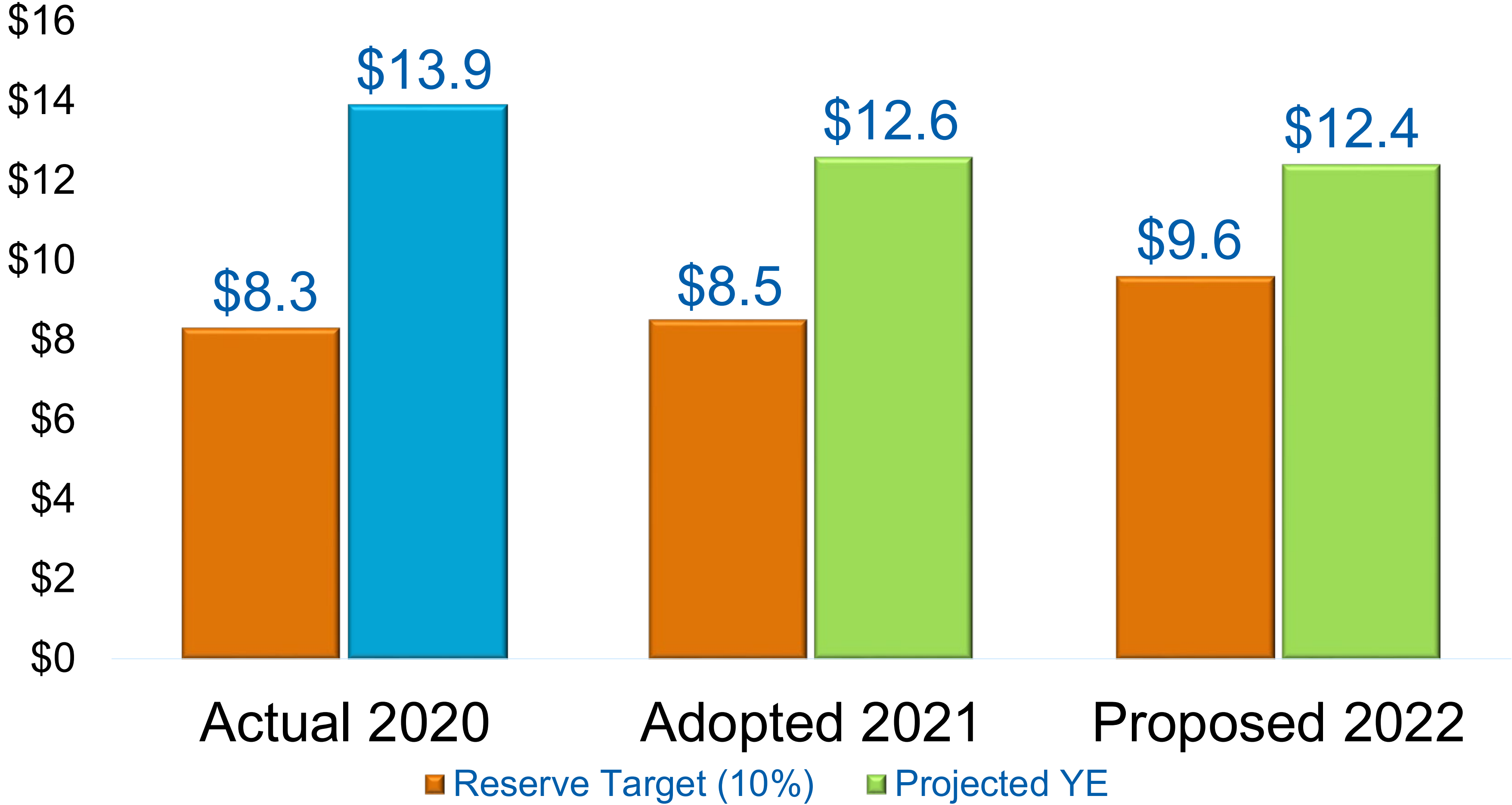
Sources

GP Levy	\$15.6
RA Allocations	86.2
Other	.8
Total	\$102.6

Uses by Category



General Fund Unassigned Operating Reserve

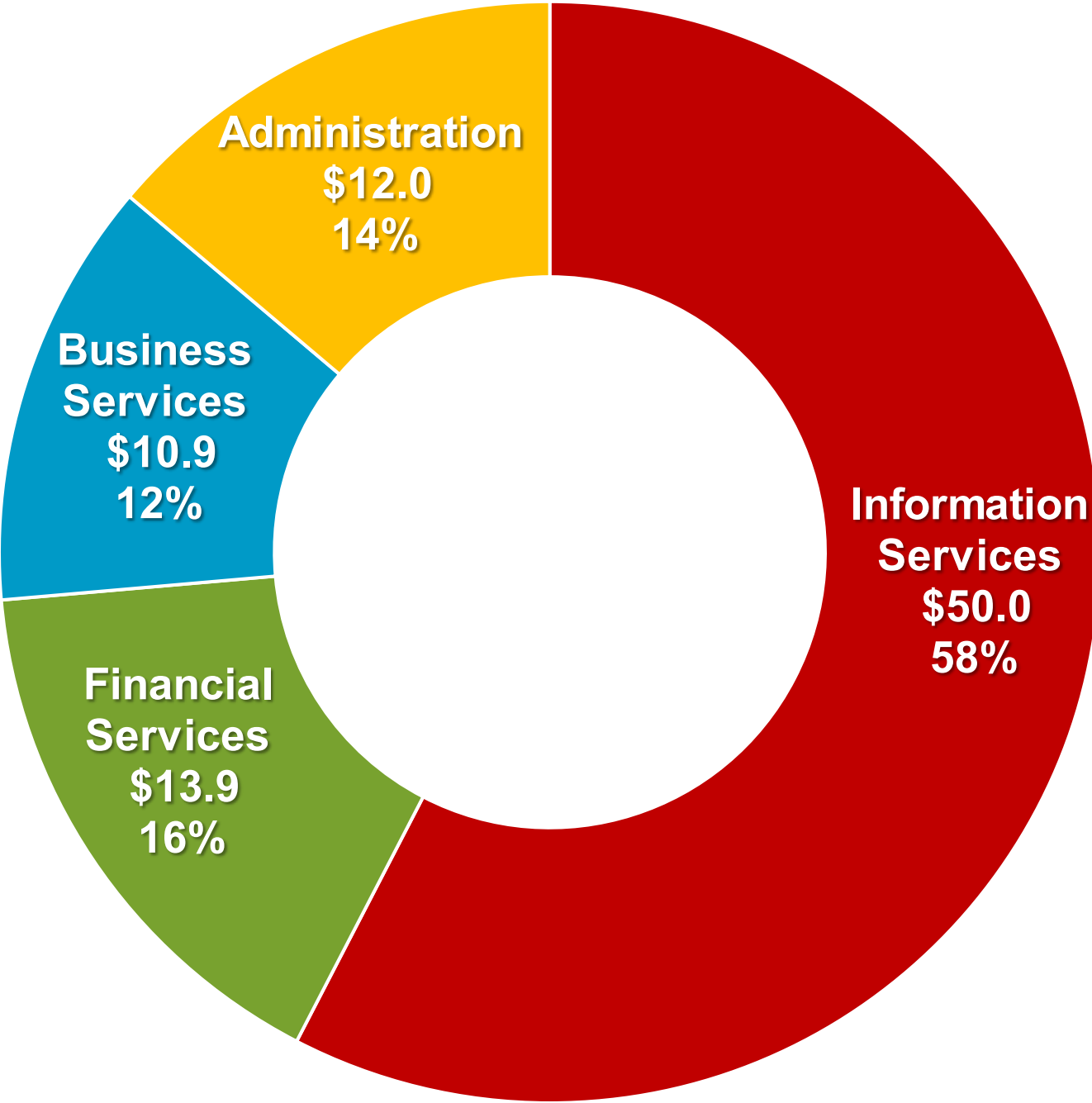


Regional Administration - \$86.8M

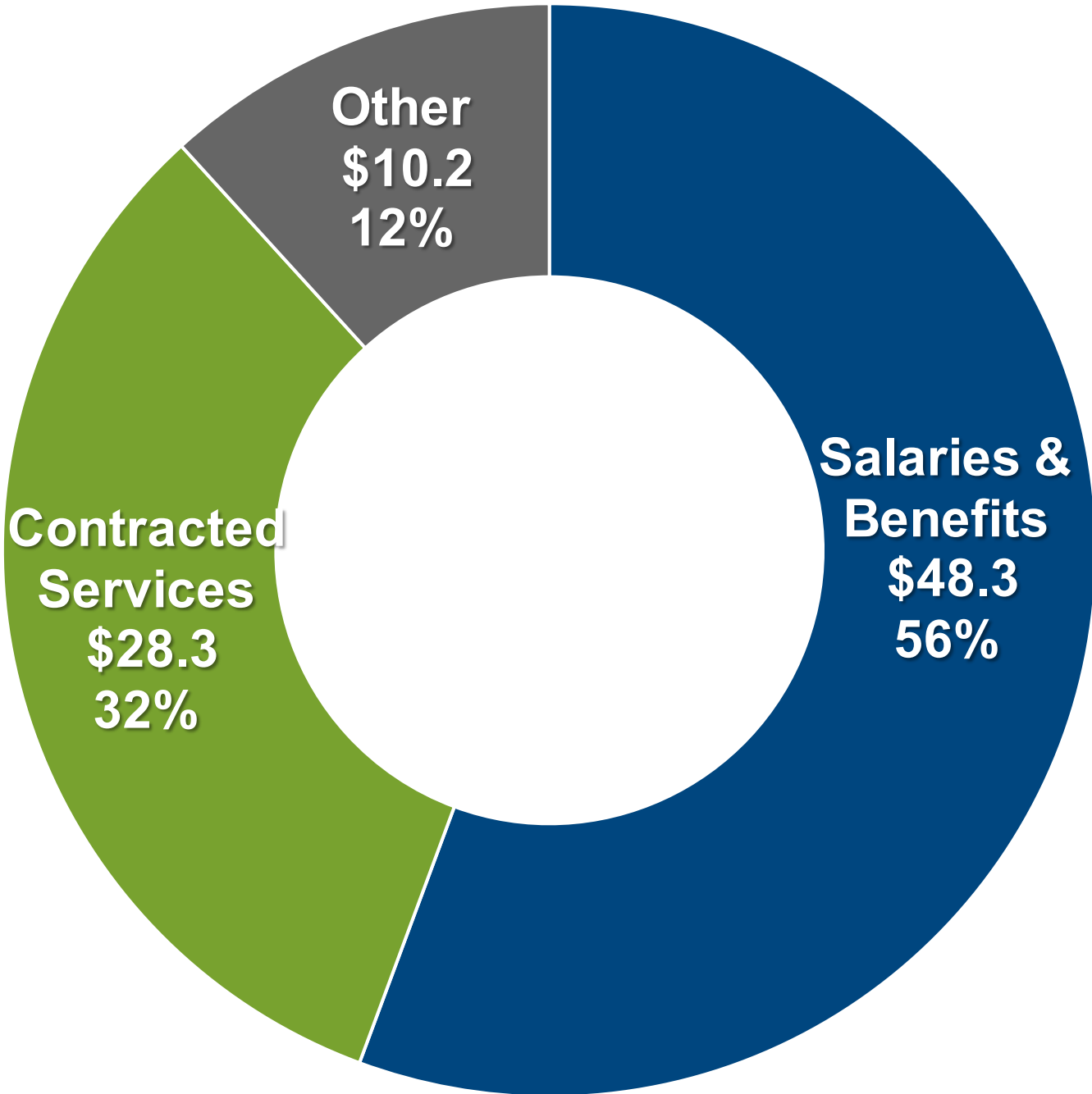
Sources

RA Allocations*	\$86.2
Other Revenue	.6
	\$86.8

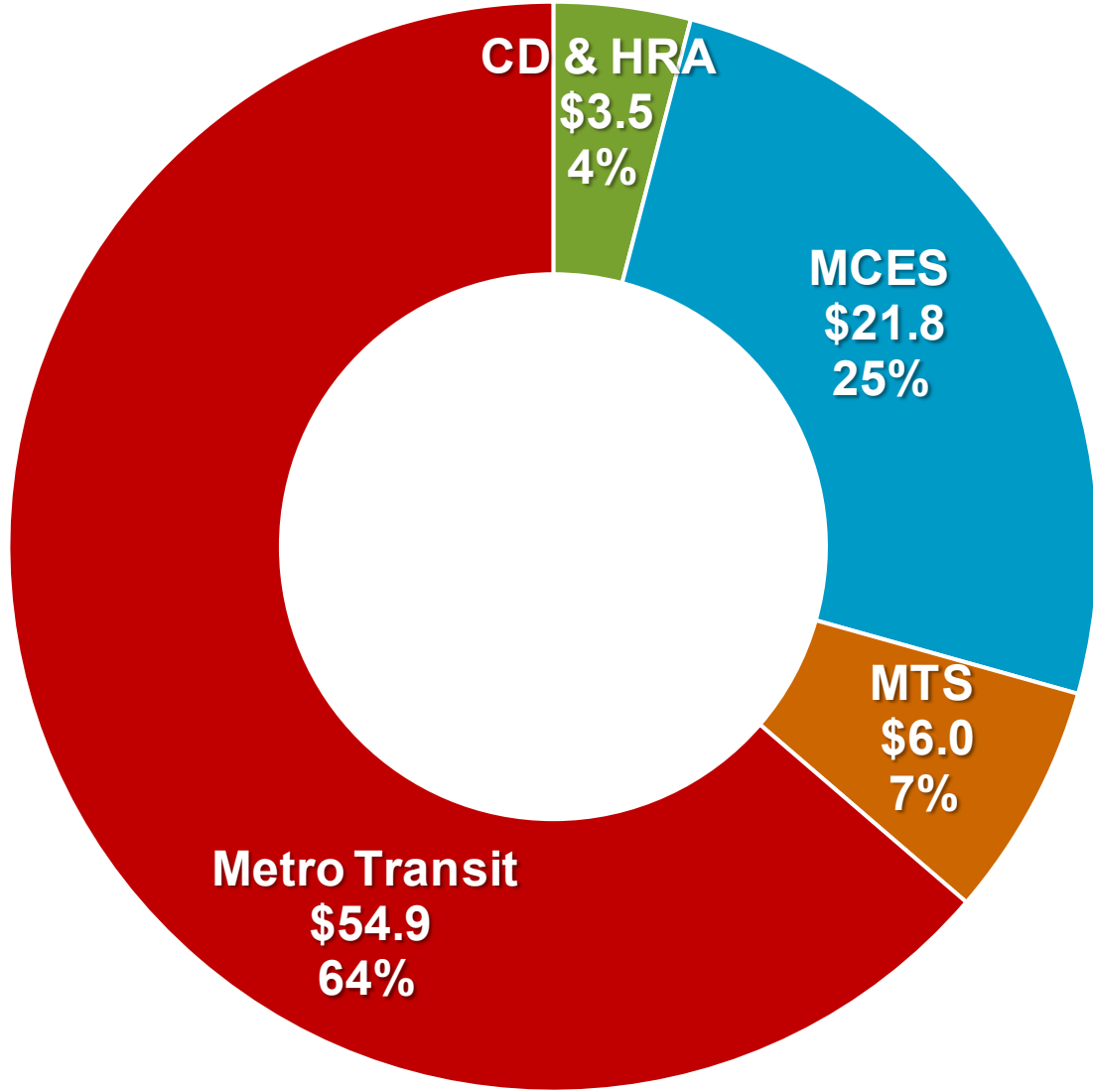
Uses by Department



Uses by Category



*RA Interdivisional Allocation - \$86.2



Community Development

Community Development Division



Provide coordinated planning and policy to guide the growth and development of the region.



