

Preliminary 2023 Operating Budget & Levies

August 10, 2022

metro council.org

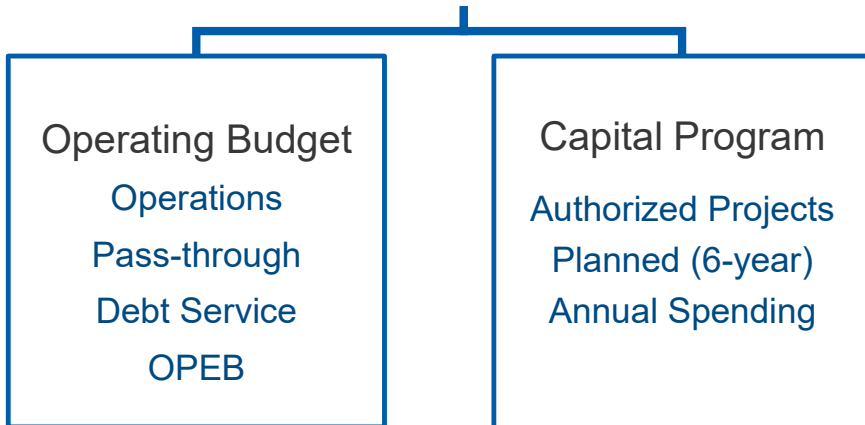


Council Levy Authority

- 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

Council Budget Development

Unified Budget



- | | |
|----------------------------------|--|
| May-July | Staff - Budget Development Activities |
| Aug 24
(before Sept 1) | Council - Adopt Preliminary Budget/Levies |
| Oct 12 | Council - Capital Program Presentation |
| Oct 26 | Council - Adopt Public Comment Draft Budget |
| Dec 14
(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 2023 Property Tax Levies



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 2023 (History was 2% Increase)
 - Maximize the Livable Communities Demonstration Account Levy to Create a Transit Oriented Development Component within the Grant Program
 - Maximize General Purpose Levy
 - No Levy for Highway Right of Way Program
(sufficient reserves)

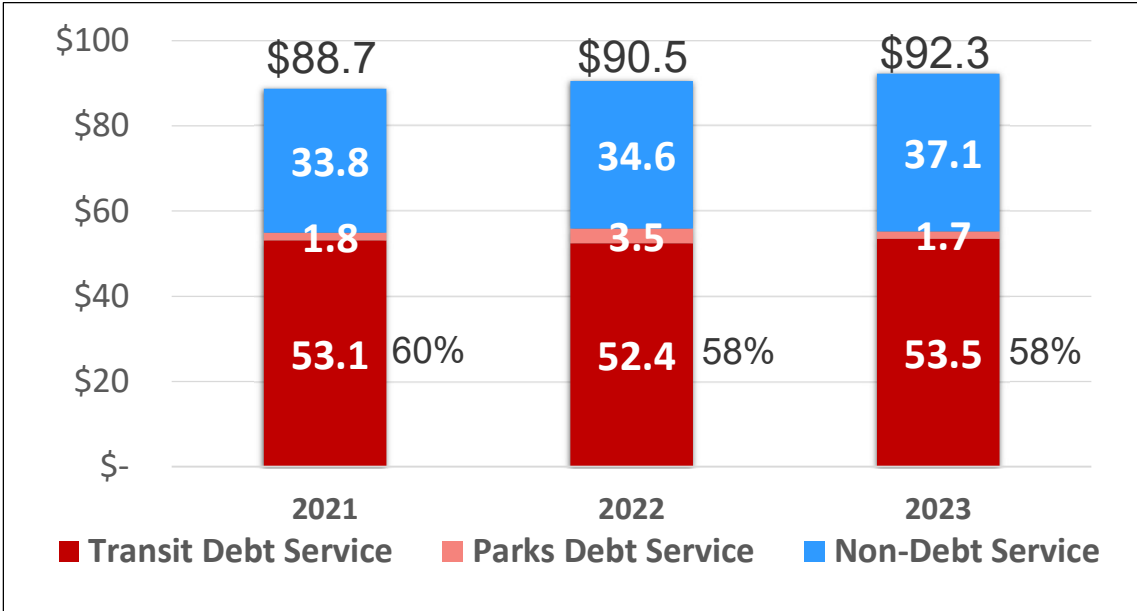
Debt Service Levies

- Transit

- Legislature grants annual authority
- Success with inflation factor grows ~4.5%
- Outstanding Debt YE 2021 - \$187.2M

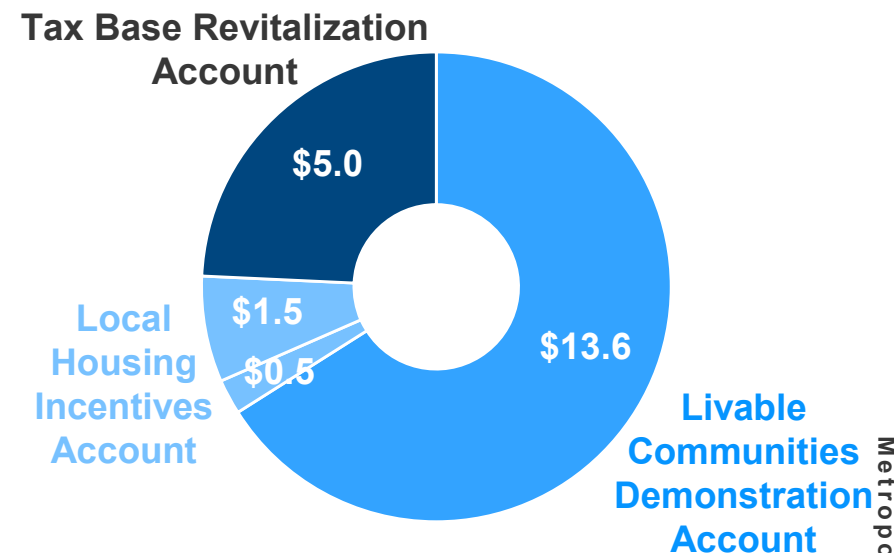
- Parks

- \$40M in Revolving Outstanding
- Historically Match State GO Bonds 3:2
- Outstanding Debt YE 2021 - \$6.1M



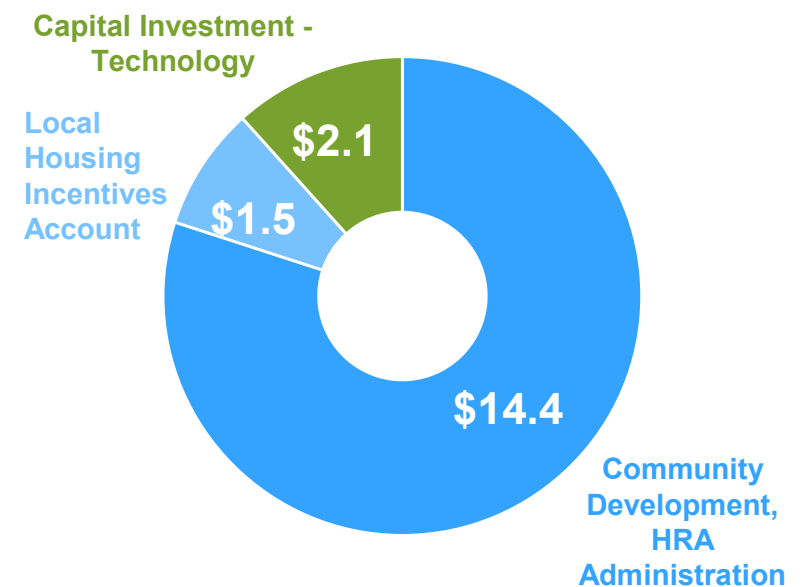
Livable Communities Levies (Grant Programs)

- 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
 - \$14.1M proposed levy for 2023, with a transfer of \$0.5M to LHIA, a net of \$13.6M
- Local Housing Incentives Account
 - Statutory transfer from LCDA (\$0.5M)
 - Statutory transfer from General-Purpose Levy (\$1.0M)
 - Discretionary, General-Purpose Levy to LHIA (\$0.5M)



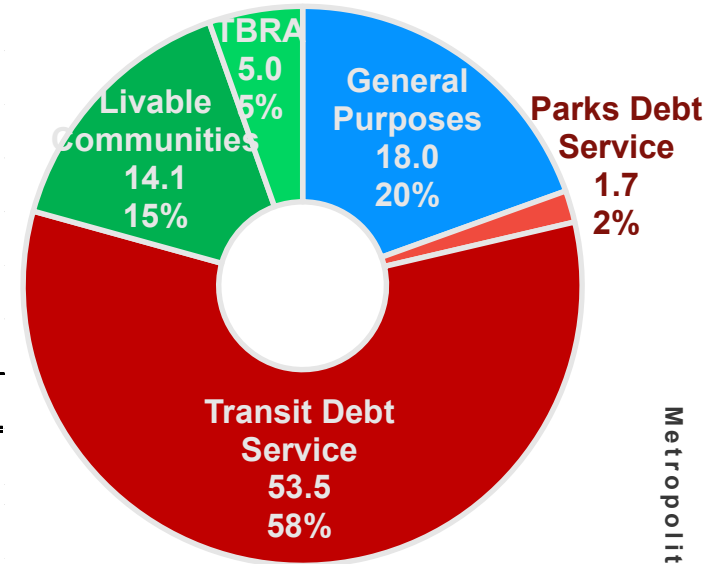
General Purposes Levy - \$18.0M

- Most Flexible Use Levy Funding
 - Carry out Council responsibilities as provided in law
- Primary Uses
 - Community Development & HRA Administration (\$14.4M)
 - Statutory Transfer to Local Housing Incentive Account (\$1.0M)
 - Discretionary, General-Purpose Levy to LHIA (\$0.5M)
- Capital Investment –Technology (\$2.1M)

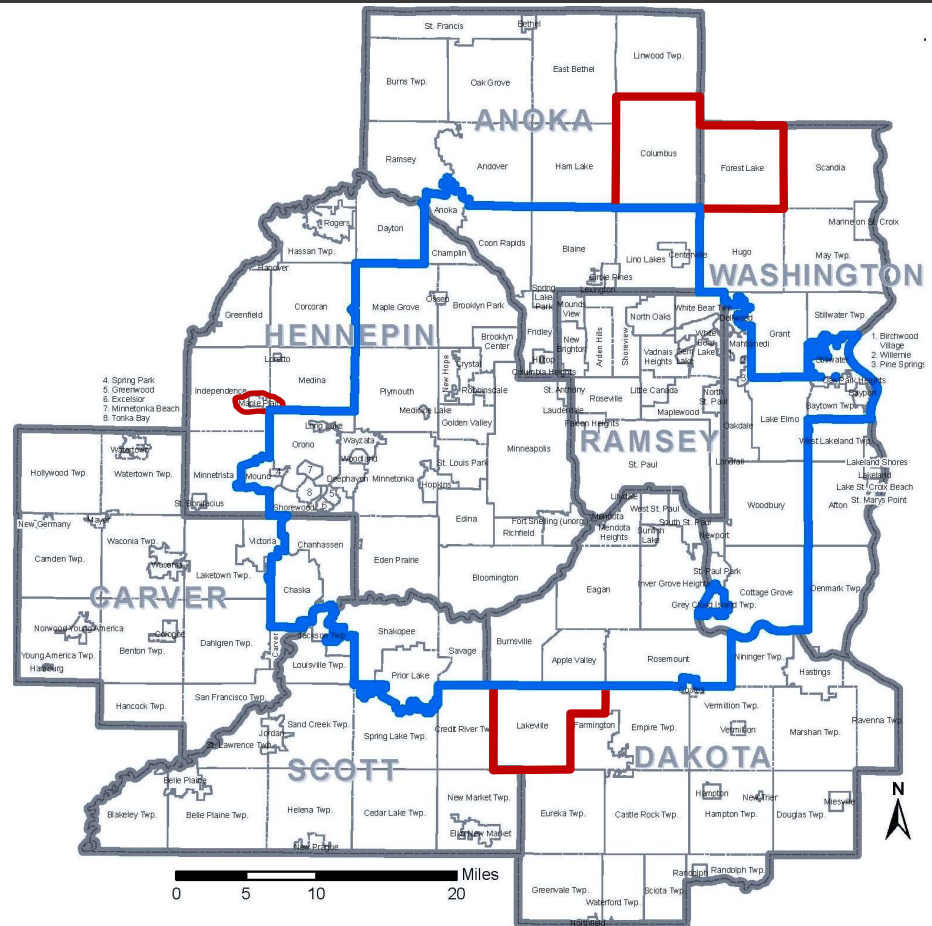


Proposed 2023 Property Tax Levies - \$92.3M

	Certified 2022	Proposed 2023	Pct Chg	Limit
Non-Debt Service Levies				
General Purposes	\$ 16.6	\$ 18.0	8.5%	\$ 18.0
Highway Right of Way	\$ -	\$ -	0.0%	\$ 4.8
Livable Communities:				
- Demonstration Acct	\$ 13.0	\$ 14.1	8.5%	\$ 14.1
- Tax Base Revitalization	\$ 5.0	\$ 5.0	0.0%	\$ 5.0
Total Non-Debt Levies	\$ 34.6	\$ 37.1	7.2%	\$ 41.9
Levy as Pct of limit		88.5%		
Debt Service levies				
Parks	\$ 3.5	\$ 1.7	-51.1%	
Transit	\$ 52.4	\$ 53.5	2.0%	
Total Debt Levies	\$ 55.9	\$ 55.2	-1.3%	
Total All Levies	\$ 90.5	\$ 92.3	2.0%	



