

2022 PRELIMINARY BUDGET IN BRIEF

August 25, 2021

METROPOLITAN COUNCIL

We are the regional government for the Twin Cities metropolitan area.

Our goal is for the region to prosper and thrive, now and in the future. We work with the region's seven counties and 180 local communities to:

- Look ahead and plan for the future growth of our seven-county area
- Provide essential and cost-effective transit and state-of-the-art wastewater collection and treatment
- Assist households with low and moderate incomes to find affordable housing
- Support communities as they plan for anticipated growth and change

YOUR MET COUNCIL REPRESENTATIVES

Our governing board has 17 members drawn from all walks of life. Sixteen of them represent geographic districts across the region with roughly equal population. Leading the board is the Met Council chair, the 17th member. The members are appointed by the Governor in consultation with community leaders.

WE SUPPORT OUR REGION'S PROSPERITY

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

- We operate Metro Transit, Metro Mobility, and transit services that in 2020 provided more than 38.4 million rides, more than 94% of the total regional ridership.
- Our strategic investments in a growing network of bus and rail transitways increase transportation choices for Twin Cities residents. They encourage transit-oriented development that creates residential and business opportunities.
- We collect and treat the wastewater for over 90% of the region's population at rates about 40% lower than peer regions while earning state and national awards for environmental achievements.
- We plan and fund the land acquisition and development of a world-class regional parks and trails system, which draws more than 63 million visits a year.
- Our housing program provides affordable opportunities for more than 7,000 households with low- and moderate-incomes.

WE HELP ADVANCE EQUITY IN THE REGION

This preliminary budget sets aside \$3.2 million for investments in housing security, transportation, mitigating climate change, and housing affordability. These investments reflect four strategic priority areas the

Met Council identified for focus through 2024, including activities intended to contribute to regional efforts to eliminate racial disparities.

These initiatives will continue to be developed and specifics related to these efforts will be refined in the draft budget for public comment, to be adopted on October 27.



THE REGION'S LONG-RANGE PLAN

The Met Council's proposed 2022 budget reflects the priorities and guidelines of its long-range, 10-year plan for the Twin Cities region – *Thrive MSP 2040*. Thrive sets the policy foundation for plans we develop for regional transportation systems, water resources, regional parks, and housing.

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

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

In addition, we leverage various policy tools to cooperatively address complex regional challenges. We combine our efforts with partners to achieve shared outcomes, and we evaluate the effectiveness of our policies and programs, then adjust course accordingly.

WE CONNECT COMMUNITIES

Our investments in transit infrastructure and service create access to jobs, education, housing, and businesses.

For example, the 8.5-mile bus rapid transit METRO C Line began service in June 2019. It features the region's first electric buses, providing faster and more frequent service between Brooklyn Center and downtown Minneapolis.

The 17-mile bus rapid transit METRO Orange Line is planned to begin service in December 2021. It will provide service between Minneapolis and Burnsville.

The Met Council uses travel behavior patterns to help shape the transportation system of the metro area.

The Met Council's Travel Behavior Inventory, regularly updated, provides current data to identify regional travel patterns and modes.

WE HELP SUSTAIN OUR REGION'S NATURAL RESOURCES

We are committed to protecting public health, fostering economic development, and protecting the environment.

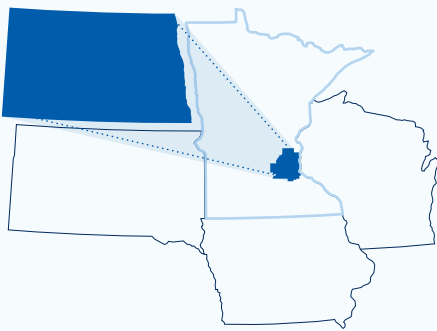
Six of our nine wastewater treatment plants have achieved national recognition for 100% permit compliance for eight to 29 years.

