

# Preliminary 2024 Operating Budget & Levies

August 9, 2023

[metro council.org](http://metro council.org)



# Council Budget Development

## Unified Budget

Operating Budget  
Operations  
Pass-through  
Debt Service  
OPEB

Capital Program  
Authorized Projects  
Planned (6-year)  
Annual Spending

May-July

Staff - Budget Development Activities

**Aug 23**  
(before Sept 1)

**Council - Adopt Preliminary Budget/Levies**

Oct 11

Council - Capital Program Presentation

Oct 25

Council - Adopt Public Comment Draft Budget

**Dec 13**  
(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 2024 Property Tax Levies



# Council Levy Authority

- Non-Debt Service Levy
  - Limited by implicit price deflator
  - 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
- Seven County Metro Region and Transit Capital Levy Communities

# Our Levy Strategy

- Levy Givens:
  - Transit and Parks Debt Service Needs
  - Statutory Fiscal Disparities Levy \$5M to Tax Base Revitalization Account
- Strategy Decisions:
  - Maximize General Purpose Levy
  - Maximize the Livable Communities Demonstration Account Levy
  - History – 2% increase
  - History – no levy for Highway Right of Way Program (sufficient reserves)

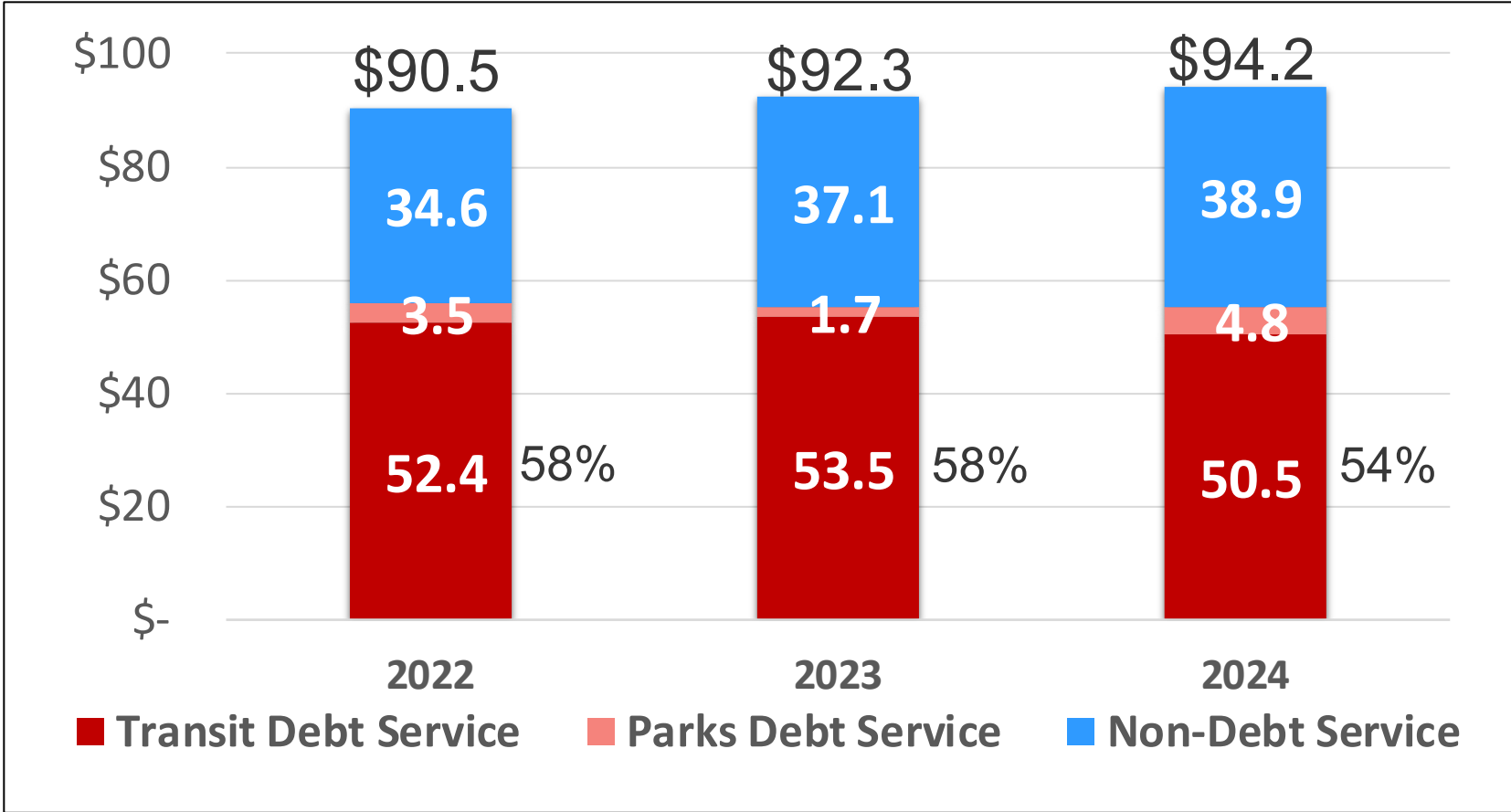
# Debt Service Levies

- Transit

- Legislature grants bond authority
- Success with inflation factor grows ~3.0%
- Outstanding Debt YE 2022 - \$214.0M

- Parks

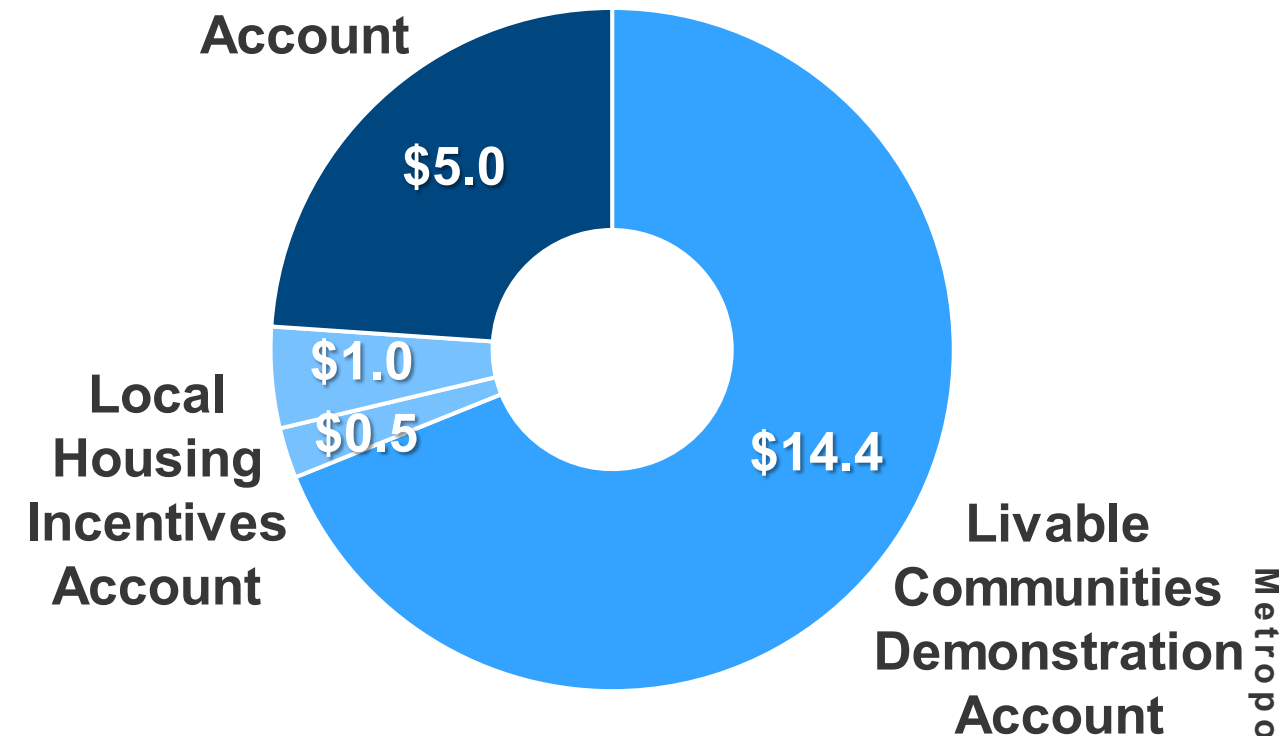
- \$40M in Revolving Outstanding
- Outstanding Debt YE 2022 - \$4.5M



# 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
  - \$14.9M proposed levy for 2024
  - Strategy: Maximize to levy limit
  - Limitation: Capped by implicit price deflator
- Local Housing Incentives Account
  - Statutory transfer from LCDA (\$0.5M) and General Purposes Levy (\$1.0M)

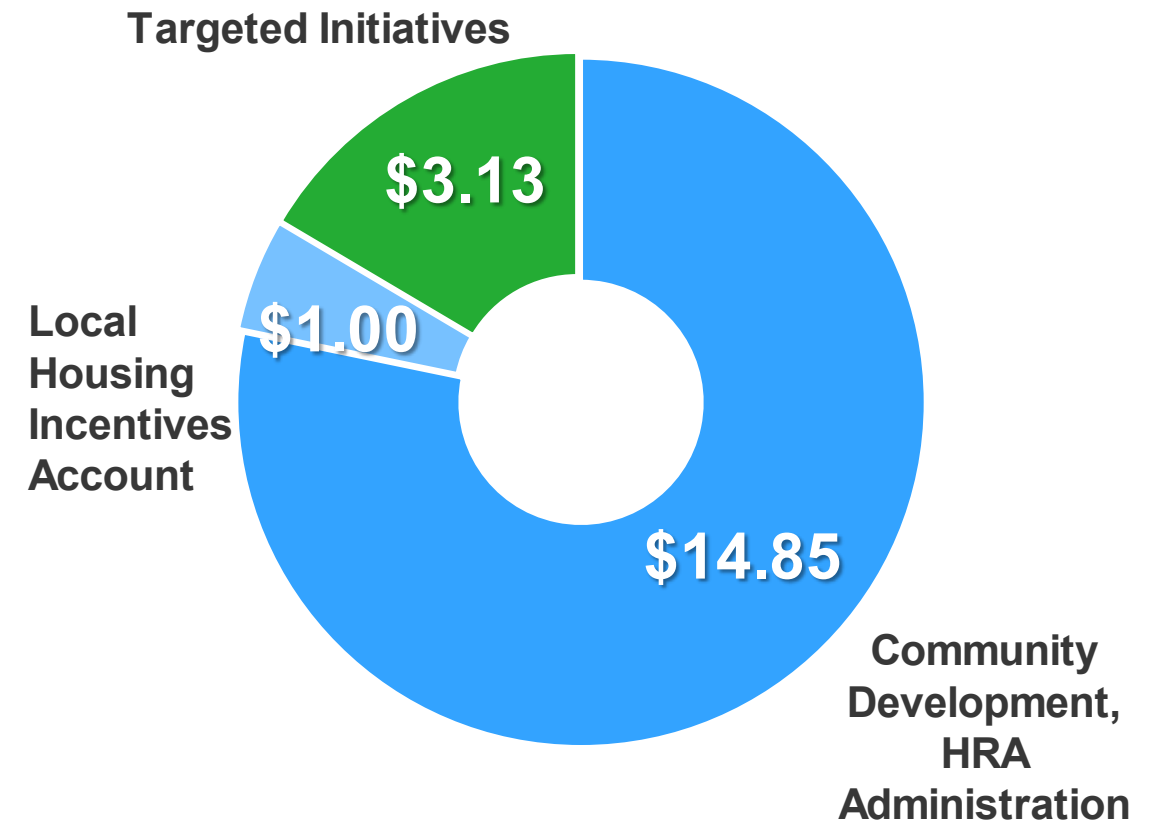
Tax Base Revitalization Account





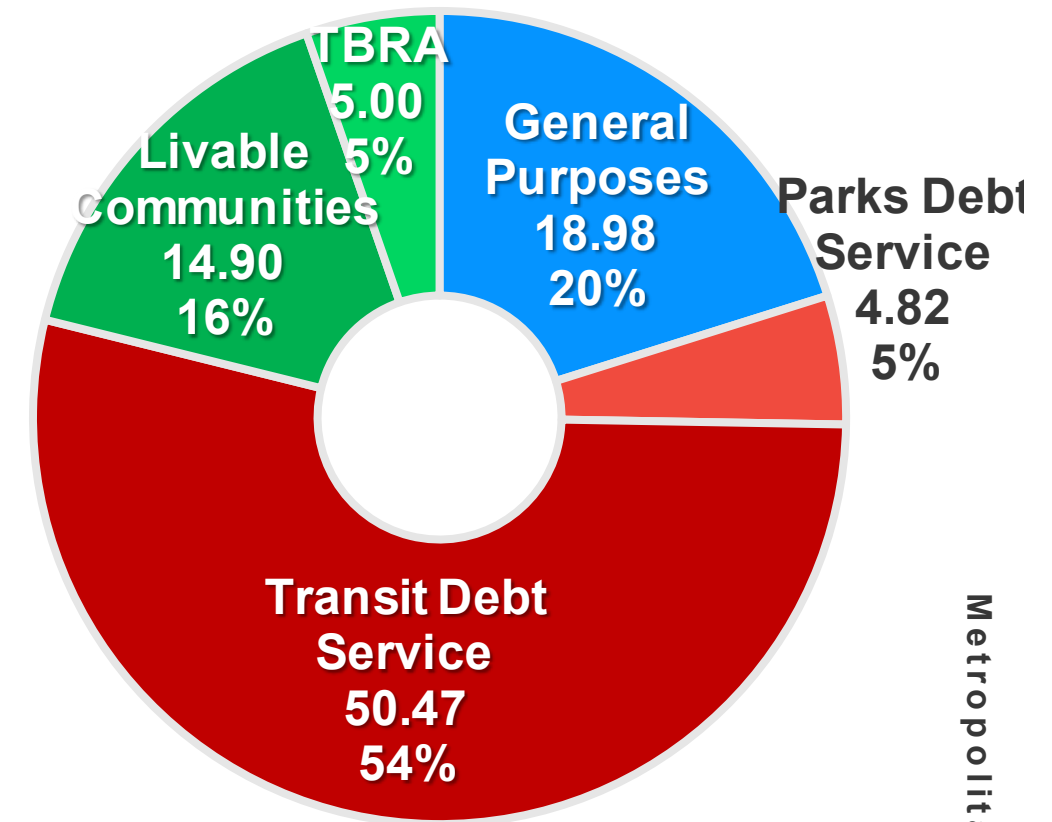
# General Purposes Levy - \$18.98M

- Most Flexible Use Levy Funding
  - Carry out Council responsibilities as provided in law
- Primary Uses
  - Community Development Administration (\$14.29M)
  - Statutory Transfer to Local Housing Incentive Account (\$1.0M)
  - HRA Administration (\$0.56M)
- Capital Investment (\$3.13M)

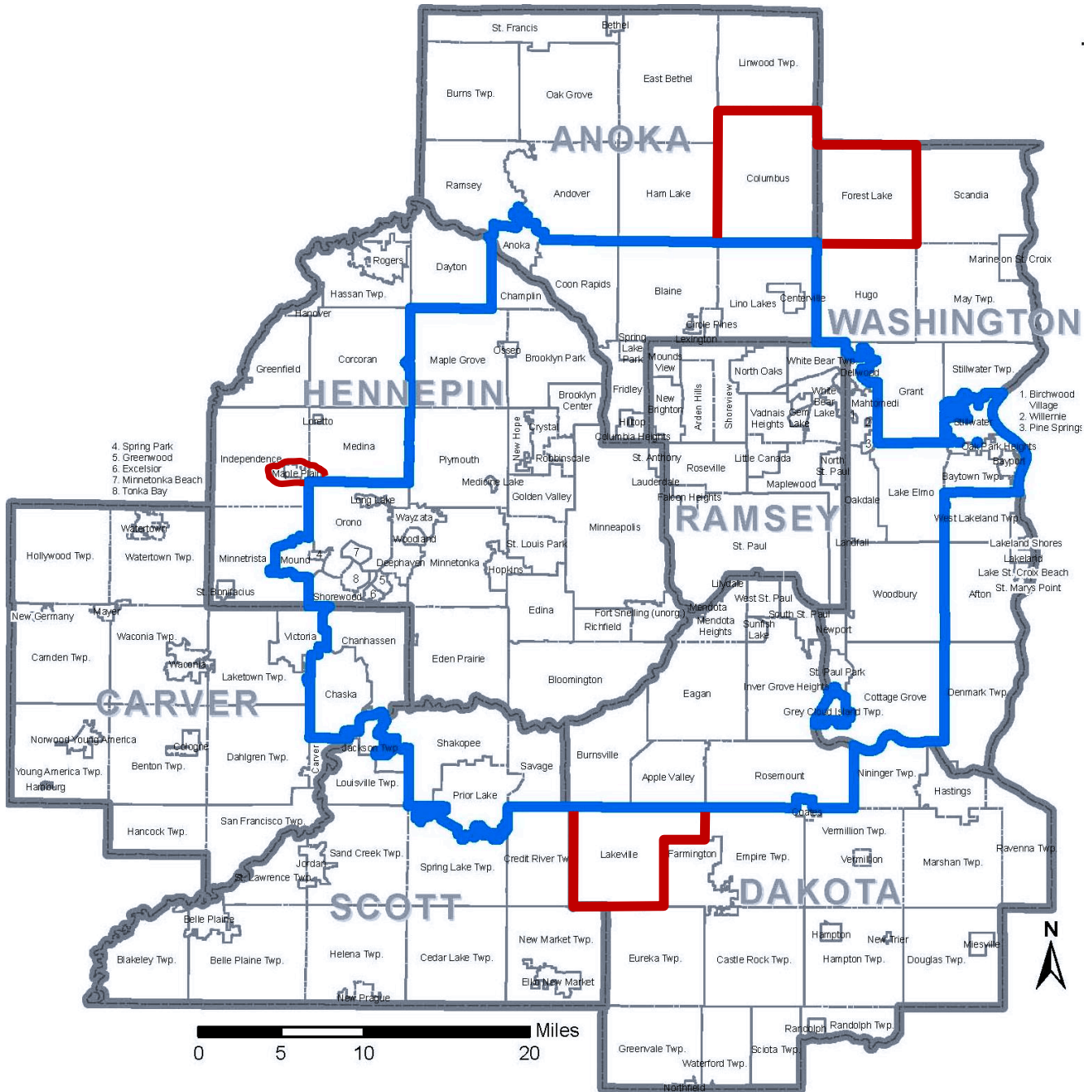


# Proposed 2024 Property Tax Levies - \$94.17M

|                                | Certified       | Proposed        |             | 2024 Levy       |
|--------------------------------|-----------------|-----------------|-------------|-----------------|
|                                | 2023            | 2024            | Pct Chg     | Limit           |
| <b>Non-Debt Service Levies</b> |                 |                 |             |                 |
| General Purposes               | \$ 17.99        | \$ 18.98        | 5.5%        | \$ 18.98        |
| Highway Right of Way           | \$ -            | \$ -            | 0.0%        | \$ 5.10         |
| <b>Livable Communities:</b>    |                 |                 |             |                 |
| - Demonstration Acct           | \$ 14.12        | \$ 14.90        | 5.5%        | \$ 14.90        |
| - Tax Base Revitalization      | \$ 5.00         | \$ 5.00         | 0.0%        | \$ 5.00         |
| <b>Total Non-Debt Levies</b>   | <b>\$ 37.10</b> | <b>\$ 38.88</b> | <b>4.8%</b> | <b>\$ 43.98</b> |
| Levy as Pct of Limit           |                 | 88%             |             |                 |
| <b>Debt Service Levies</b>     |                 |                 |             |                 |
| Parks                          | \$ 1.68         | \$ 4.82         | 186.9%      |                 |
| Transit                        | \$ 53.54        | \$ 50.47        | -5.73%      |                 |
| <b>Total Debt Levies</b>       | <b>\$ 55.22</b> | <b>\$ 55.29</b> | <b>0.1%</b> |                 |
| <b>Total All Levies</b>        | <b>\$ 92.32</b> | <b>\$ 94.17</b> | <b>2.0%</b> |                 |