Metro Area and Transit Debt Service Levy



Impact on the Taxpayer



\$300,000
Market Value

Transit Tax for Communities	
<u>Inside</u>	<u>Outside</u>
\$55.86	\$19.90

Impact to the Taxpayer

Counties: 27.4%

Cities & Towns: 31.9%

Schools: 33.4%



Other Special Districts: 6.0%

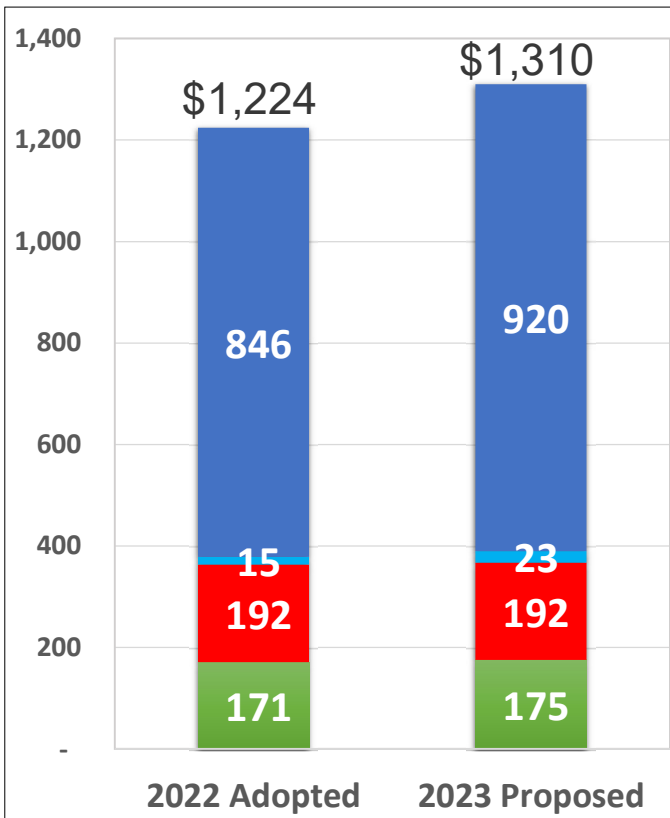
Met Council: 1.3%



Proposed 2023 Operating Budget



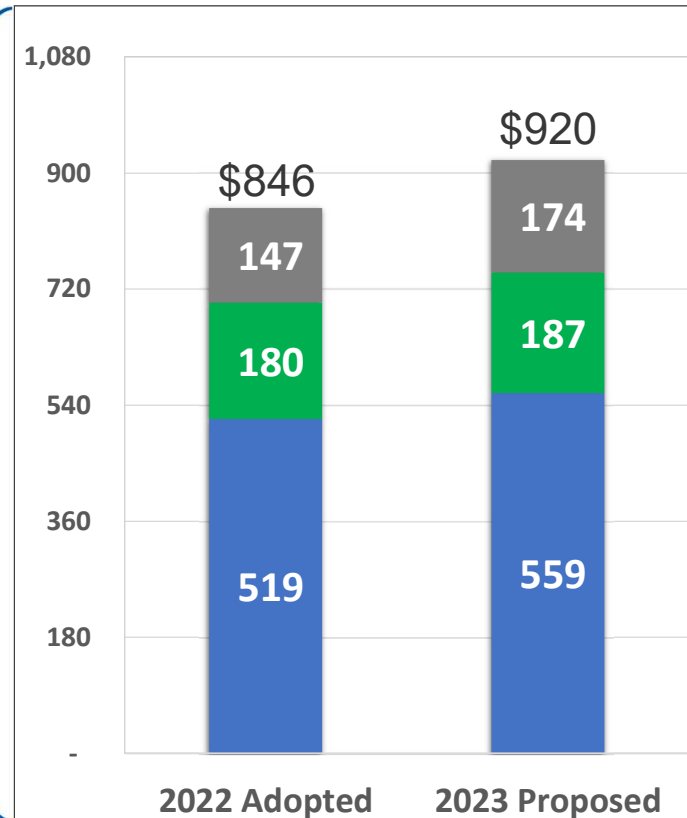
Proposed Operating Budget - \$1.3 Billion



Operations

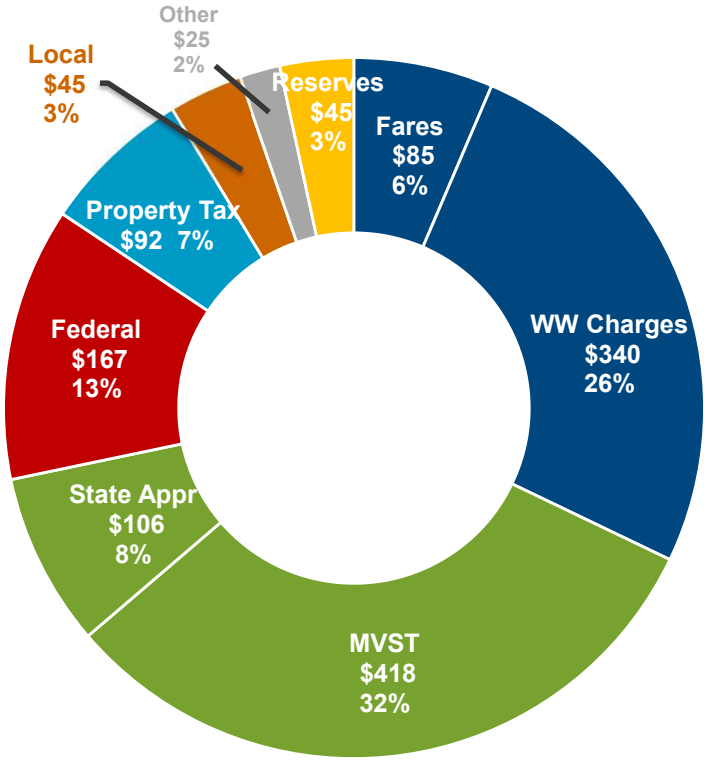
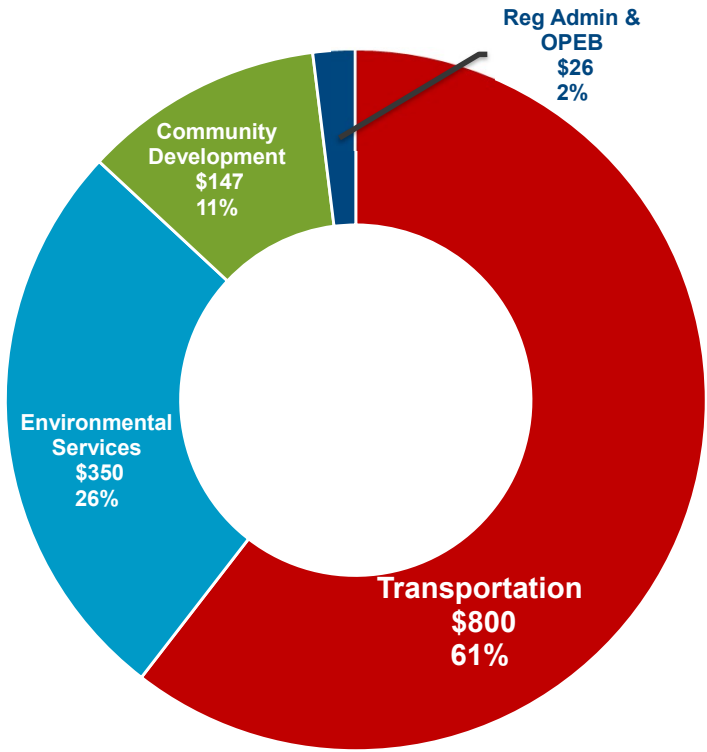