In 2022, Environmental Services plans to undertake \$227 million in capital investment to preserve existing assets, improve efficiency, and provide needed capacity for growth. Key projects in 2022 include interceptor and

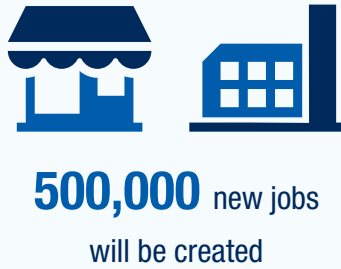
Environmental Services has developed capabilities to monitor the level of viral RNA from SARS-CoV-2 (the disease known as COVID-19) and prevalence of variants present in wastewater flowing into the Metro Plant. The results closely track the clinical data for the Metro Plant service area. We communicate results to and coordinate details of test methods with the Minnesota Department of Health. Wastewater data is another valuable indicator of the SARS-CoV-2 conditions within our region.

Metro Climate Stats will provide high-quality data and analytics to help in mitigating climate change. This information can inform and support local and regional planning efforts. The study is a unique and innovative approach to providing technical assistance to communities by a metropolitan agency.

A growing region in the next 18 years



The Twin Cities region will add over **762,000** people. That's the entire population of **North Dakota**



lift station improvements in St. Bonifacius and Minnetrista, interceptor capacity improvements in Oakdale, solids processing and other improvements at the Empire Plant, and improvements, renewal, and construction at the Metro Plant.

In addition to projects at our facilities, we've worked with communities and awarded grants for projects providing benefits for stormwater management, water supply, and green infrastructure.

We're dedicated to helping the region meet its water needs today and into the future. Work continues to support regional water supply plans and the Water Resources Policy Plan to ensure water services that foster the growth of the region through 2040 and beyond.



WE PROMOTE HOUSING OPPORTUNITIES

The Homeless Action Team of our Metro Transit Police Department partners with the Metropolitan Housing and Redevelopment Authority to help direct housing vouchers to those who otherwise seek shelter on transit vehicles.

The Met Council's Livable Communities annual grants support community investment that revitalizes economies, creates affordable housing, and connects various land uses with transportation.

The Met Council provides affordable housing opportunities for more than 7,000 households with low- and moderate-incomes. The City of Edina and Met Council are collaborating to identify and purchase homes for the Met Council's Family Affordable Housing Program. Homes will be leased to eligible families with low incomes. The City of Edina has committed \$2 million for this initiative.

WE PROMOTE COLLABORATION AND EQUITY

The Met Council's regional parks bonds provides financial support to regional park implementing agencies, which undertake capital projects that strengthen equitable use of regional parks and trails by all our region's residents – across age, race, ethnicity, income, national origin, and ability.

The Met Council has implemented a sheltered market solicitation process, intended to reduce barriers and increase participation of underutilized businesses in Met Council contracting. We are making efforts to educate and engage stakeholders in the program (called MCUB Select) and working to expand the pool of eligible firms.

By way of support, we are taking steps to increase access to resources that build capacity to expand business opportunities with the Met Council. These efforts are

focused on firms owned by women and people who identify as African American, Hispanic, Native American, Asian Pacific, subcontinent Asian American, veterans, and people living with disabilities.

The Met Council's *PlanIt* resources help local communities implement comprehensive plans that are consistent with regional policies and system plans. Met Council staff and other partners provide information about best practices, discussion, and training.

In addition, Met Council forums for community planners are opportunities to learn from and with one another about how to address equity thru development practices, environmental justice, fair housing, and other important topics.

2022 PRELIMINARY BUDGET AND LEVIES

For 2022, the Metropolitan Council is proposing to spend \$1.291 billion for operations, pass-through programs, and debt service (loan repayments and interest).

WHERE OUR FUNDING COMES FROM

Charges for services. Almost one-third (30.08%) of our funding comes from services that customers pay for. Our primary paying customers are transit riders and local municipalities for wastewater services.

Transit fare revenues. Revenues for 2022 are projected to total \$63 million. This constitutes a significant rebound from 2021, when fare revenue was budgeted at \$45.1 million, but still significantly lower than the pre-pandemic budget of \$111.1 million.

Ridership on most of our services is forecast to remain lower due to the pandemic. Ridership on express and local bus, light rail, and dial-a-ride is projected at 55% of pre-pandemic levels. However, ridership is forecasted to return to pre-pandemic levels on Metro Mobility.

Ridership on Metro Transit bus, bus rapid transit lines, light rail, and commuter rail are forecast to be down approximately 64% from 2020 budgeted levels but forecast to slowly improve through calendar year 2022. This is a continued improvement from the 75% declines noted in mid-year 2020.