Deliver state and federally funded rent assistance to create and provide affordable housing for low-income households.



Partner with regional park implementing agencies to plan for and fund the Regional Parks System.



Provide Livable Communities Act grants to help clean up polluted sites, expand housing choices, and build developments that connect housing, jobs, and services.



Provide technical assistance to local governments to implement region policy in their local plans.



Identify, analyze, and report on issues of regional importance.



Facilitate community collaboration.

Equity in Action

HRA Passthrough

Policy & Admin Plans

Community Choice Program

Mainstream Voucher

Project Based Vouchers

Grant Programs

Housing & Parks Policy Plans

Investment Strategies

Scoring Criteria

Outreach & Engagement

Annual Workplan

Strategic Initiatives

Investment in Place Strategies

Equity Change Team

Outreach & Engagement

Contracts & Consulting

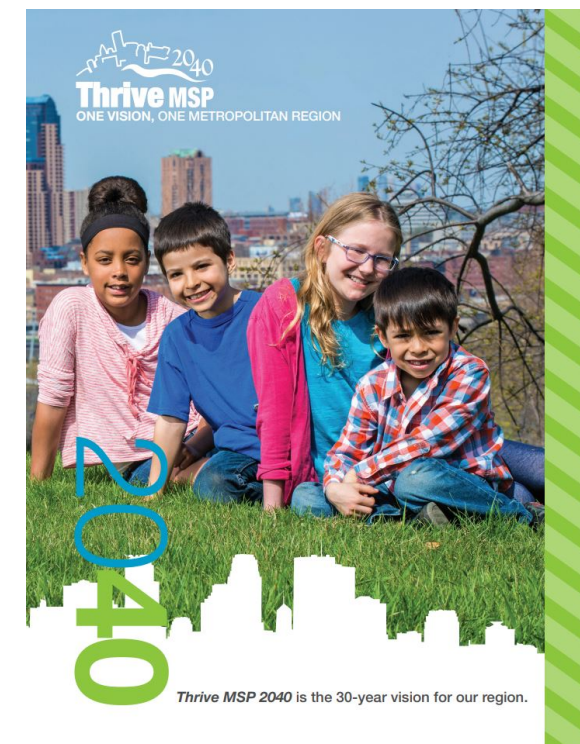
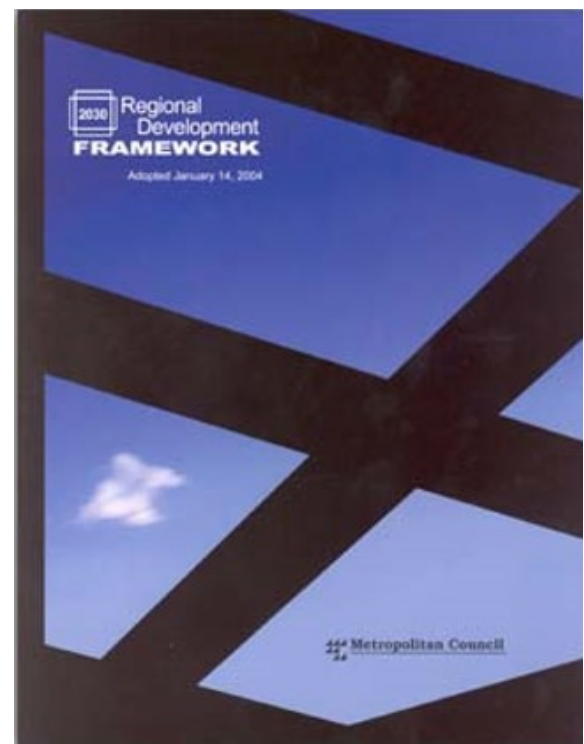
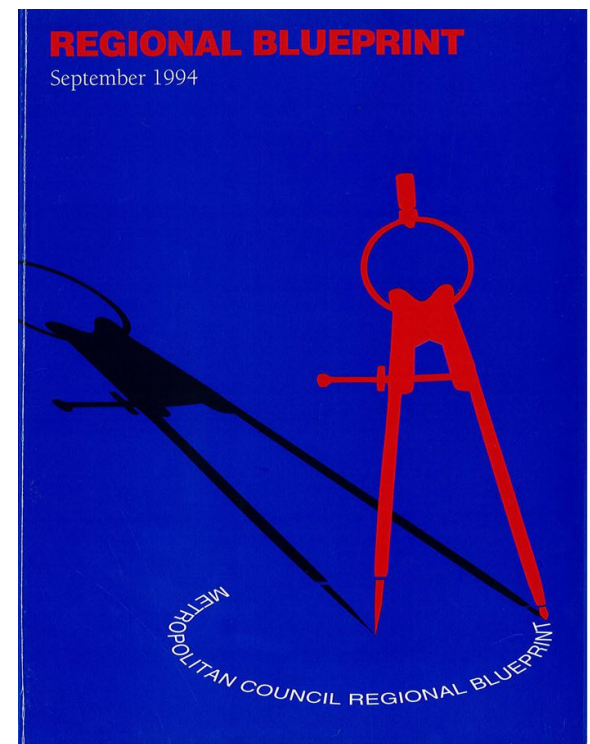
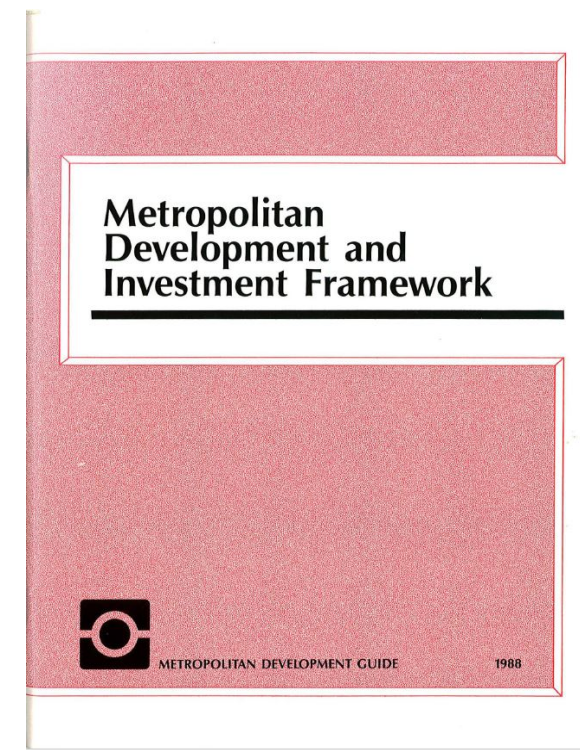
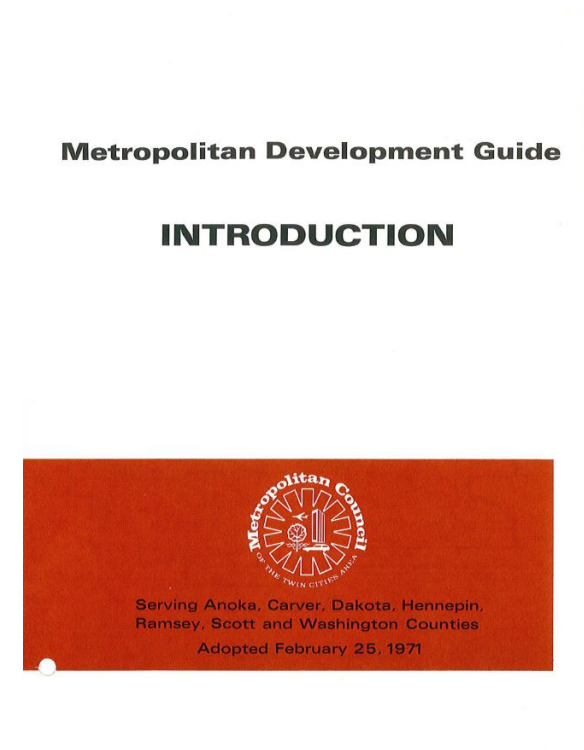
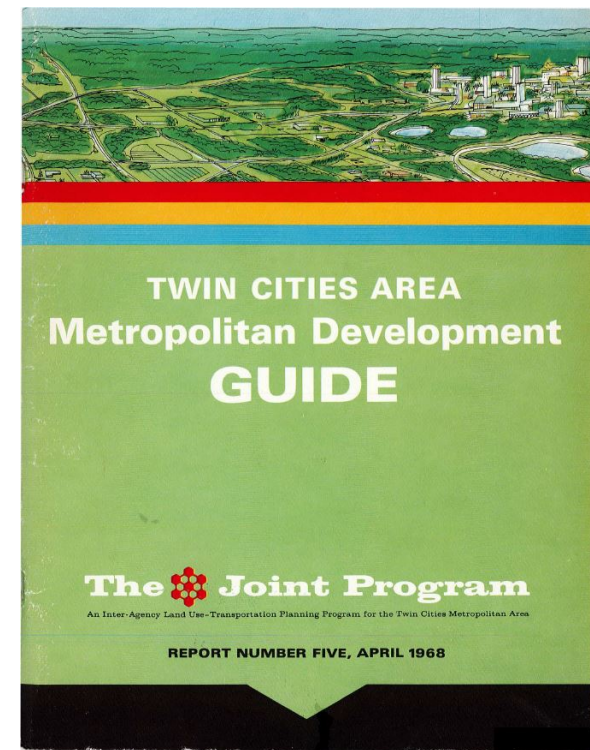
Strategic Initiatives

MCUB

Council Actions

Planning and Studies

- 2050 Development Guide



- Studies and Research

- Regional Parks System Historical Cultural Study
- Land use model
- Community Profiles redesign
- Launch economic values atlas
- Residential preferences of housing voucher holders
- Development trends, population estimates
- Regional Parks System Communications and Marketing Study
- Joint Parks Streetlight research



Metro HRA American Recovery Act Funds

Emergency Housing Vouchers

- Awarded 218 Emergency Housing Vouchers
 - Provide rent assistance to persons experiencing homelessness, at risk of homelessness, recently homeless or fleeing domestic violence
 - Required partnerships with Hennepin, Ramsey and Suburban Metro Area Continuums of Care.
 - Referrals required through Coordinated Entry Systems
-
- \$0.3 million in administrative fees
 - Salaries and benefits of Metro HRA staff
 - \$2.3 million in subsidy payments funding
 - Housing assistance payments to private landlords on behalf of low-income families



Mobility Program History and Background

- Families may face barriers in placing their voucher in a neighborhood of their choice
 - Financial barriers
 - Landlord unwillingness to rent to a voucher holder
 - Limited awareness or exposure to neighborhoods and amenities
- Agencies across the country have implemented housing mobility programs to help reduce barriers of families with vouchers to live in neighborhoods of their choice including areas with:
 - High performing schools
 - Access to jobs
 - Low crime
 - Parks and other amenities



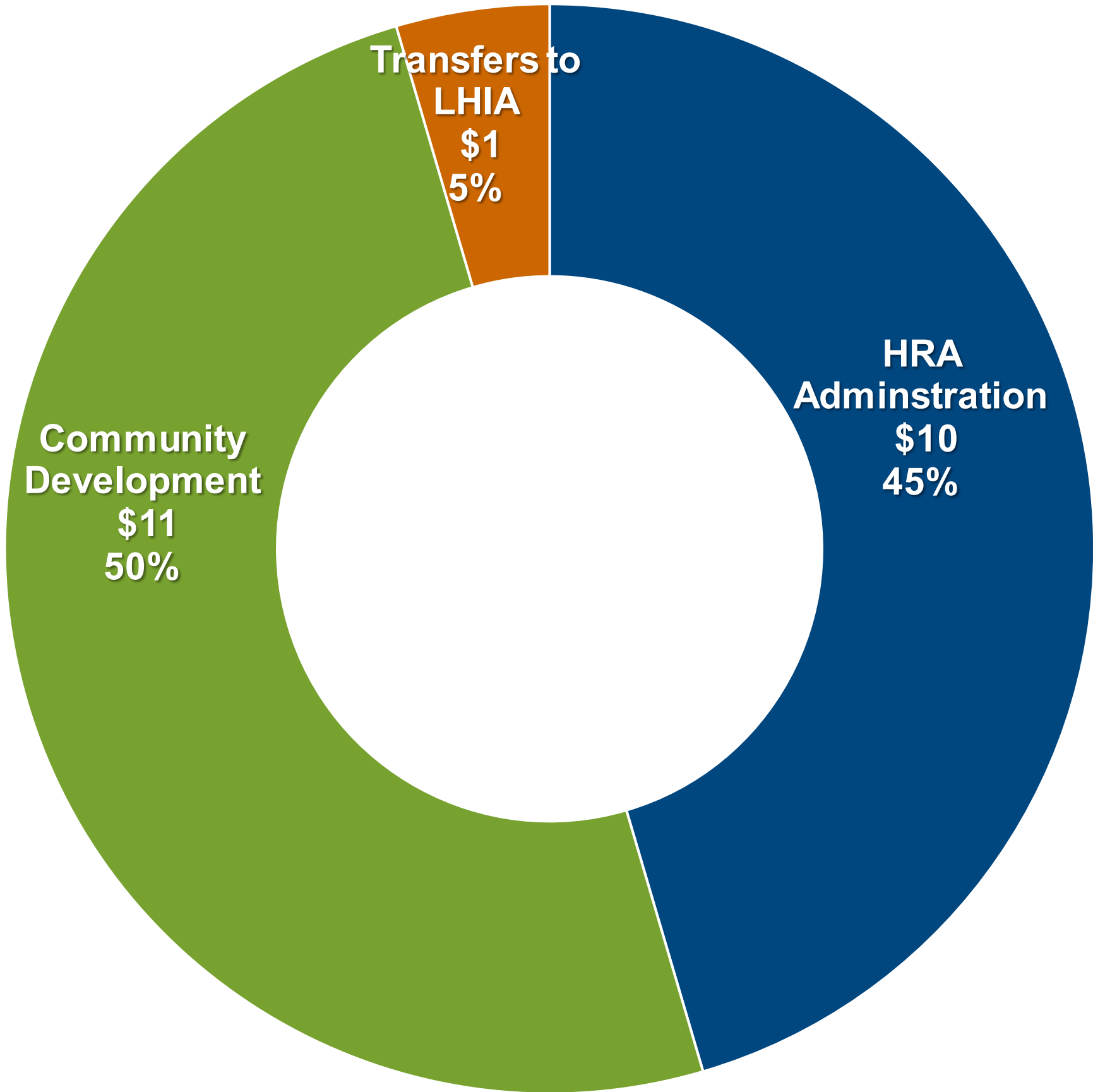
Mobility Demonstration Award

- The U.S. Department of Housing and Urban Development offered \$50 million for the Housing Choice Voucher Mobility Demonstration Program
 - Metro HRA and the Minneapolis Public Housing Authority (MPHA) submitted a joint application
- Award
 - 6-year term; first year is planning year
 - 74 Vouchers
 - \$5.2 Million
- Roles
 - Metro HRA will serve as program administrator
 - MPHA will serve as fiscal agent

