

Preliminary 2025 Operating Budget & Levies

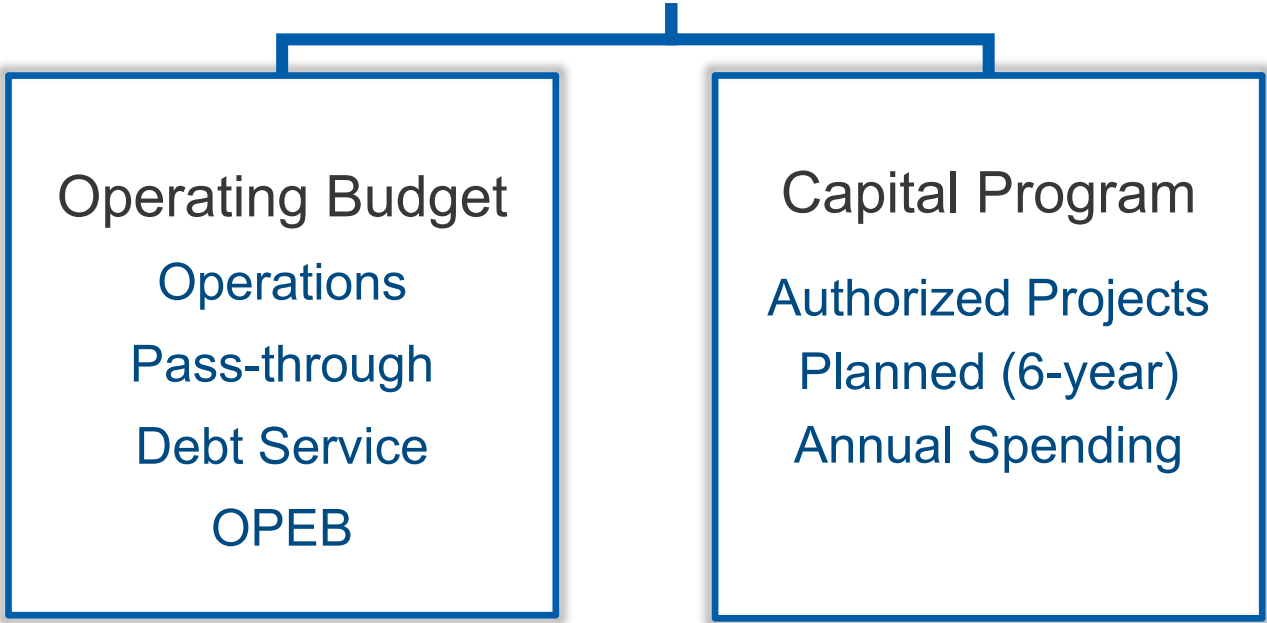
August 14, 2024

metro council.org



Council Budget Development

Unified Budget



- May-July Staff - Budget Development Activities
- Aug 14 Council – Operating Budget Presentation
- Aug 28**
(before Sept 1) **Council - Adopt Preliminary Budget/Levies**
- Oct 9 Council - Capital Program Presentation
- Oct 23 Council - Adopt Public Comment Draft Budget
- Dec 11**
(before Dec 20) **Council - Adopt Final Budget/Levies**

Budget Authority



Minnesota Statute 473.125 Regional Administrator

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

Proposed 2025 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)