# Metro Area and Transit Debt Service Levy



# Impact on the Taxpayer



**\$300,000**  
Market Value

## Transit Tax Communities

Inside

\$56.70

Outside

\$22.79

# Impact on the Taxpayer continued

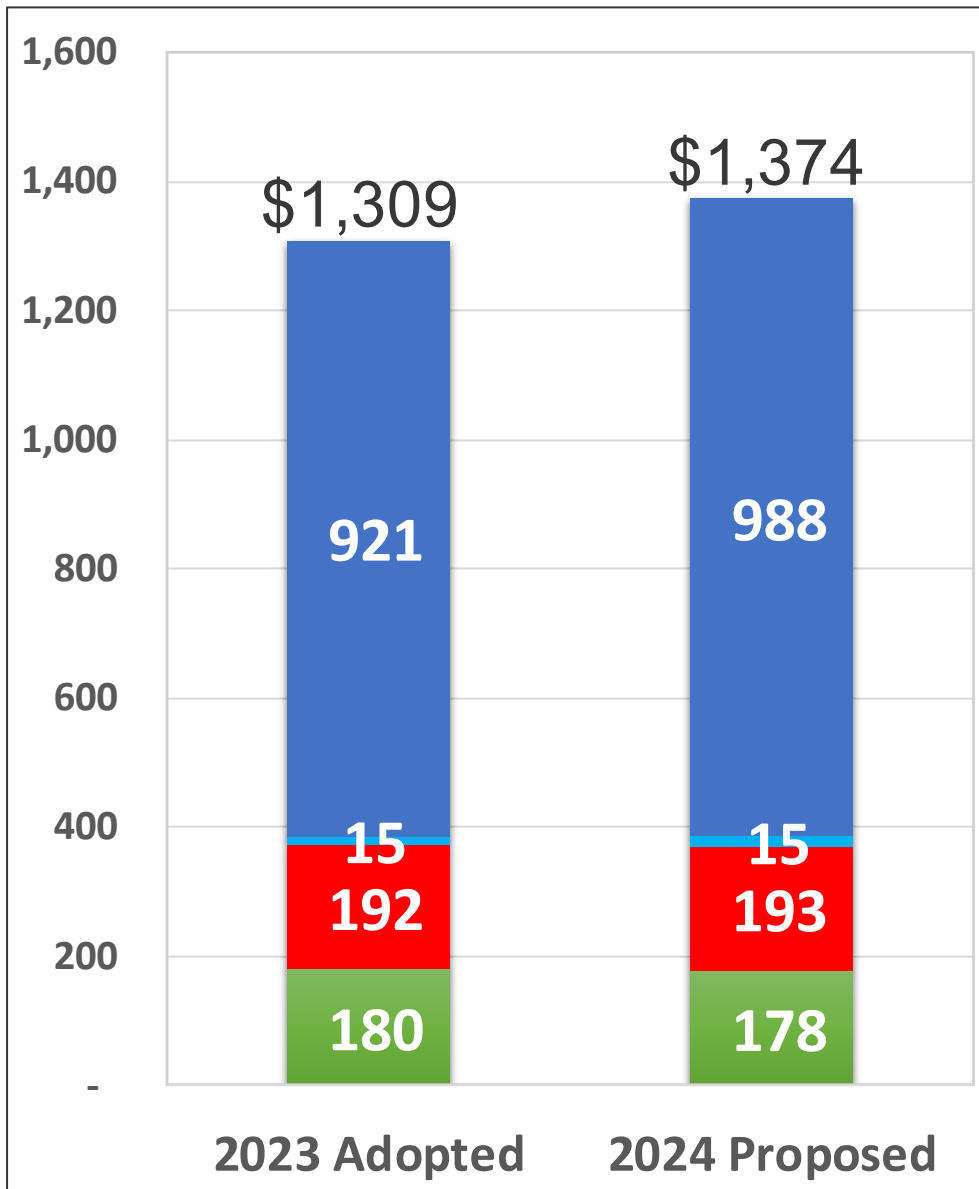




# Proposed 2024 Operating Budget



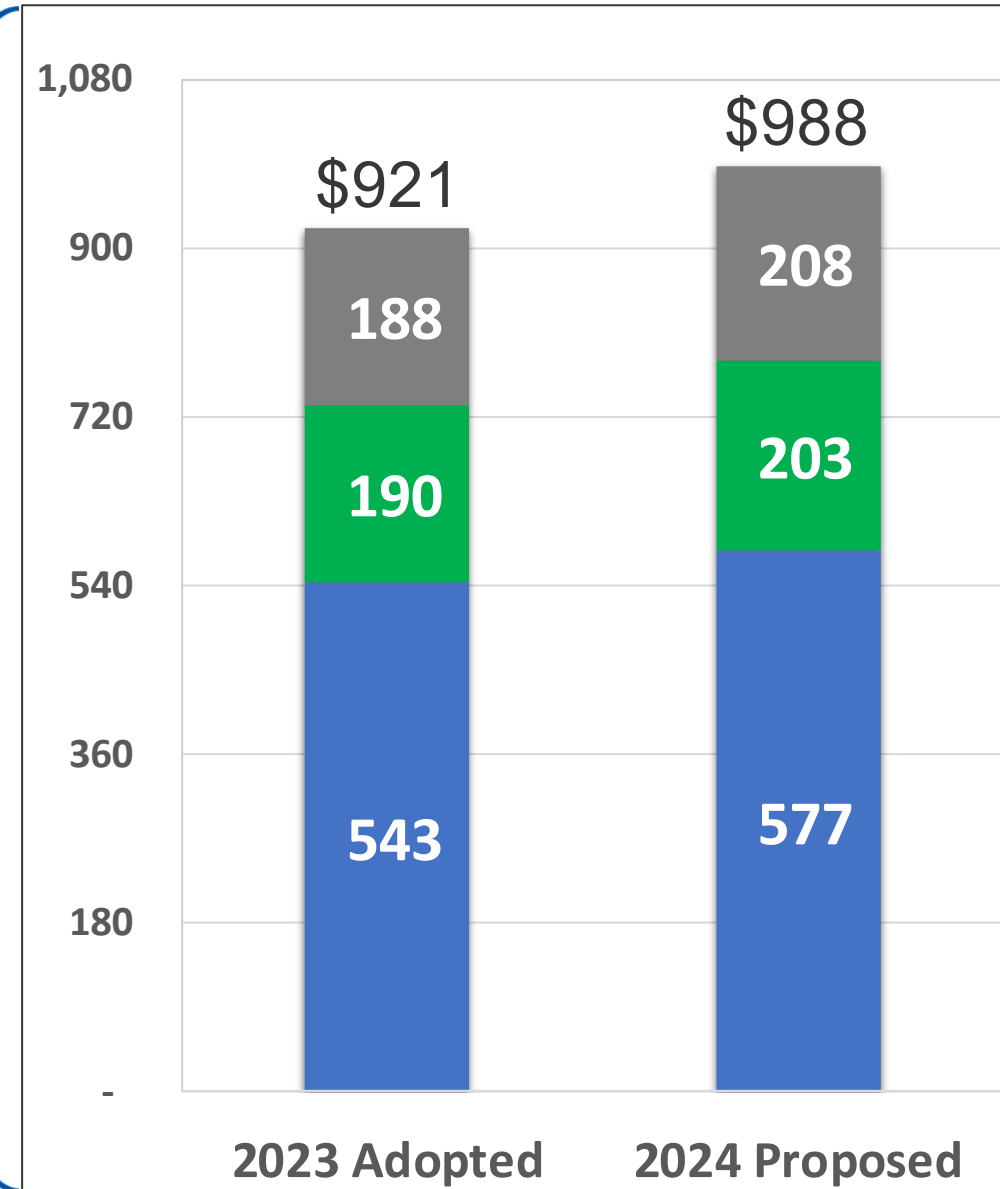
# Proposed Operating Budget - \$1.37 Billion