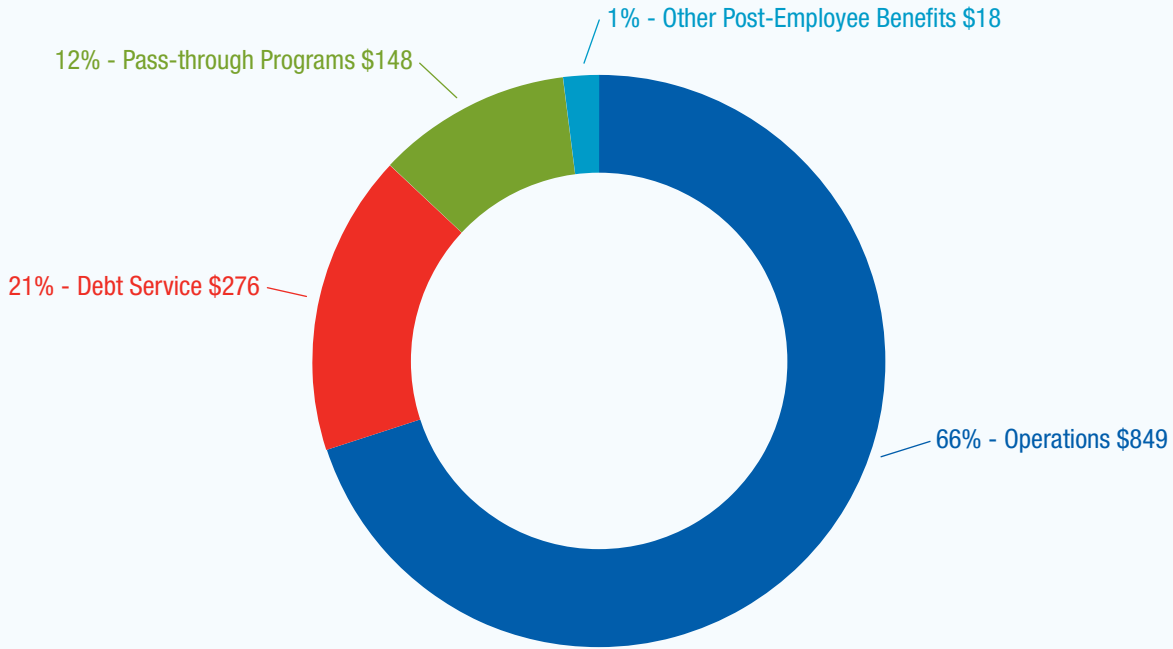
The Met Council continues to monitor and evaluate ridership impacts from the pandemic on a daily and weekly basis to evaluate service and need for service adjustments for social distancing. The proposed 2022 budget includes additional forecast service hours to maintain social distancing on more heavily traveled routes.

Metro Mobility service is designed to meet state and federal standards, and ridership has grown disproportionately to other transit services in the