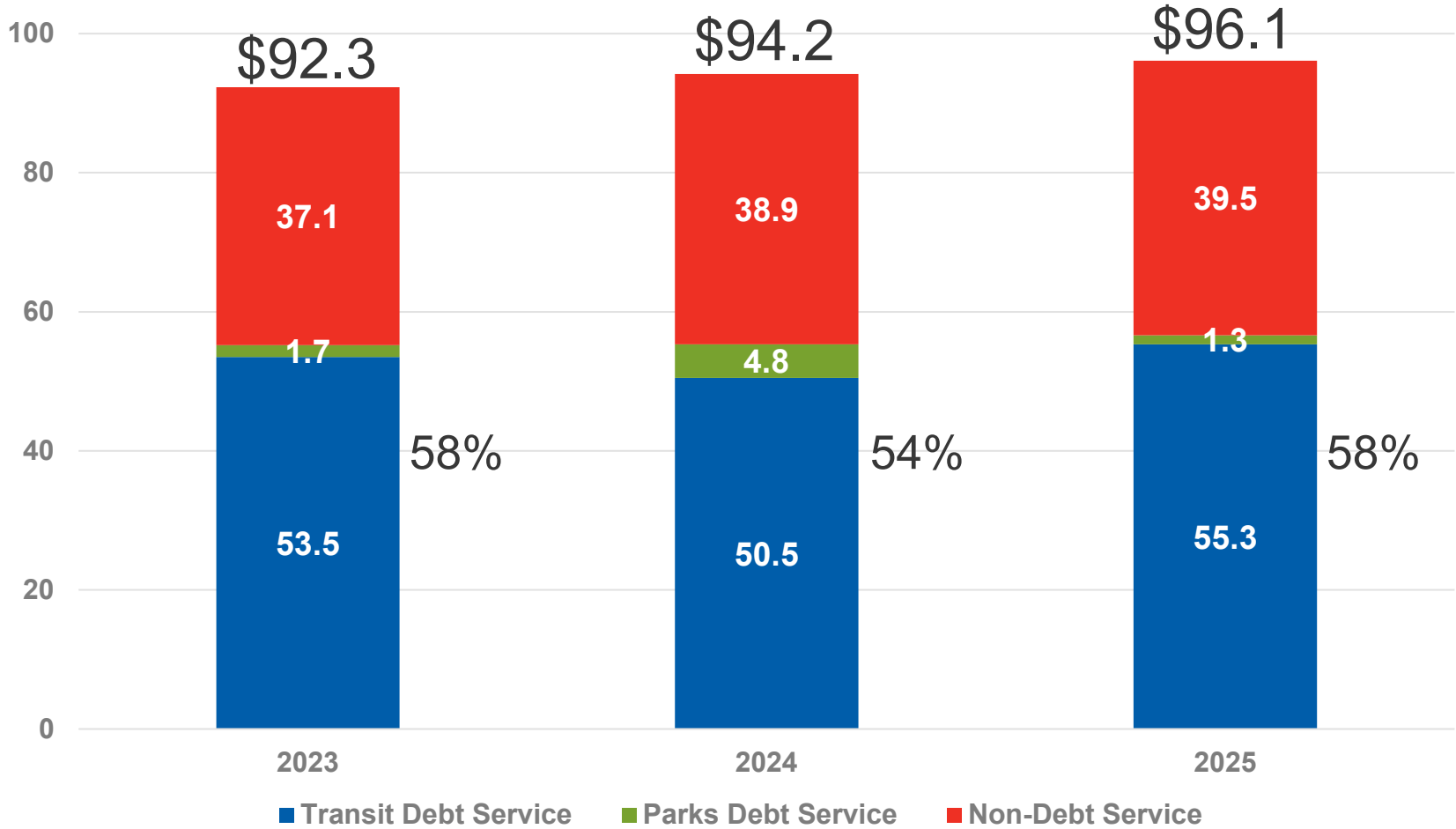
Debt Service Levies

- Transit

- Legislature grants bond authority
- Success with inflation factor grows ~3.0%
- Outstanding Debt YE 2023 - \$230.6M