Operations

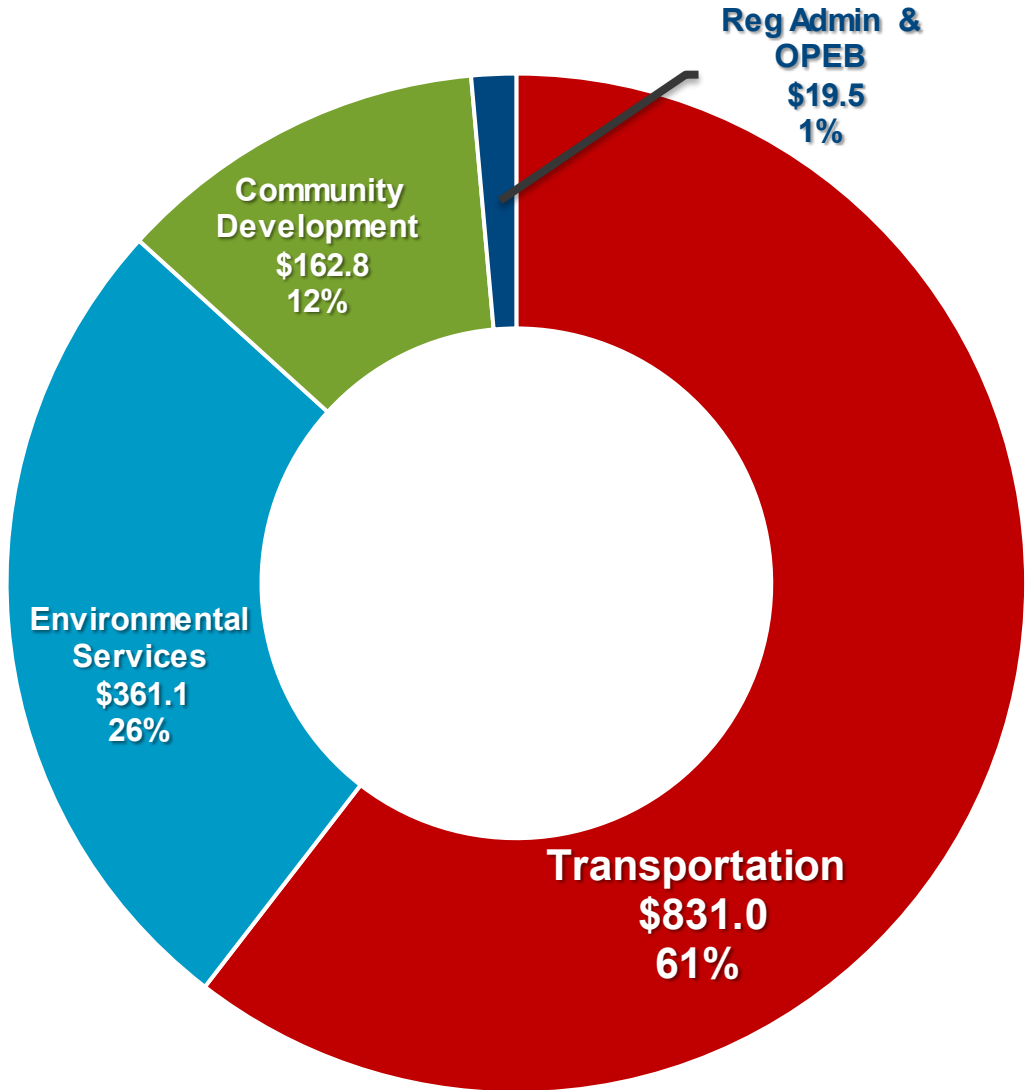


OPEB  
Debt Service  
Pass through

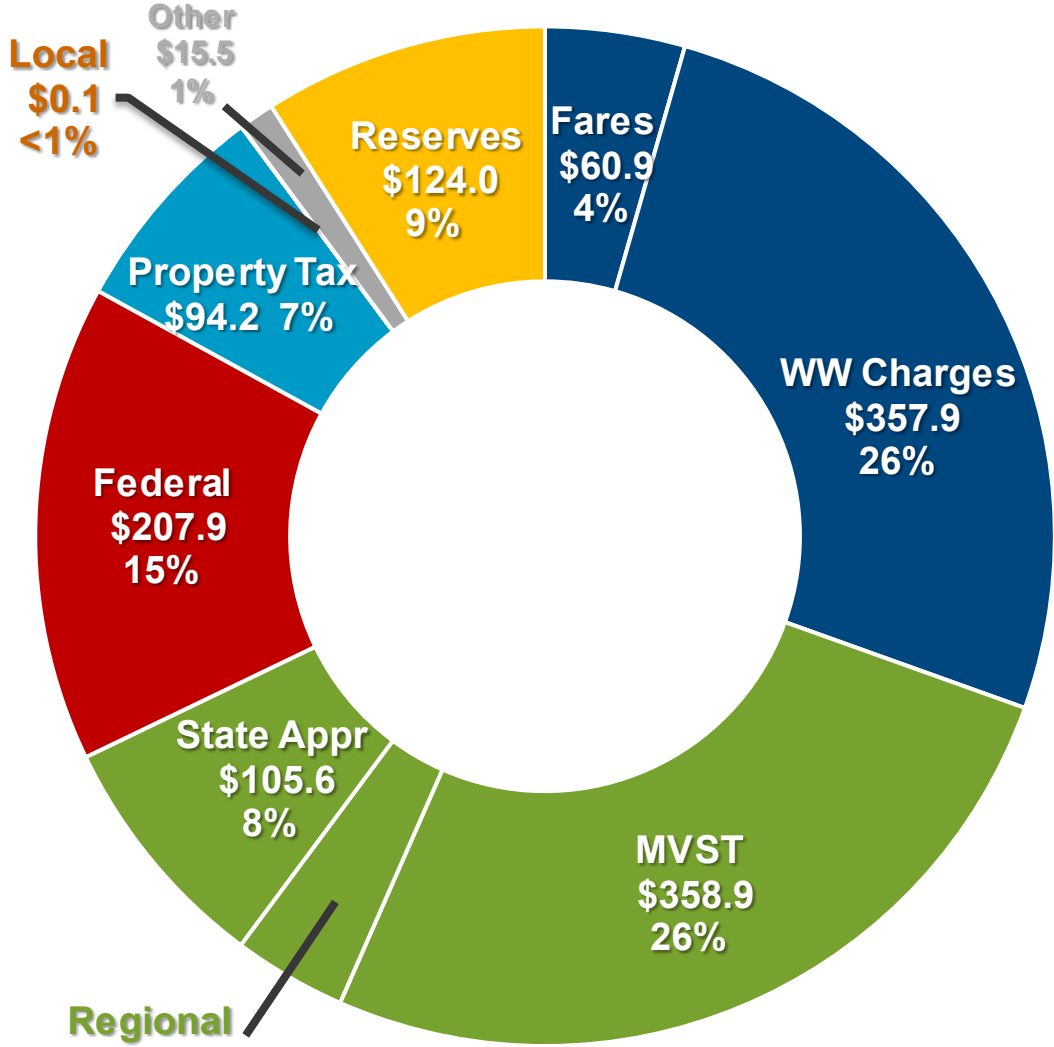


Other  
Contracted Services  
Salaries & Benefits

# Proposed Budget - \$1.37 Billion



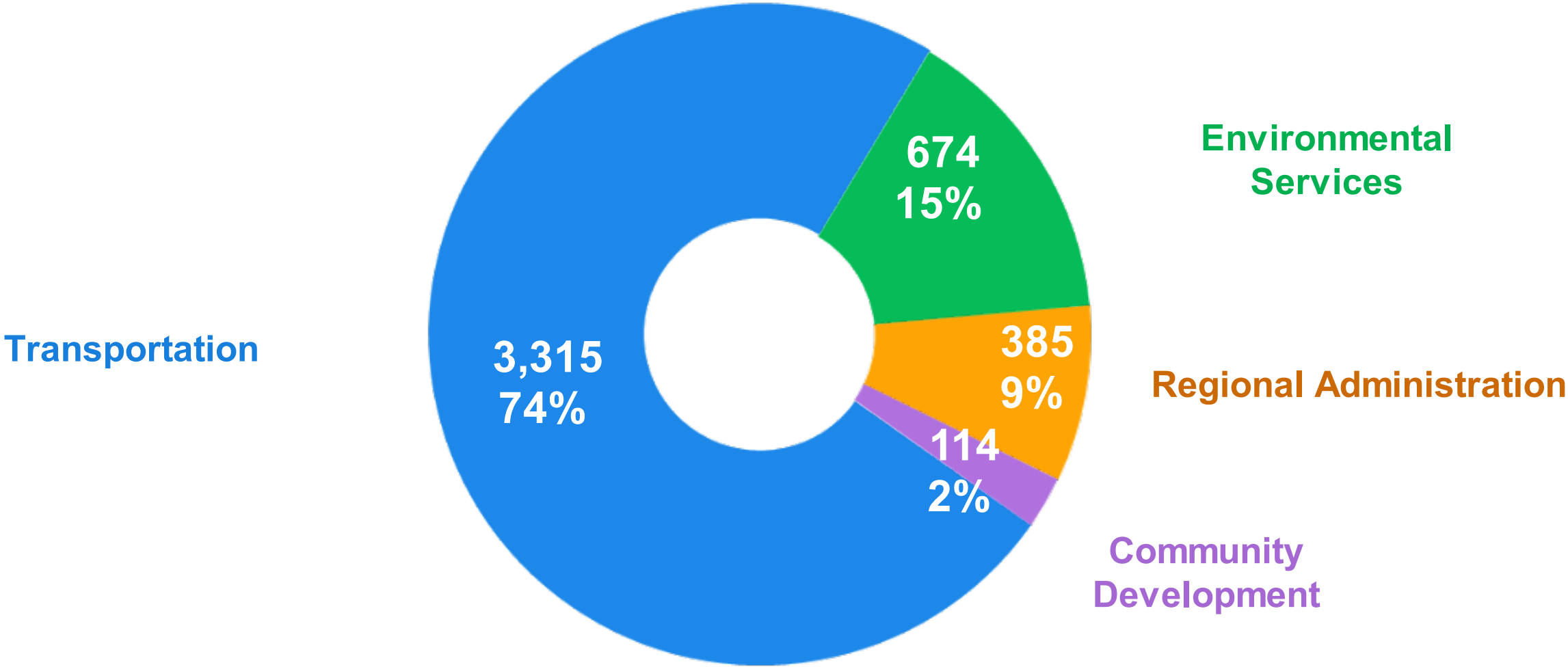
Divisions



Sources



# Proposed FTEs 4,488 by Division



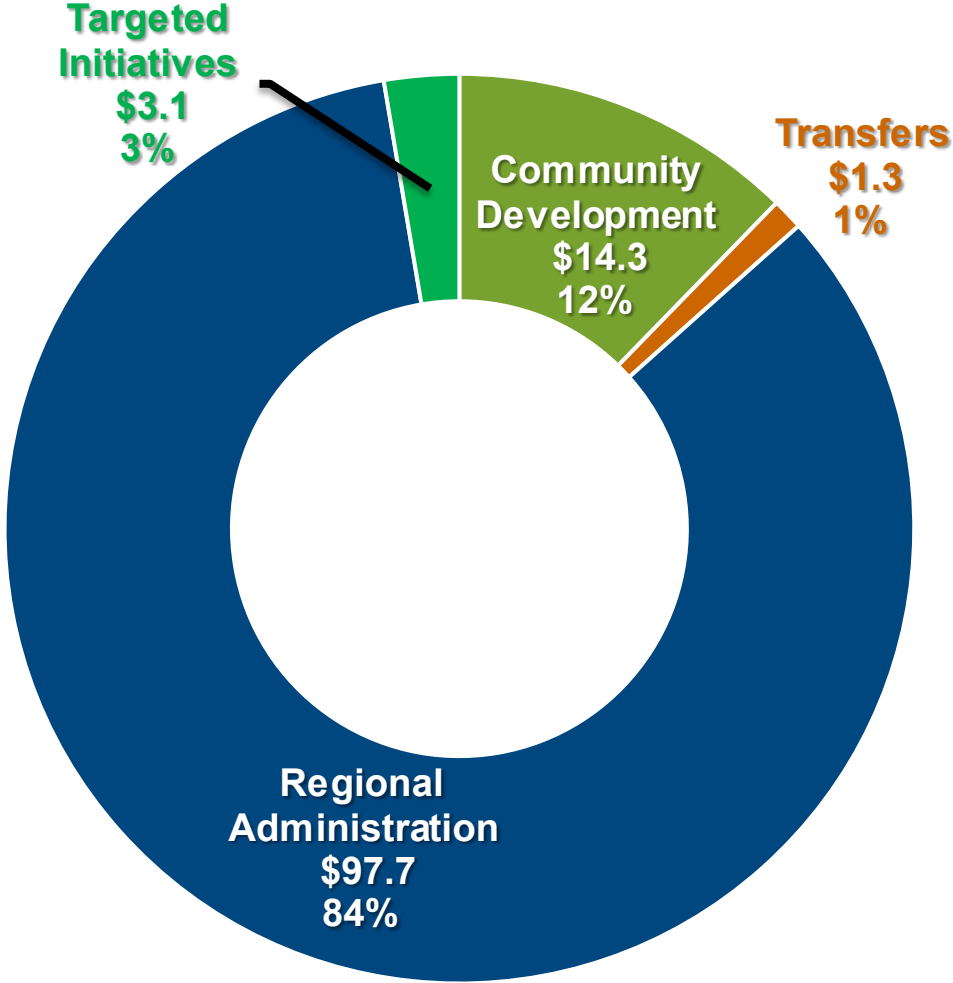


# General Fund Operations



# General Fund Operations - \$116.4M

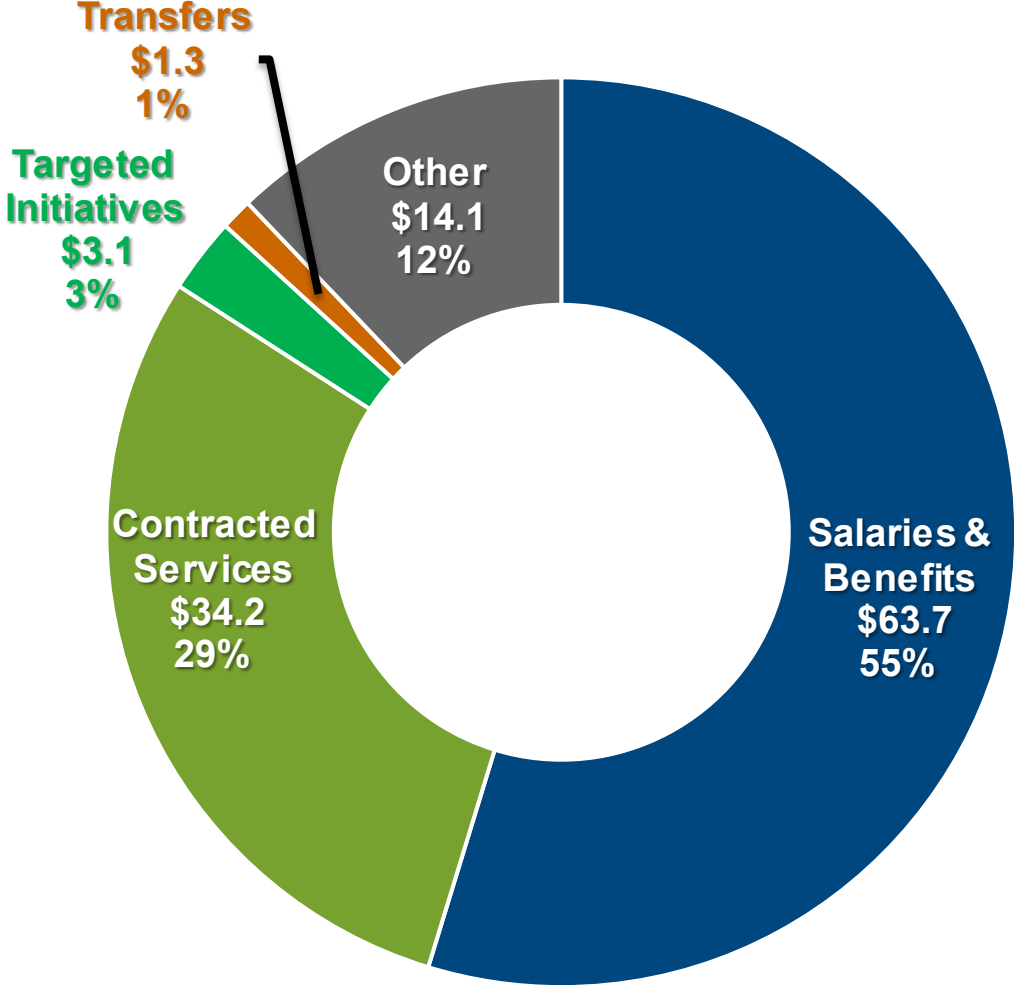
Uses by Department



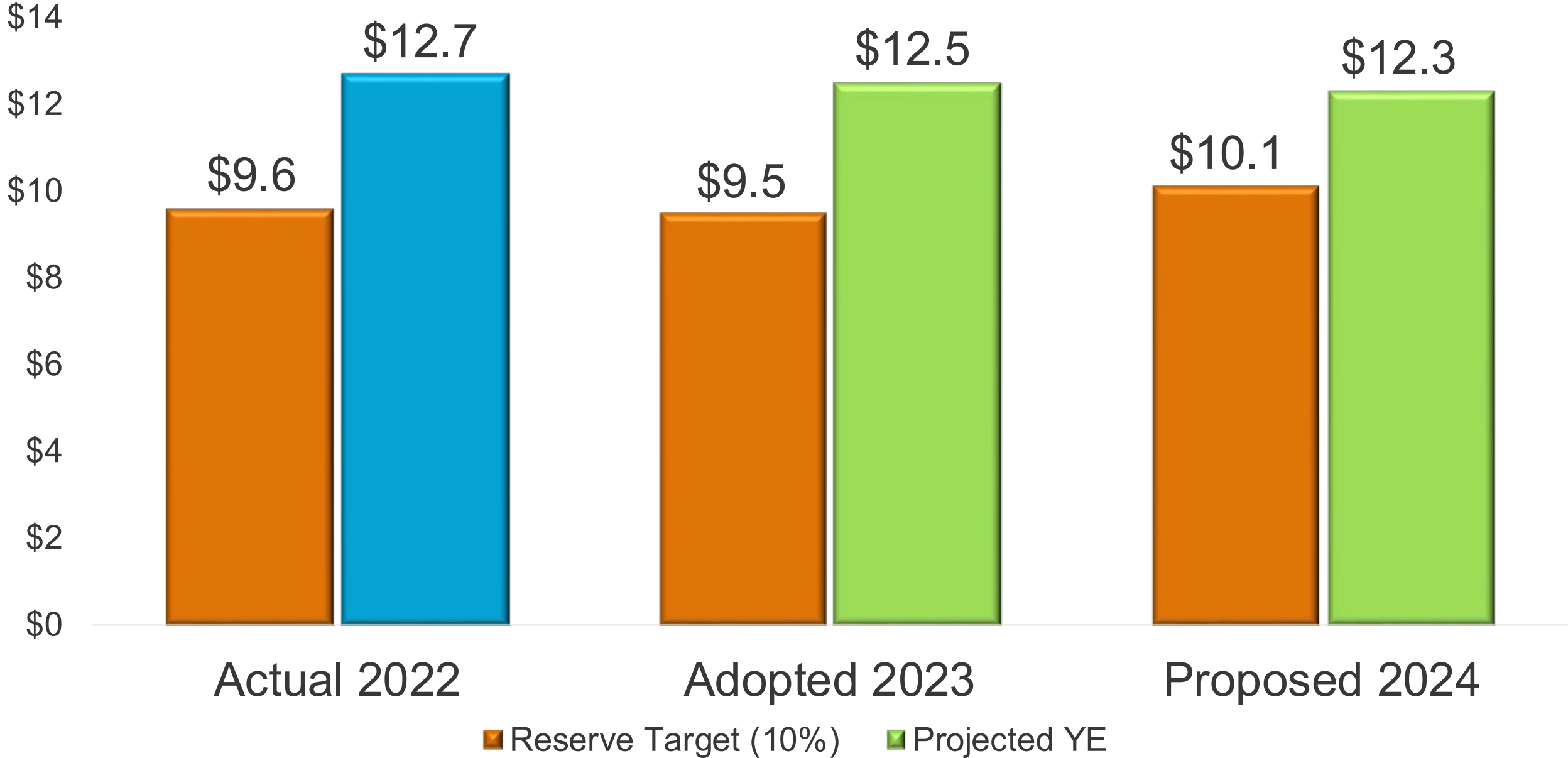
Sources

|                |                |
|----------------|----------------|
| GP Levy        | \$18.4         |
| RA Allocations | \$97.0         |
| Other          | 1.0            |
| <b>Total</b>   | <b>\$116.4</b> |

Uses by Category



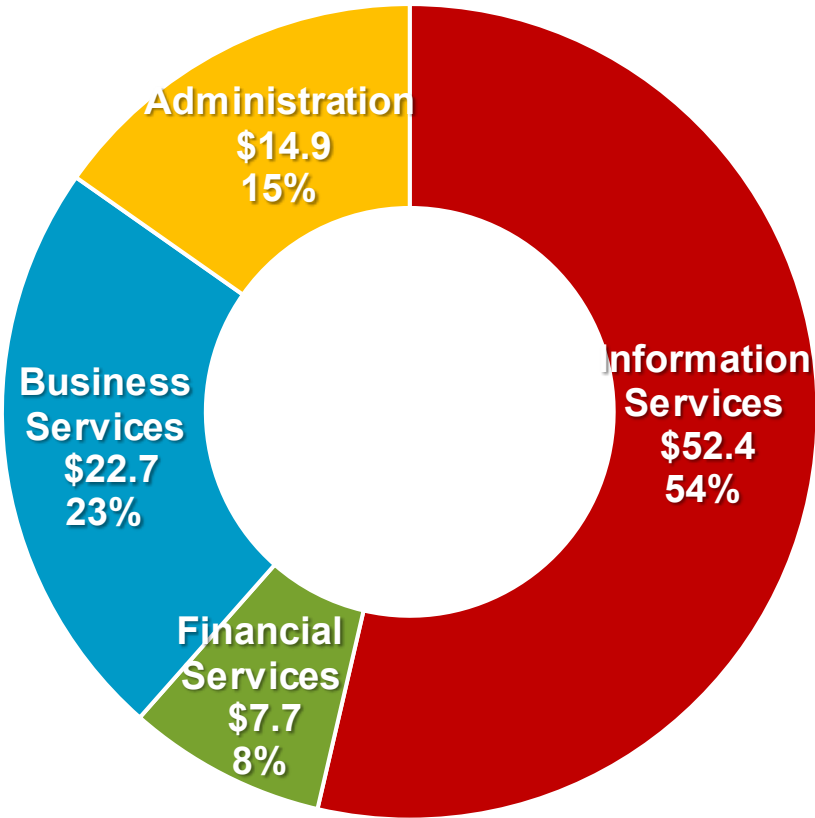
# General Fund Unassigned Operating Reserve



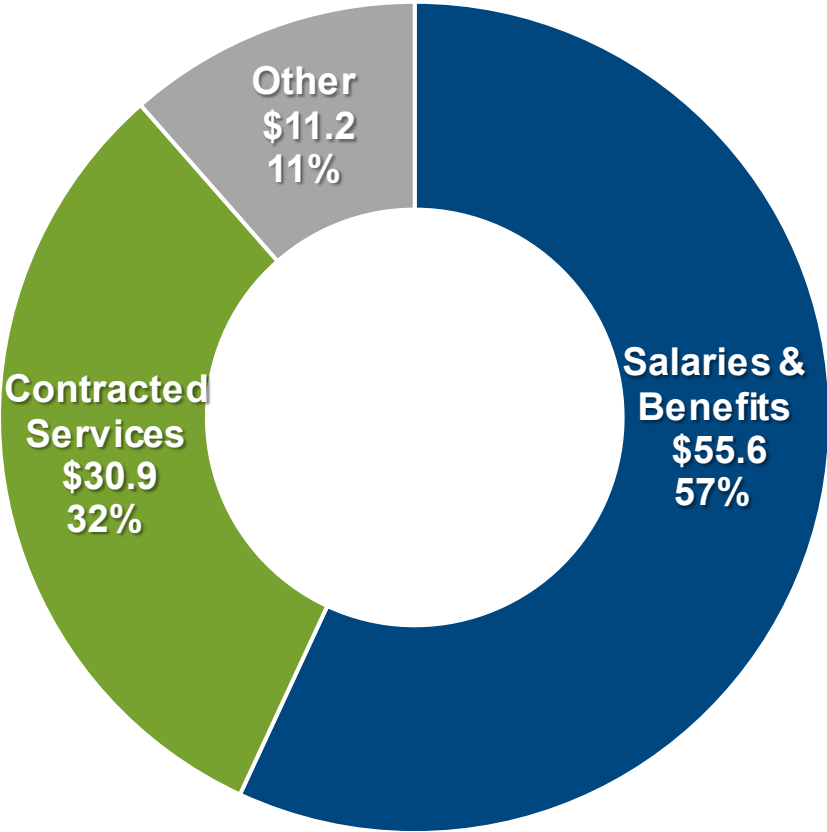
Dollars in Millions

# Regional Administration - \$97.7M

Uses by Department



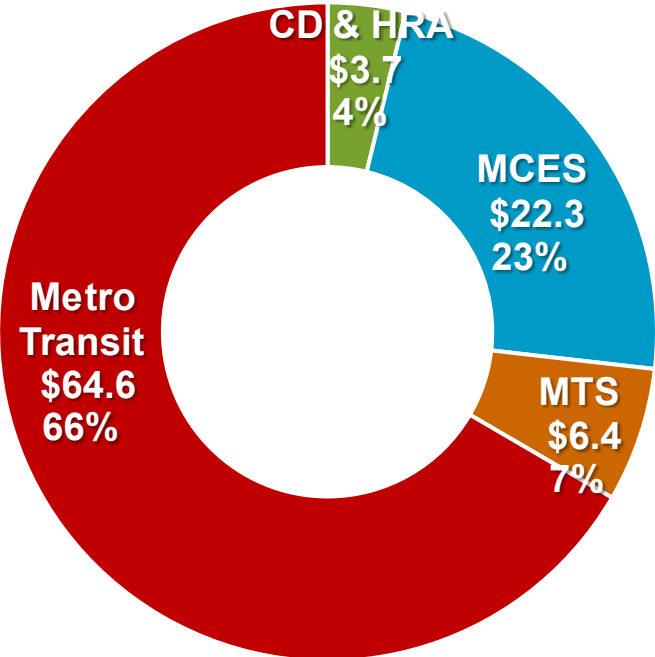
Uses by Category



Sources

|                 |               |
|-----------------|---------------|
| RA Allocations* | \$97.0        |
| Other Revenue   | .7            |
| <b>Total</b>    | <b>\$97.7</b> |

\*RA Interdivisional Allocation - \$97.0



# 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.

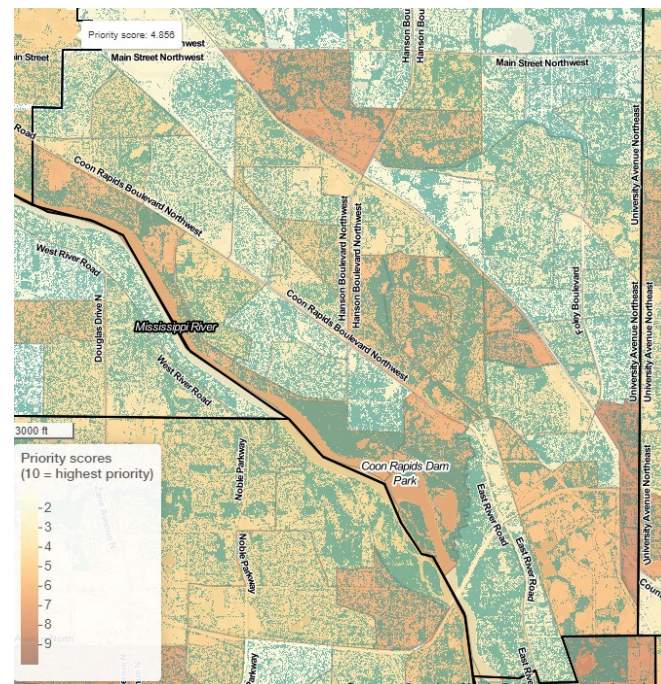
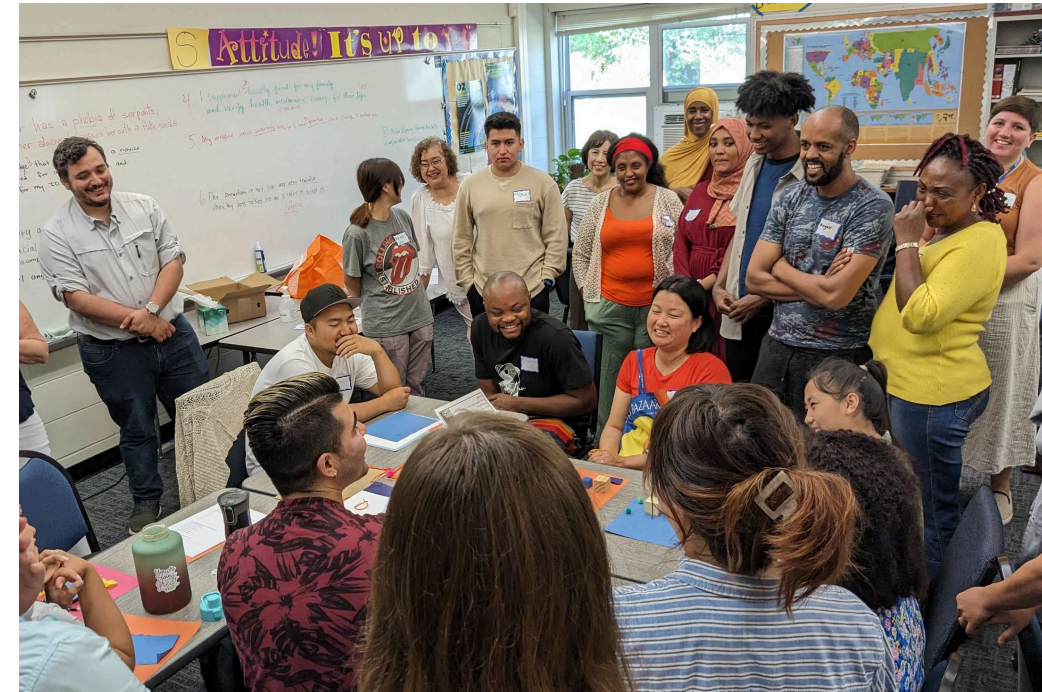


Provide Livable Communities Act grants to help clean up polluted sites, expand housing choices, and build developments that connect housing, jobs, and services.