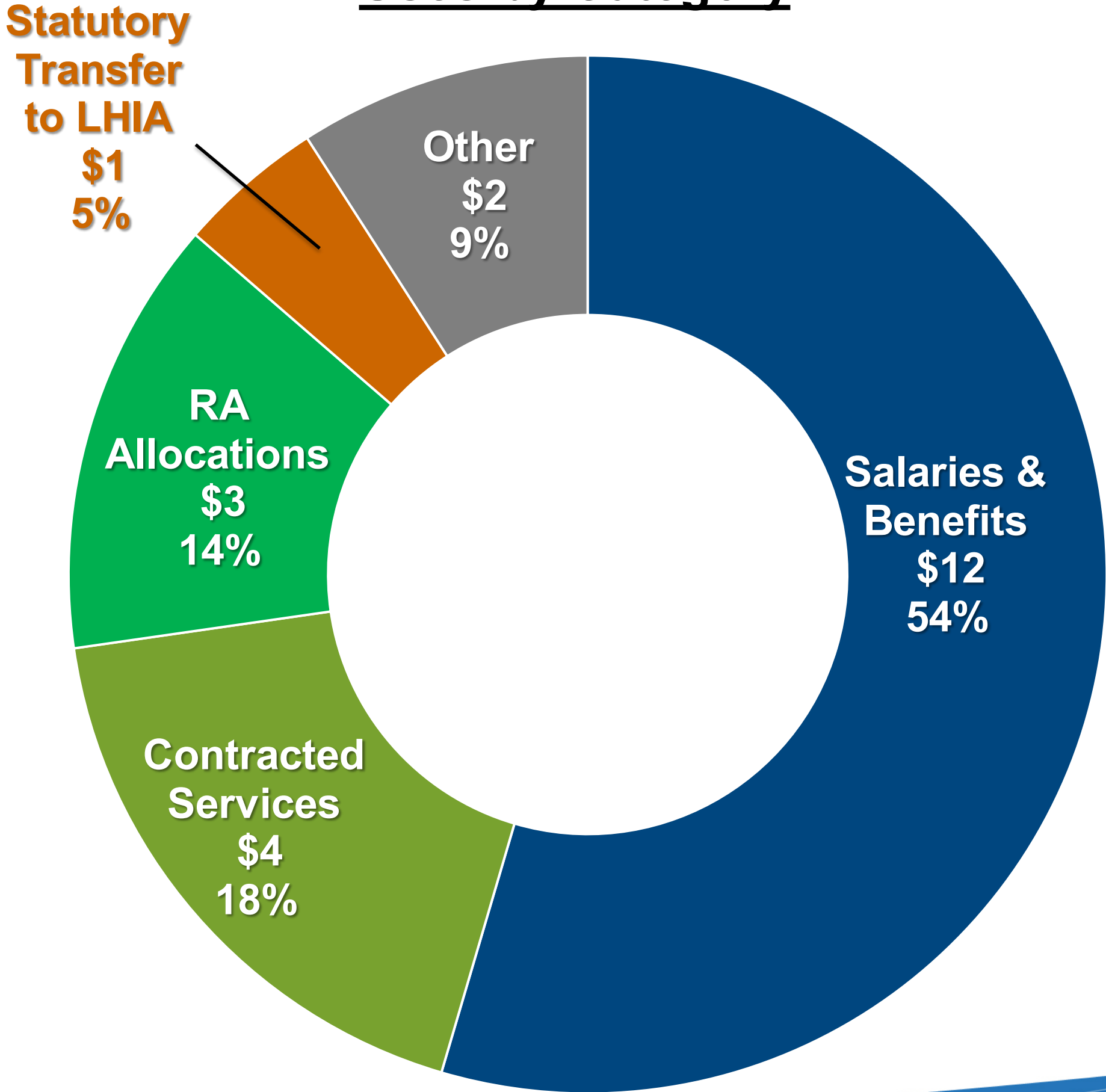


Community Development Operations - \$22M

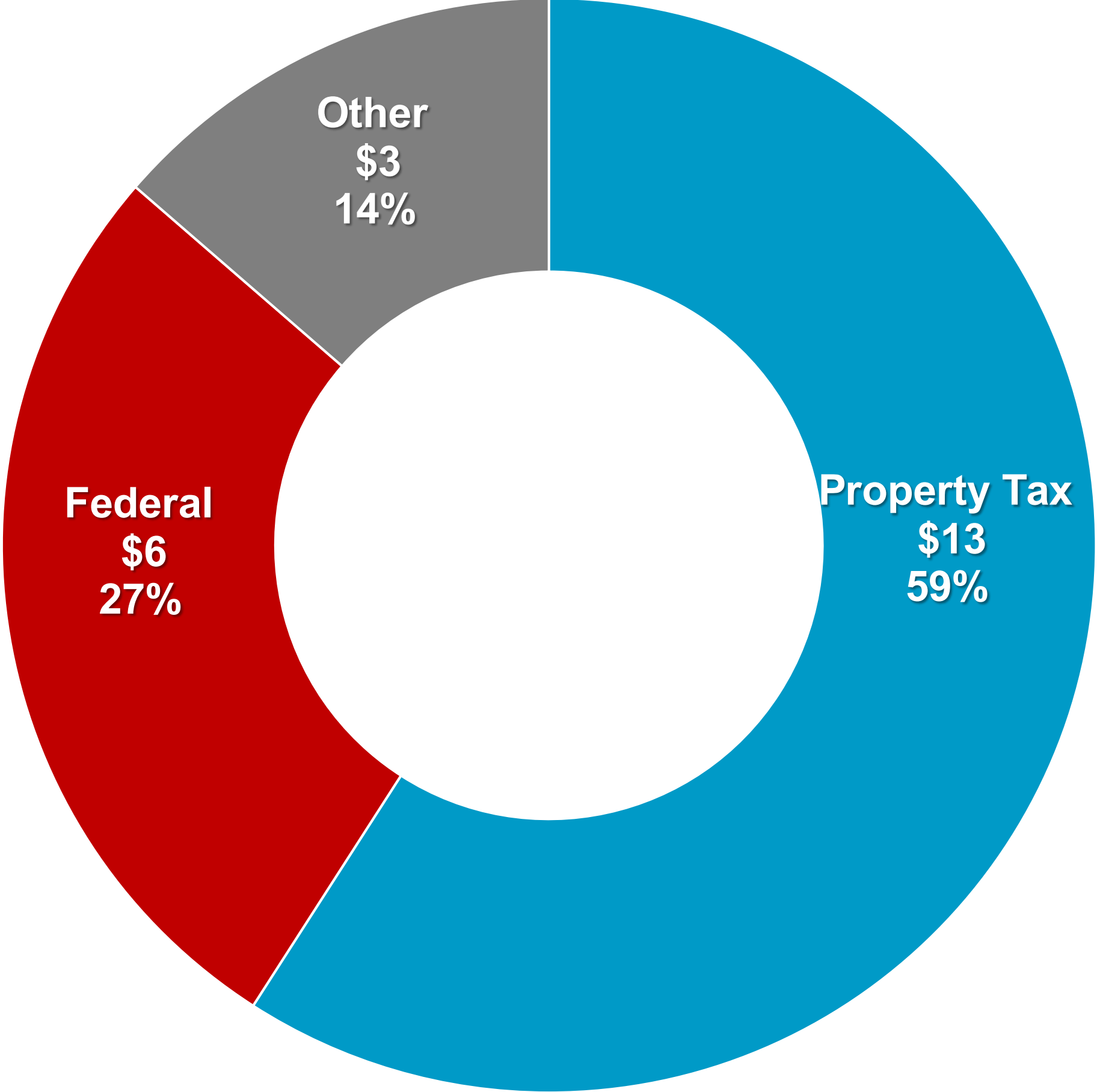
Uses by Department



Uses by Category

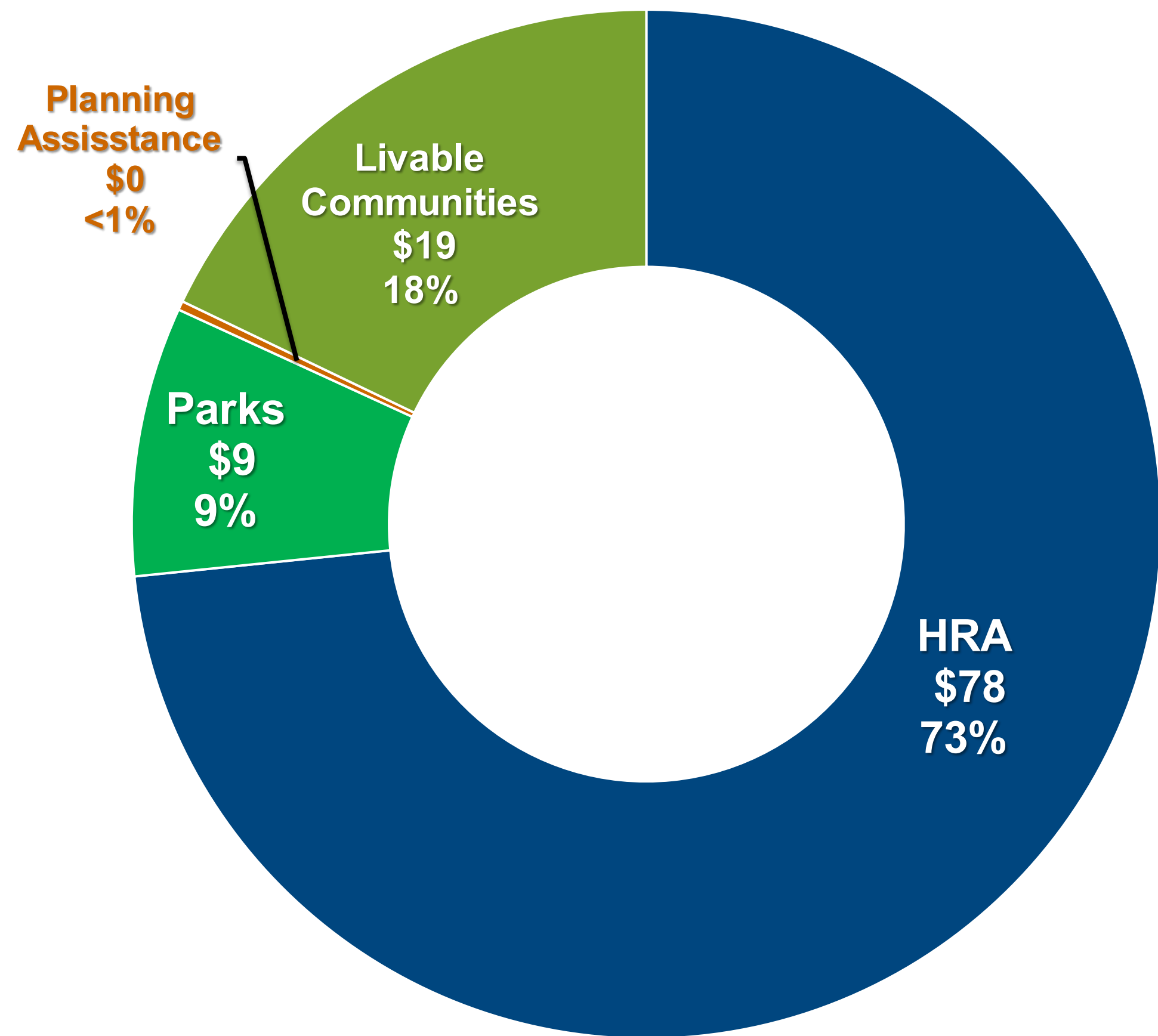


Community Development Sources - \$22M

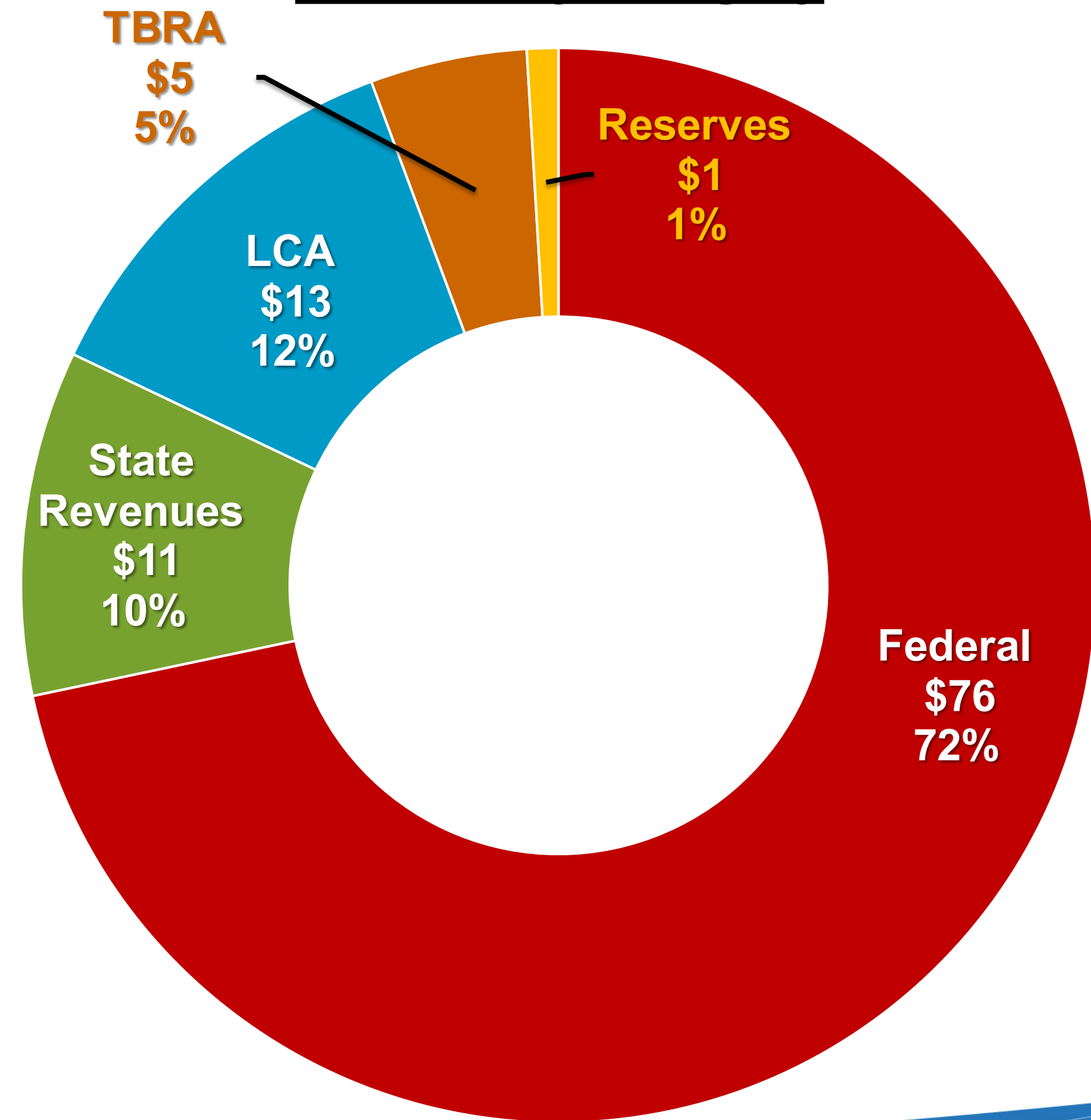


Community Development Passthrough - \$106M

Uses by Department



Sources by Category



Environmental Services



METROPOLITAN
COUNCIL



Our **Vision**: Be a Valued Leader and Partner in Water Sustainability

Our **Mission** is to provide wastewater services and integrated planning to ensure sustainable water quality and water supply for the region.