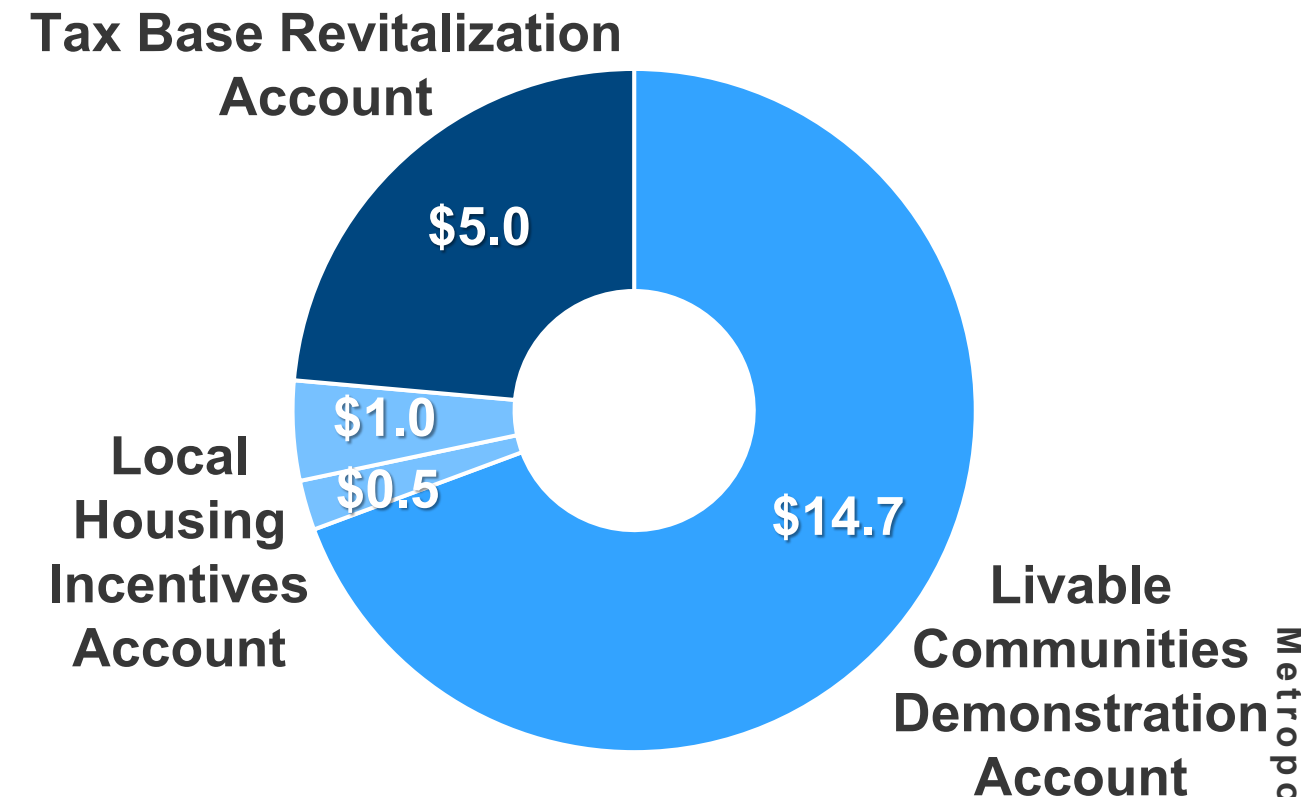
- Parks

- \$40M in Revolving Outstanding
- Outstanding Debt YE 2023 - \$7.6M



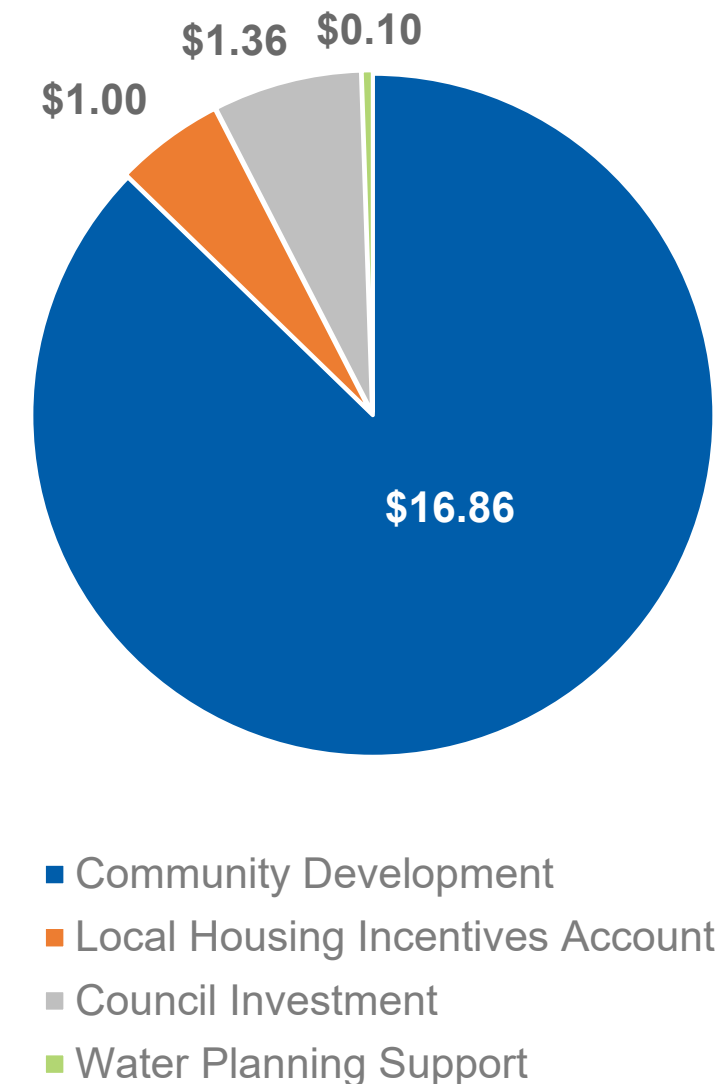
Livable Communities Levies (Grant Programs)