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

# Engagement and Accomplishments



## Greenhouse Gas Strategy Planning Tool

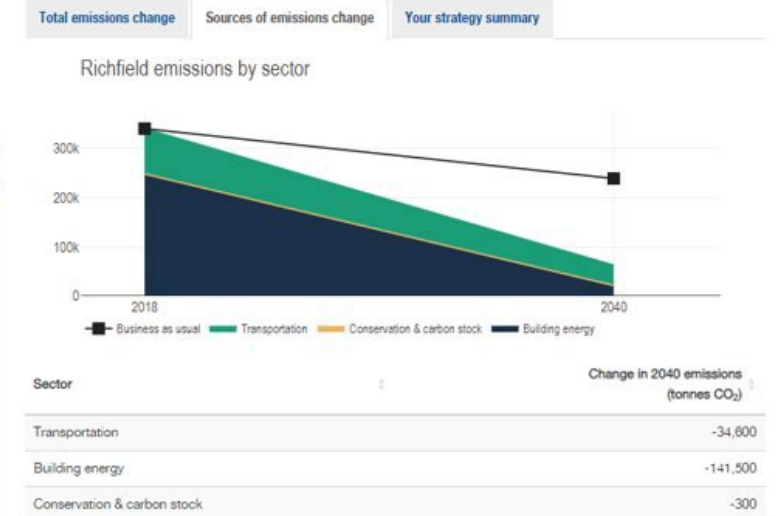
This tool combines baseline data, forecasted assumptions, and theoretical emissions reductions modeled for selected strategies to help contextualize the potential impact of different interventions and policies to reduce greenhouse gas emissions.

Select a city or township  
Richfield

Select a strategy method  
 Use strategy bundles  Customize strategies

**SUBMIT**

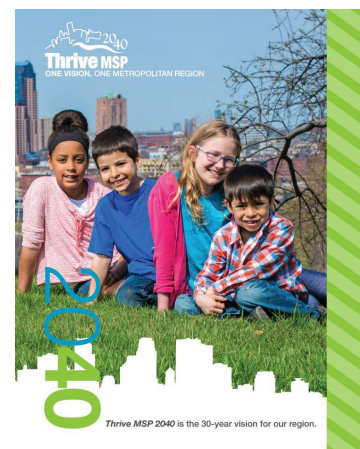
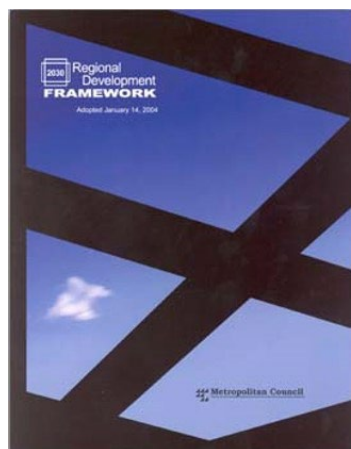
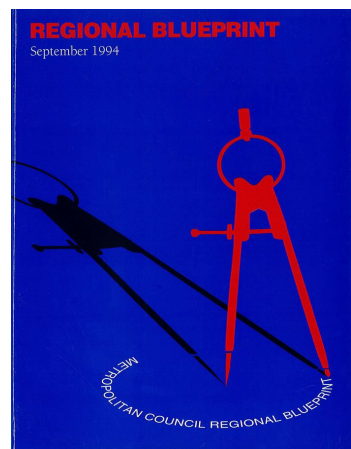
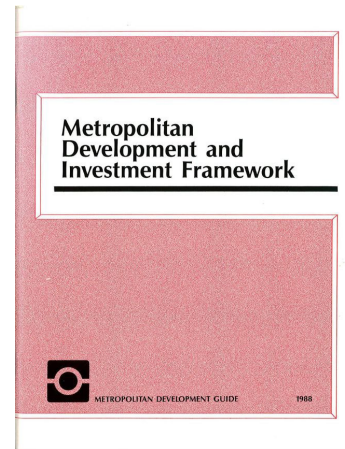
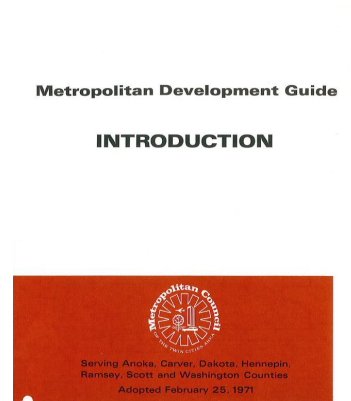
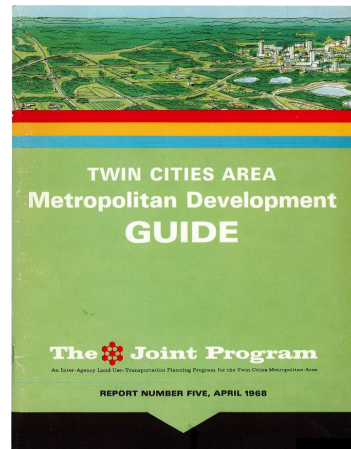
- Compact Land Use and Planning
  - Increase population density by 30%
  - Increase employment (job) density by 30%
  - Increase transit service by 60%
  - 40% of expected new single family housing built as multifamily
- Clean Energy Supply
  - 100% decarbonized grid
- Energy Efficient Technology
  - 100% of new homes built to LEED-Gold standards
  - 100% of residential buildings use smart technology





# Planning and Studies

- 2050 Development Guide



- Major Initiatives and Studies

- Engagement with Local Government Partners
- Regional Parks Equity Grant Program
- Parks Ambassador Program
- Climate Action Work Plan implementation
- Residential preferences of housing voucher holders
- Population and employment estimates
- People-centered data
- EPA Climate Pollution Reduction Grant

# Metro HRA Initiatives

## Residential Preferences of Voucher Holders

- Regional effort alongside St. Paul PHA and MPHA
- Understand voucher-holder needs and influences on housing preferences
- How do demographics inform outcomes and/or barriers?

## Explore Wealth Building with Participants

- Pathways to homeownership
- Exploration of HUD's Family Self-Sufficiency Program
- Resource sharing and focus groups

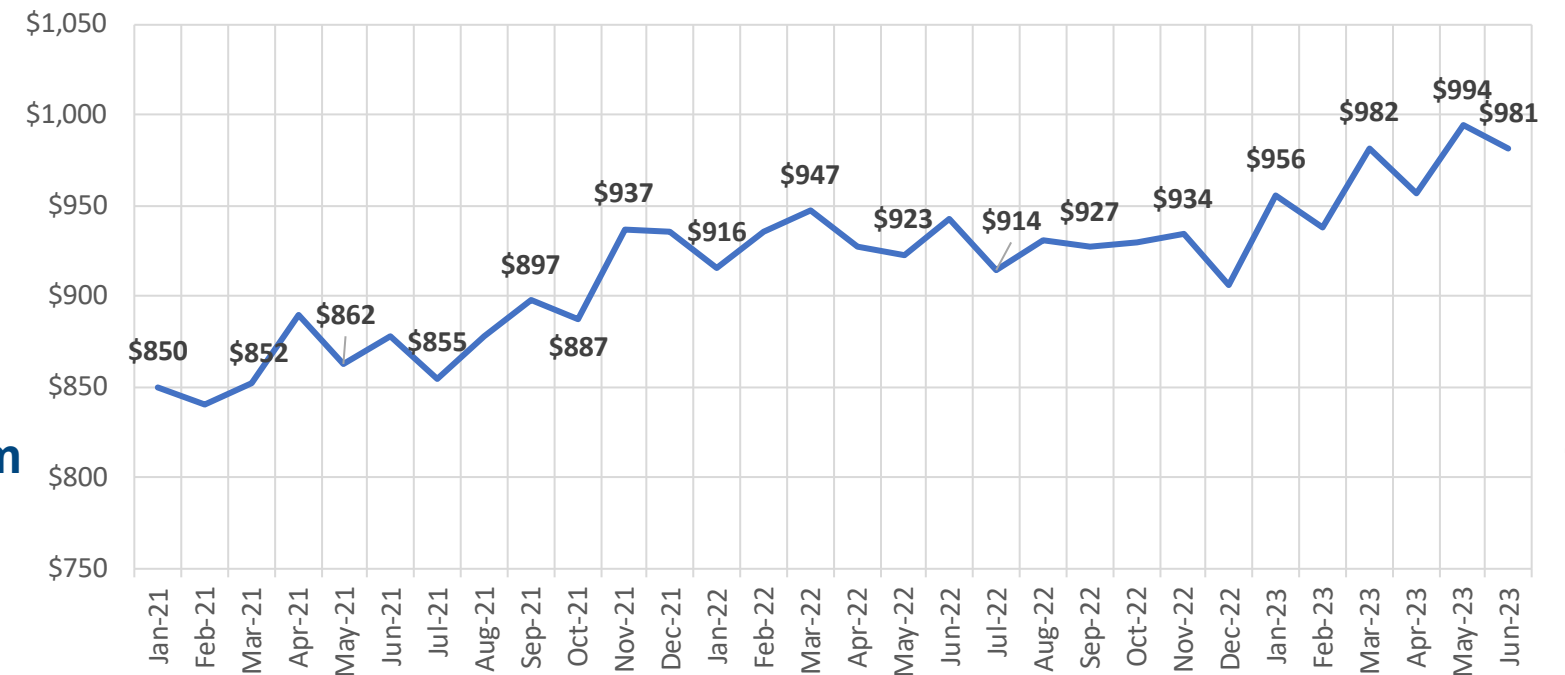
## Upcoming Minnesota (state) Rental Assistance Program

- \$46 million statewide for the current biennium
- Modeled after the Housing Choice Voucher program
- Approx. 1000 vouchers to the Council - estimated

## Manage Rising Per Unit Costs

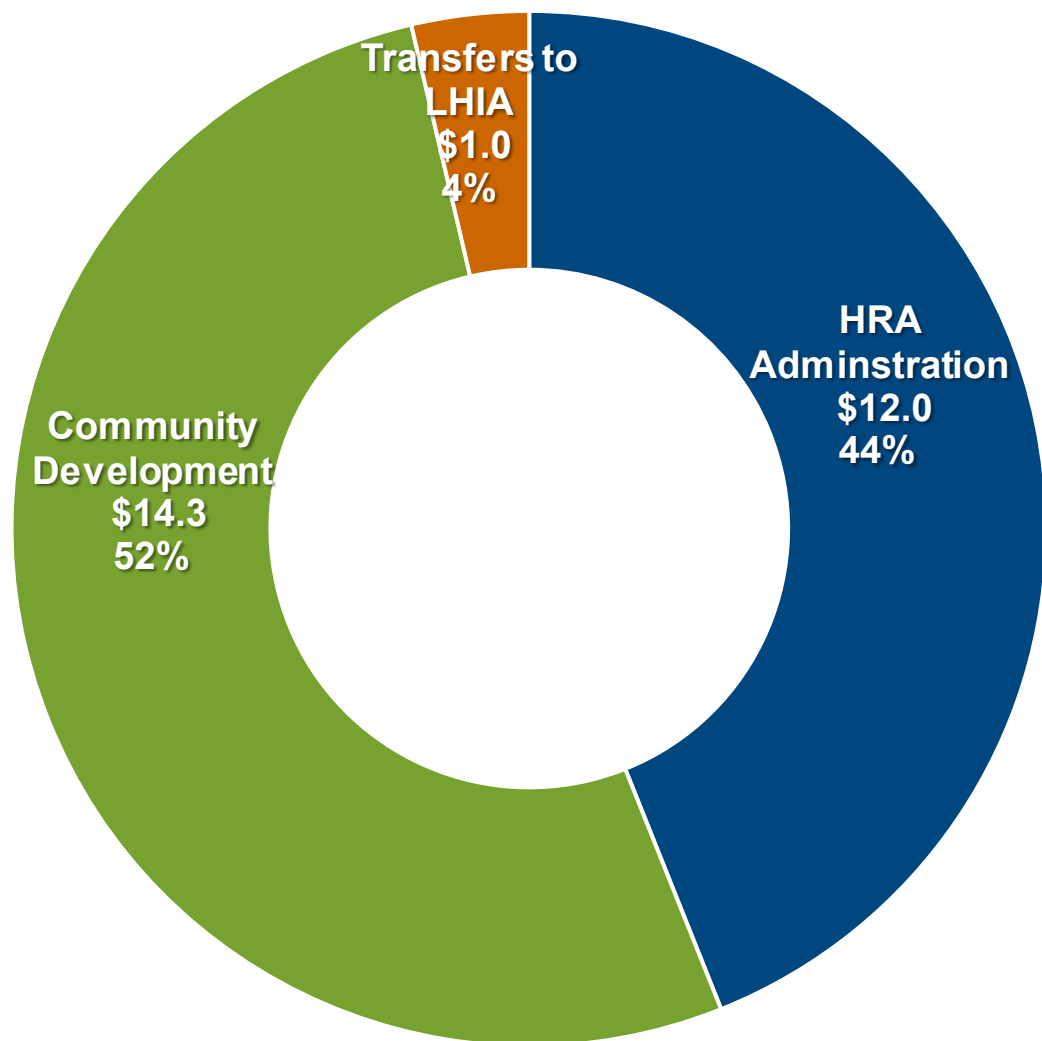
- PUCs growing by 1.9% each month in 2023