OPEB
Debt Service
Pass through

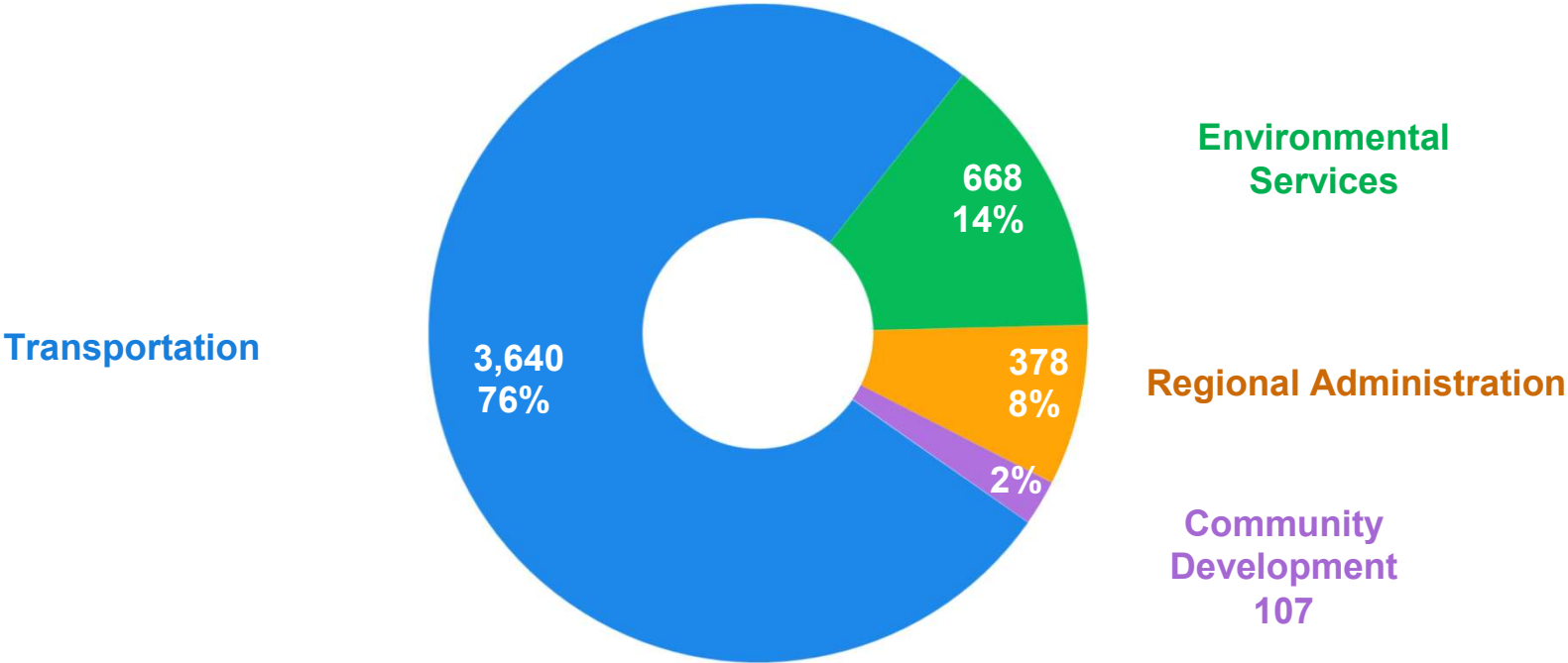


Other
Contracted Services
Salaries & Benefits

Proposed Budget - \$1.3 Billion



Proposed FTEs 4,793 by Division



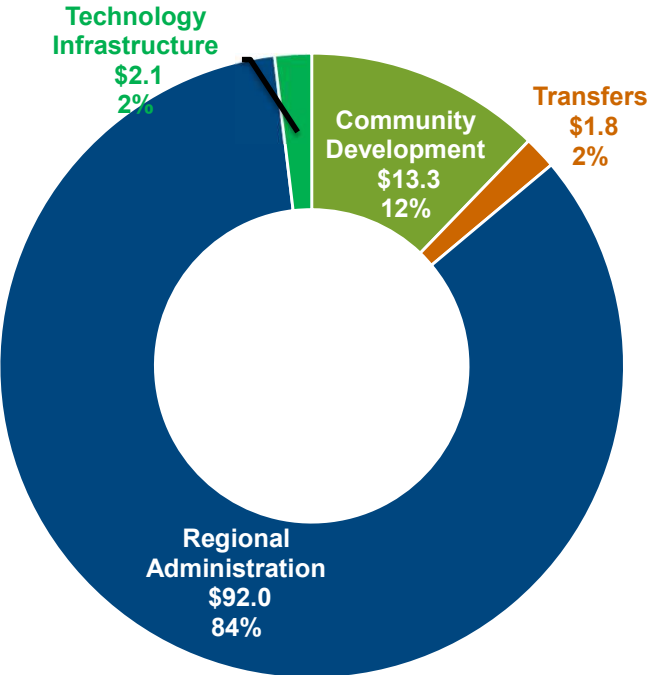


General Fund Operations



General Fund Operations - \$109.2M

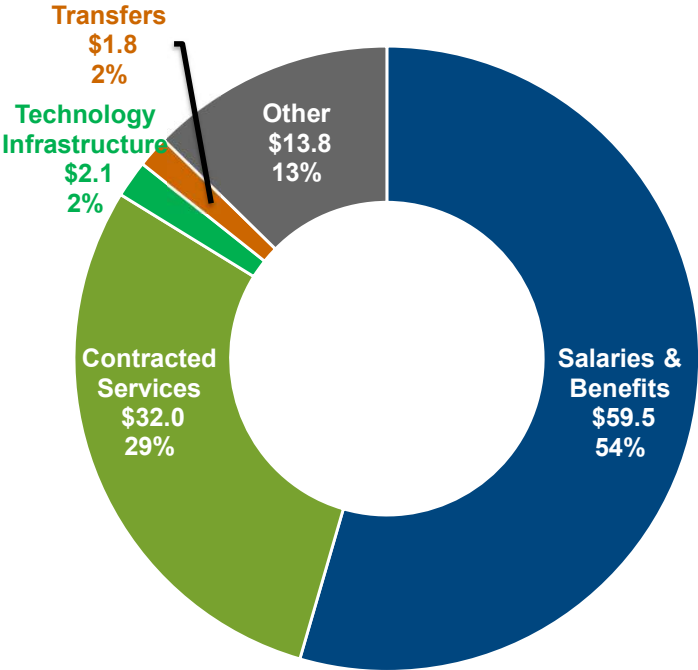
Uses by Department



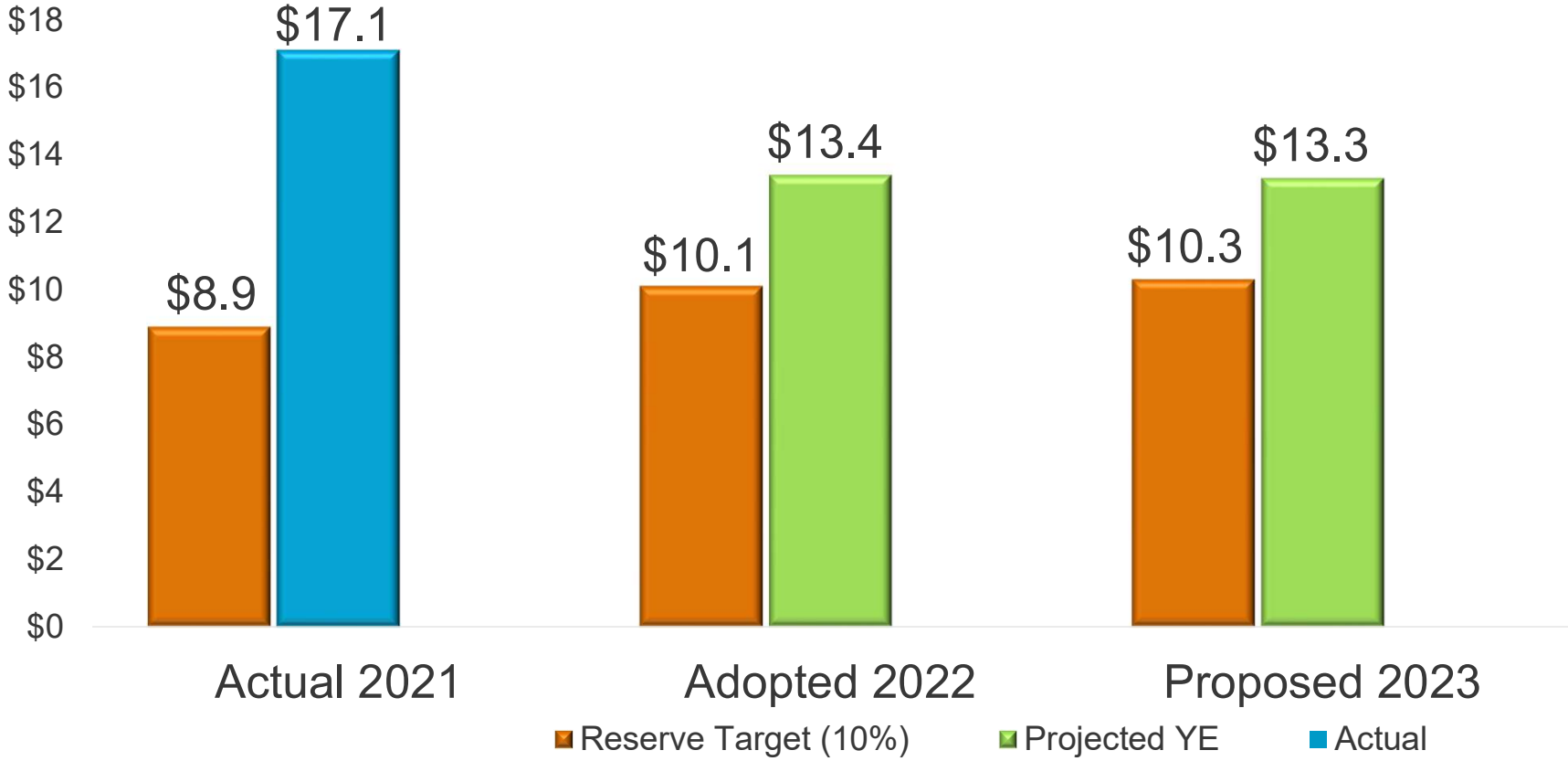
Sources

GP Levy	\$17.0
RA Allocations	\$91.3
Other	.9
Total	\$109.2

Uses by Category



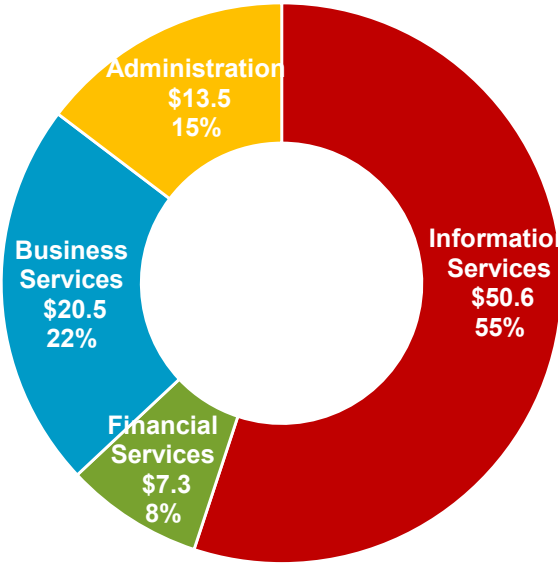
General Fund Unassigned Operating Reserve



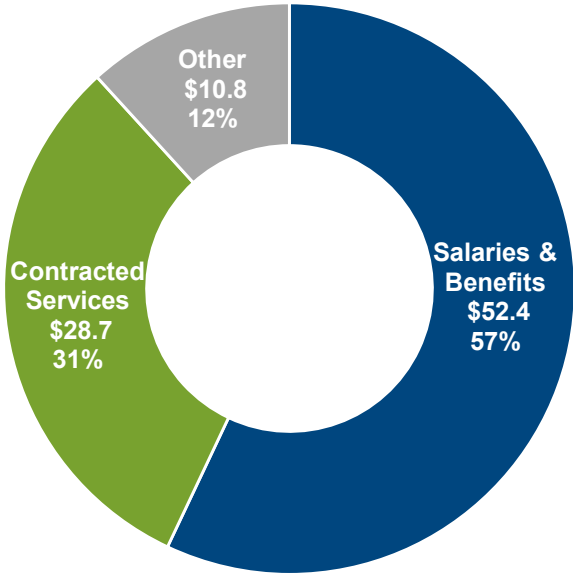
Dollars in Millions

Regional Administration - \$91.9M

Uses by Department



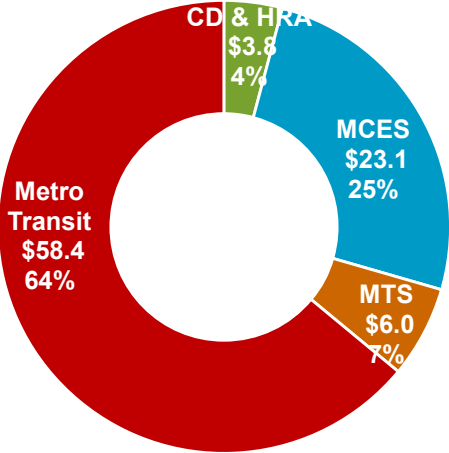
Uses by Category



Sources

RA Allocations*	\$91.3
Other Revenue	.6
Total	\$91.9

*RA Interdivisional Allocation - \$91.3



Community Development



Community Development Division



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



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



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



Facilitate community collaboration.



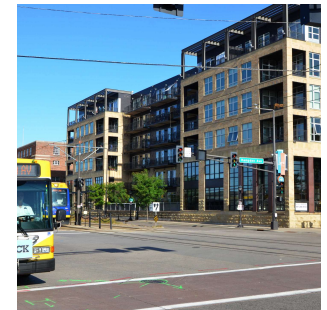
Deliver state and federally funded rent assistance to create and provide affordable housing for low-income households.



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



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



Operating Budget Highlights

- Climate Action Plan Implementation*
- LHIA Homeownership Pilot
- Equity Initiatives
- Regional Parks System Historical Cultural Study
- Lead scenario planning efforts to inform policy makers on implications of uncertainties in long-range planning caused by pandemic.

**Funds programmed in Community Development support enterprise work and projects.*



2050 Development Guide

2023 Initiatives

- Vision / Values
- Forecasting
- Land Use Policy
- Parks Policy Plan
- Housing Policy Plan

Funds programmed in Community Development for 2050 Development Guide support enterprise work and projects.



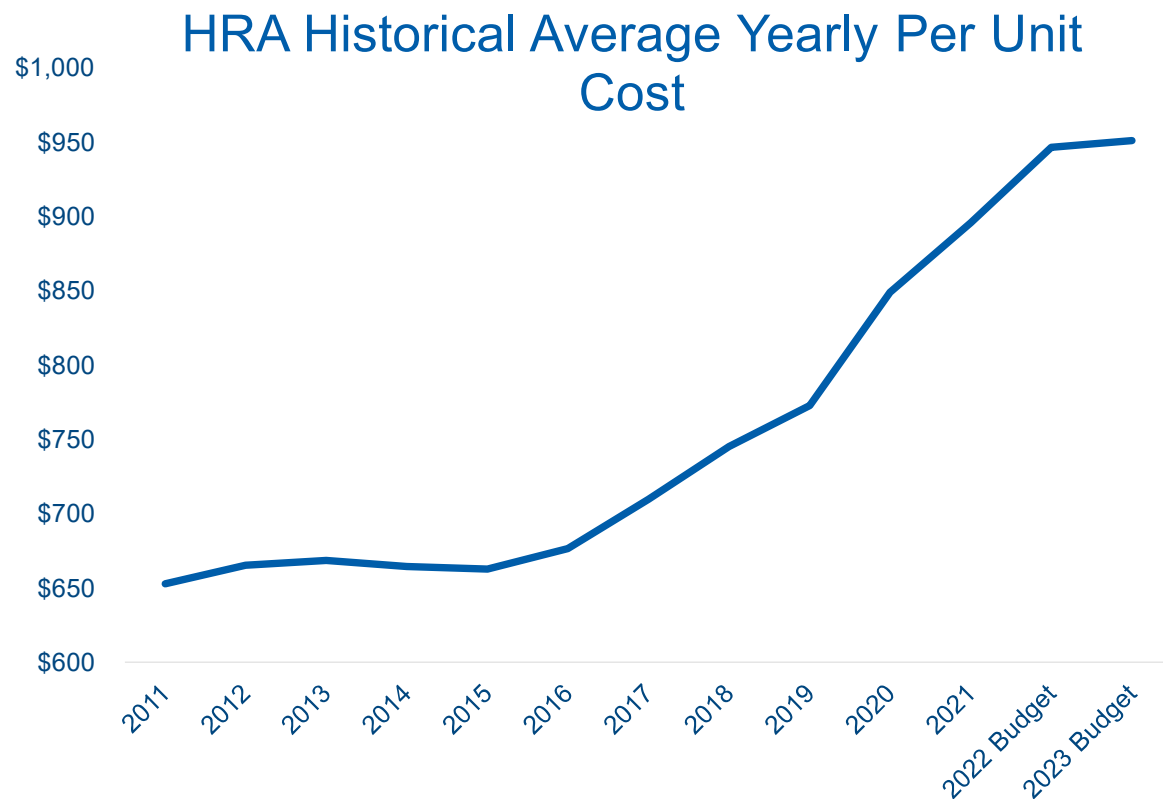
Metropolitan Housing and Redevelopment Authority (HRA)

2023 Initiatives

- Community Choice Mobility Demonstration Program
- Explore Homeownership Program
- Implement Foster Youth to Independence Program
- Residential Preference Study

Closely watching

- Federal Budget
- Per Unit Cost



Metropolitan Housing and Redevelopment Authority (HRA) 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

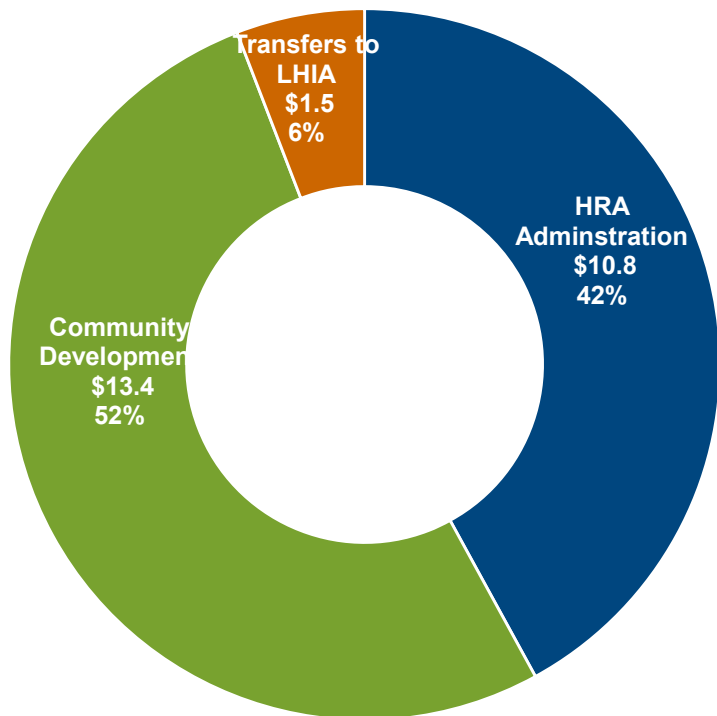
Agencies across the country have implemented housing mobility programs to help reduce barriers of families with vouchers to live in neighborhoods of their choice including areas with:

- High performing schools
- Access to jobs
- Low crime
- Parks and other amenities

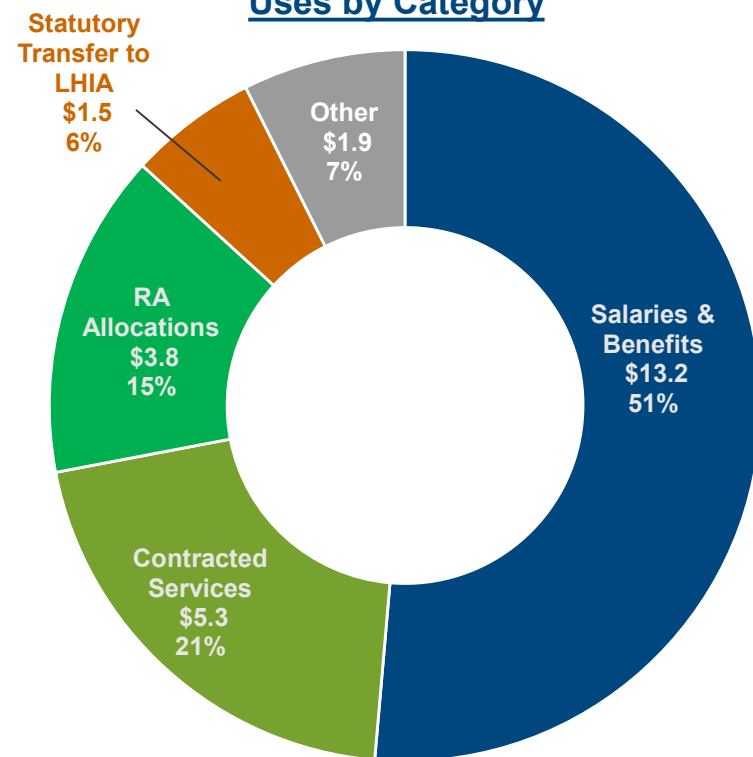


Community Development Operations - \$25.7M

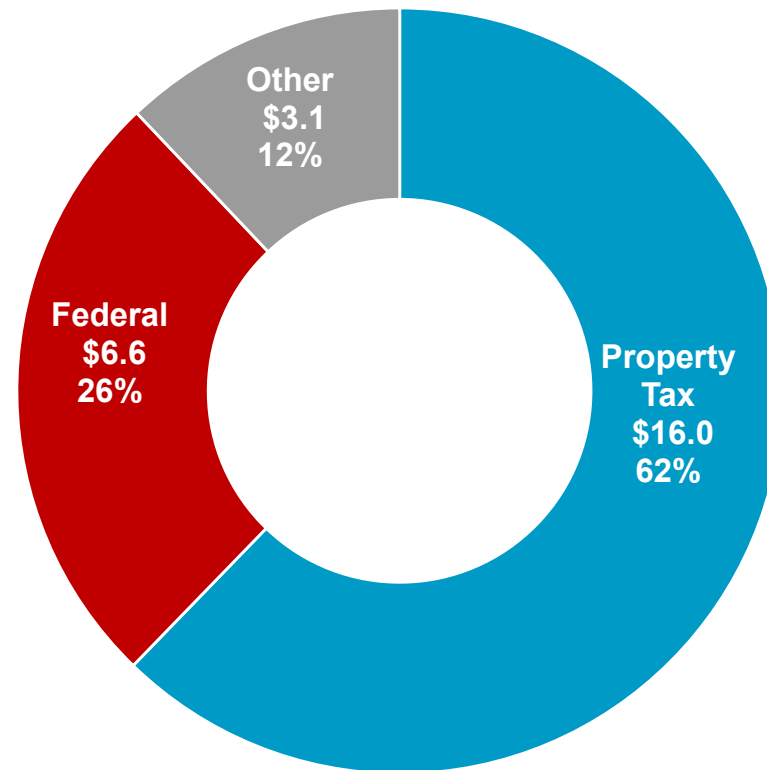
Uses by Department



Uses by Category

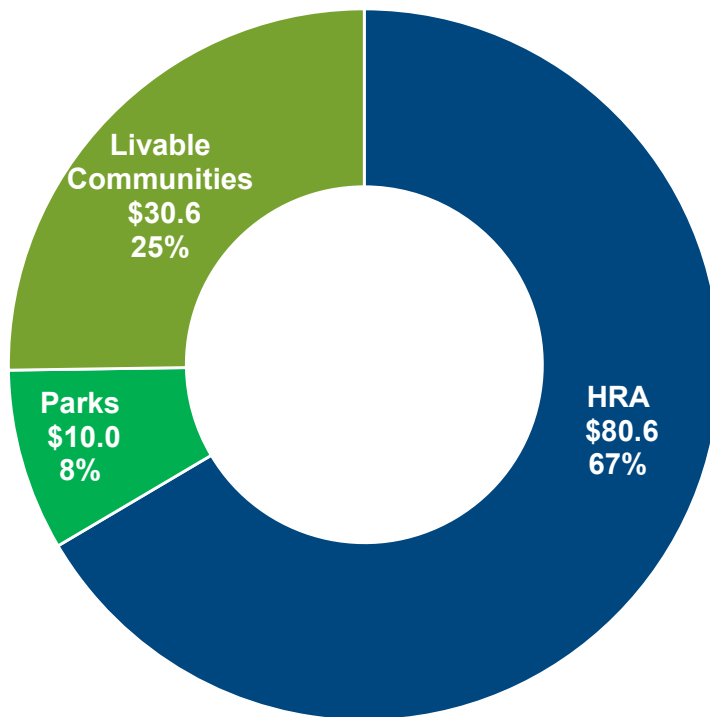


Community Development Sources - \$25.7M

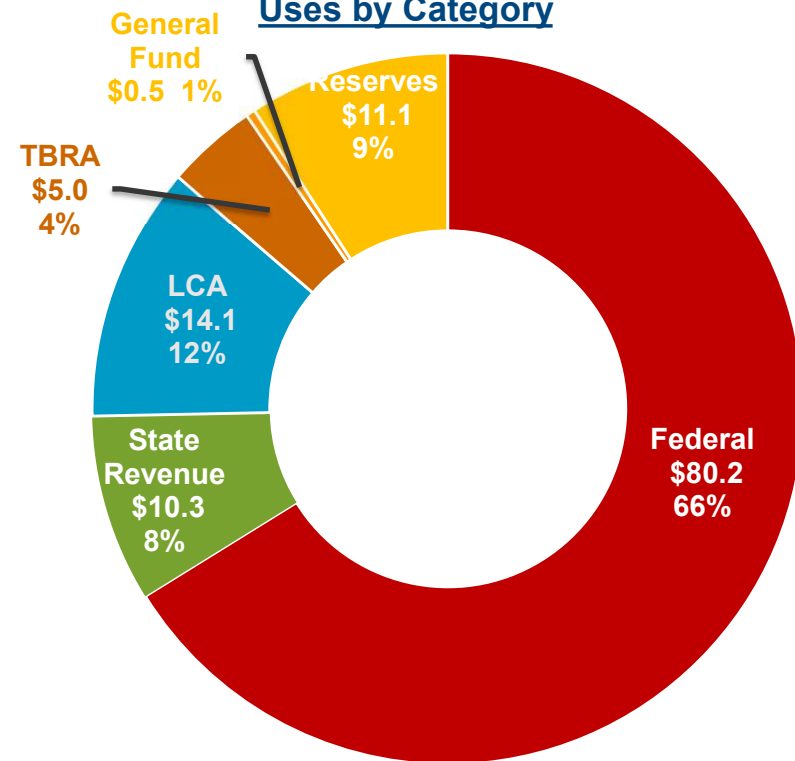


Community Development Passthrough - \$121.2M

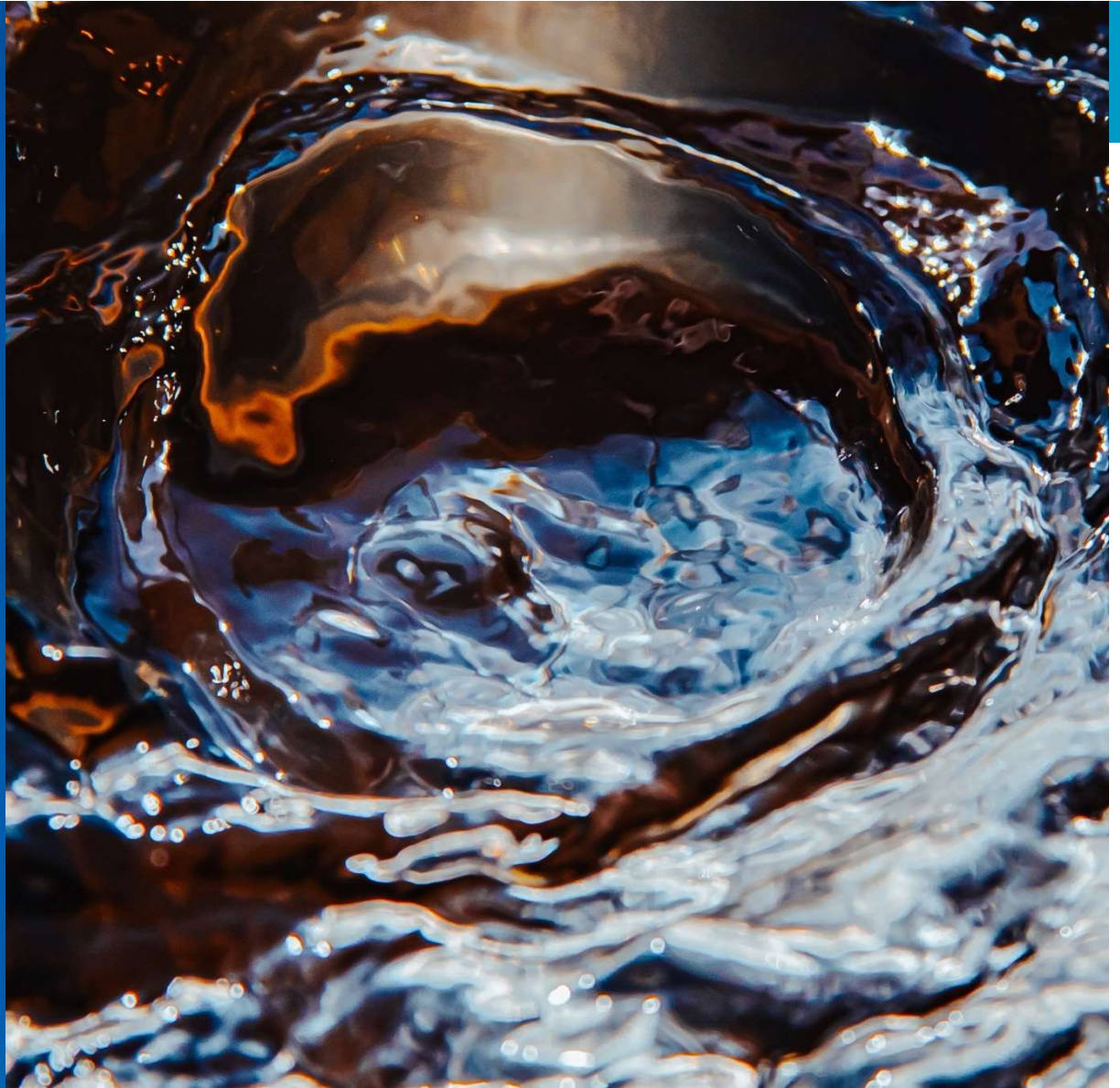
Uses by Department



Uses by Category



Environmental Services





Our Vision:

Clean water for future generations

Our Mission:

**We partner, plan, and provide services
to protect our region's water**

Service area and facilities

We serve

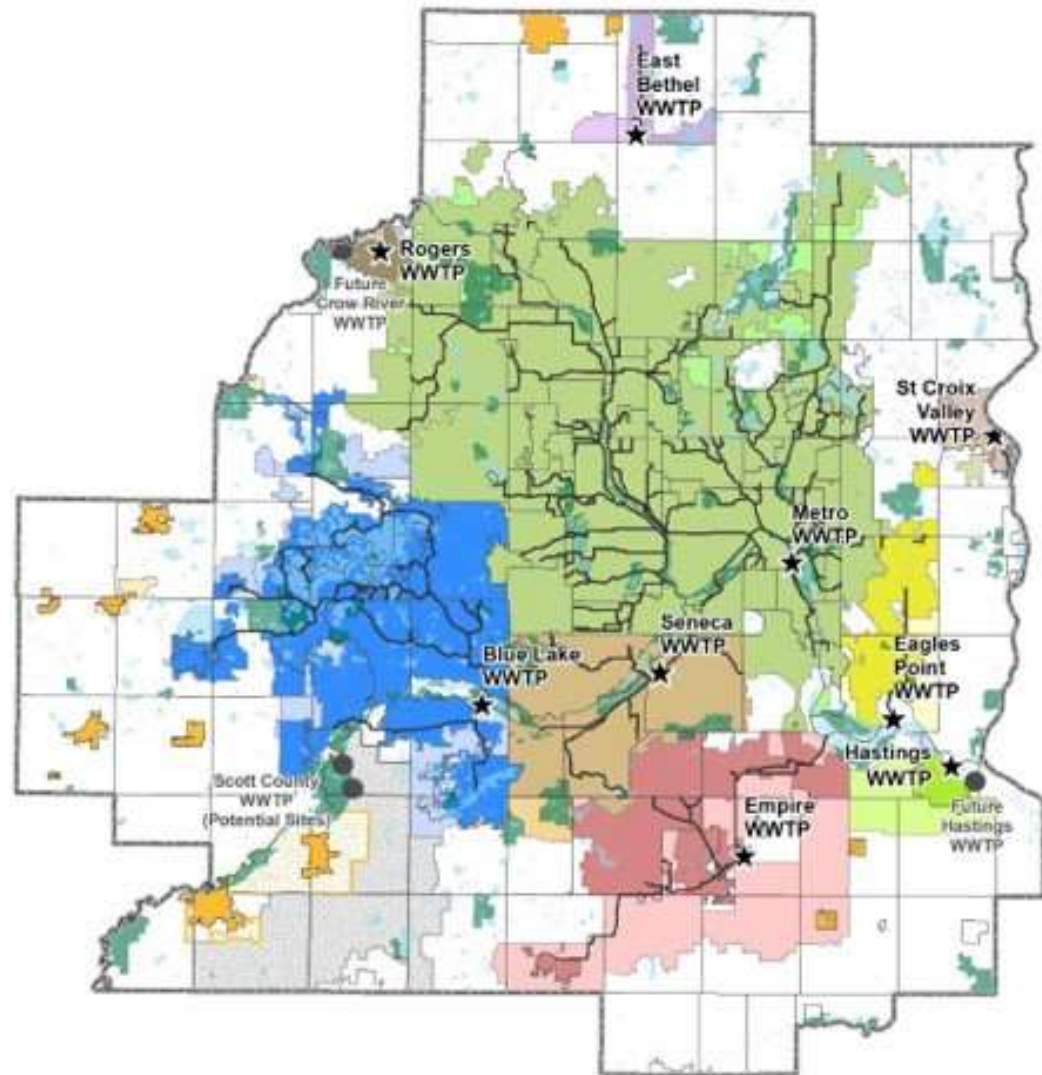
7-county Twin Cities Metro Area
111 communities
3,000 square miles
2.8 million+ people
~50% of Minnesota's population

Our facilities

9 wastewater treatment plants
637 miles of interceptors
61 pump stations
250 million gallons /day (average)

Environmental Service

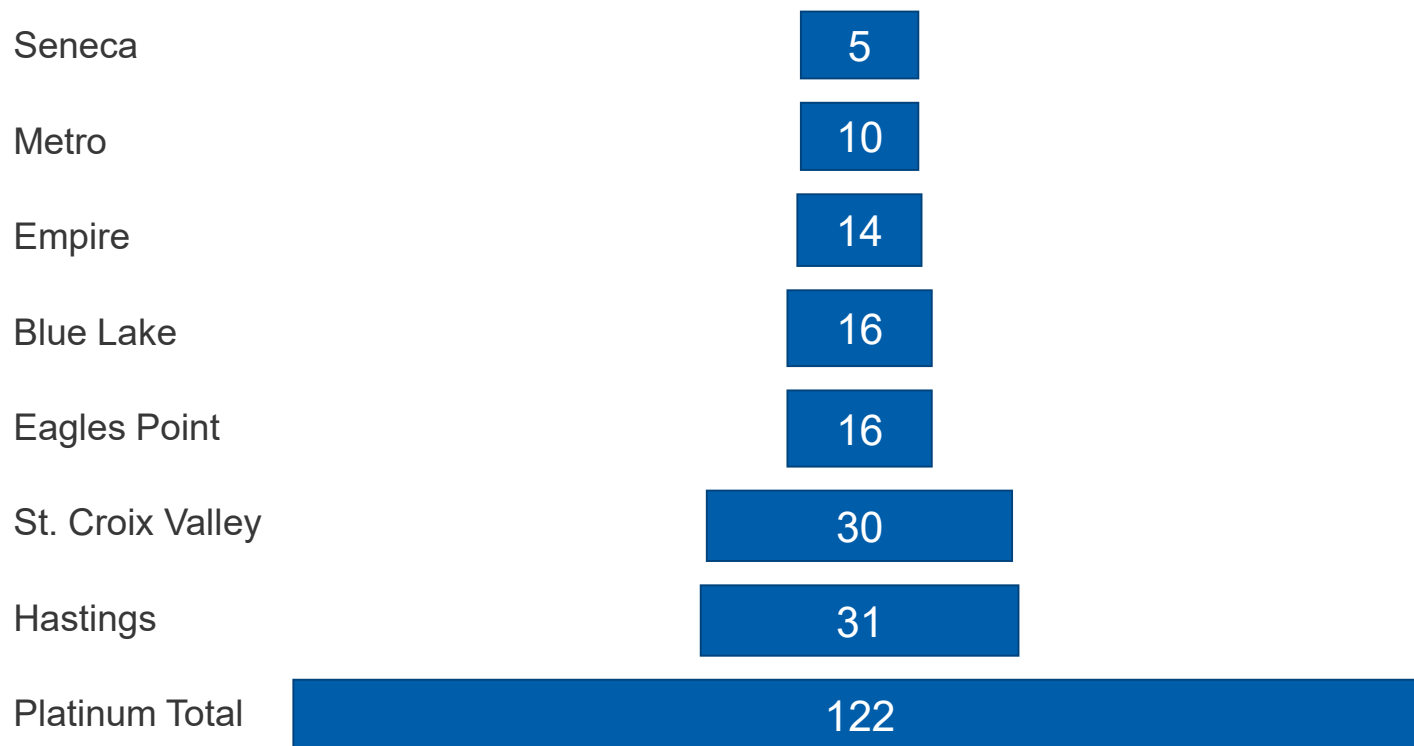
600+ employees
\$7 billion in valued assets
\$140 million/year capital program
\$350 million/year operating budget



Exceptional regulatory performance through 2021



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



We partner, plan, and provide services to protect our region's water



We partner, plan, and provide services to protect our region's water



Meeting the region's needs in 2023 and beyond

Metropolitan Area Water Supply Planning Activities, Advisory Committees



**Technical
Information**



Planning



Recommendations

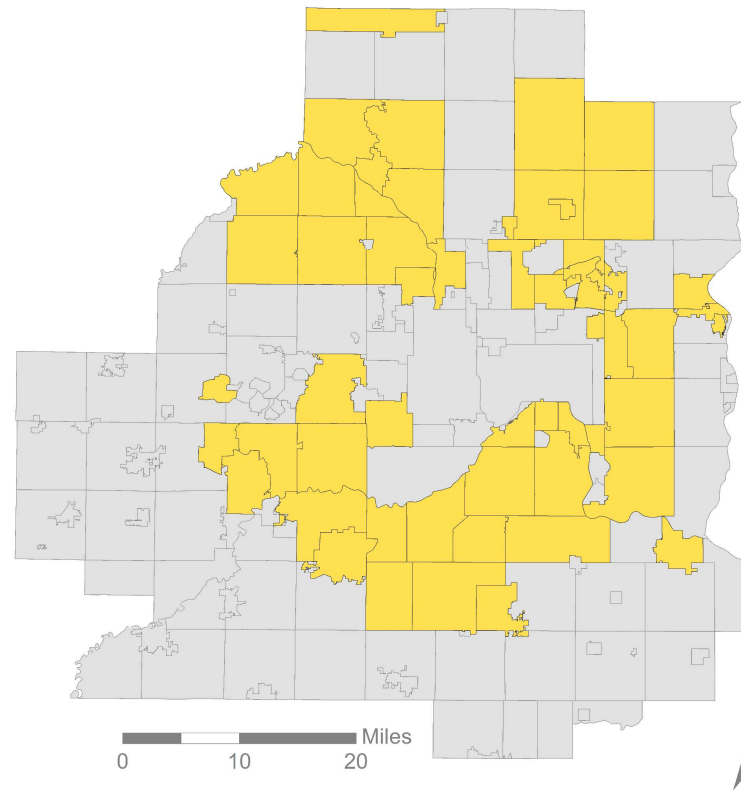
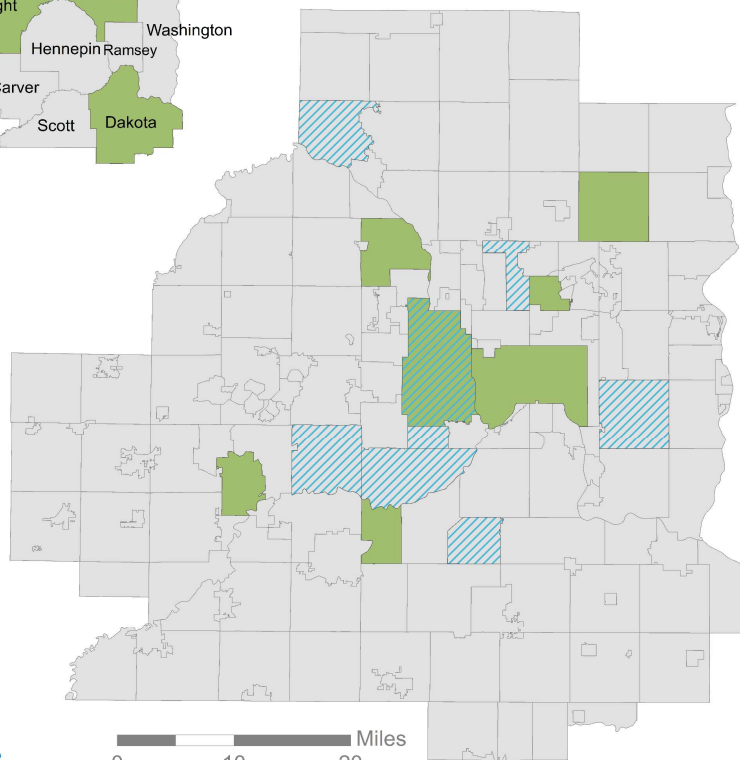
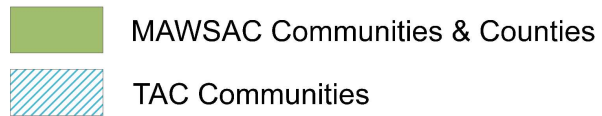