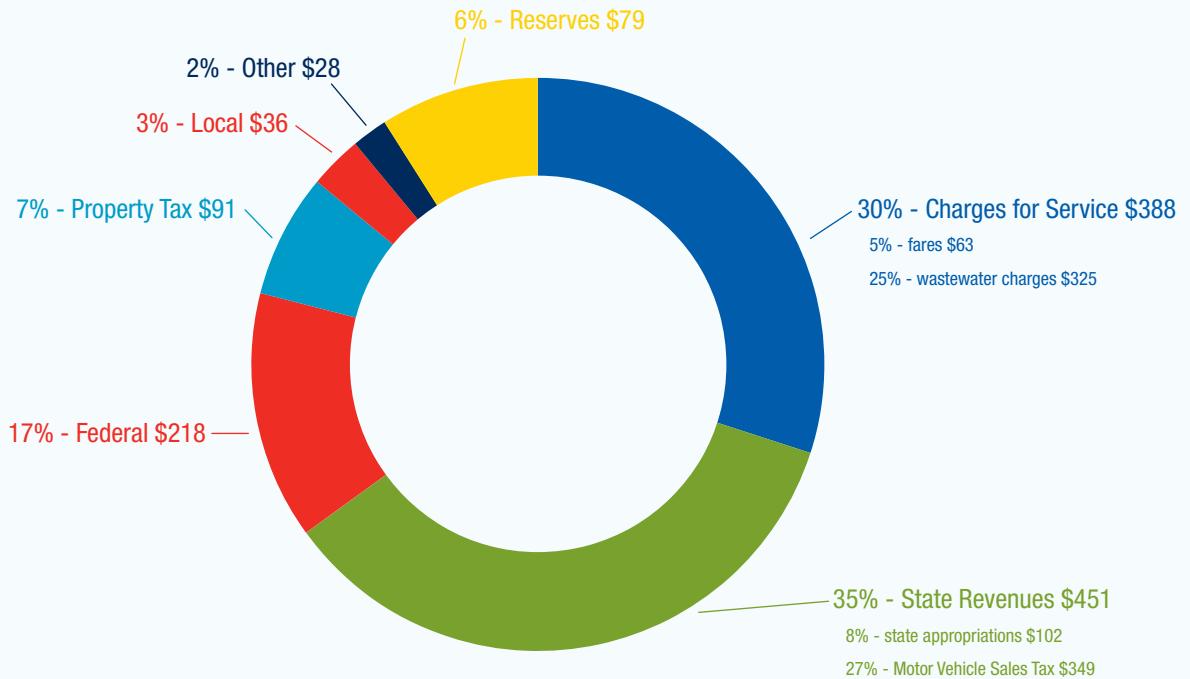


2022 PROPOSED NUMBERS

2022 Preliminary Budget – uses by function: \$1.291 billion



2022 Preliminary Budget – sources of funds: \$1.291 billion



region. Prior to the pandemic, ridership grew 67% and the service now has 33,000 certified riders.

Ridership has returned more quickly to Metro Mobility than other transit services. The 2022 preliminary budget reflects ridership returning to pre-pandemic levels.

Federal relief funds. The Met Council received three federal relief funding plans for transportation in years 2020 and 2021, totaling \$725.8 million. These funds will be used to support transit operations and balance our budget.

Operating reserves. The federal funds are expected to be used, along with one-time use of operating reserves, to balance the budget of Met Council transportation operations to about mid-year 2025. Use of reserves during this period brings transit operating reserves to minimum reserve levels.

Bus service revenues. In addition to our use of one-time federal and reserve funds, the 2022 preliminary budget assumes bus service levels at 95% of pre-pandemic levels, light rail and Metro Mobility at 100%, and Northstar at 55% of pre-pandemic levels (four trips daily with no weekend service).

Services will include added costs for social distancing and cleaning. The 2022 budget provides for the addition of 50 community service officers as a new civilian presence on our transit system, to be welcoming and helpful to our transit customers while deterring crime and code-of-conduct violations. This program draws on the experience of similar programs at other large transit providers.

Wastewater charges. Wastewater charges to local municipalities, which fund operations and debt service, are projected to total \$250 million in 2022. Other customer-generated sources include industrial waste charges (\$15 million) and sewer availability charges (SAC) for new or expanded capacity (\$59 million).

The preliminary budget includes an increase in the metropolitan wastewater charge of 4%. The sewer availability charge of \$2,485 per SAC unit will not increase for 2022 and has been flat since 2014.

Metropolitan Council Environmental Services is dedicated to helping the region meet its water needs today and into

the future. Work continues to ensure water services that foster the growth of the region through 2040 and beyond.

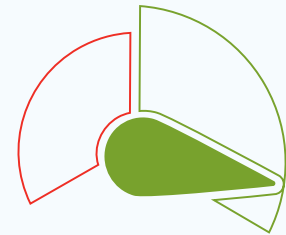
Federal revenues. We receive federal revenues to support our transit and housing assistance programs, totaling approximately 10% of operating revenues. The preliminary 2022 budget for the Housing and Redevelopment Authority includes \$80 million in federal revenues. More than 93% is passed through as rental

assistance payments directly to landlords for tenant voucher holders.

Property taxes. Counties, cities, and school districts receive most of the revenue raised by property taxes in the region. The Met Council typically receives about 1.4% of the average property taxes in the Twin Cities.