2021-2023 YTD Actual Housing Choice Voucher Per Unit Costs by Month

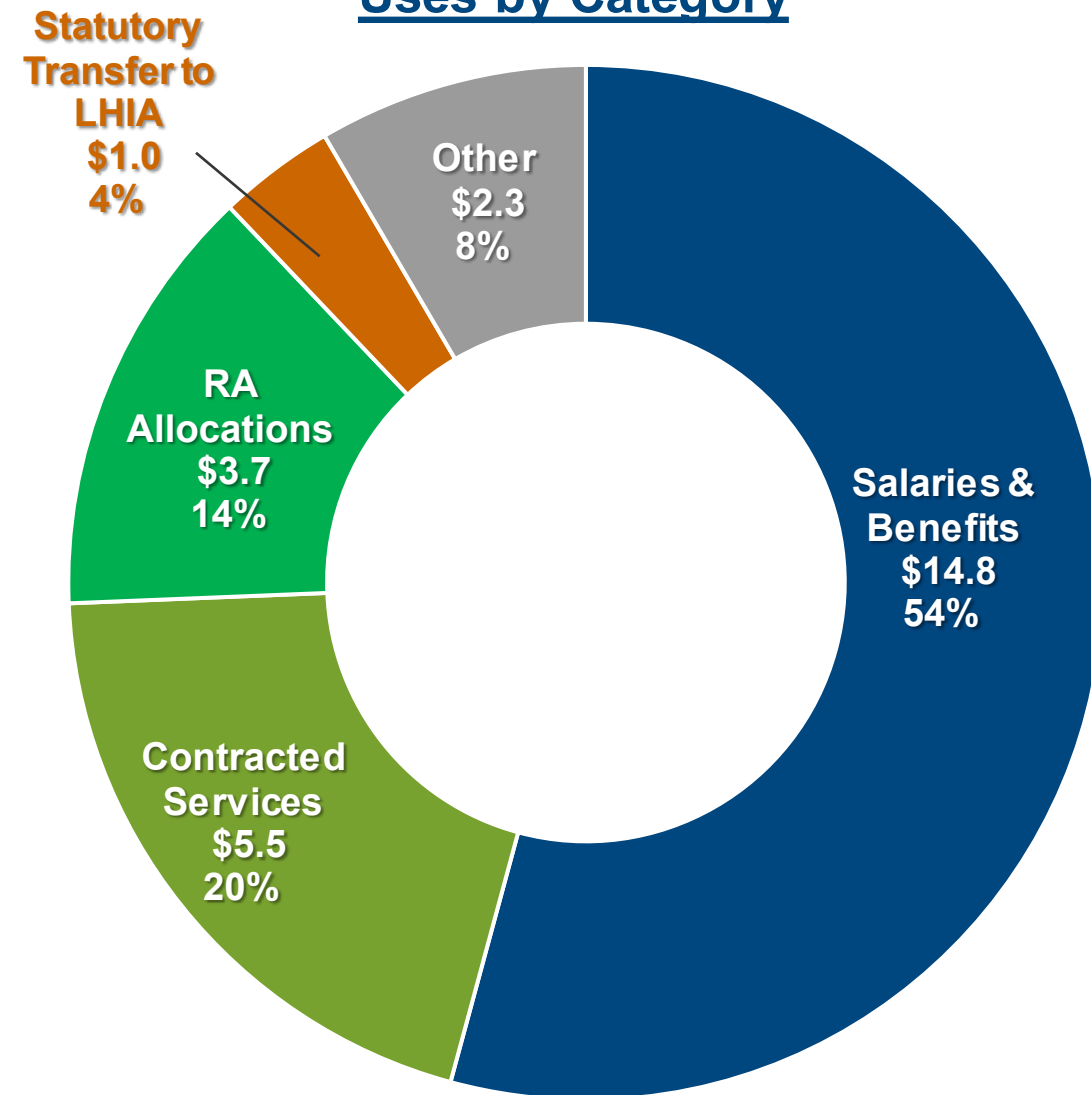


# Community Development Operations - \$27.3M

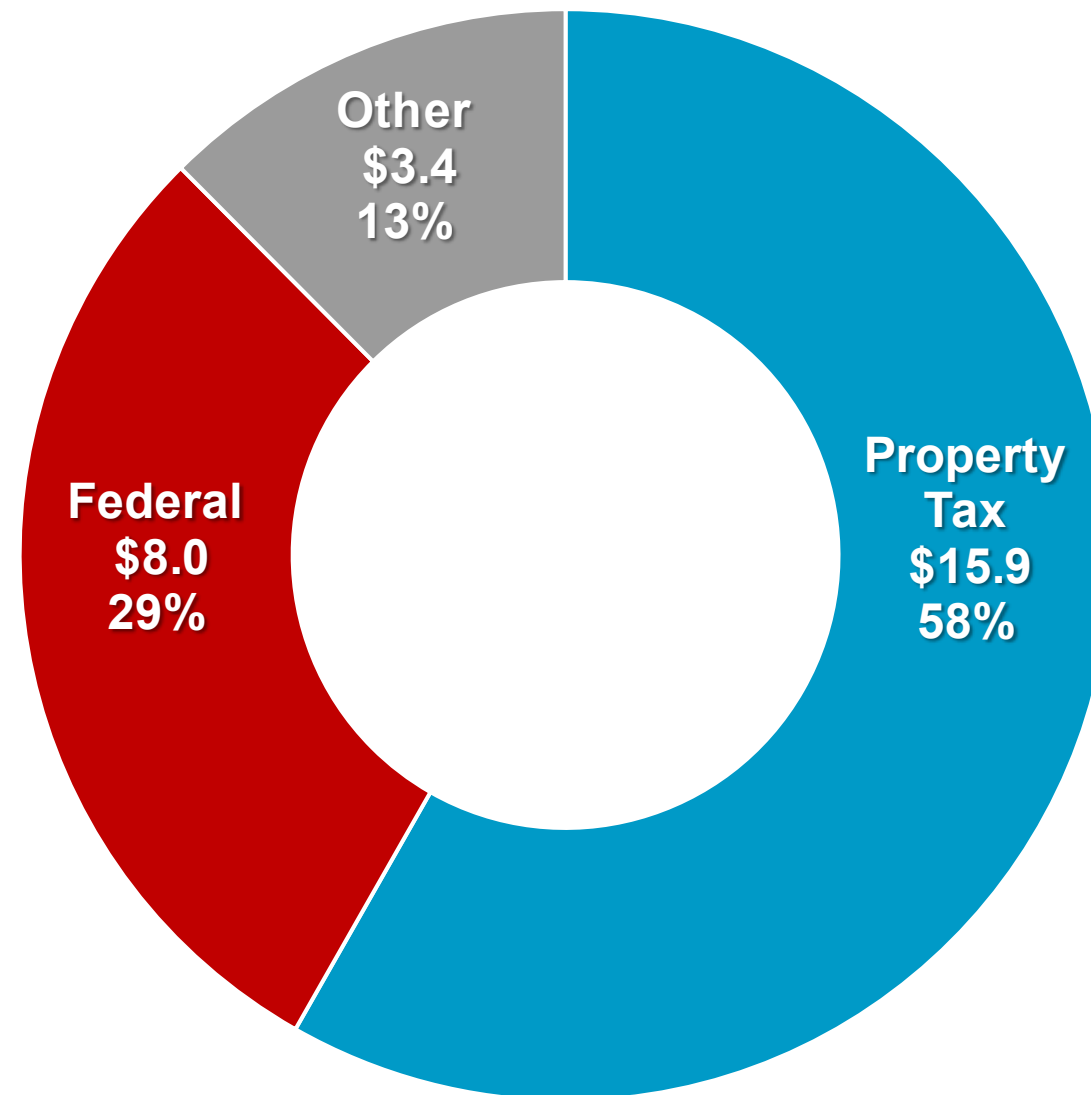
Uses by Department



Uses by Category

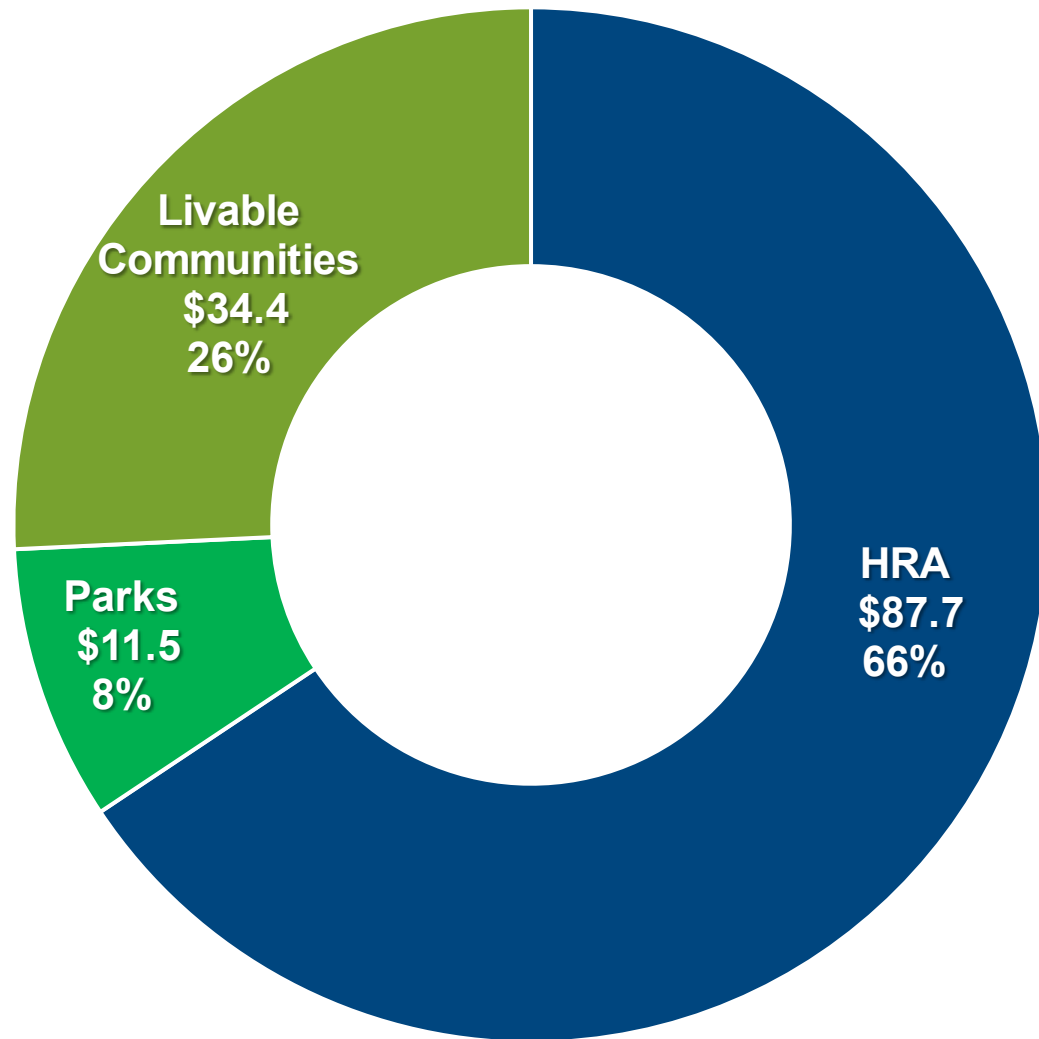


# Community Development Sources - \$27.3M

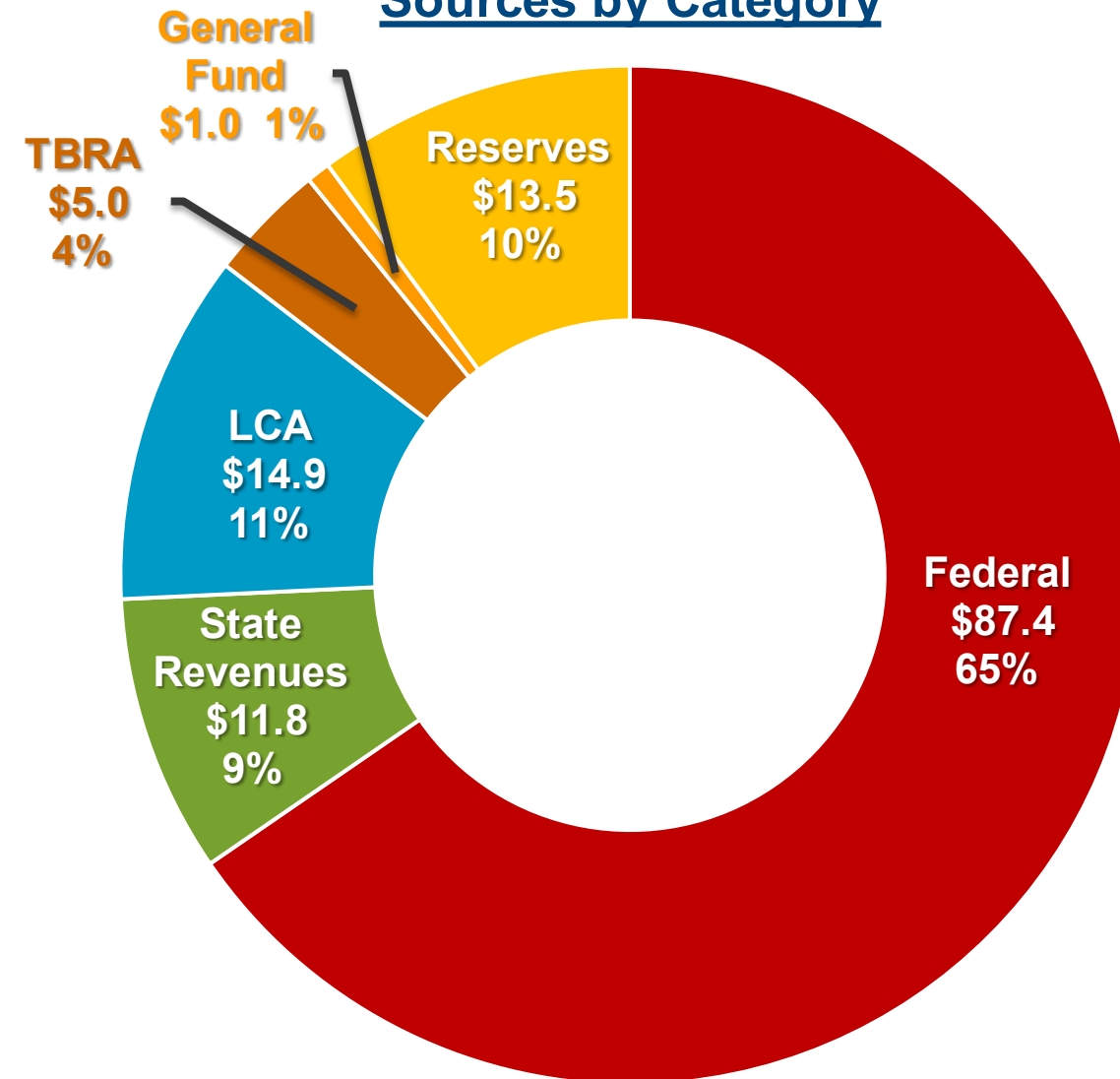


# Community Development Passthrough - \$133.6M

Uses by Department



Sources by Category



# Environmental Services





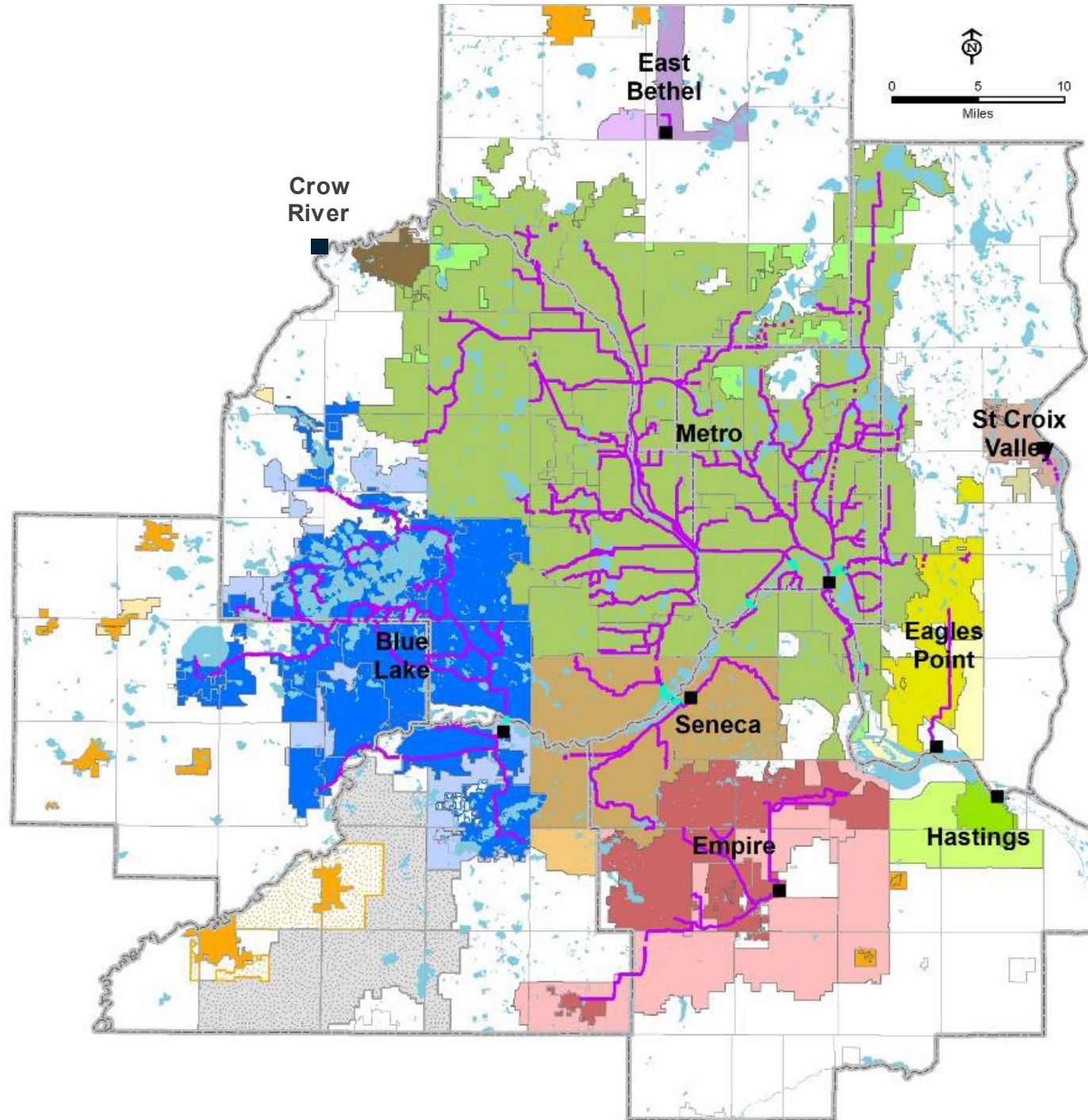
# Our Vision:

# Clean Water for Future Generations

## 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

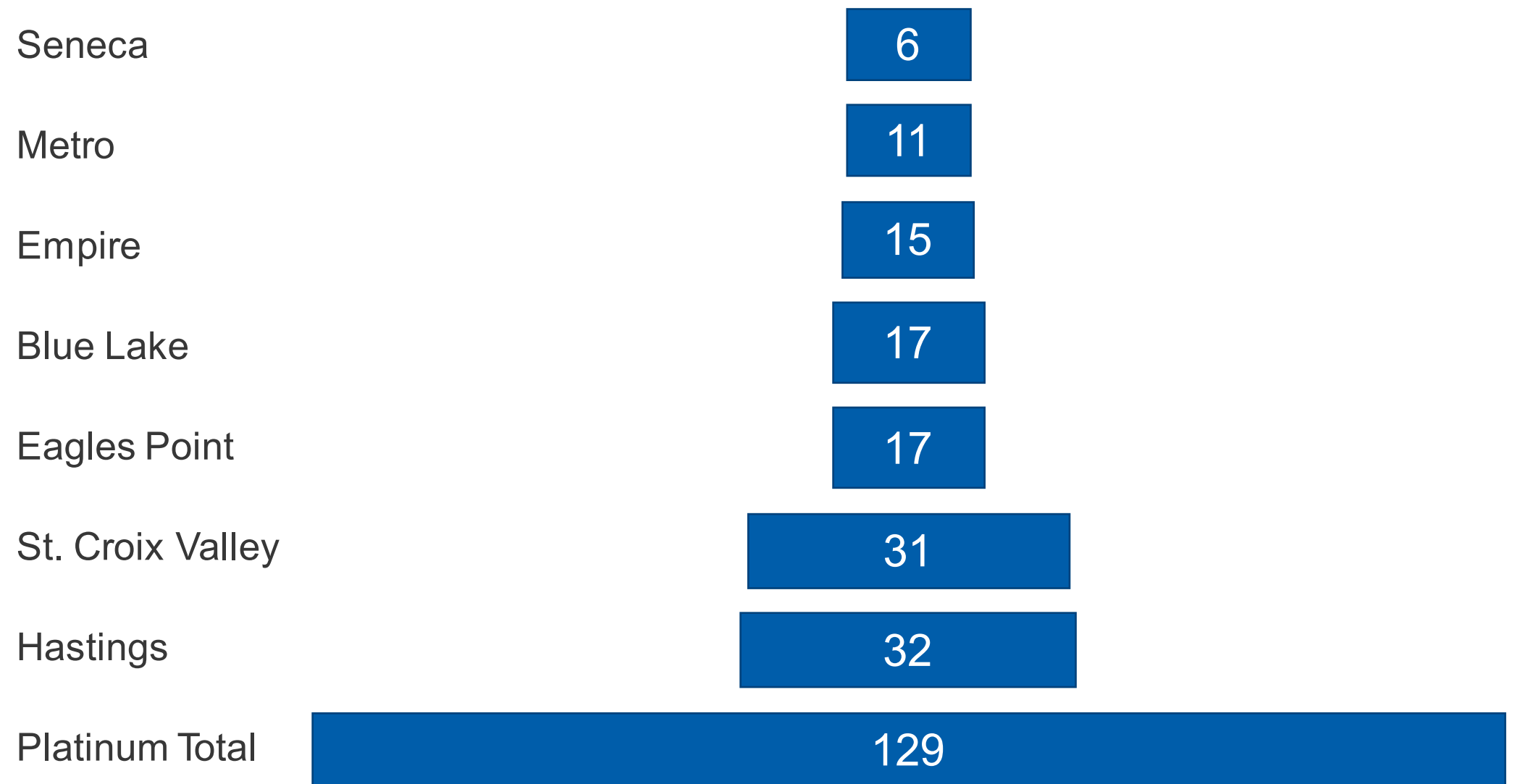
- 9 wastewater treatment plants
- 610 miles of interceptors
- 61 pump stations
- 250 million gallons per day (avg)