- Tax Base Revitalization Account Levy
 - \$5.0M annually from regional fiscal disparities pool
 - Clean up polluted land in the metropolitan area
 - Applies to commercial and industrial properties (not residential)
- Livable Communities Demonstration Account Levy
 - \$15.2M proposed levy for 2025
 - 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)



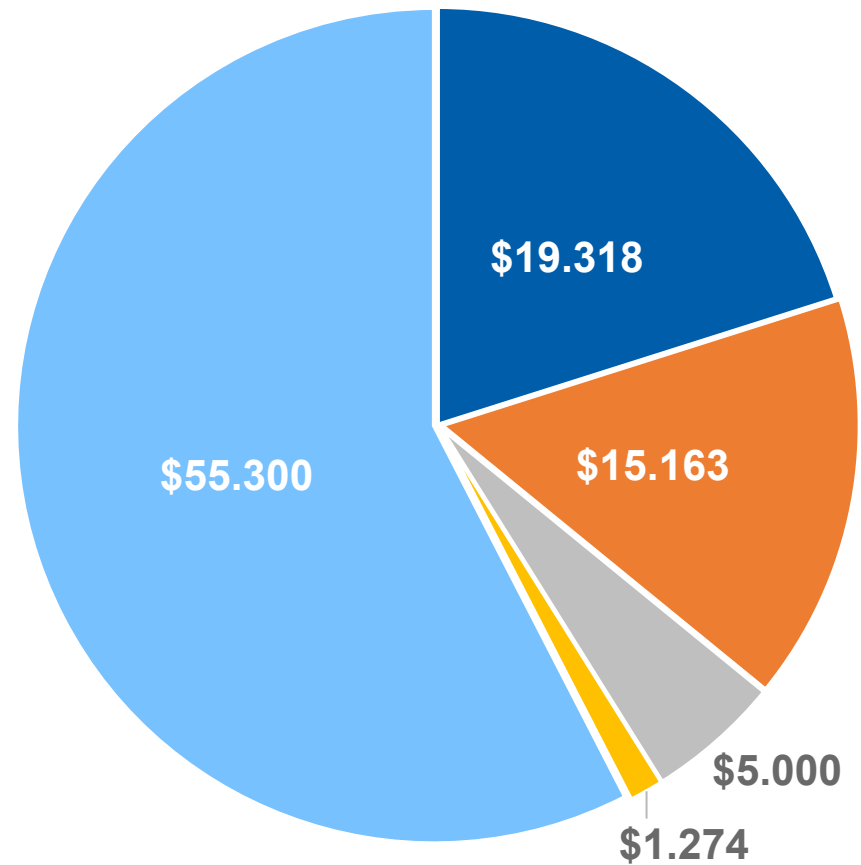
General Purpose Levy \$19.32M

- Most Flexible Use Levy Funding
 - Carry out Council responsibilities as provided in law
- Primary Uses
 - Community Development Administration (\$16.86M)
 - Statutory Transfer to Local Housing Incentive Account (\$1.00M)
 - Water Planning Support (\$0.10M)
- Council Investment (\$1.36M)