The Met Council's 2022 budget proposes property tax levies payable in 2022 of \$90.5 million. Property taxes are primarily used to pay debt service on bonds issued to support two purposes: the capital improvement programs for transit and parks and the pass-through grants to local communities with the Livable Communities Fund.

This fund supports community investments that revitalize economies, create affordable housing, and connect land



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

uses and transportation. The fund also supports a category of transit-oriented development grants for high-density, mixed-use projects located along transit corridors.

State revenues. The Met Council receives revenue from the State of Minnesota, derived primarily from motor vehicle sales taxes (MVST - \$322 million) and from state general fund appropriations for rail operations and Metro Mobility (\$89 million).

The state typically updates its revenue forecast in February and November each year. This budget relies on the state's February 2021 forecast.

Thirty-six percent of MVST revenues are constitutionally dedicated to metropolitan area transit. The Met Council budget includes pass-through funds of \$40.34 million in MVST revenues to suburban transit providers.

The 2021 Legislature continued to divide our base general fund appropriation for transit into separate line items for Metro Mobility and the Met Council's transit system. By statute, the state general fund appropriation covers 50% of the net operations of current light rail transit systems. The state general fund also funds a proportionate share of commuter rail.

State appropriations also help fund housing assistance and environmental services grants.

Council and allow us to borrow money at the lowest market interest rates.

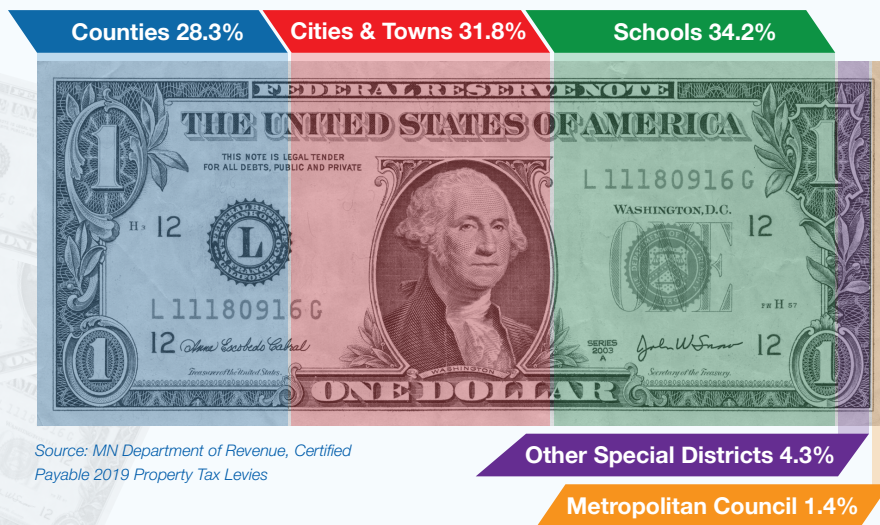
RIGHT-OF-WAY ACQUISITION LOAN FUND

The Right-of-Way Acquisition Loan Fund (RALF) program provides zero-interest loans to local governments to acquire right-of-way along highway corridors in advance of development. The proposed levy for 2022 does not include an amount for RALF. The fund has sufficient balance available to meet program needs for 2022.

PROPERTY TAX IMPACT

This year, considering the pandemic and the financial challenges facing our communities and citizens, we are proposing a 2022 levy of \$90.5 million. This represents a 2% increase over the amount payable in 2021.

Where your property tax dollar goes



DEBT SERVICE AND BONDS

About 62% of total preliminary property tax levies is dedicated to paying debt service on bonds issued to support preserving and investing in capital assets for transit and parks.