## OUR ORGANIZATION

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

# Our Mission is to Partner, Plan, and Provide Services to Protect the Region's Water

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



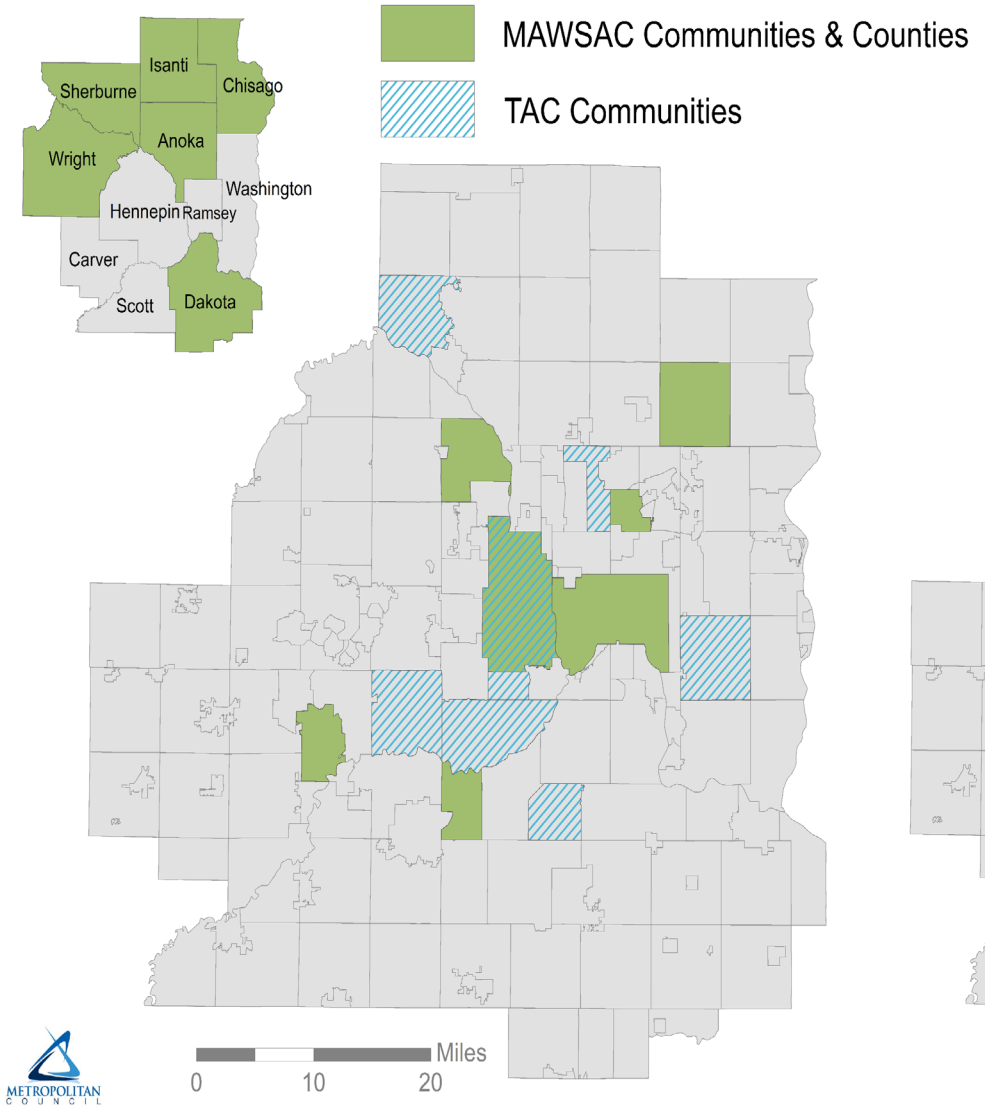
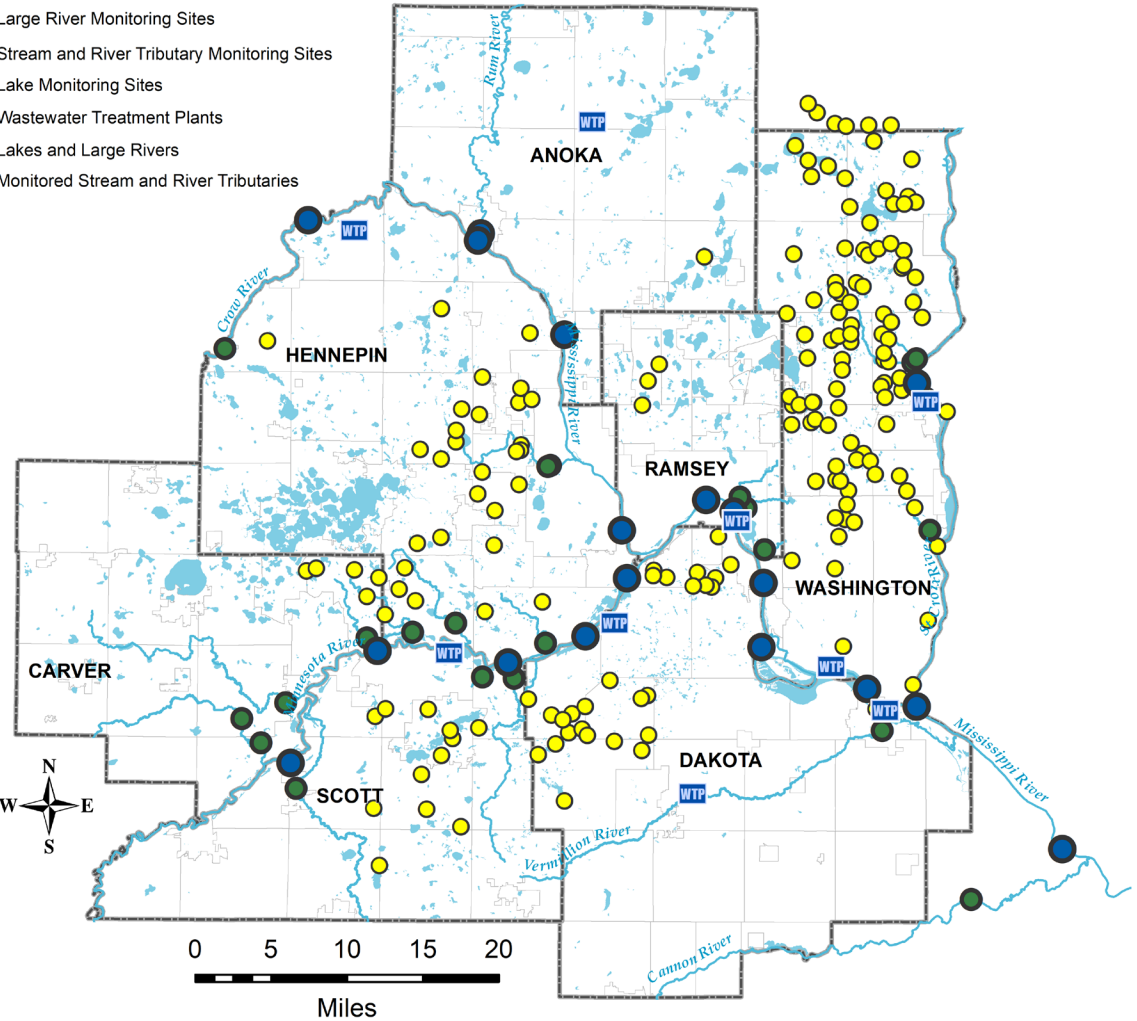


# Met Council is a Partner and a Resource

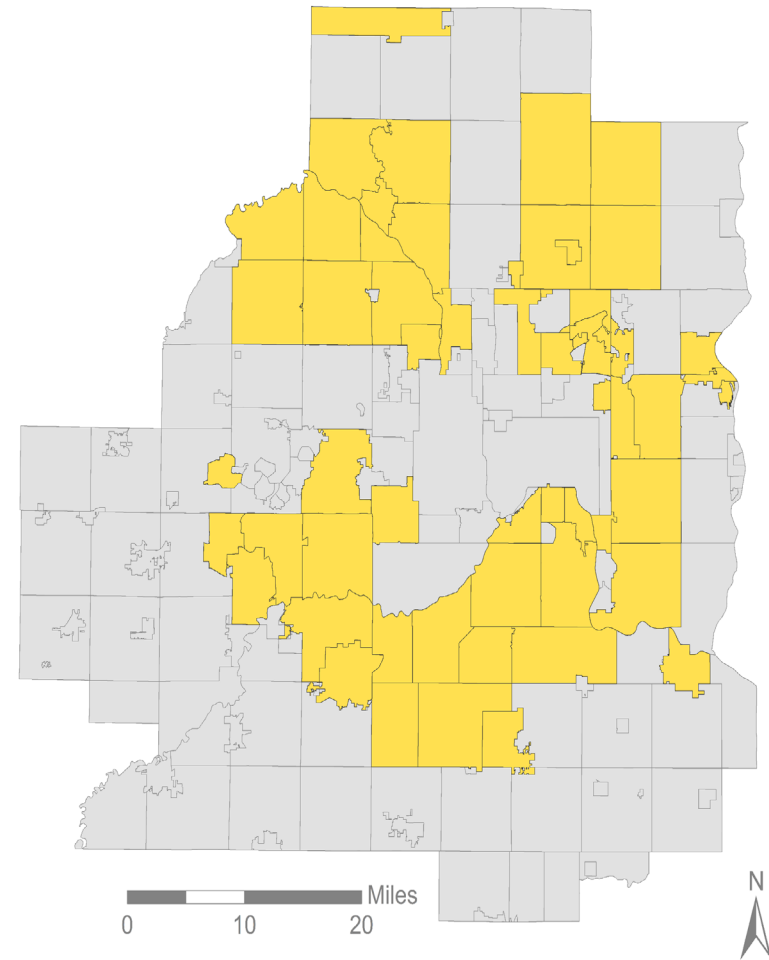
*to convene, facilitate and provide technical and financial support*

## 2020 Surface Water Monitoring Sites

-  Large River Monitoring Sites
-  Stream and River Tributary Monitoring Sites
-  Lake Monitoring Sites
-  Wastewater Treatment Plants
-  Lakes and Large Rivers
-  Monitored Stream and River Tributaries



-  Subregional Workgroup Communities



# Operating Budget Highlights

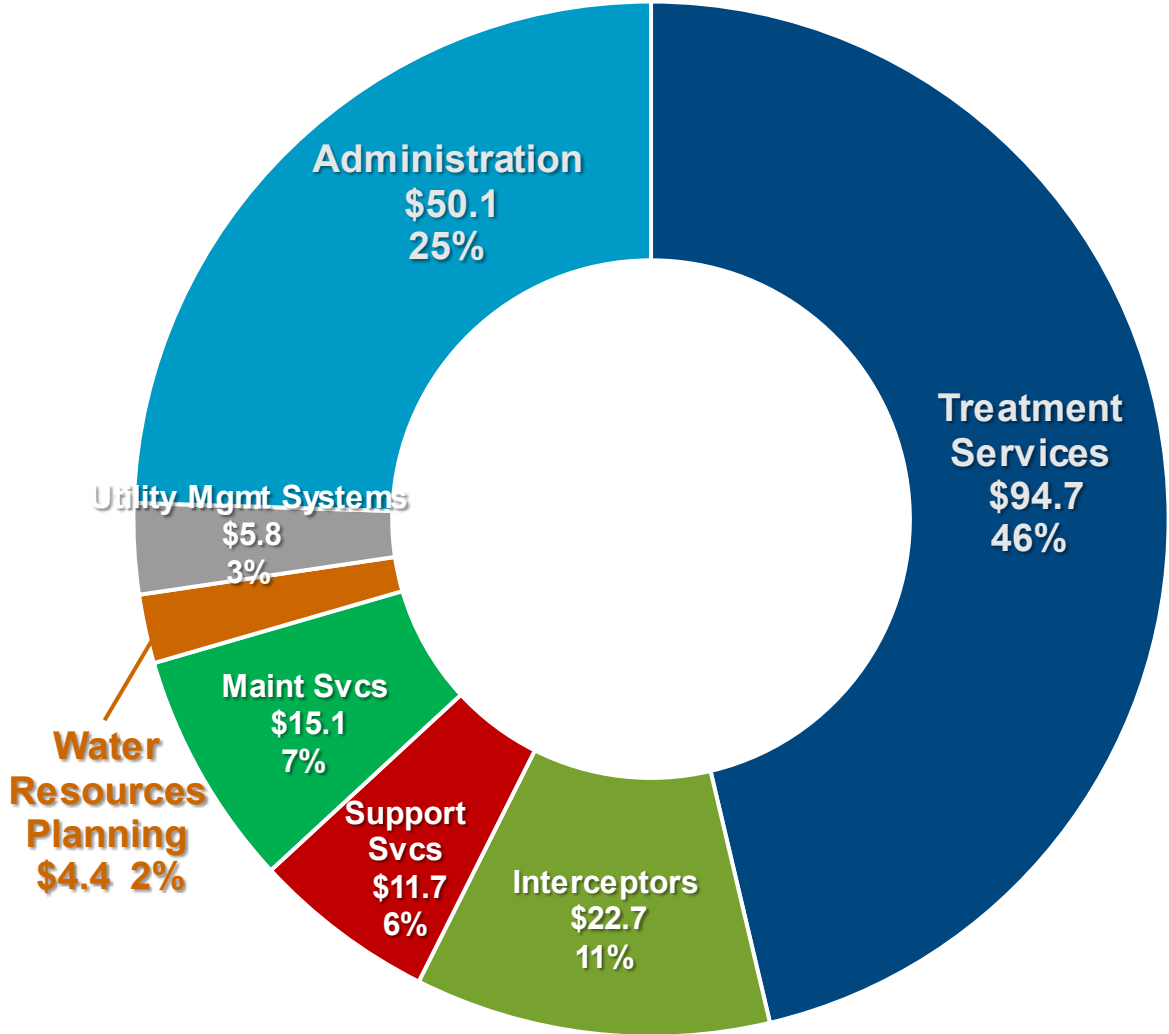


- **Municipal Wastewater Charge: +6.8%**
  - 2024 = \$281.6M (\$17.9M higher than 2023)
  - \$9.58 annual increase per REC (residential equivalent connection)
- **Sewer Availability Charge: No Change**
  - \$2,485 per SAC (flat since 2014)
  - Total FY24 transfer = \$57.8M (includes \$8.5M for PAYGO\*)
- **Industrial Waste Strength Charge: +6.2%**
- **Industrial Waste Permit Fees: +6.8%**

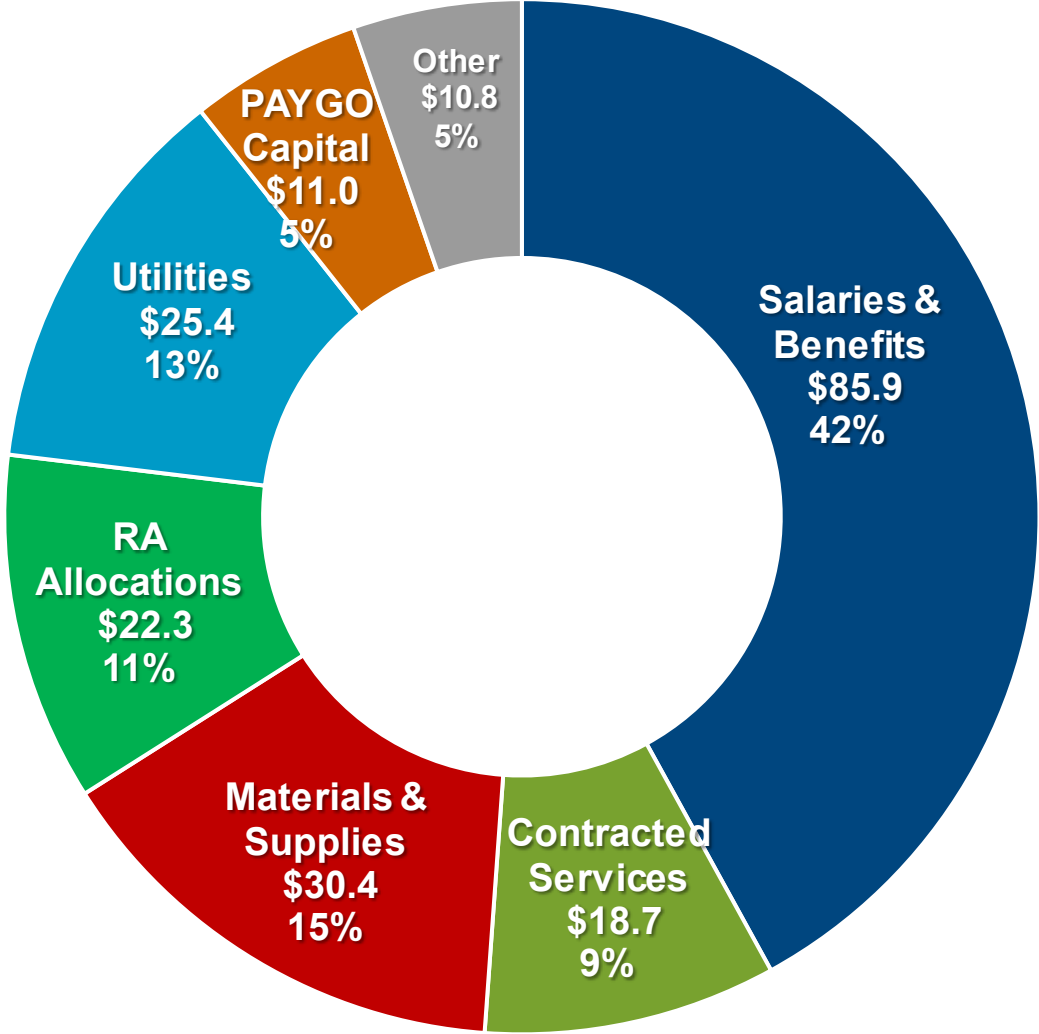
\*PAYGO is paying cash for capital projects.