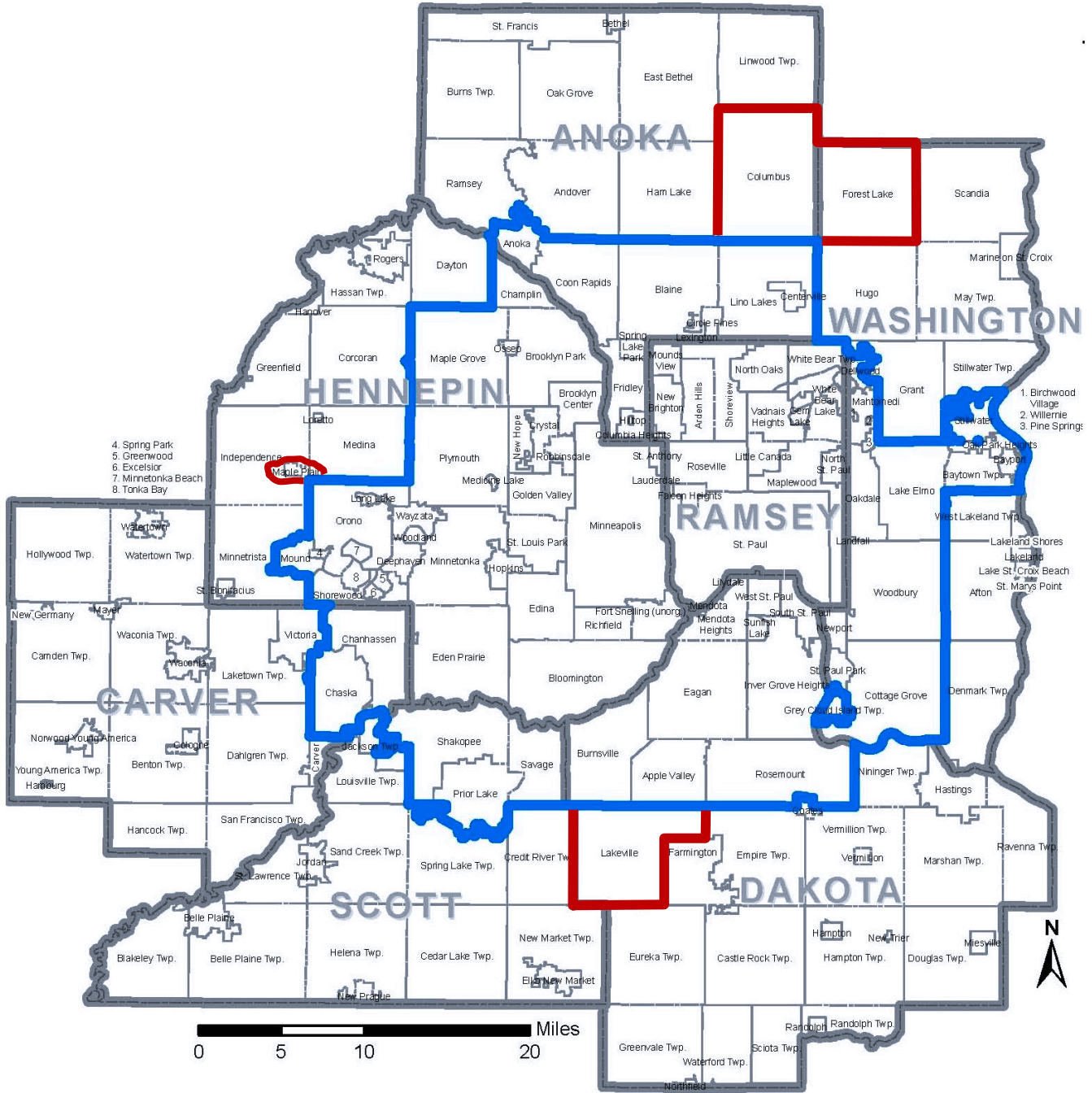
Proposed 2025 Property Tax Levies - \$96.054M

	Certified 2024	Proposed 2025	Pct Chg	Limit
Non-Debt Service Levies				
General Purposes	\$ 18.979	\$ 19.318	1.8%	\$ 19.318
Highway Right of Way	\$ -	\$ -	0.0%	\$ 5.193
Livable Communities:				
- Demonstration Acct	\$ 14.897	\$ 15.163	1.8%	\$ 15.163
- Tax Base Revitalization	\$ 5.000	\$ 5.000	0.0%	\$ 5.000
Total Non-Debt Levies	\$ 38.876	\$ 39.481	1.6%	\$ 44.674
Levy as Pct of Limit		88.4%		
Debt Service Levies				
Parks	\$ 4.818	\$ 1.274	-73.6%	
Transit	\$ 50.476	\$ 55.300	9.6%	
Total Debt Levies	\$ 55.294	\$ 56.573	2.3%	
Total All Levies	\$ 94.171	\$ 96.054	2.0%	