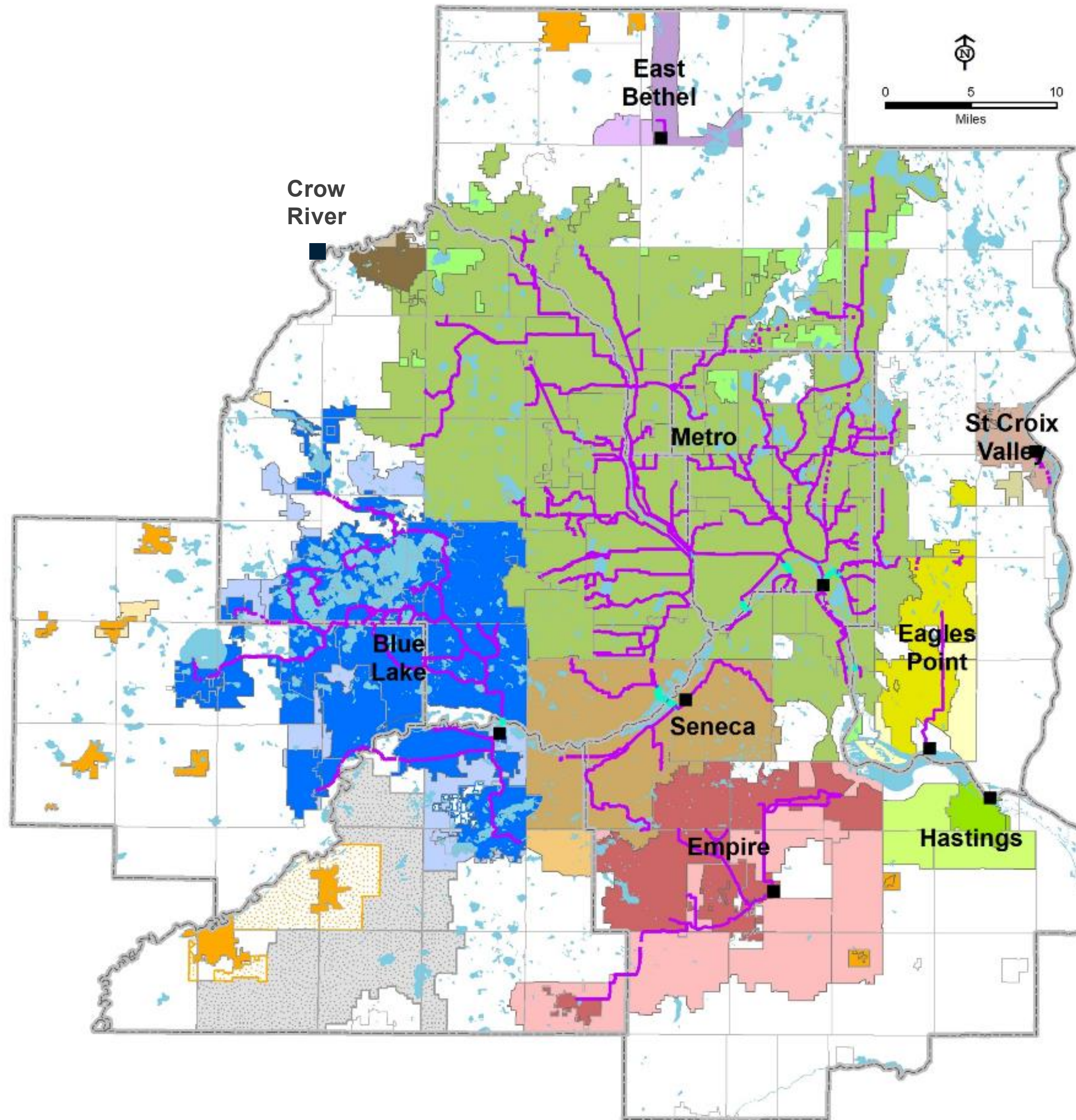


Service Area and Facilities

Service Areas

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

Interceptors



We serve ~50% of Minnesota's population

WHO WE SERVE

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

OUR FACILITIES

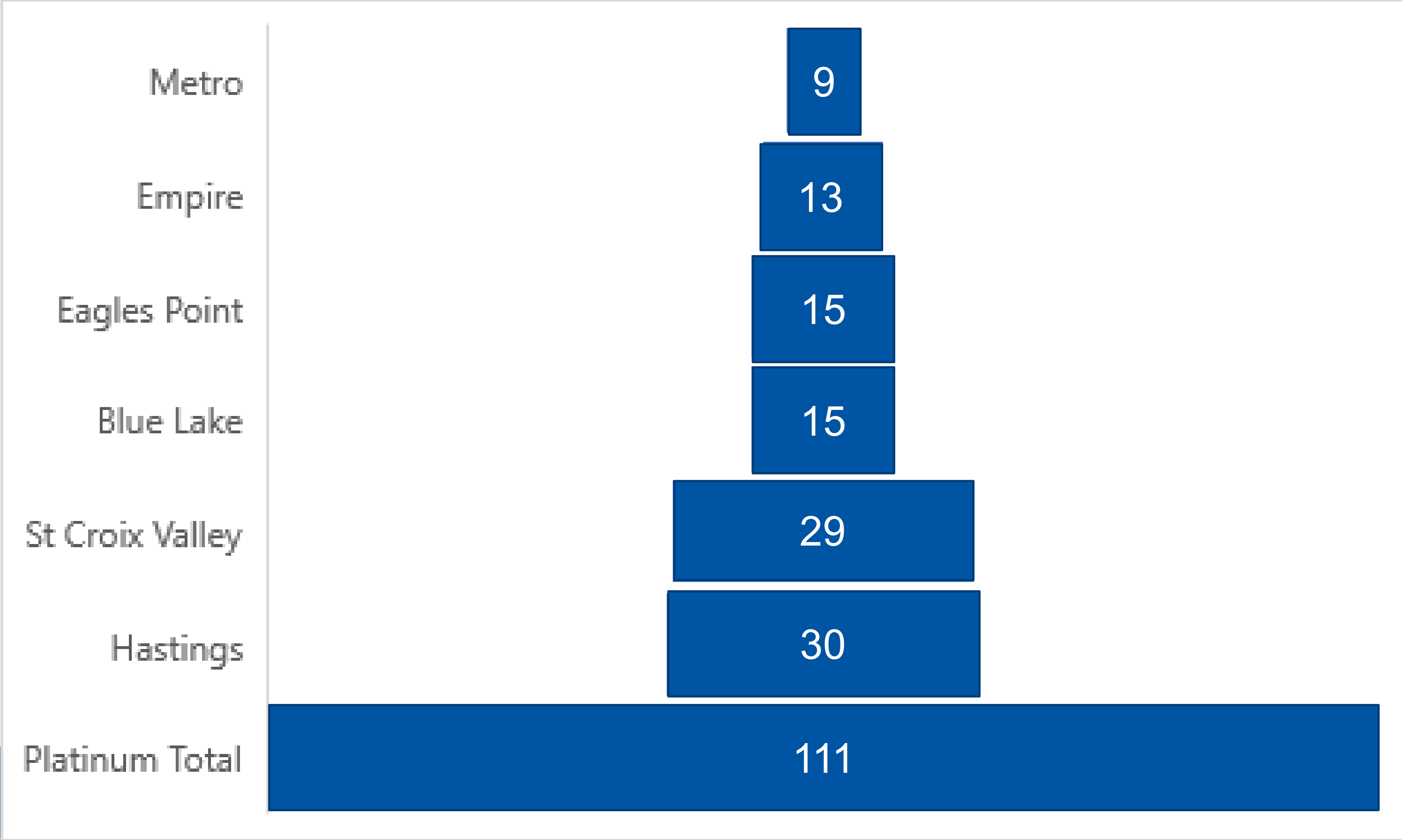
- 9 wastewater treatment plants
- 610 miles of interceptors
- 61 pump stations
- 250 million gallons per day (avg)

OUR ORGANIZATION

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

Exceptional Regulatory Performance through 2020

Years of National Association of Clean Water Agencies (NACWA) Platinum Compliance



Met Council is a Partner and a Resource

to convene, facilitate and provide technical and financial support



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to convene, facilitate and provide technical and financial support



Meeting the needs of the region in 2022 and beyond

METROPOLITAN AREA WATER SUPPLY PLANNING ACTIVITIES; ADVISORY COMMITTEES



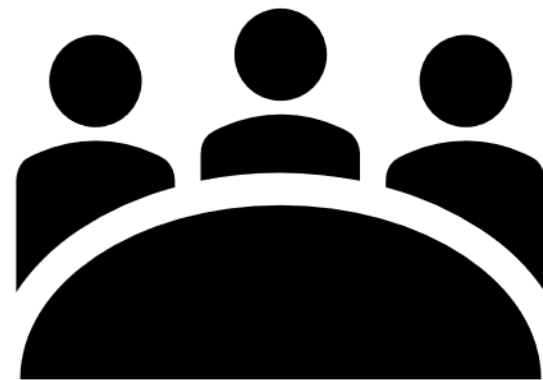
**Technical
Information**



Planning



Recommendations

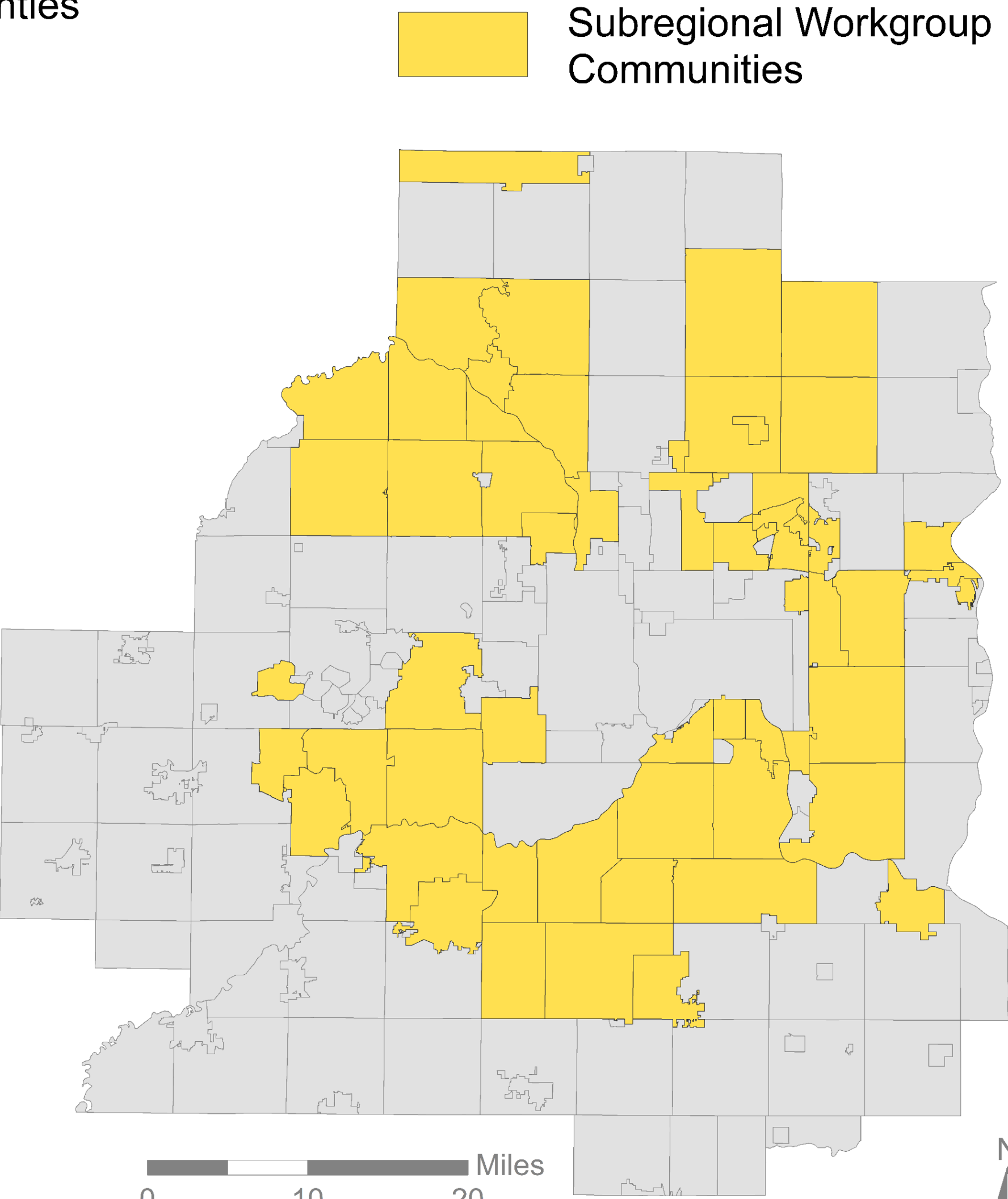
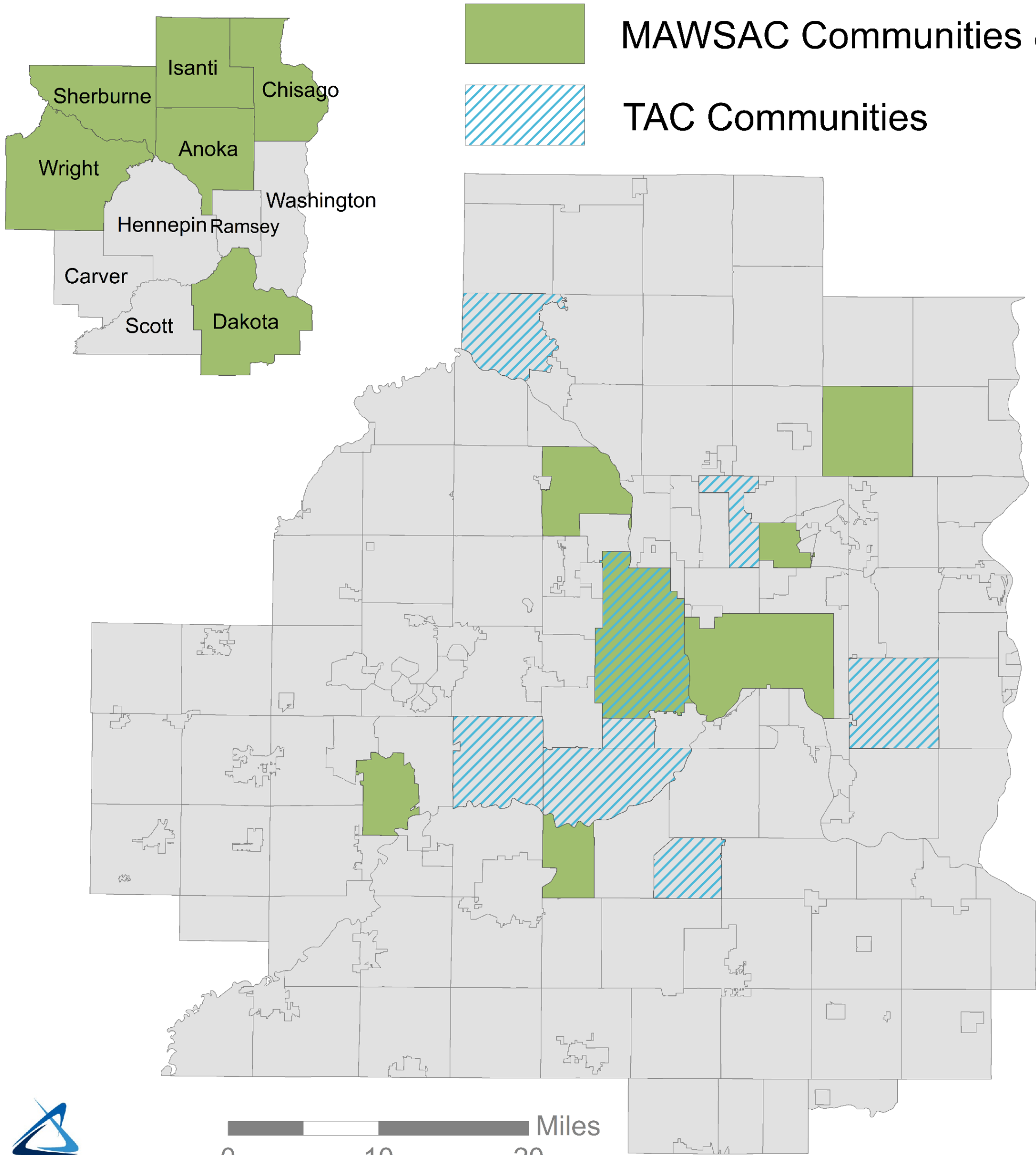