# Environmental Services Operations - \$204.5M

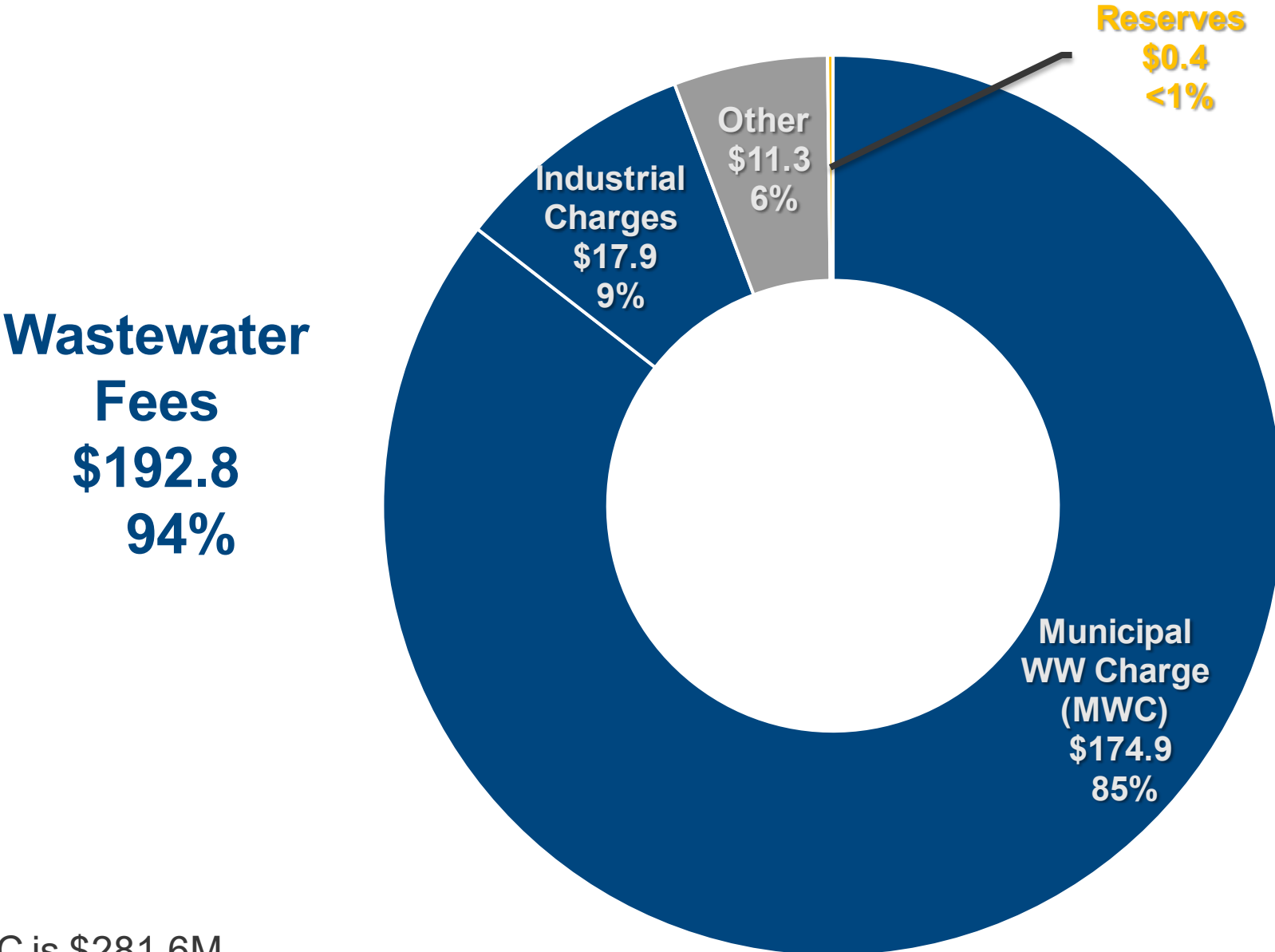
Uses by Department



Uses by Category



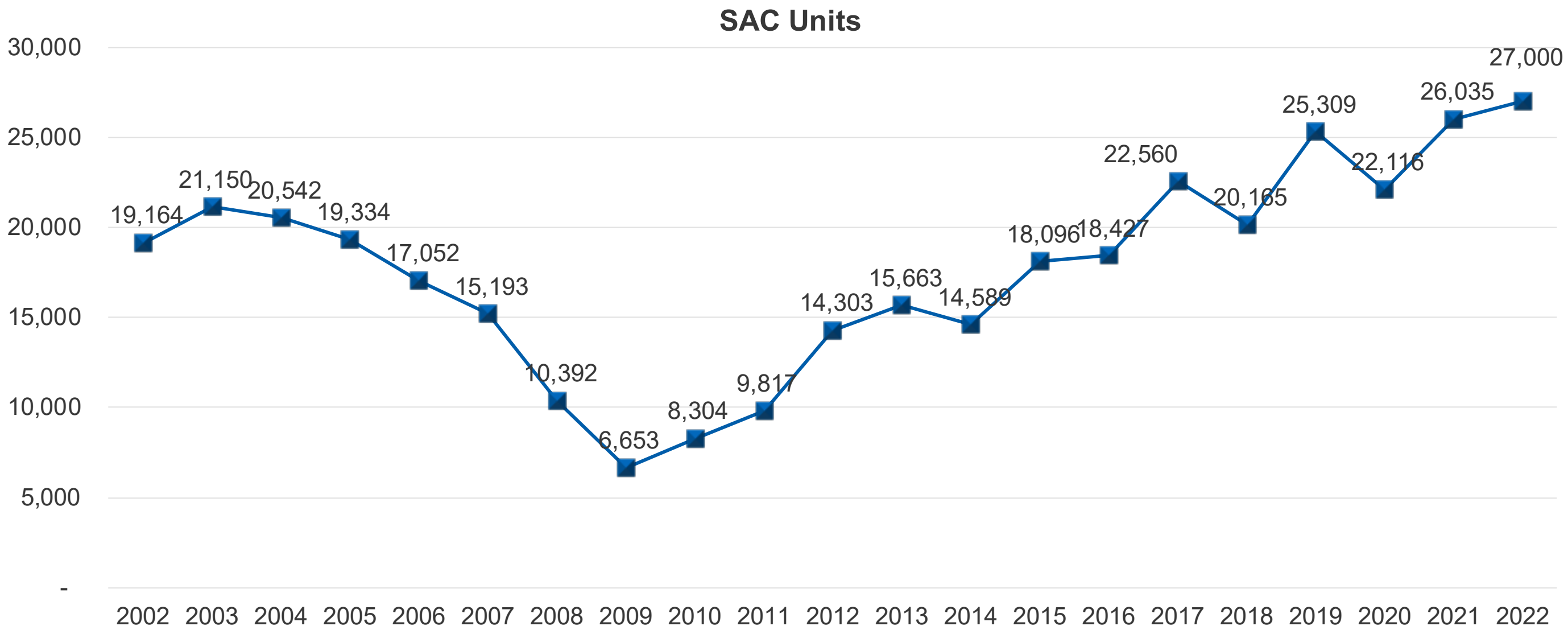
# Environmental Services Sources - \$204.5M



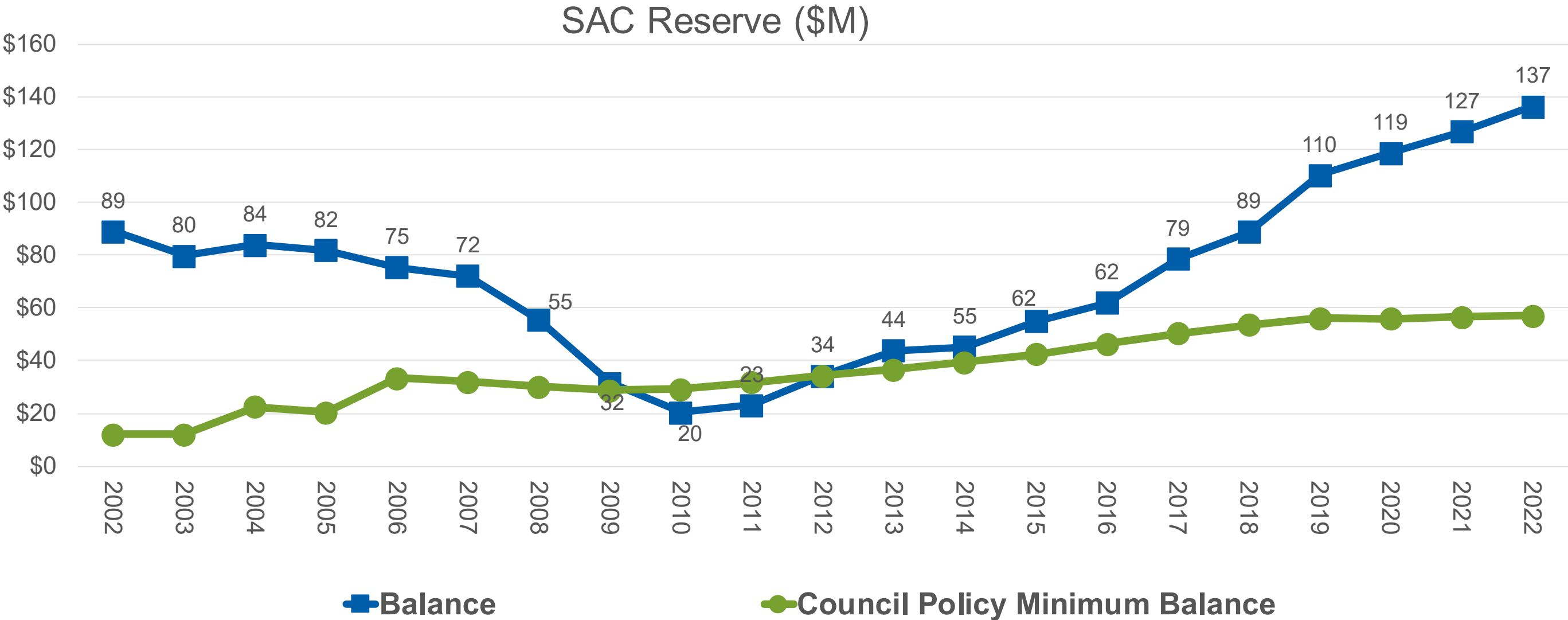
Dollars in millions

- Total 2024 MWC is \$281.6M
- Other includes \$8.5M transfer from SAC

# Sewer Access Charges (SAC) - Units



# SAC Reserve Helps Manage Future Rates



Strong reserves will help through lower activity (2023 down 40% through May)

# Transportation



# Basis for Budget Development Council Policies and Actions

- Annual service plan
- Labor agreements (ATU, TMSA, LELS, AFSME, Non-rep)
- Fare policy
- Target fund balance
- Federal COVID relief funds
- Metropolitan Transportation Sales Tax (In Progress)



# 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
- Financial considerations:
  - State General Fund Appropriation
  - Motor Vehicle Sales Tax (MVST)
  - Federal Relief Funds
  - Financial Outlook
  - Metropolitan Area Sales Tax

# Metropolitan Area Sales Tax 2024 Budget Changes



## Work to integrate the new sales tax is underway

In Preliminary Budget:

- Replaced County Net Subsidy Contributions for Light Rail, Commuter Rail and Orange Line

Forthcoming for Public Comment Budget:

- Extensive analysis being prepared now:
  - Forecasting Base Operations to year 2053
  - Forecasting New LRT, BRT and ABRT Operations to year 2053
  - Forecasting Capital Needs to year 2053 and Capital Maintenance Needs to year 2053
  - Analyzing Investments in the 13 Sales Tax Uses
  - Quantifying the Investments VS the Forecasted Sales Tax Receipts
- Will update the 2024 Budget in October prior to the adoption of the 2024 Public Hearing Draft

# Forthcoming Sales Tax Revenue



## New metro area sales tax for transportation

**New metro area sales tax:**  $\frac{3}{4}$  cent sales tax for metropolitan transportation starting October 1, 2023

- 17% to counties/83% to Metropolitan Council
- Counties' share allows up to 17% for transit support
- Of the 83% coming to the Council, 5% goes to active transportation and 95% to transit operations, maintenance, capital projects
- Expected revenue of \$300.333 million in SFY24 (partial year) and \$465.462 million in SFY25
- Ends operations funding agreements with counties

**Sales tax will help fund transit operations, maintenance, and capital projects.**

# Motor Vehicle Sales Tax (MVST) and State Appropriations

- MVST:
  - Rate increase from 6.5% to 6.875% effective July 1
    - Council/STP allocation reduced from 36% to 34.3%
    - Despite reduction, the changes results in a modest increase
  - 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
- State Appropriations:
  - Appropriation from Legislature for Rail and Metro Mobility

# Federal Relief Funds

## Appropriations

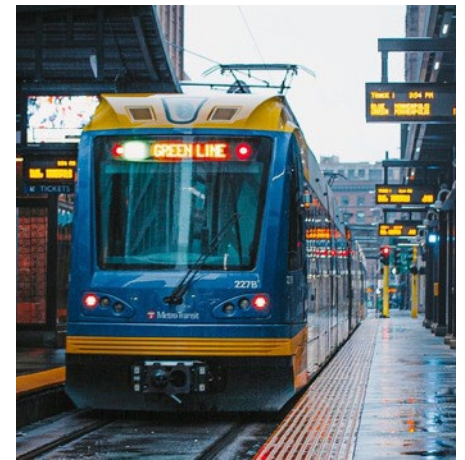
- \$313.4M ARP
- \$185.9M CRRSAA
- \$226.5M CARES
- \$725.8M Total

Council Total \$686.9M

2024 Preliminary Budget includes \$68M in federal relief funds

## 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



# Budget Framework

- Rollup budget major revenue & expense categories
- Metropolitan Transportation Sales Tax (In Progress)
- Growing service while responding to ridership and market development across the region
- Ridership/revenue loss with changes in travel market
- Advances Metro Transit's *Stronger, Better* Strategic Plan, including investment in customer experience improvements, security, facility upkeep, and technology
- Workforce Shortages on going risk
- Service (contingent on workforce)
  - Bus service at nearly 88% of pre-covid levels
  - Light rail at 100% pre-covid level 10-minute frequency
  - Northstar service 8 trips per weekday plus special events
- Metro Mobility ridership returns to pre-pandemic levels

# Mitigating Revenue and Expense Volatility

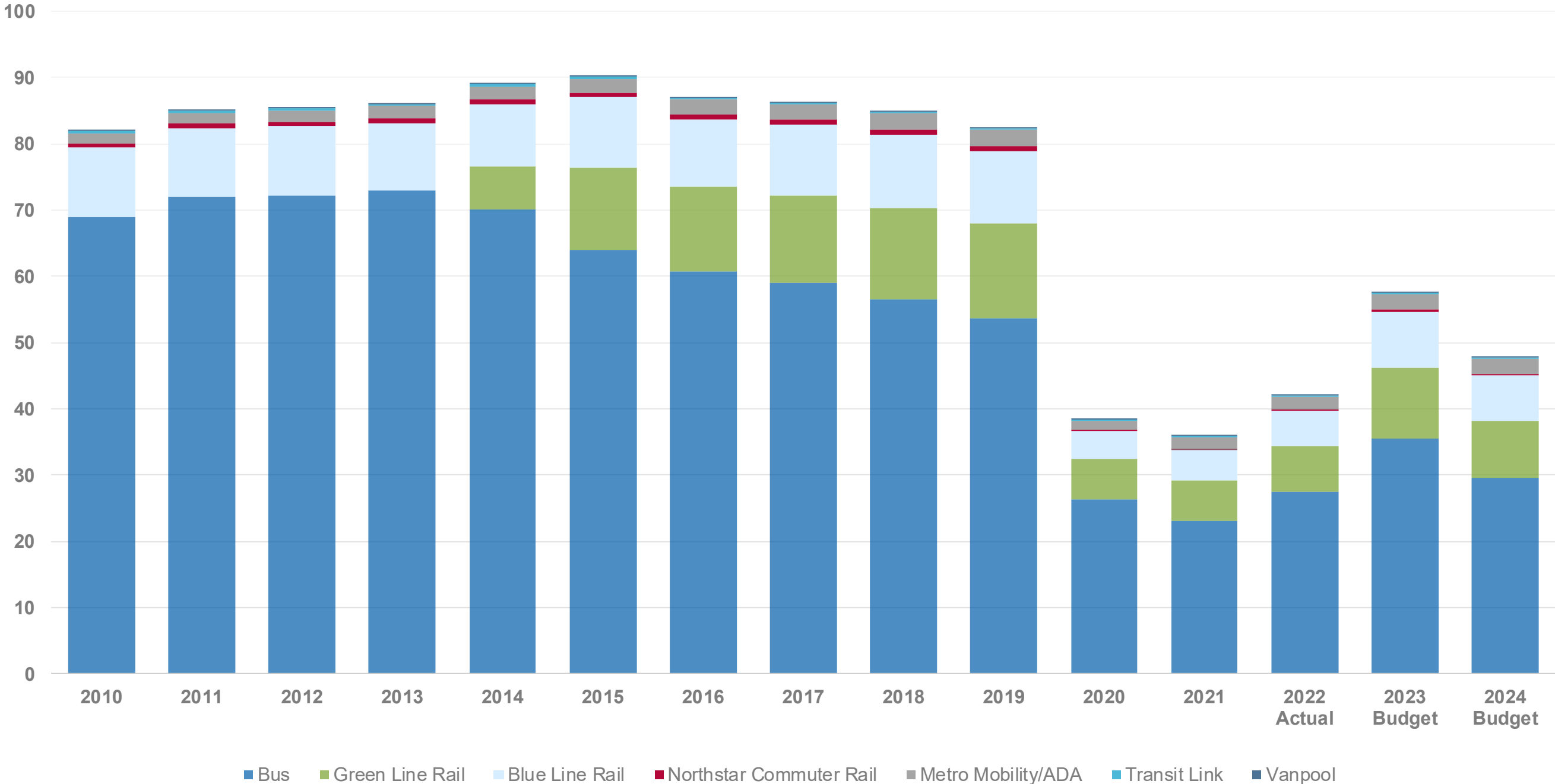
- Motor Vehicle Sales Tax
  - Budget 95% Motor Vehicle Sales Tax
  - Actual MVST receipts above 95% from prior year
- Fuel price hedging Metro Transit
- Programming of Federal Relief Funds
- Operating fund reserve targets
  - Address volatility in other revenues and expenses
  - Determine reserve policy for Transportation Sales Tax
- Metropolitan Transportation Sales Tax Investment (In Progress)

# Tracking On-Going Risk

- Ridership / travel demand
- Passenger fare revenue
- Sales Tax volatility
- Workforce Shortages
- Fuel Prices
- Continuous evaluation and review of budget assumptions