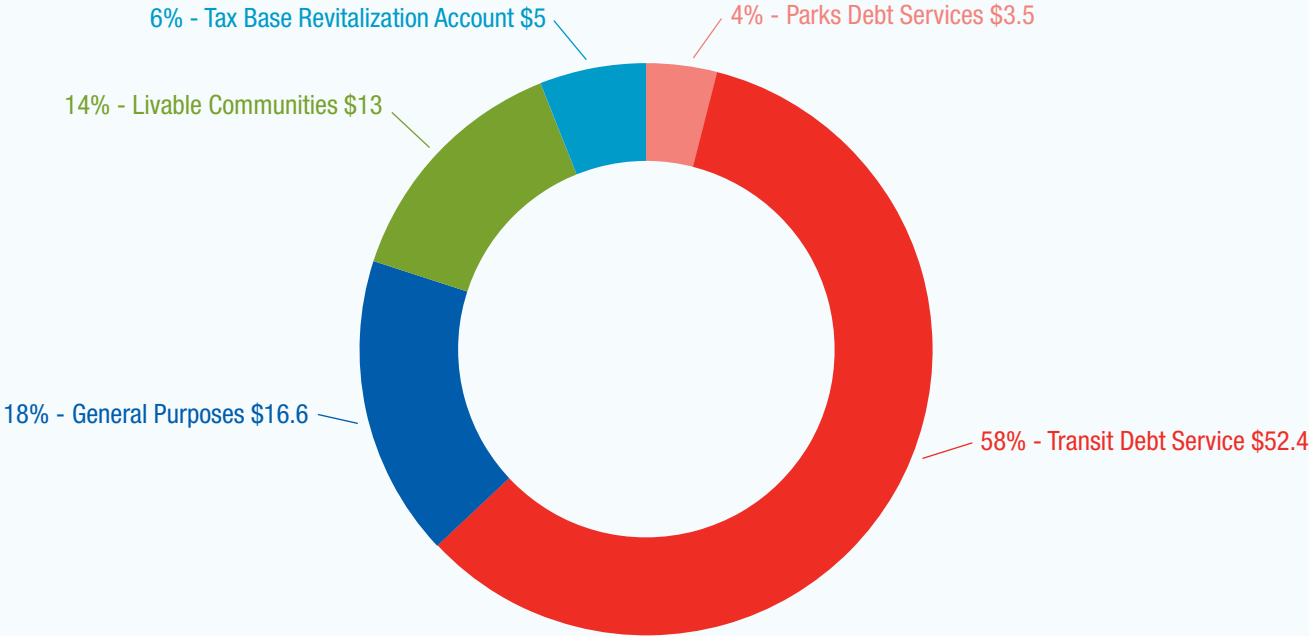
Our total general obligation debt outstanding as of December 31, 2020, is \$1.69 billion. Approximately 78% of this debt relates to wastewater assets and is paid for by fees collected for wastewater services.

Our bonds receive the highest possible ratings from Moody's and Standard and Poor's credit ratings agencies. Our top ratings reflect the sound financial management of the Met