**Advisory
Committees**

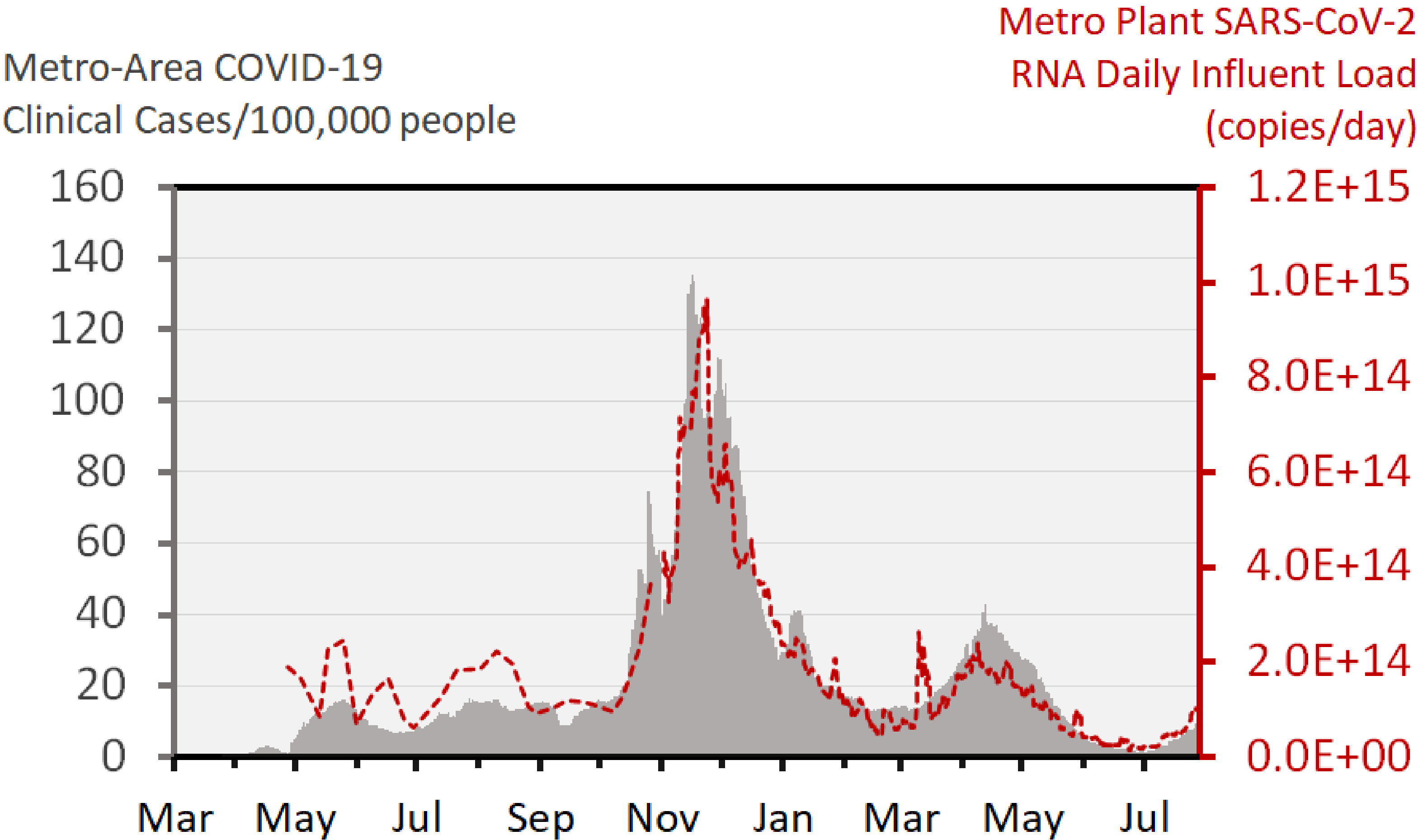


**Financial
Assistance**

We collaborate across the region



COVID-19 and Wastewater Based Epidemiology



- RNA load is based on the average of N1 and N2 gene concentrations
- RNA load trend lines and clinical case data are 7-day moving averages
- Data through the end of October is from Biobot
- Data since November is from MCES/R&D

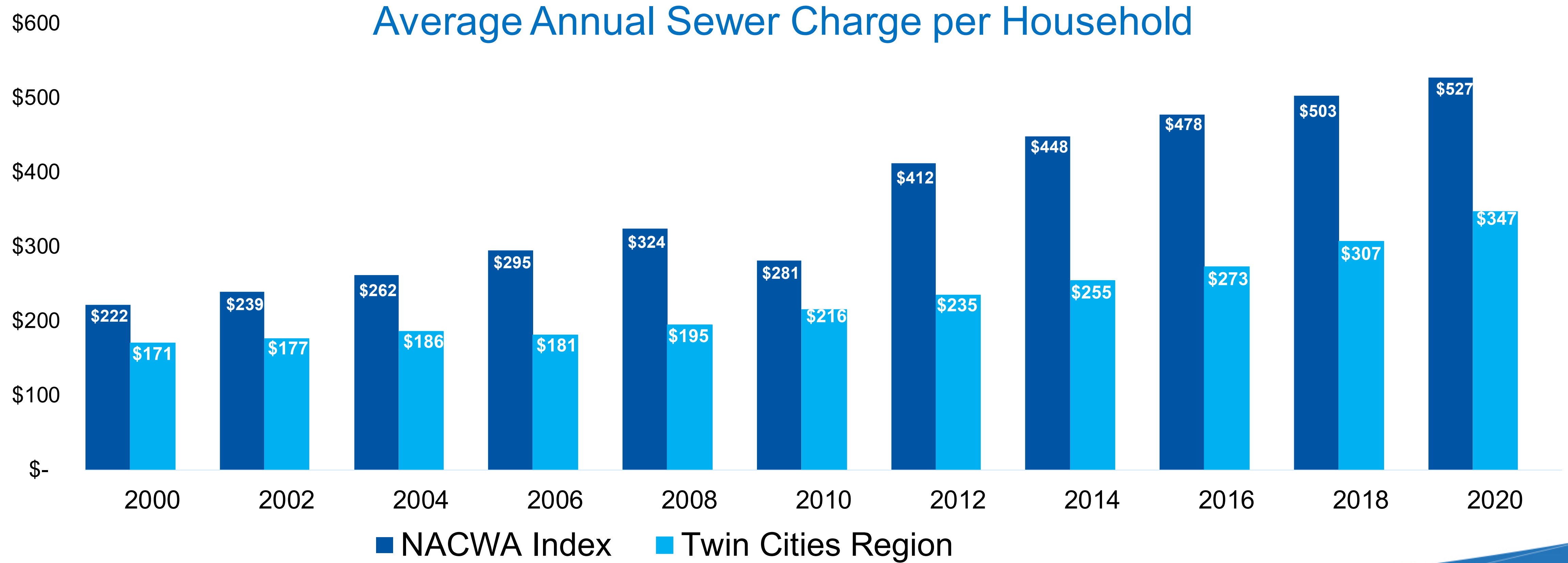


Operating Budget Highlights

- **Municipal Wastewater Charge: +4.0%**
 - 2022 = \$250M (\$9.6M higher than 2021)
 - \$5.67 annual increase per REC (residential equivalent connection)
- **Sewer Availability Charge: No Change**
 - \$2,485 per SAC (flat since 2014)
 - Total FY22 transfer = \$59.6M (includes \$9.5M for PAYGO*)
- **Industrial Waste Strength Charge: +5.4%**
- **Industrial Waste Permit Fees: +4.0%**

*PAYGO = Pay As You Go (Using operating funds for capital projects)