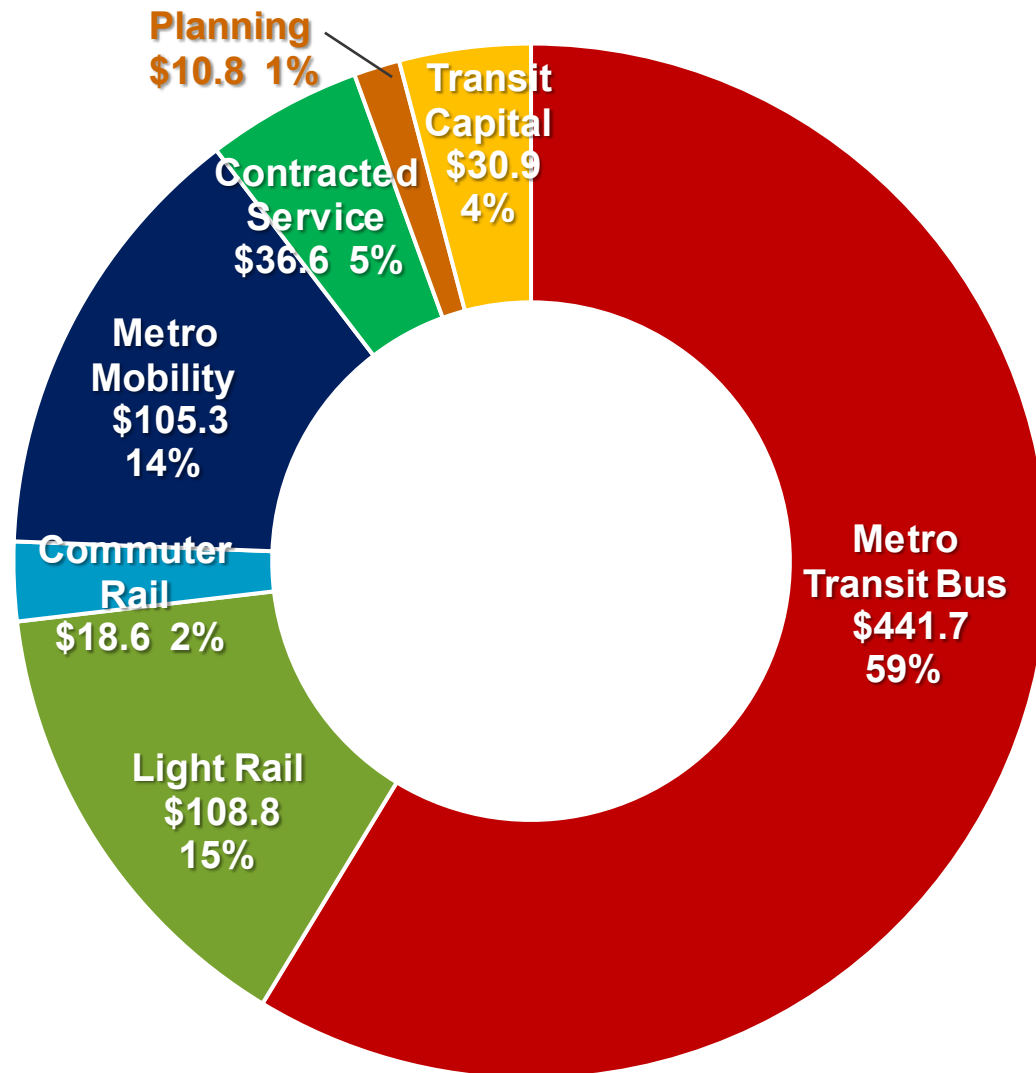


# Council Ridership (in millions)

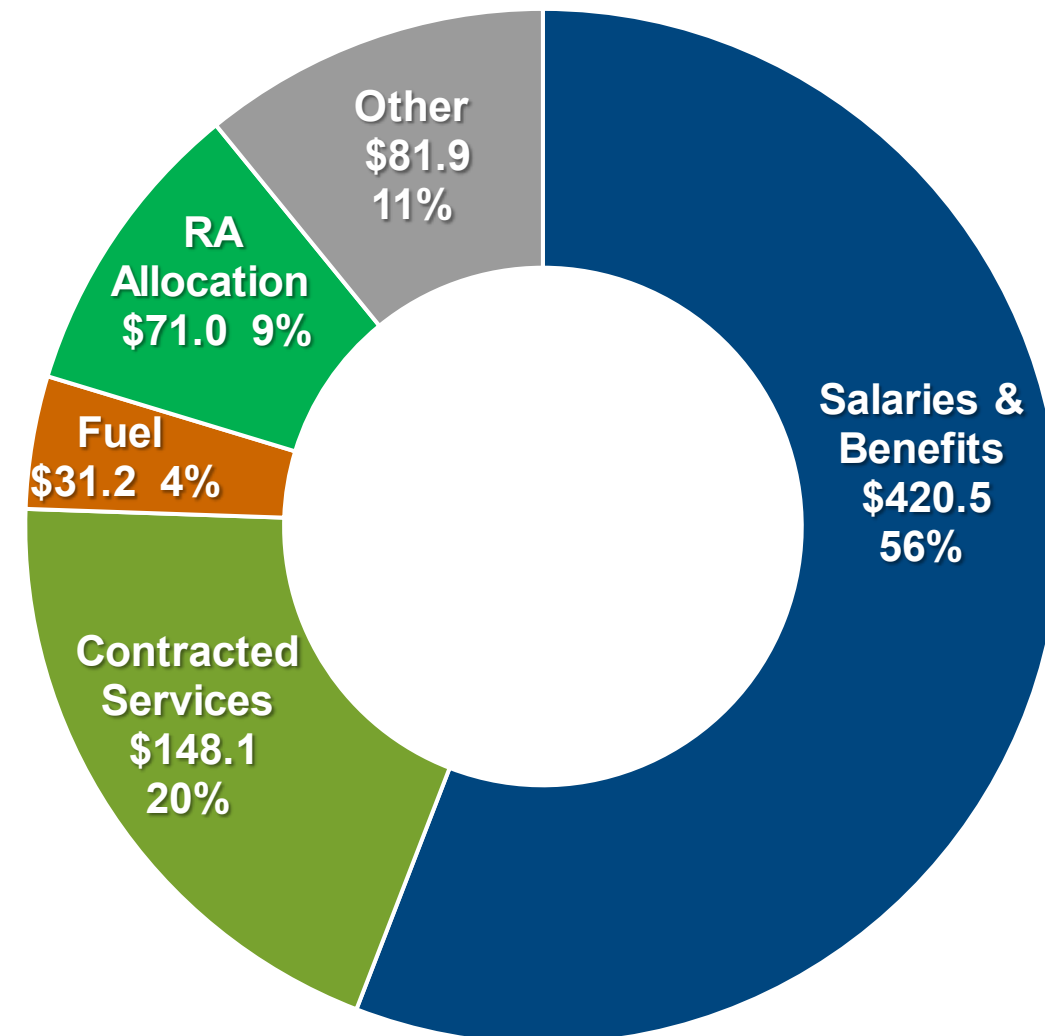


# Transportation Operations - \$752.7M

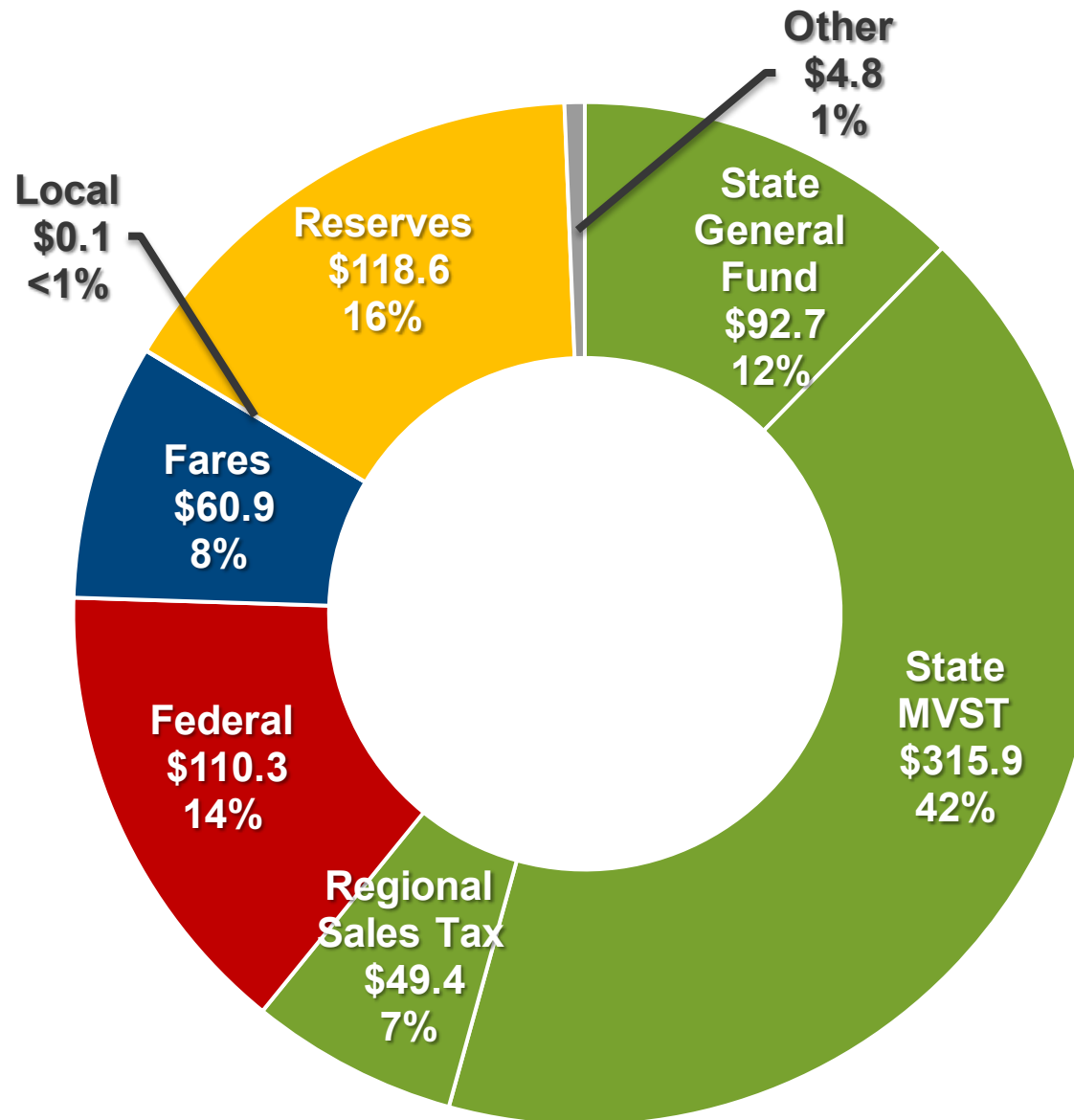
Uses by Department



Uses by Category



# Transportation Operations Sources - \$752.7M



**State Revenues**  
**\$458.0**  
**61%**

Dollars in Millions

# Metro Transit 2024 Proposed Budget by Division

| Division                    | Total Budget          | Salaries & Benefits   | FTE's           |
|-----------------------------|-----------------------|-----------------------|-----------------|
| Bus Transportation          | \$ 174,079,102        | \$ 147,137,863        | 1,330.74        |
| Bus Maintenance             | 109,678,564           | 60,076,733            | 491.34          |
| Engineering & Facilities    | 58,274,032            | 30,959,179            | 261.03          |
| Police                      | 46,112,092            | 36,202,522            | 225.01          |
| Finance                     | 35,126,666            | 30,703,978            | 171.73          |
| Rail Operations             | 102,077,791           | 58,544,852            | 488.22          |
| Transit Systems Development | 21,918,510            | 17,597,147            | 123.00          |
| Other                       | 52,893,186            | 30,216,127            | 188.11          |
| <b>Total</b>                | <b>\$ 600,159,944</b> | <b>\$ 411,438,402</b> | <b>3,279.18</b> |

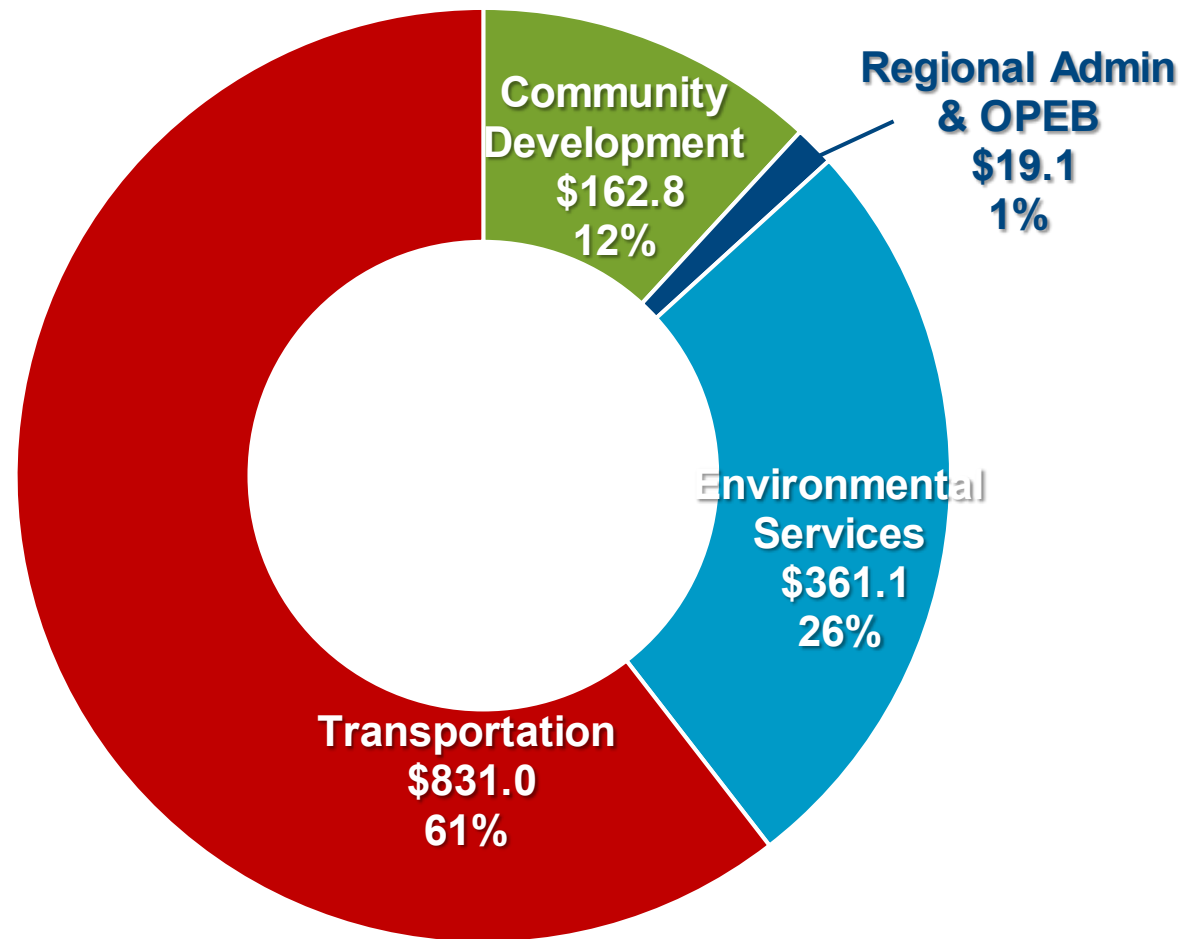
# Metro Mobility

- Programming federal funds
- Ridership projected to be back at pre-covid levels in 2024
- Gasoline at \$3.46/gallon
- Legislature provided separate State Appropriation line
- Transitioning to state forecasted program in SFY26

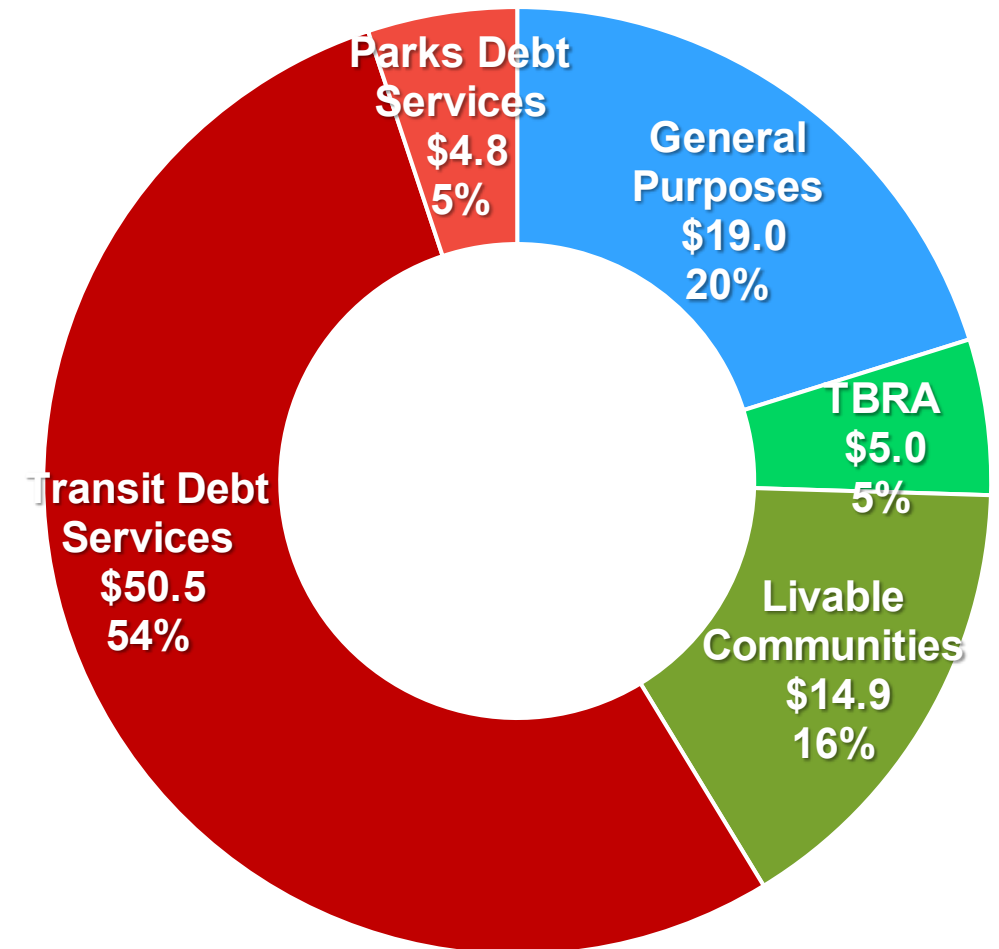


# 2024 Unified Operating Budget and Levies

## Budget - \$1.37 Billion



## Levy - \$94.2 Million



# Contacts

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**Heather Giesel, Finance Director 651-602-1715**

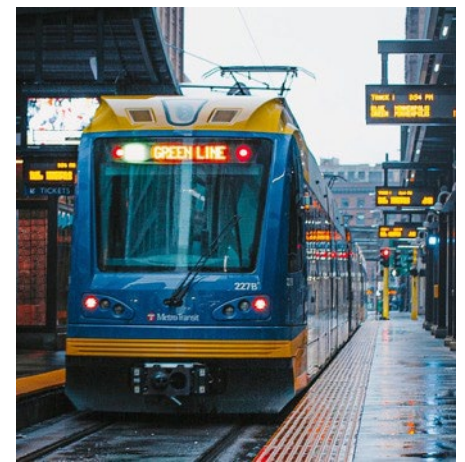
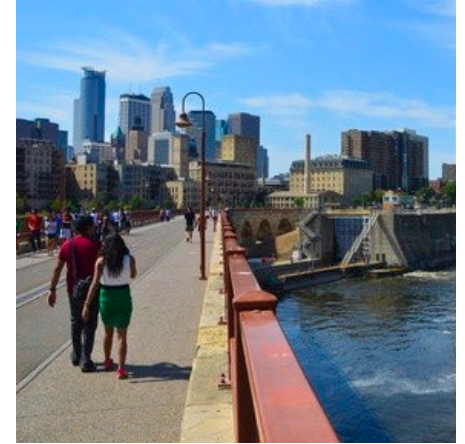
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# Thank You!

Find out more at [metro council.org](https://metro council.org).