**Advisory
Committees**



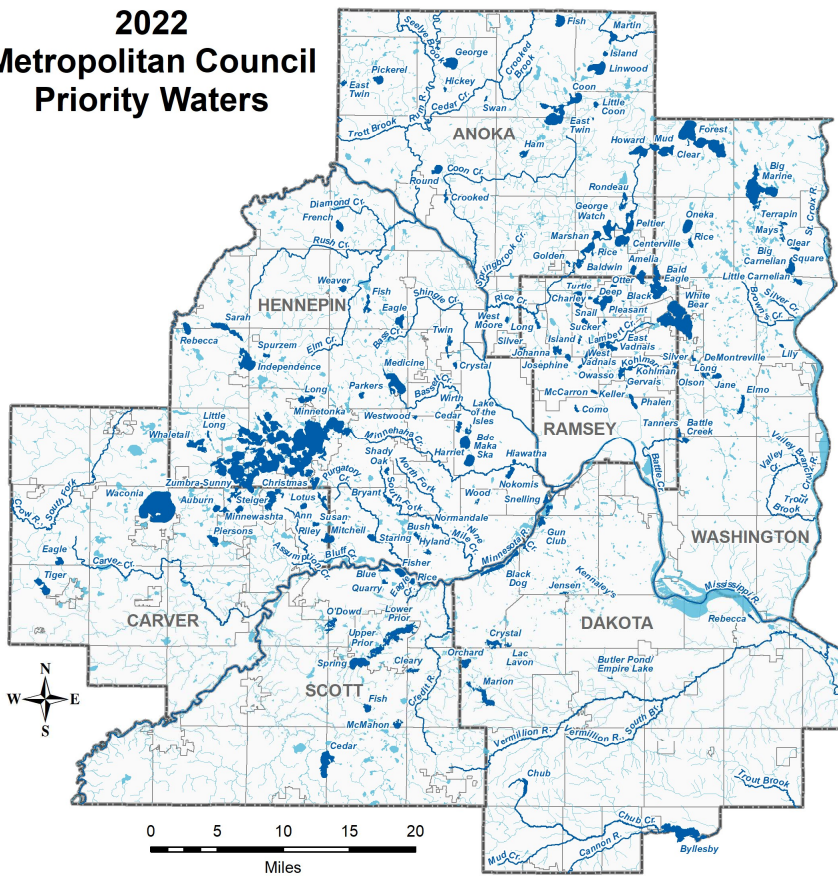
**Financial
Assistance**

We collaborate across the region



We collaborate across the region

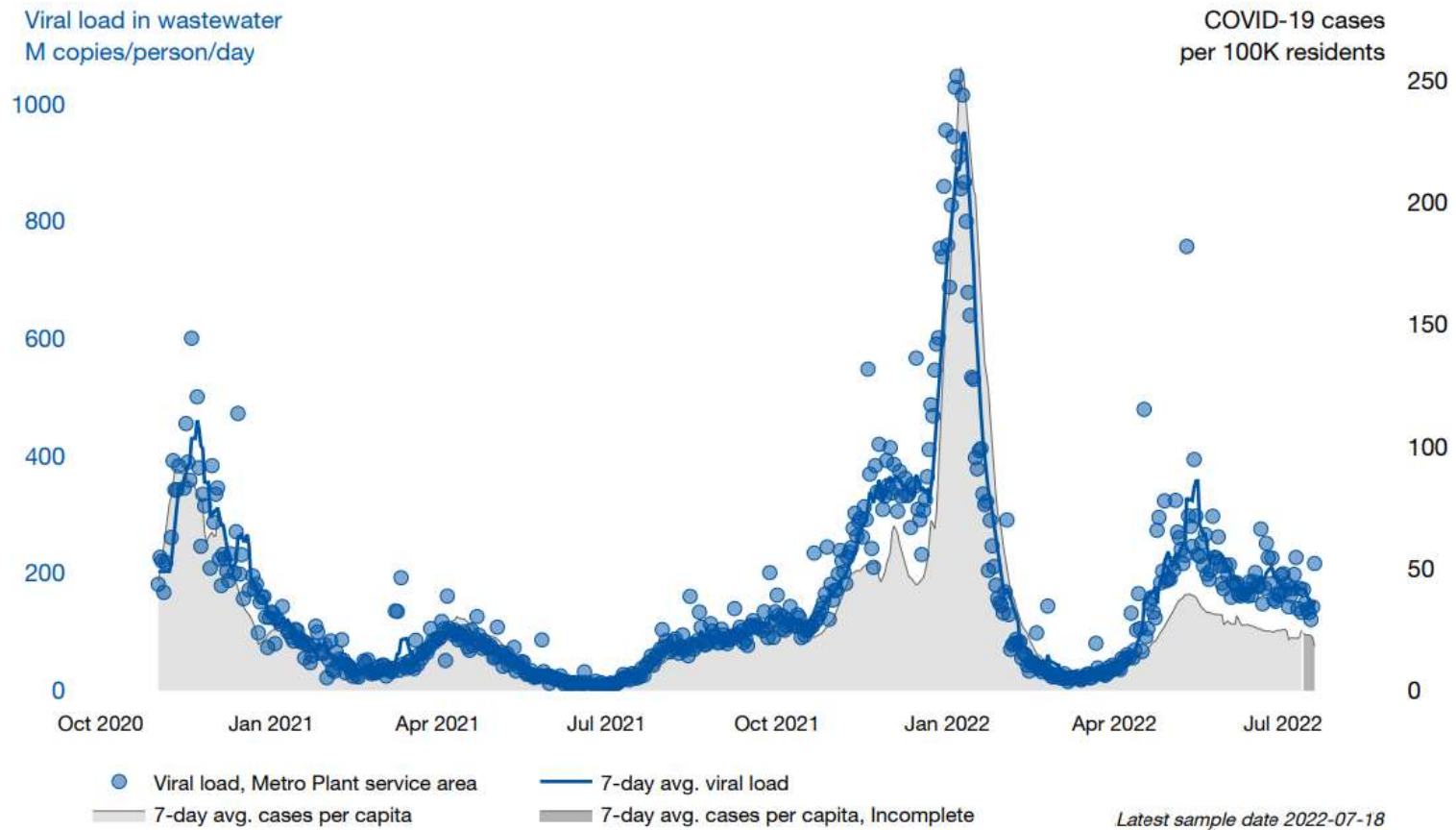
2022
Metropolitan Council
Priority Waters



Priority Waters List

- Used to set monitoring and assessment priorities
- Prioritized based on:
 - Drinking water protection
 - Recreation and tourism
 - Healthy habitat
 - Tranquil connection
 - Equity
 - Industry and utility
 - Science and education
- Developed with input from partners

COVID-19 and wastewater-based epidemiology



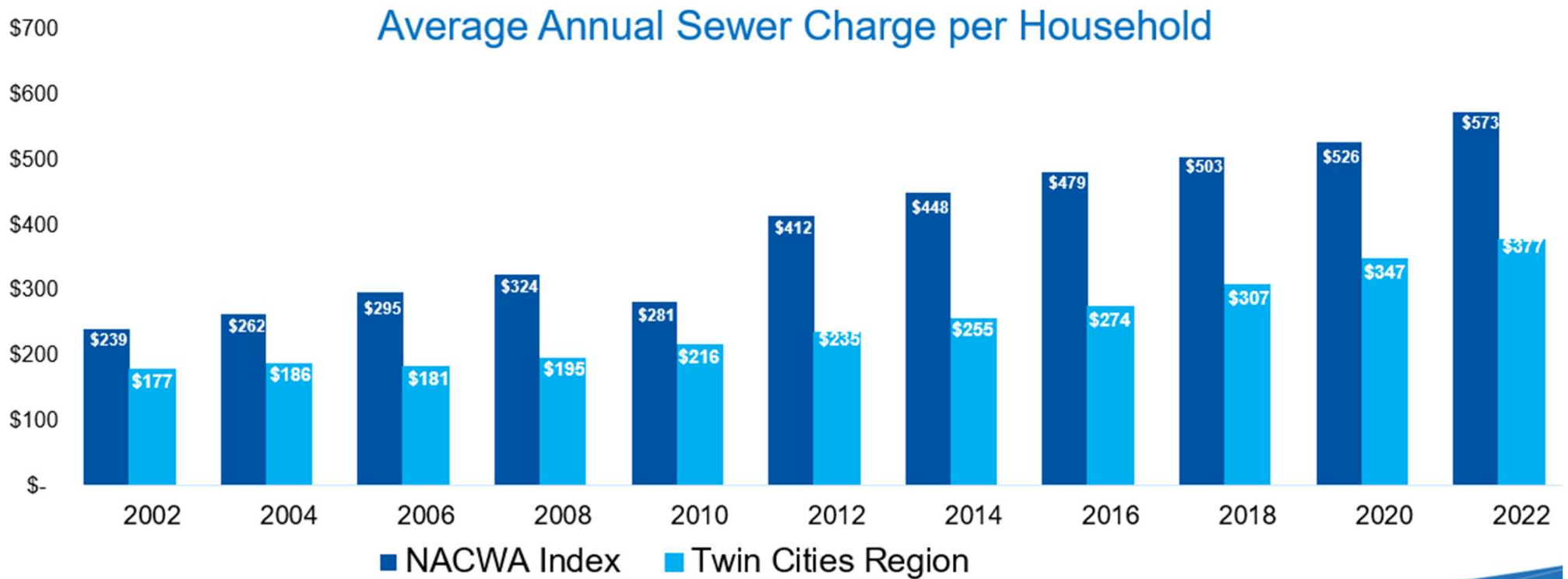
Operating budget highlights



- **Municipal Wastewater Charge: +5.5%**
 - 2023 = \$263.7M (\$13.7M higher than 2022)
 - \$7.50 annual increase per REC (residential equivalent connection)
- **Sewer Availability Charge: No Change**
 - \$2,485 per SAC (flat since 2014)
 - Total FY23 transfer = \$60.1M (includes \$10.5M for PAYGO*)
- **Industrial Waste Strength Charge: +6.6%**
- **Industrial Waste Permit Fees: +5.5%**

*PAYGO is paying cash for capital projects.

Annual retail sewer charge per household



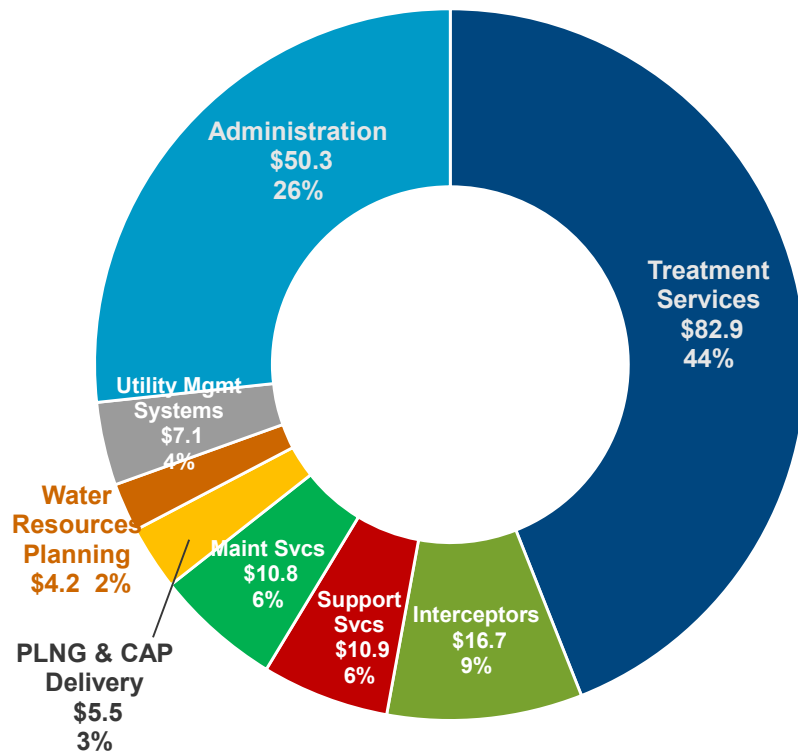
Municipal Wastewater Charges – history and projection



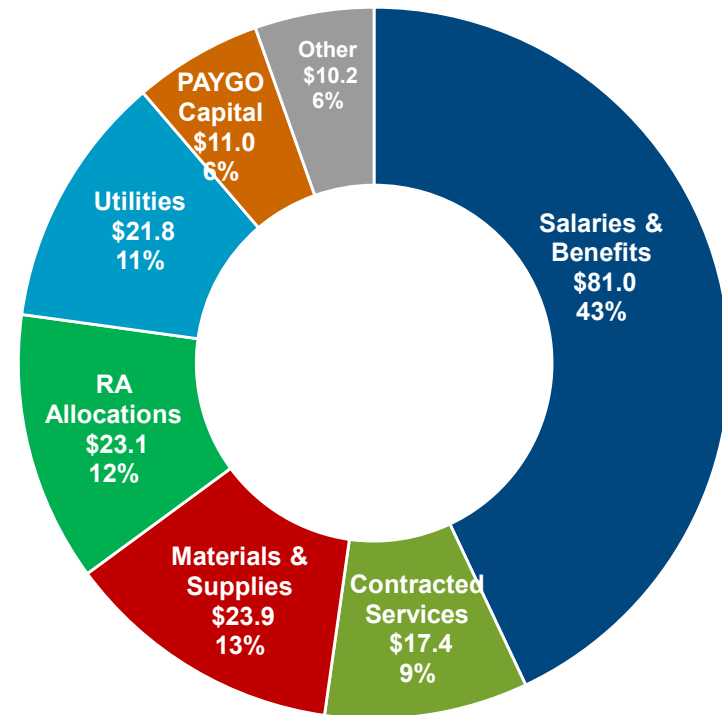
2018-2022:	Promise: 5-years \leq 4% Increase
2021:	2% Increase
2022:	4% Increase
Wastewater Inflation:	6% -10% Increase
2023 :	5.5% Increase
Long-Term Goal:	\leq Wastewater Inflation Rate

Environmental Services operations - \$188.4M

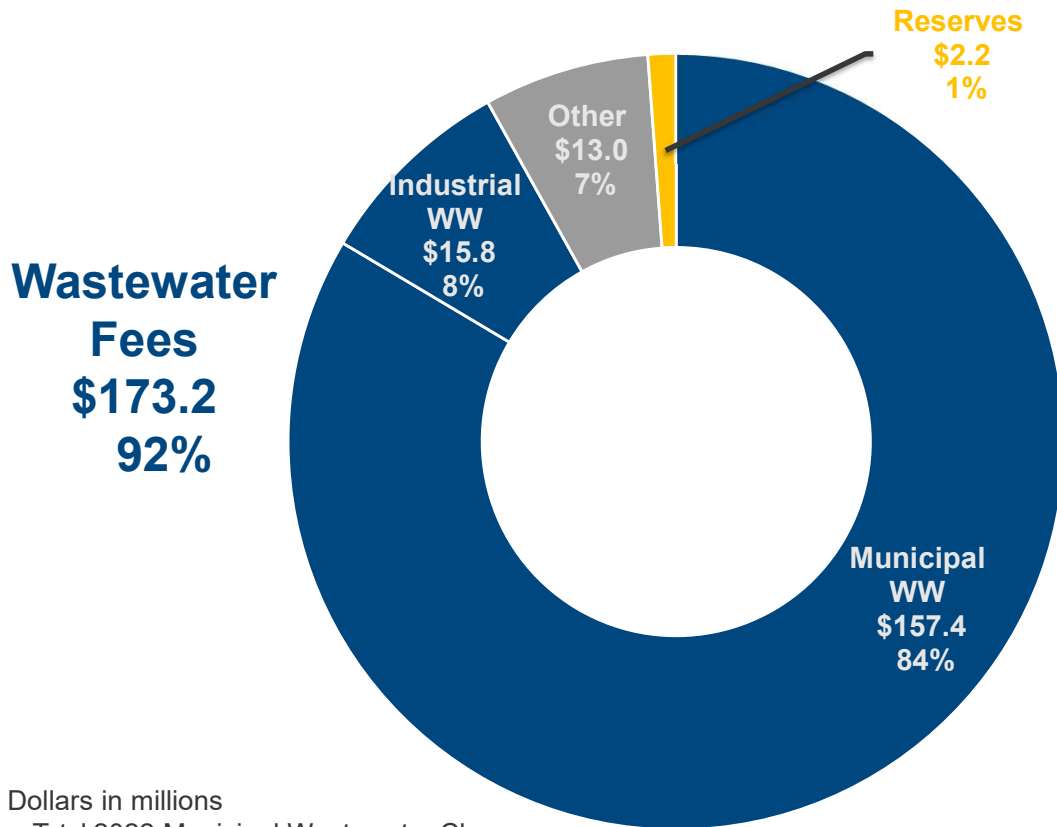
Uses by Department (\$M)