Annual Retail Sewer Charge per Household



Source: NACWA 2020 Cost of Clean Water Index, and 2020 MCES Rate Survey

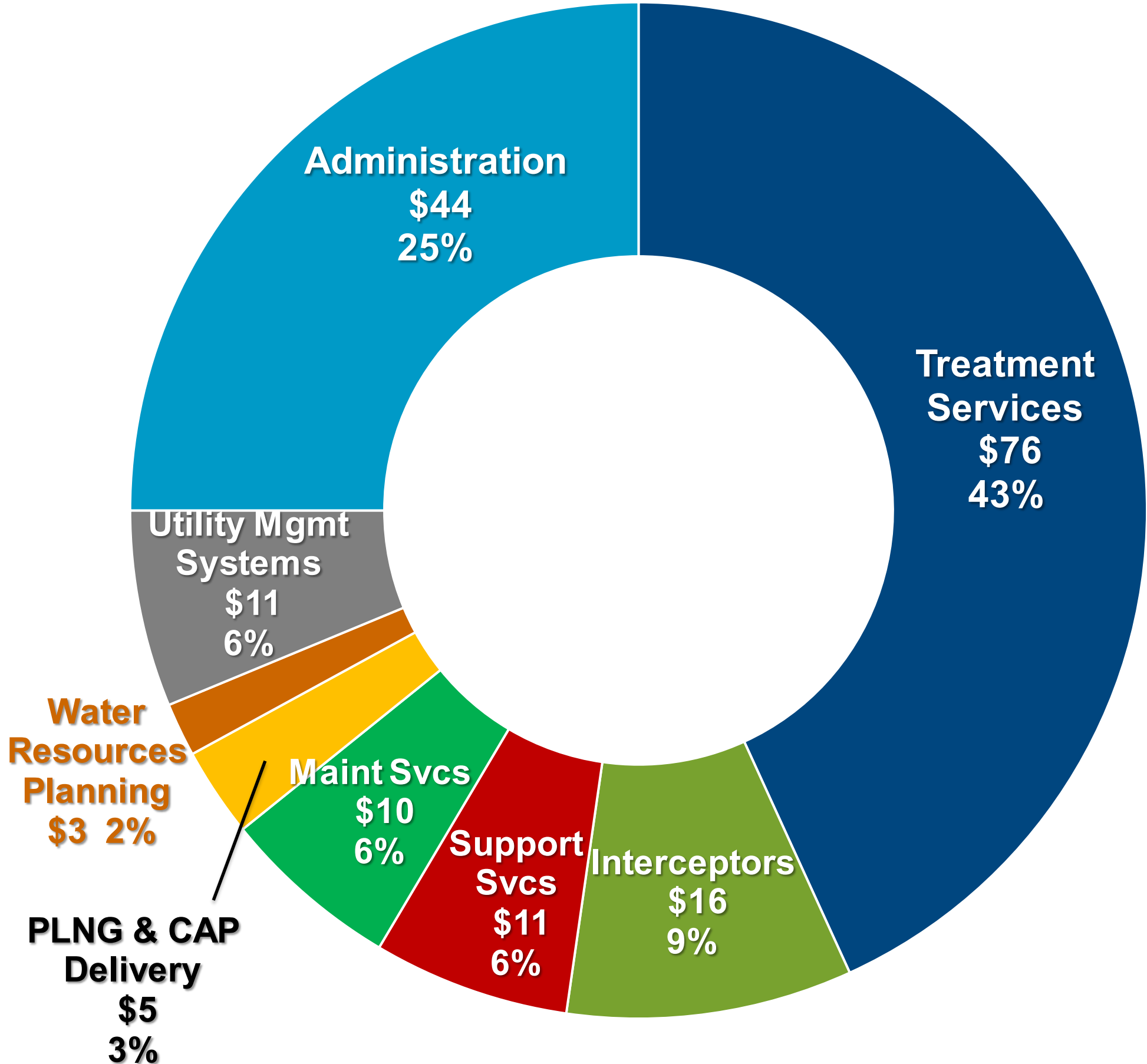


Municipal Wastewater Charge History and Projection

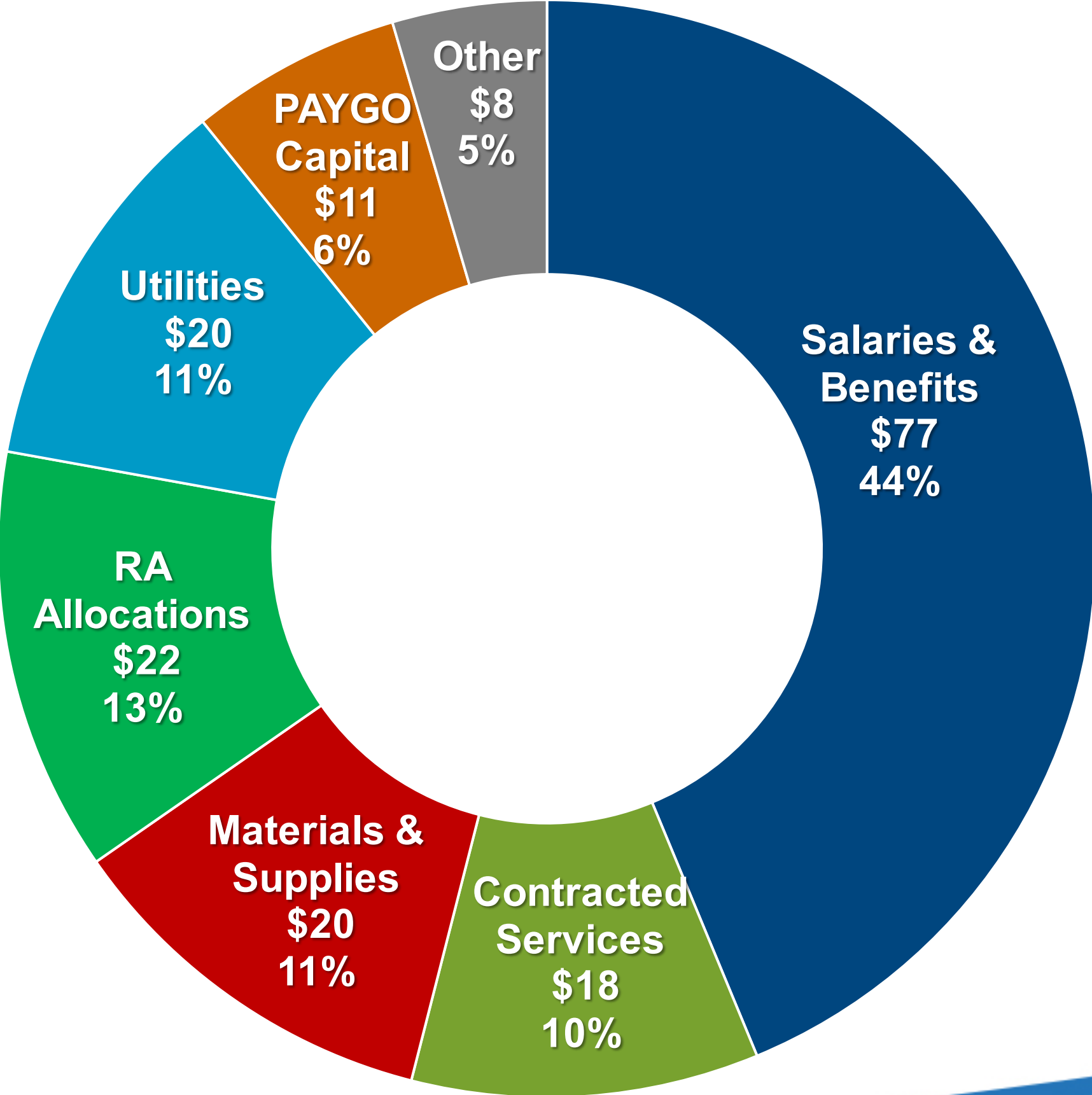
2019-2020:	• ~3.5% Increase
2021 Approved:	• 2.0% Increase
2022 Proposed:	• 4% Increase
Long-Term Goal:	• ≤ Waste Water Inflation Rate (2023: ~5%)

Environmental Services Operations - \$176M

Uses by Department



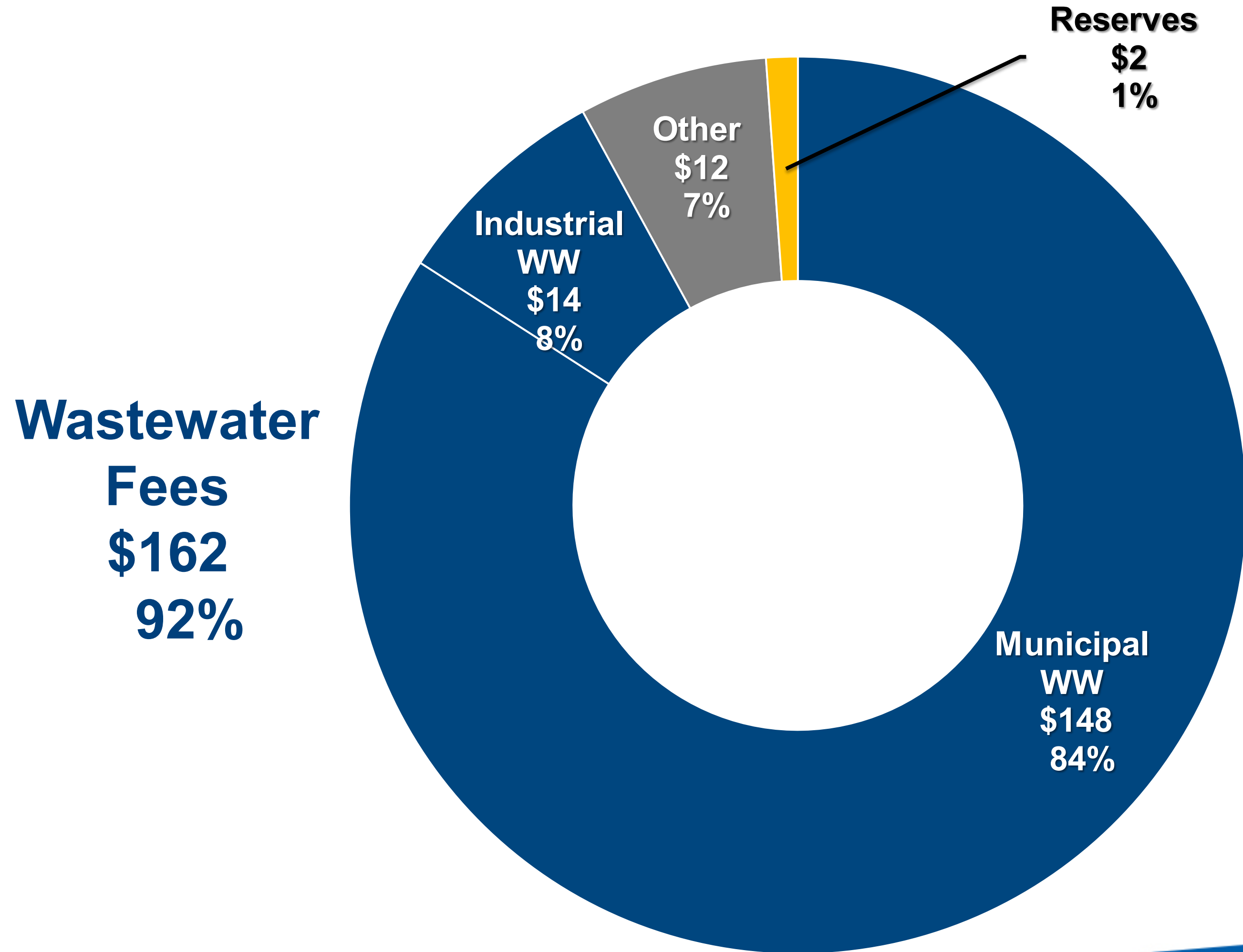
Uses by Category



Dollars in Millions



Environmental Services Sources - \$176M

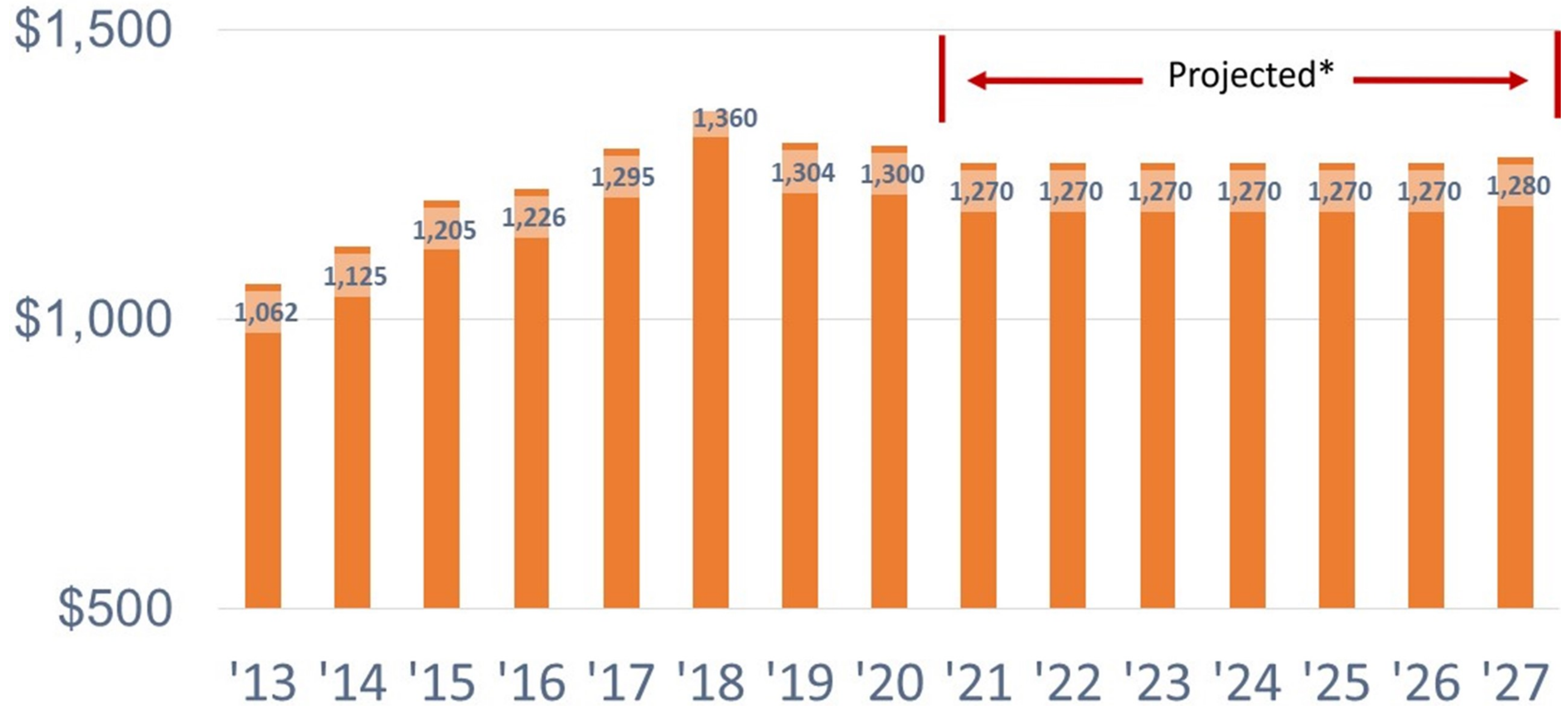


Dollars in Millions

* Total 2022 Municipal Wastewater Charge is \$250M

* Other includes \$9.5M transfer from SAC

Wastewater Outstanding Debt (\$ in millions)

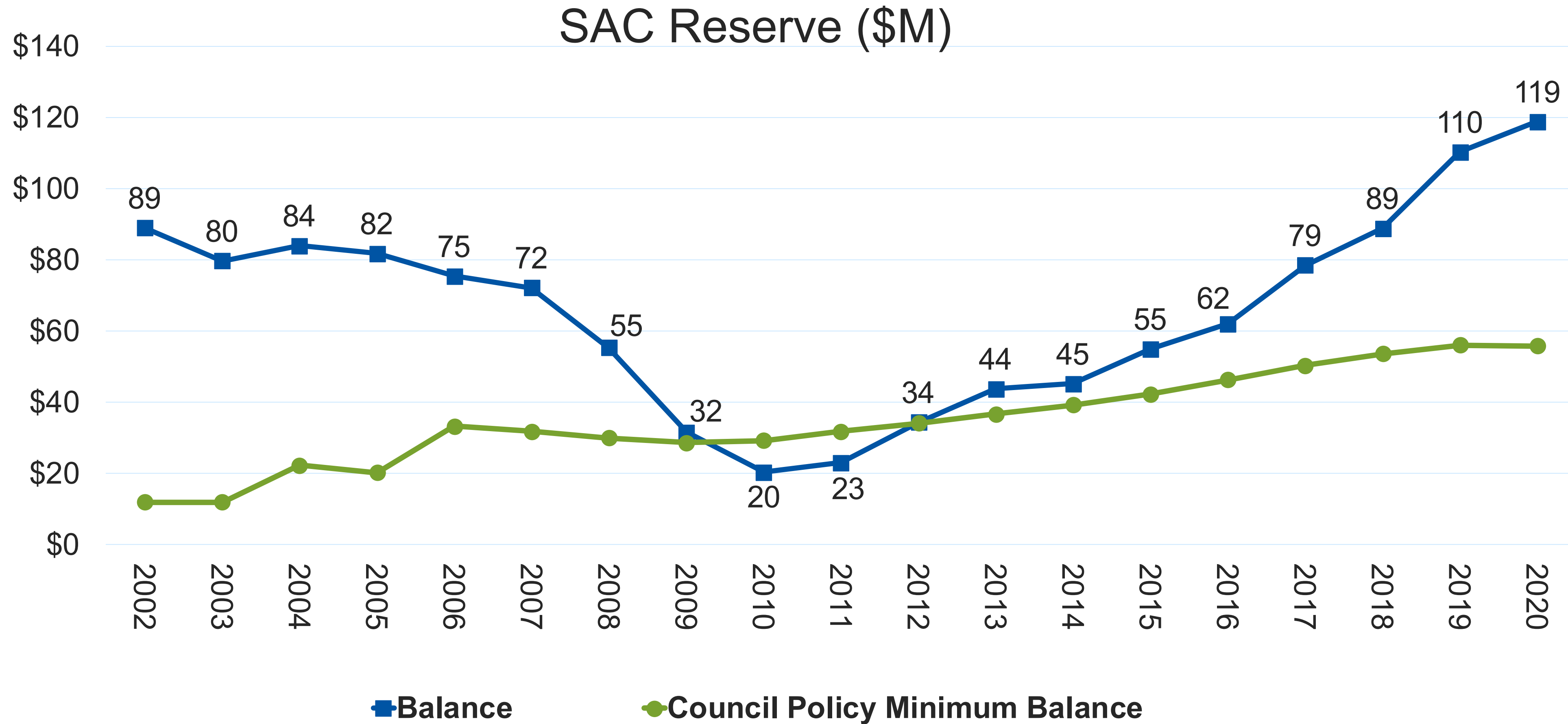


* Assumes 80% of ACP is spent.