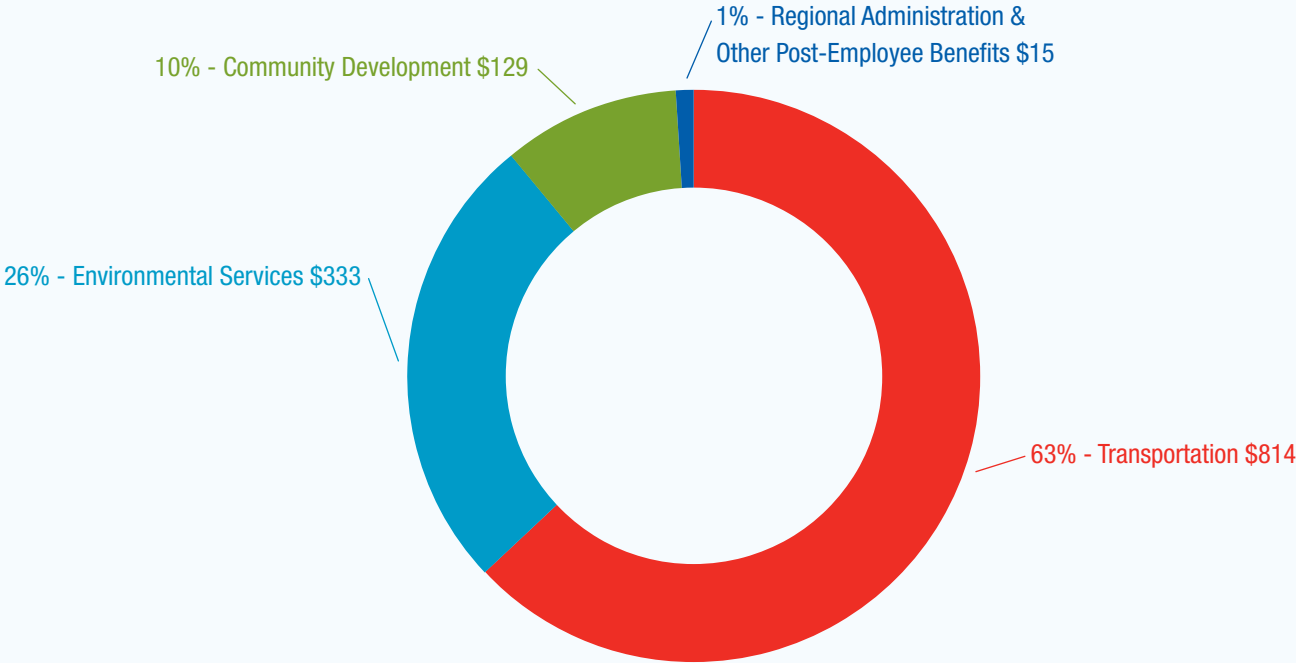


2022 PROPOSED NUMBERS

2022 Preliminary Property Tax Levies – \$90.5 million



2022 Preliminary Budget – uses by division: \$1.291 billion



Under the proposed levy, a metro area home with an estimated value of \$250,000 could pay a Met Council-related property tax of approximately \$48 inside the transit-taxing communities and \$17 outside the transit-taxing communities.

The Met Council's general-purposes levy is used primarily for administrative functions and other non-debt service levies. The statutory limit is \$39.05 million for taxes payable in 2022. The proposed total for 2022 is \$34.59 million, or about 11.4% below the levy cap.

Levies for debt service are not directly limited, but the levies for parks and transit are essentially restricted by our bonding authority (that is the dollar amount of bonds we can issue) as defined in statute. The Met Council matches every \$3 of state bonds with \$2 of regional parks bonds. The proposed debt services for parks debt service is \$3.5 million in 2022.

MET COUNCIL FUND ACCOUNTING

Revenue collected by the Met Council is directed into separate funds. These funds allow us to manage spending by directing the revenue dedicated to specific activities or objectives to a group of related accounts. By maintaining separate funds, we are able to comply with laws that require funds be spent for a specific purpose. For example, the Met Council may not raise transit fares to pay for wastewater services.

The general fund is used to account for administration functions of our Regional Administration and Community Development divisions. The Met Council has the most discretion in the use of general fund dollars. The general fund accounts for about 8% of the Met Council budget and is primarily funded by the general purpose property tax levy and inter-divisional allocations.

POST-EMPLOYMENT BENEFITS

Funds are invested in a trust account to cover our liability for Other Post-retirement Employee Benefits (OPEB). Investments totaling \$315 million on December 31, 2020 are anticipated to be sufficient to cover projected future costs for retirees.

BUDGET PROCESS DEVELOPING AND REVIEWING THE BUDGET

The process for developing the 2022 preliminary budget continues to be significantly impacted by the pandemic. We have been monitoring and making changes as service levels have changed, federal relief funds are appropriated, and the Minnesota Legislature considered our budget. We anticipate the budget may change between the preliminary budget adopted in August and the final budget adopted December 8, 2021.

BUDGET TIMELINE

January-June. The Regional Administrator meets with division managers to build a proposed budget.

July-August. The Met Council's standing committees review and refine our divisions' proposed budgets. The Met Council adopts a preliminary operating budget and property tax levy by September 1.

August-October. The Met Council's standing committees review the proposed capital program. The capital improvement plan covers six years and includes projects such as replacement of transit fleet, park land acquisition and development, and wastewater system infrastructure.

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

RECEIVING PUBLIC COMMENT

November-December. Public comment is received on our proposed budget and levies until final adoption at the Met Council meeting on December 8, 2021.

"Truth in Taxation" notices are mailed by metro area counties to property owners showing the proposed amount of property tax that they will be required to pay during the coming year from all taxing jurisdictions.

ADOPTING THE BUDGET

At its meeting on December 8, 2021, the Met Council will adopt a final budget that reflects any changes made to the public-comment draft budget. The property tax levy adopted with the preliminary operating budget in August may be lowered, but not increased, when the final budget is adopted.