Uses by Category (\$M)



Environmental Services sources - \$188.4M



Dollars in millions

- Total 2022 Municipal Wastewater Charge is \$263M
- Other includes \$9.5M transfer from SAC

Wastewater outstanding debt (\$ in millions)

(\$ in millions)

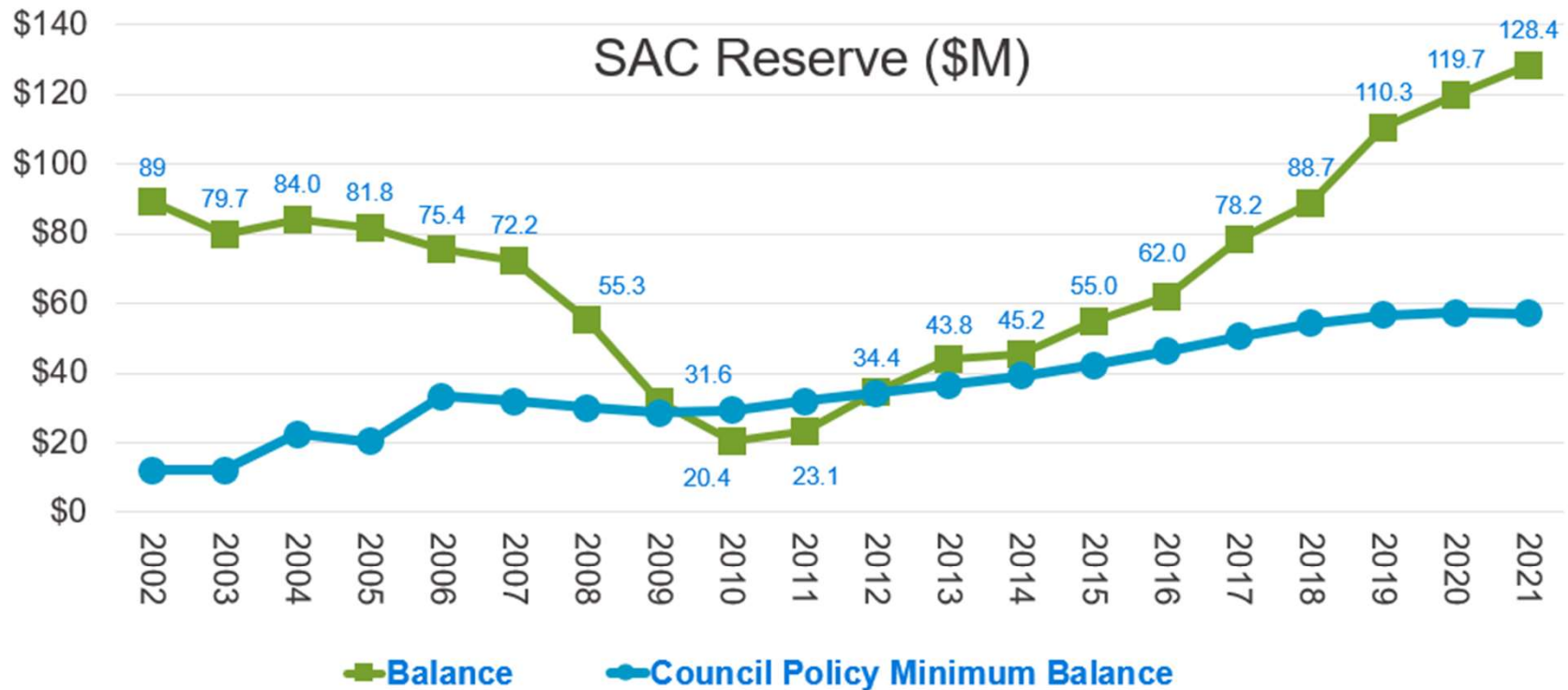


- Assumes 75% of ACP is spent.
- \$47.3M Bond Sale in March 2022; AAA, 20-year term at 3.247%

SAC units: development continues



SAC reserve helps manage future rates



Strong reserve balance will help MCES manage future SAC rates

Transportation

Long-range planning



Environmental protection



Transportation services



Transportation Division

Services

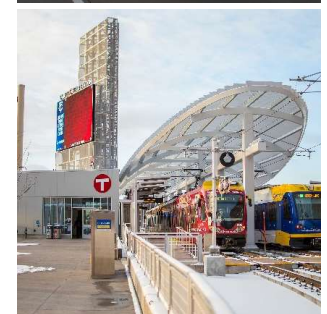
- Metro Transit
 - Bus
 - METRO Blue and Green Lines
 - Northstar Commuter Rail
 - METRO Orange and Red Lines
 - A Line, C Line and D Line BRT
 - Capital Project Development
- Metropolitan Transit Services
 - Contracted Bus
 - Metro Mobility
 - Planning
 - Transit Link
 - Vanpool



Transportation Division

Budget Development Basis

- Council Policy & Actions
 - Thrive MSP 2040
 - Transportation Policy Plan
 - Labor Agreements
 - Fare Policy
 - Federal Relief Funds
 - Target Fund Balance
- Forecasts and Legislation
 - Preliminary Budget reviewed with Forecasts/Toolbox – Current year plus 4 years
 - Motor Vehicle Sales Tax (MVST)
 - State General Fund Appropriation
 - Federal Relief Funds
 - Metro Mobility becomes state forecasted program in SFY 2026
 - Transit Equity Review with Budget Managers



Transportation Division

Budget Framework Considerations

- Rollup major revenue & expense categories
- Anticipated revenue growth
- Levels of service – base and expansion
- COVID impact on operations
- Transit Equity Review
- Increasing investment in customer experience, security, facility upkeep and technology



Transportation Division

Mitigate Volatility

- Budget 95% of Motor Vehicle Sales Tax
- Fuel price hedging
- Progaming federal funds
- Operating fund reserve targets



Transportation Division



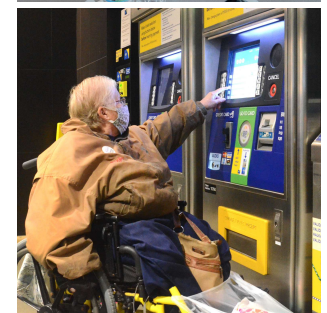
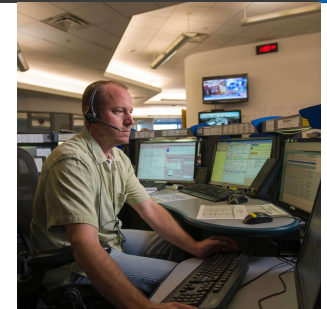
Revenue Assumptions

- State General Fund and MVST per legislation and state forecast
- Reset County contribution base at 50% net subsidy
- Program federal relief funds to offset revenue loss
- Passenger Ridership Recovery (% pre-covid)
 - Bus 65%
 - Light Rail 75%
 - Metro Mobility 100%
 - Northstar 30%

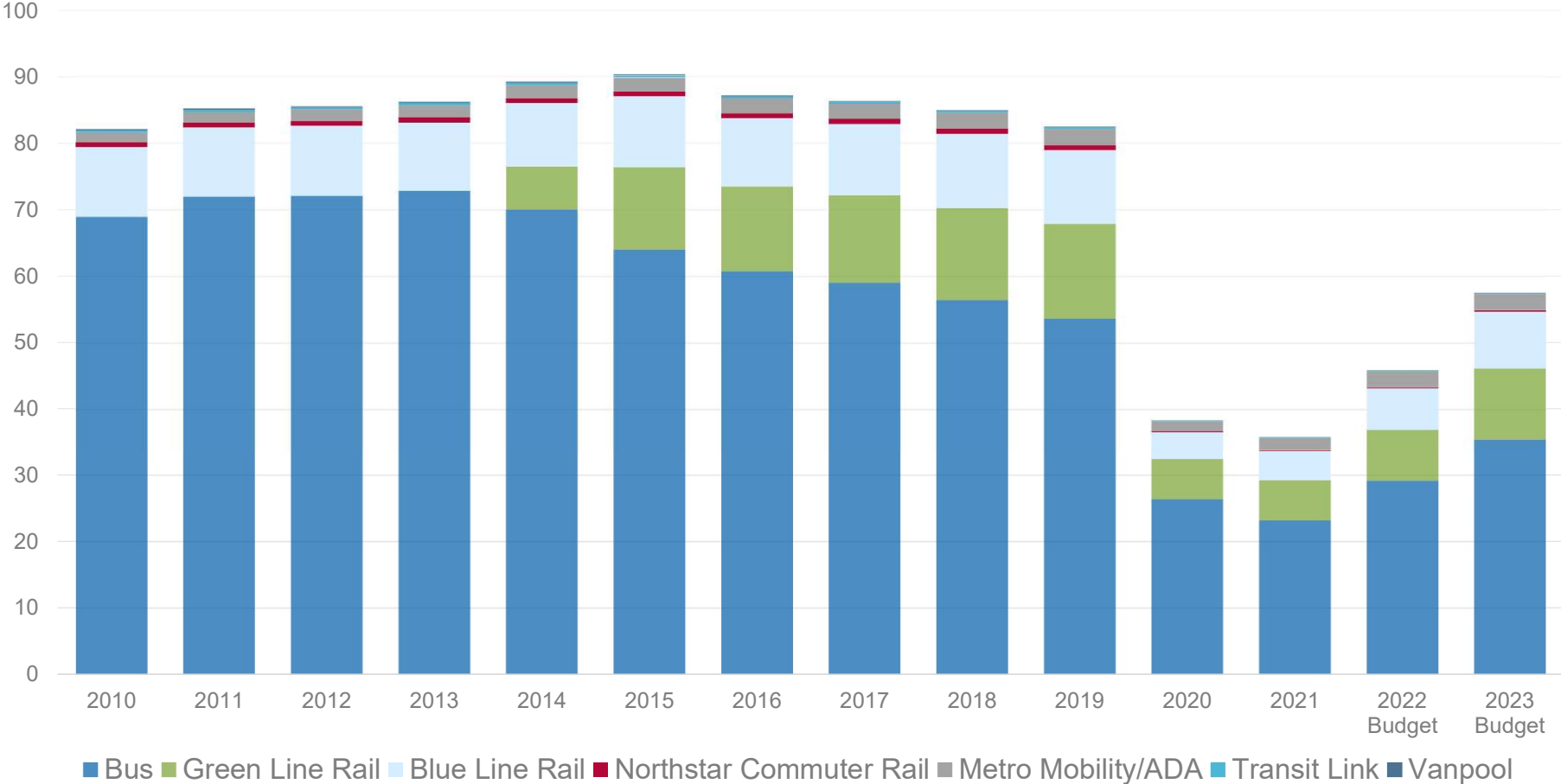
Transportation Division

Primary Expense Assumptions

- Service levels
 - Bus (MT & Contracted)
 - Light Rail
 - Commuter Rail
 - Metro Mobility
 - Transit Link
 - Vanpool
- Existing contracts
 - salaries and benefits
 - contracted transit services
 - fuel forwarding (for MT)
- Parts and supplies based on service plan
- Transit Safety Initiatives
- Regional Allocations



Council Ridership (in millions)



Metro Transit Strategic Operations Plan

Goals

- We will transition from the pandemic to a stronger, better transit system
- We provide service that is safe, welcoming and comfortable
- We provide service that is reliable and easy to use
- We make our region more environmentally sustainable
- We are a great place to work and build a career

Core Elements

- We meaningfully advance equity inside our organization and in the region
- We effectively communicate and engage with customers, stakeholders, and employees
- We evaluate our performance and foster innovation for continuous improvement
- We are responsible stewards of a transformative and financial sustainable transit system

Bus Highlights



Operating Budget Highlights

- D Line opening December 2022
- Bus Service Levels 95% + D Line
- New Minneapolis Bus Garage
- Zero Emission Fleet Plan
- Continued Operator Hiring Plan Focus to return to full levels of service
- Continued COVID impacts on operations
- Continuous Evaluation and Review of Budget Assumptions and Ridership/Travel Demand
- FTE Additions to support D Line, New Mpls Bus Garage and Orange Line
- County Funding Orange Line

Light Rail Highlights



Operating Budget Highlights

- Planned return to 10 Minute Frequency from current 15 Minute Frequency dependent on operating hiring
- Increase in Repair Parts and Utilities due to increased inflation
- Hiring 8 additional cleaners for Station and Vehicle Maintenance
- Increased Costs for LRT Structure Maintenance to maintain the assets into a State of Good Repair
- County Funding METRO Blue and Green Lines

Commuter Rail Highlights



Operating Budget Highlights

- Planned Service Levels of 4 Daily Trips In and Out with Special Event Service
- Continuous evaluation of service needs and ridership demand
- Increase in Repair Parts and Utilities due to increased inflation
- Increased Costs for Northstar Structure Maintenance to maintain the assets into a State of Good Repair
- County Funding Northstar Commuter Rail