SAC Units: Development Continues



SAC Reserve Helps Manage Future Rates



Strong reserves still subject to recession

Transportation

Basis for Budget Development

Council Policies & 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 Opt Out 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
- Federal Relief funds

Basis for Budget Development

Forecasts and Legislation:

- Preliminary Budget has been reviewed with all forecasts and financial plans
- Metro Mobility is a separate State Appropriation line
- Metro Mobility becomes a state forecasted program in SFY26
- Legislature did not address bus and rail structural deficit in the future biennia.
- Financial considerations:
 - State General Fund Appropriation
 - Motor Vehicle Sales Tax (MVST)
 - Federal Relief Funds
 - Financial Outlook

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
- To maintain current levels of Rail Operations will need increase in State General Fund appropriations
- Metro Mobility Forecasted Service SFY 2026
- Bus Operations relies on MVST for subsidy



State General Fund Appropriation

SFY	2022	2023	2024	2025
Metro Mobility				
Base	\$ 56.42	\$ 55.98	\$ 55.98	\$ 55.98
One Time	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 56.42	\$ 55.98	\$ 55.98	\$ 55.98
Light Rail				
Base	\$ 25.51	\$ 25.51	\$ 25.51	\$ 25.51
One Time	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 25.51	\$ 25.51	\$ 25.51	\$ 25.51
Commuter Rail				
Base	\$ 7.15	\$ 7.15	\$ 7.15	\$ 7.15
One Time	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 7.15	\$ 7.15	\$ 7.15	\$ 7.15
Other:				
Zero Emission Plan	\$ 0.25	\$ -	\$ -	\$ -
Highway 55	\$ 0.25	\$ -	\$ -	\$ -
BRT Lines E and F	\$ 57.5	\$ -	\$ -	\$ -
TOTAL	\$ 147.08	\$ 88.64	\$ 88.64	\$ 88.64

Motor Vehicle Sales Tax (MVST)

- State of MN forecast February and November each year
- Use MnDOT forecast growth for future years
- Council budgets 95% of MVST
- Actual MVST receipts above 95% used in following year budget
- Volatile revenue source – can change February & November
- Without a future dedicated and stable source of tax revenues, budgets will be volatile with insufficient revenues

Tracking Financial Outlook

- Council Finance forecasts Transportation Financial Operations current year plus 4 years forward (2 biennia) (5 years)
 - Programs state funding according to current law
 - Uses most recent MVST forecast
 - Forecasts structural financial position
 - Updated every bi-annual MVST forecast and end of Legislative Session
 - Details funding expense assumptions, use of reserves
- Significant Changes
 - MVST, passenger fare, one-time reserve funds, and Federal Relief Funds
 - Service levels
 - Financial cliff mid-year 2025

Federal Relief Funds

- Appropriations

- \$313.4M ARP
- \$185.9M CRRSAA
- \$226.5M CARES

\$725.8M Total

- Summary

- Awarded to Council based upon federal formulas
- Eligible activities defined by federal 5307 program rules
- Federal emphasis on payroll and transit operations expenses
- Grantees must follow federal grant rules and guidelines

Federal Relief Funds Council Summary

- Allocation Strategy
 - Consistent with Federal goals of supporting COVID-induced financial challenges
 - Clear and transparent distribution amongst Council modes
 - Easy to explain
 - Balance CY22 budgets in each mode
- CY22 Preliminary
 - Balanced budgets
 - Programmed Federal Funds
 - Target reserve balances maintained
 - Cost containment and reductions
 - Future Fiscal cliff remains

Budget Framework

- Rollup budget major revenue & expense categories
- Tight Parameters on budget development
 - Anticipated revenue growth (MVST, state appropriations, fares)
 - Service on the street including labor and service contracts
- COVID impact on operations
- Continue daily cleaning and disinfecting of vehicles, facilities, stations
- 95% bus service levels 2022
- 100% Service METRO Blue/Green Line
- Northstar Service 4 trips Morning & Evening/no weekend
- Metro Mobility ridership returns to pre-pandemic levels
- Increasing Investment in Customer Experience, Security, Facility Upkeep and Technology

Mitigating Revenue and Expense Volatility

- Motor Vehicle Sales Tax
 - Budget 95% Motor Vehicle Sales Tax
 - Actual MVST receipts above 95% from prior year
- Fuel price hedging Metro Transit
- Programming of Federal Relief Funds 2022 and after
- Operating fund reserve targets
 - Address volatility in other revenues and expenses
 - Reserves partial solution for future biennium structural deficit

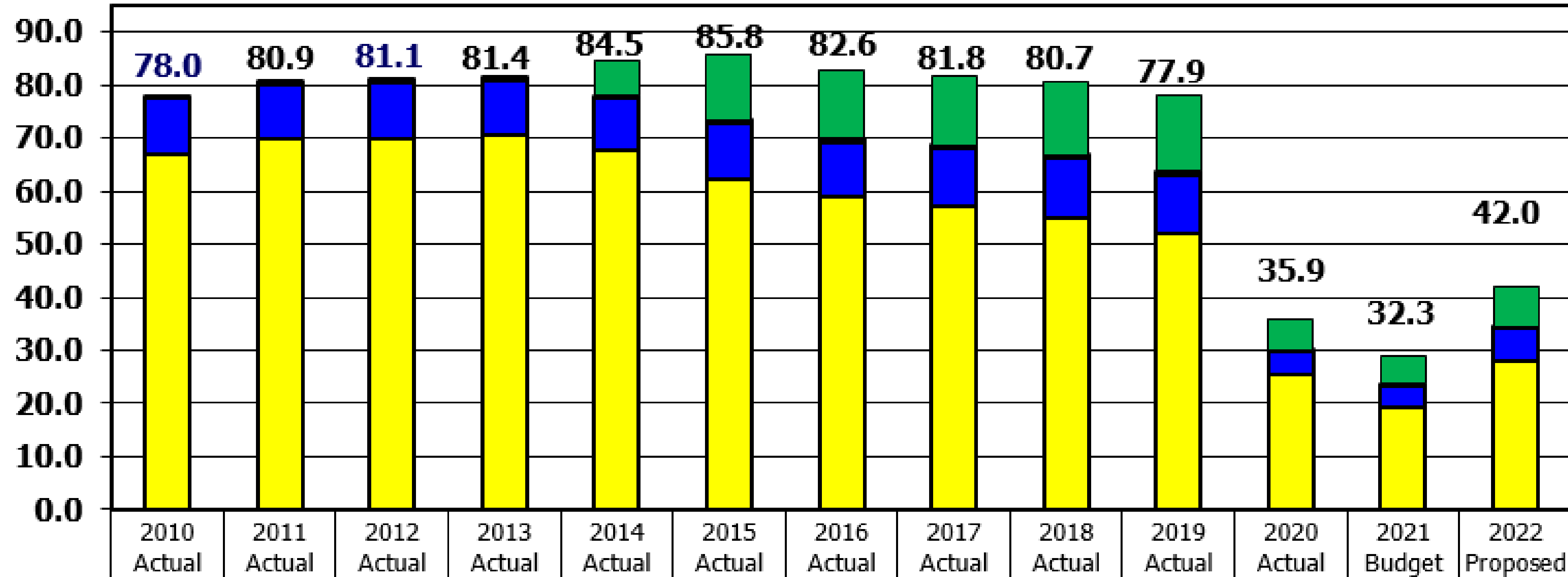
Metro Mobility

- Programming federal funds
- Ridership returning to pre-pandemic levels
- Gasoline at \$3.00/gallon
- Legislature provided separate State Appropriation line
- Transitioning to state forecasted program in SFY26



Metro Transit Ridership

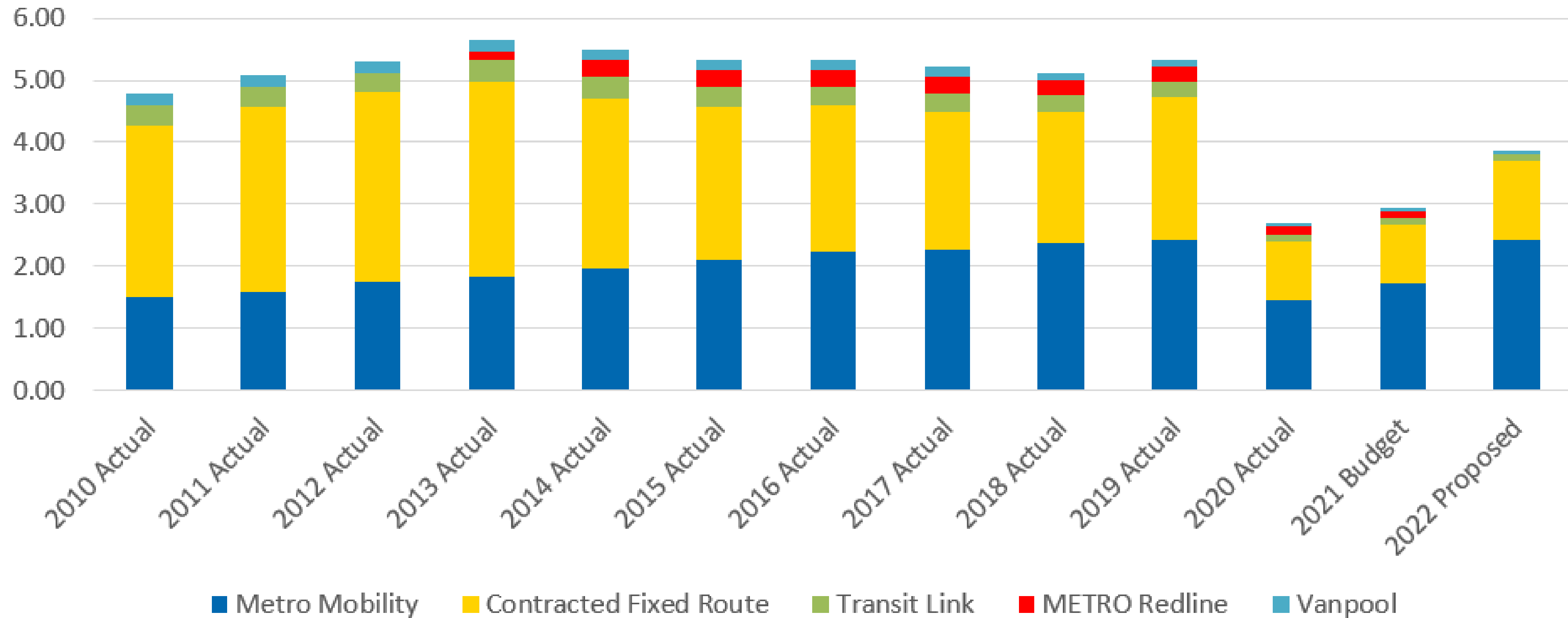
(in millions)



	2010 Actual	2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	2019 Actual	2020 Actual	2021 Budget	2022 Proposed
Green Line					6.5	12.4	12.7	13.1	13.8	14.3	6.1	5.1	7.8
Northstar	0.71	0.7	0.7	0.79	0.72	0.72	0.71	0.79	0.78	0.77	0.15	0.29	0.133
Blue Line	10.4	10.4	10.5	10.2	9.5	10.6	10.3	10.7	11.2	11.0	4.2	4.1	6.2
Bus	66.9	69.8	69.9	70.4	67.8	62.1	58.9	57.2	54.9	51.9	25.5	19.3	27.9

Contracted Services Ridership

(in millions)



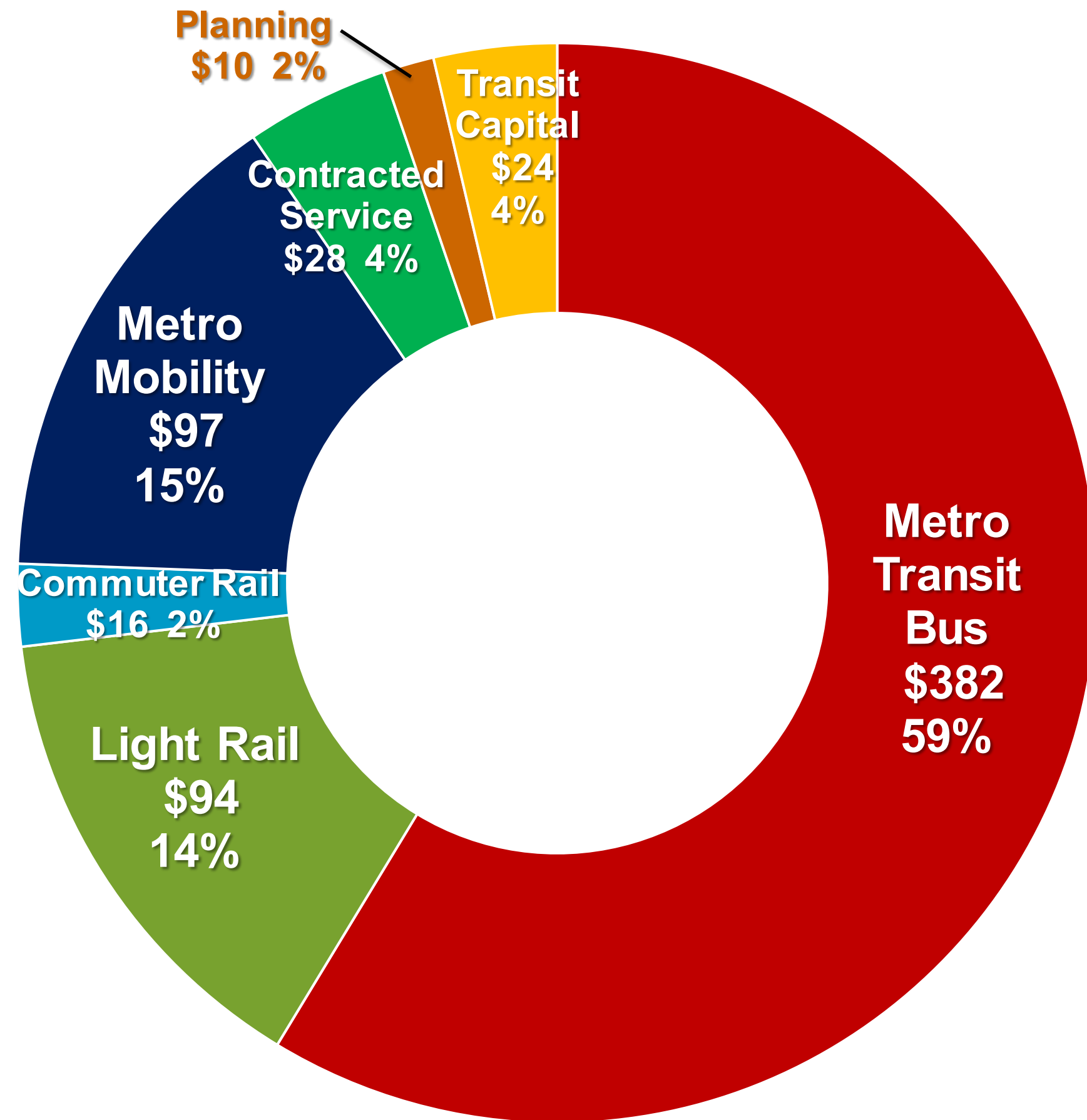
Tracking On-Going Risk

- Ridership / travel demand
- Passenger fare revenue
- Motor Vehicle Sales Tax volatility
- Operator hiring
- Covid impacts on operations
- Continuous evaluation and review of budget assumptions

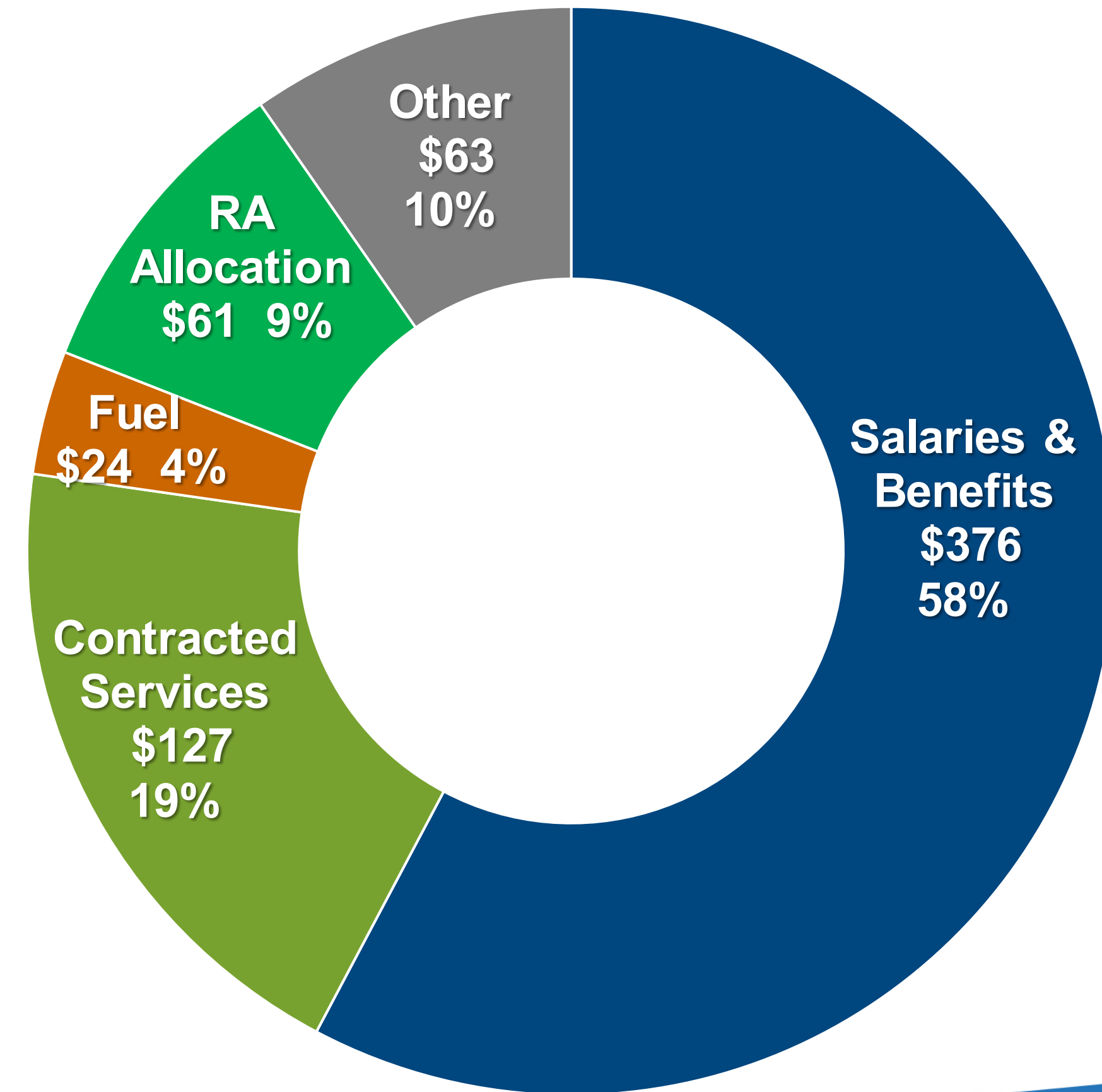


Transportation Operations - \$651M

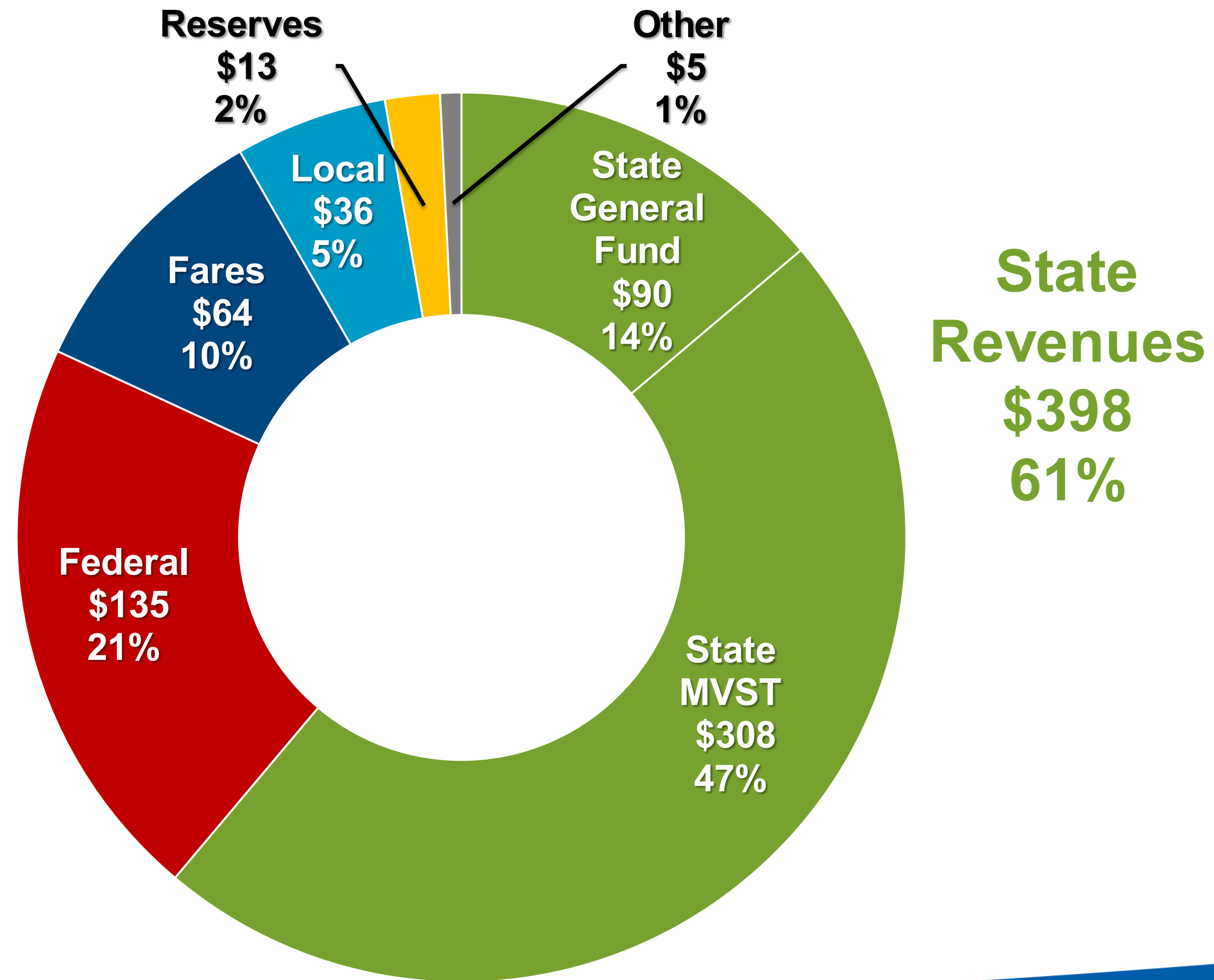
Uses by Department



Uses by Category

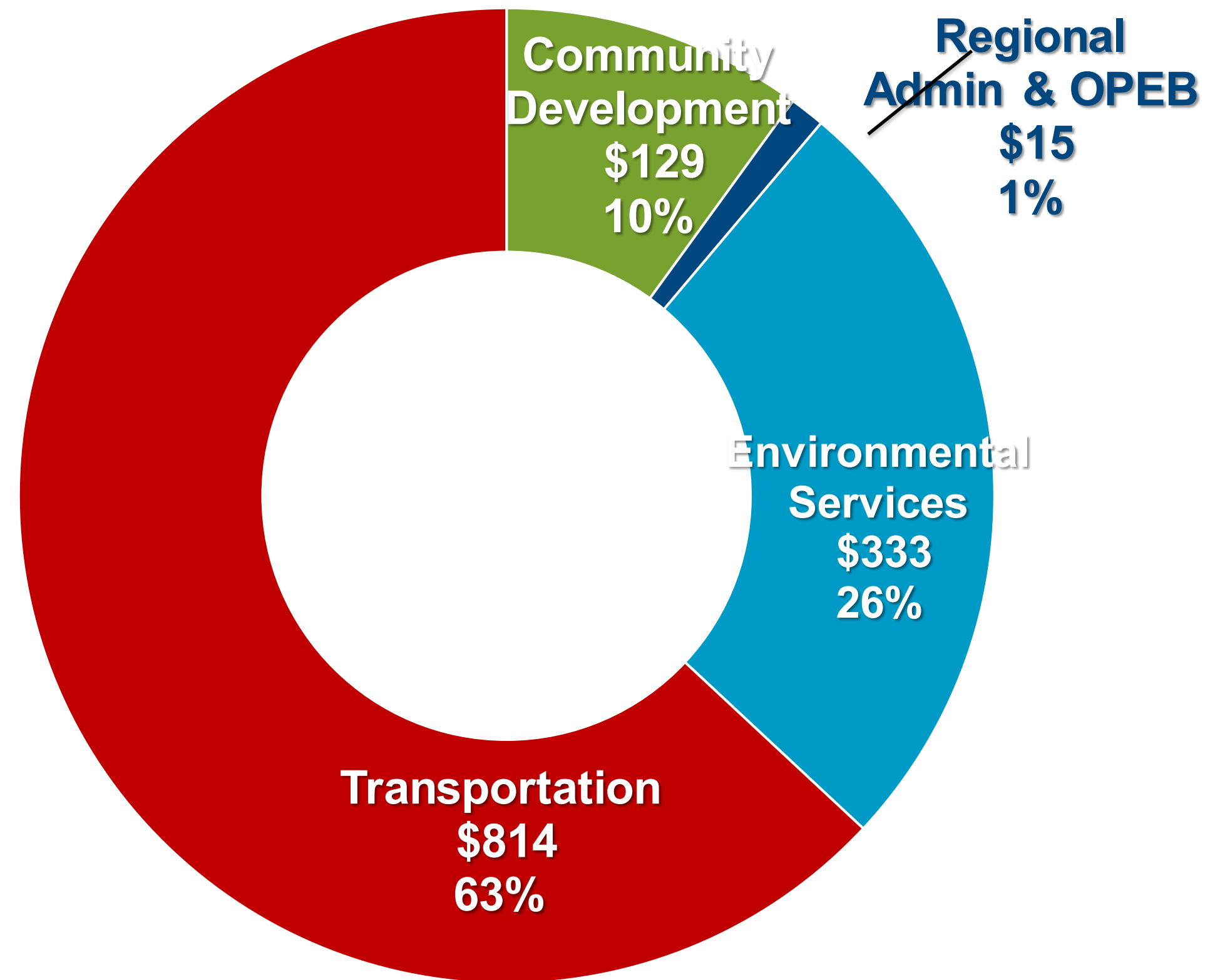


Transportation Operations Sources - \$651M

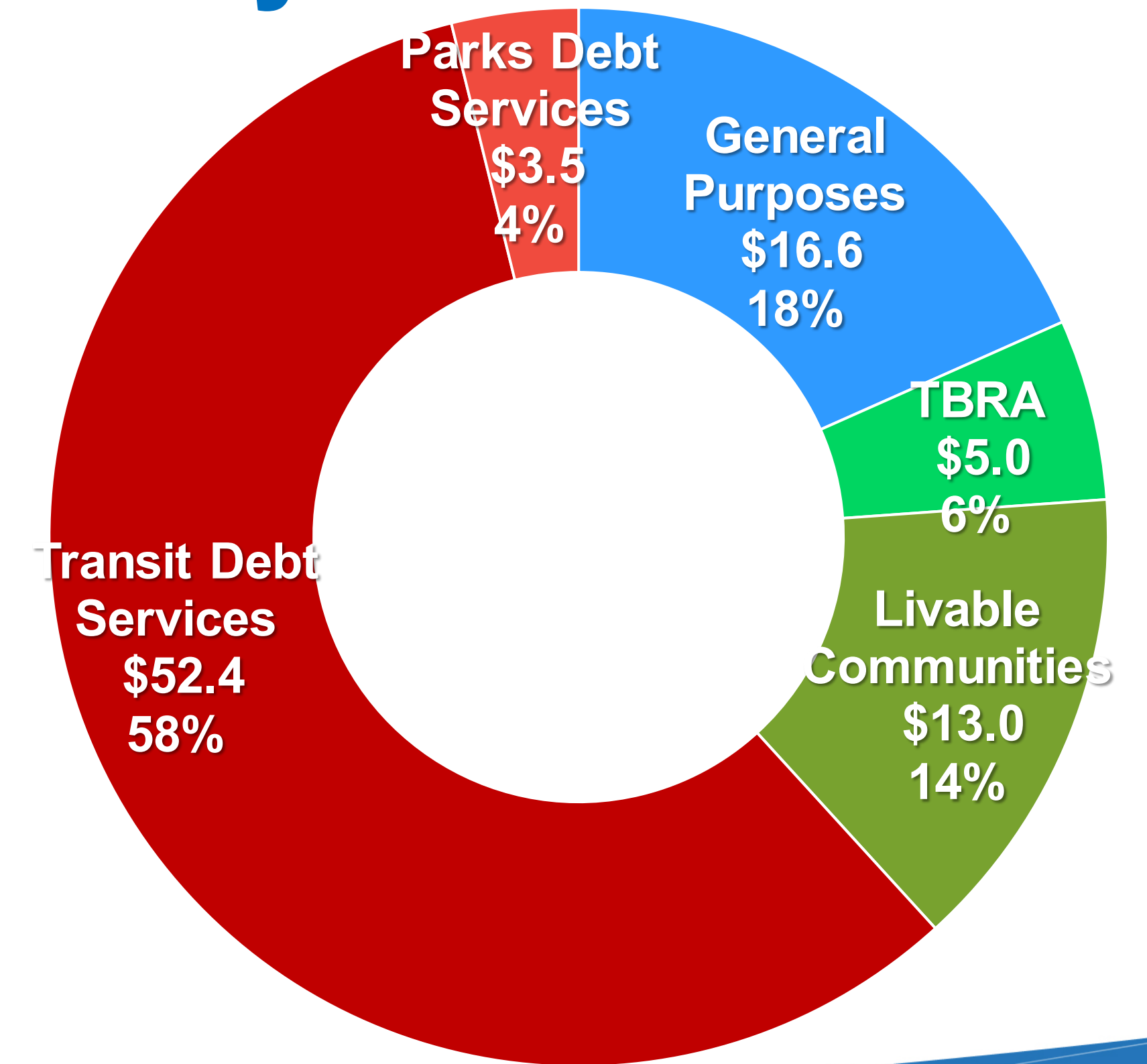


2022 Unified Operating Budget and Levies

Budget - \$1.3 Billion



Levy - \$90.5 Million



Marie Henderson, Acting CFO 651-602-1387

Lisa Barajas, Community Development Director 651-602-1895

Heather Aagesen-Huebner, Finance Director 651-602-1728

Leisa Thompson, Environmental Services General Manager 651-602-8101

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