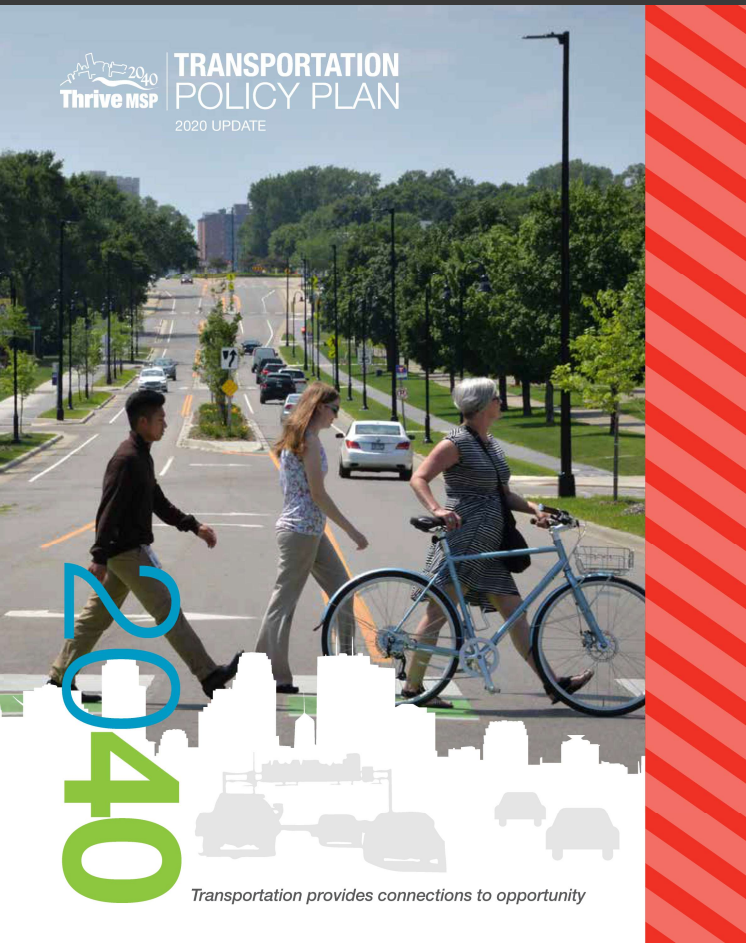
Contracted Services Highlights



Operating Budget Highlights

- Bus service levels 95%
- Metro Mobility service levels 100%
- Continued COVID impacts on operations
- Higher fuel costs and transit provider contract rates in preliminary 2023 budget offset by lower budgeted general expenses, premium on-demand service costs, and vehicle revenue hours.
- Continuous evaluation and review of assumptions and ridership / travel demand.
- Metro Mobility transition to state forecasted program
- Zero Emission Fleet Plan

Planning Highlights

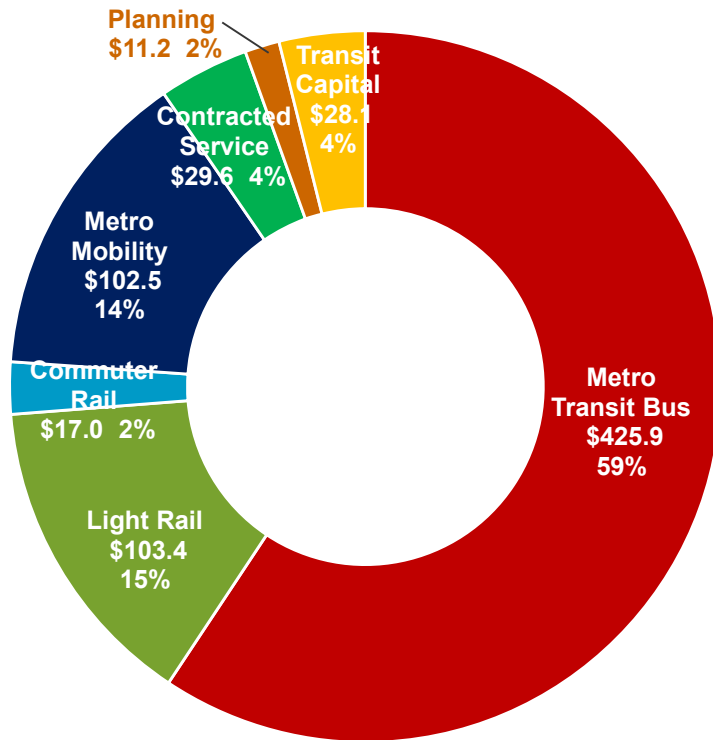


Operating Budget Highlights

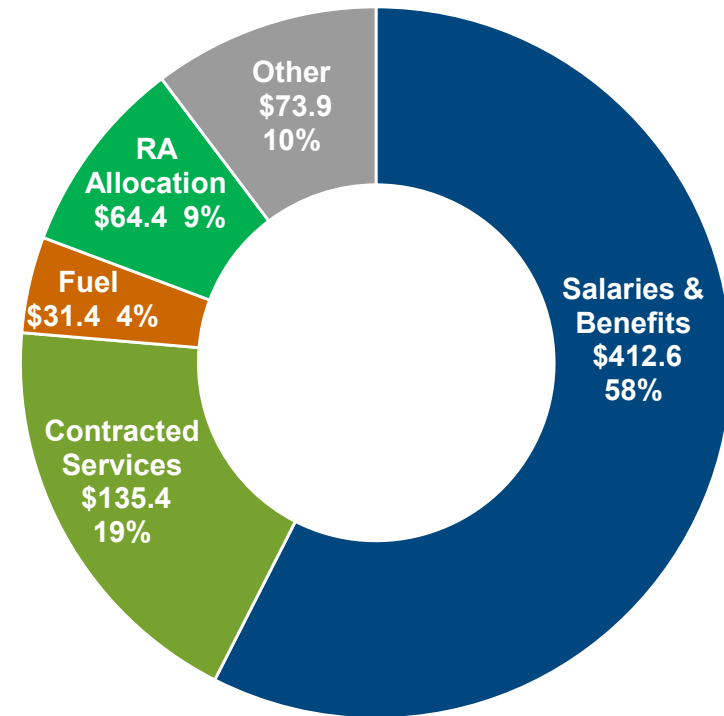
- 2050 Development Guide
- Transportation Policy Plan
- Increased federal support for Metropolitan Planning Organization activities funded by the Infrastructure Investment and Jobs Act
- Research and studies

Transportation Operations - \$717.7M

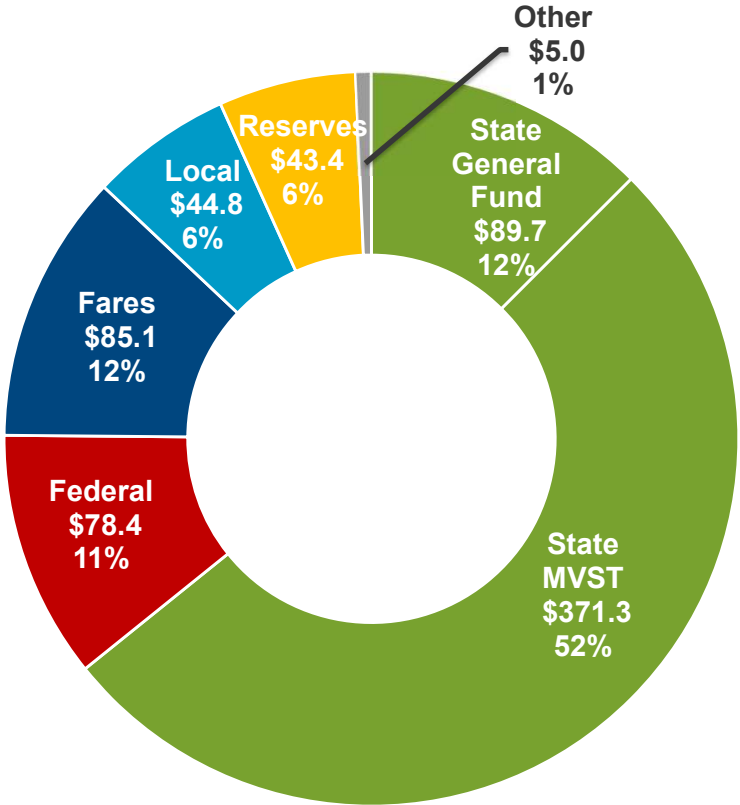
Uses by Department



Uses by Category



Transportation Operations Sources - \$717.7M

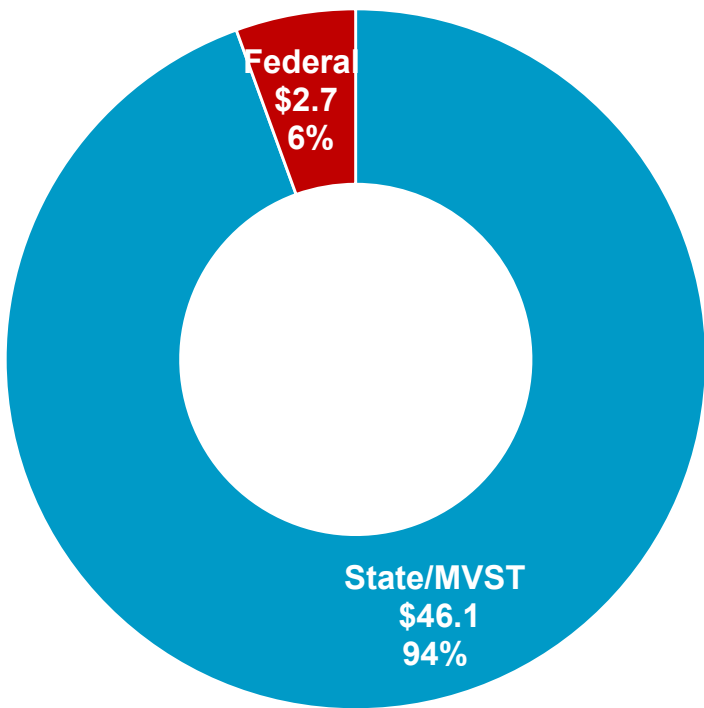


State Revenues
\$461.0
64%

Dollars in Millions

Transportation Passthrough \$48.8M

Sources



\$46.1M state operating dollars allocated to Suburban Opt Out Providers through State Transit Funding Allocation Policy



Transportation Division

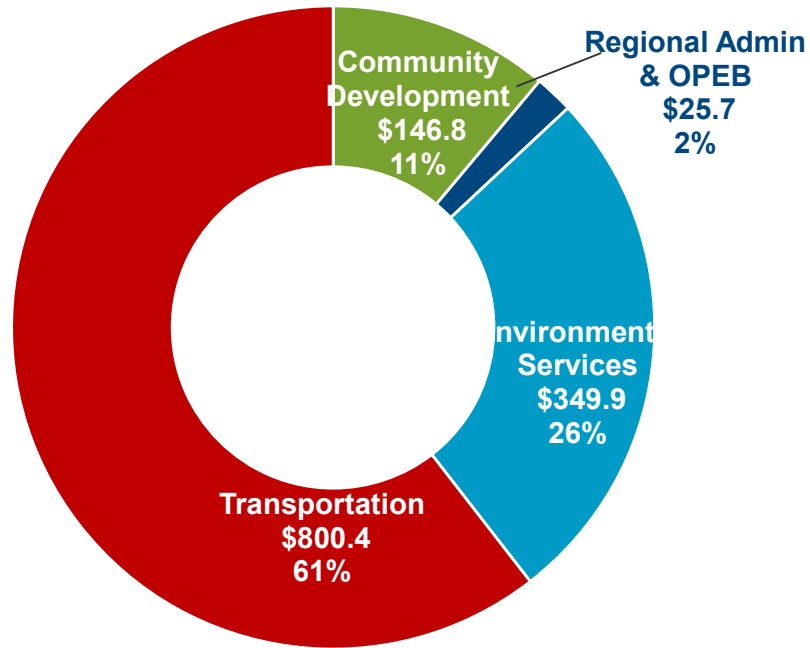


Tracking on-going risk

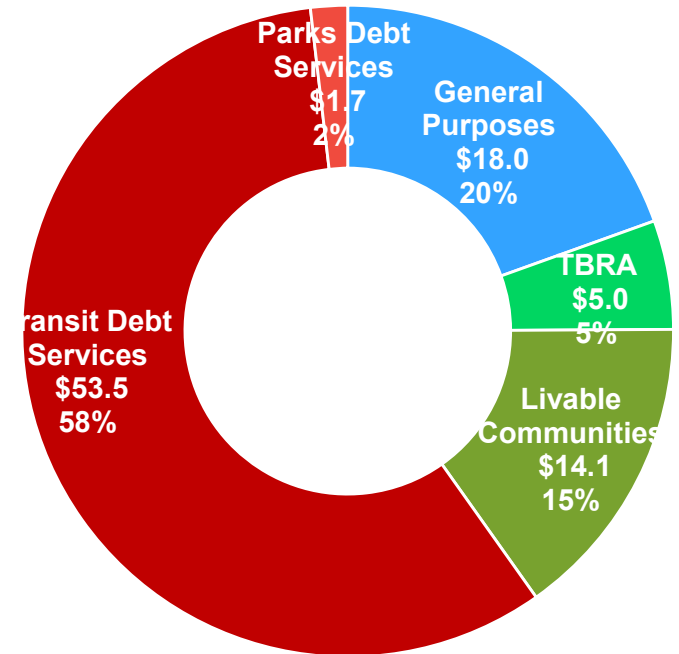
- Ridership demand
- Passenger fare revenue
- Motor Vehicle Sales Tax volatility
- Operator hiring
- Fuel prices
- COVID impacts on operations
- Continuous evaluation and review of budget assumptions

2023 Unified Operating Budget and Levies

Budget - \$1.32 Billion



Levy - \$92.3 Million



Contacts

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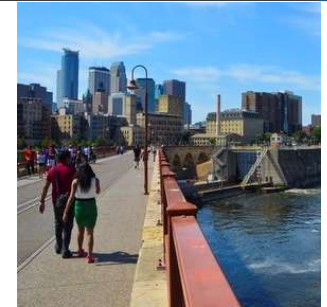
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Thank You!

Find out more at metro council.org.