- General Purposes
- Livable Communities
- Tax Base Revitalization
- Parks Debt Service
- Transit Debt Service

Metro Area and Transit Debt Service Levy



Impact on the Taxpayer



\$300,000
Market Value

Transit Tax Communities

Inside

\$47.15

Outside

\$16.96

Impact on the Taxpayer

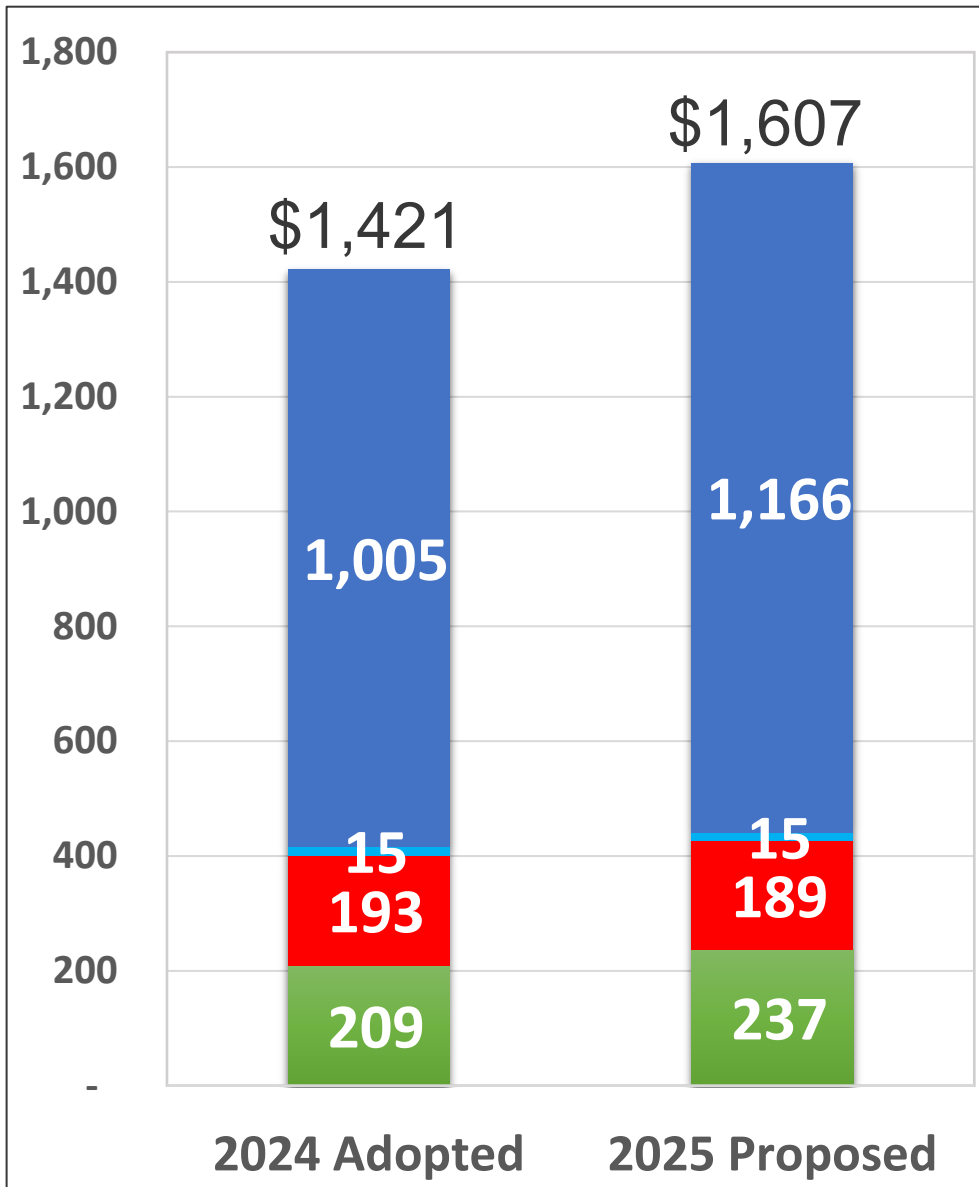




Proposed 2025 Operating Budget



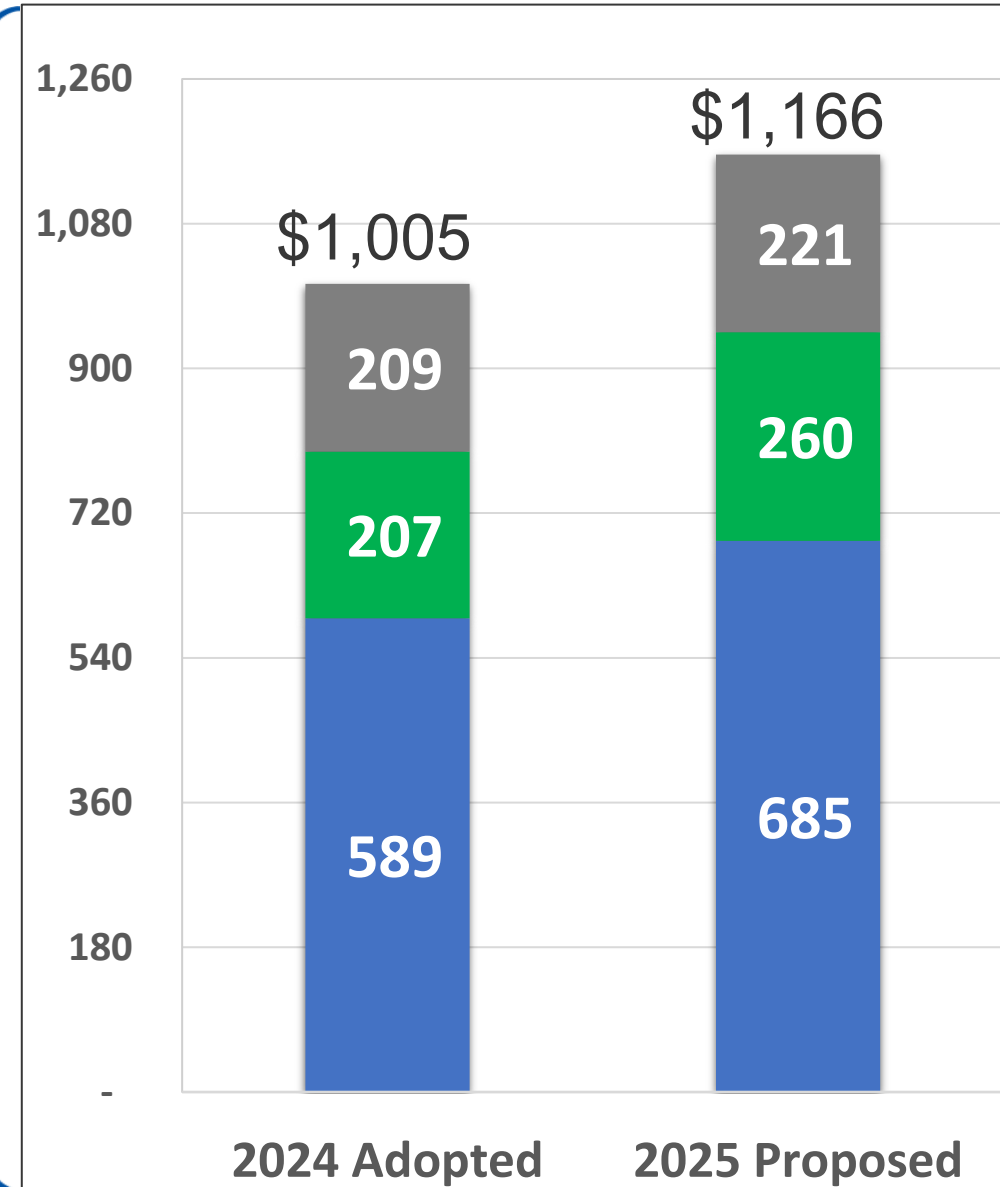
Proposed Operating Budget - \$1.61 Billion



Operations



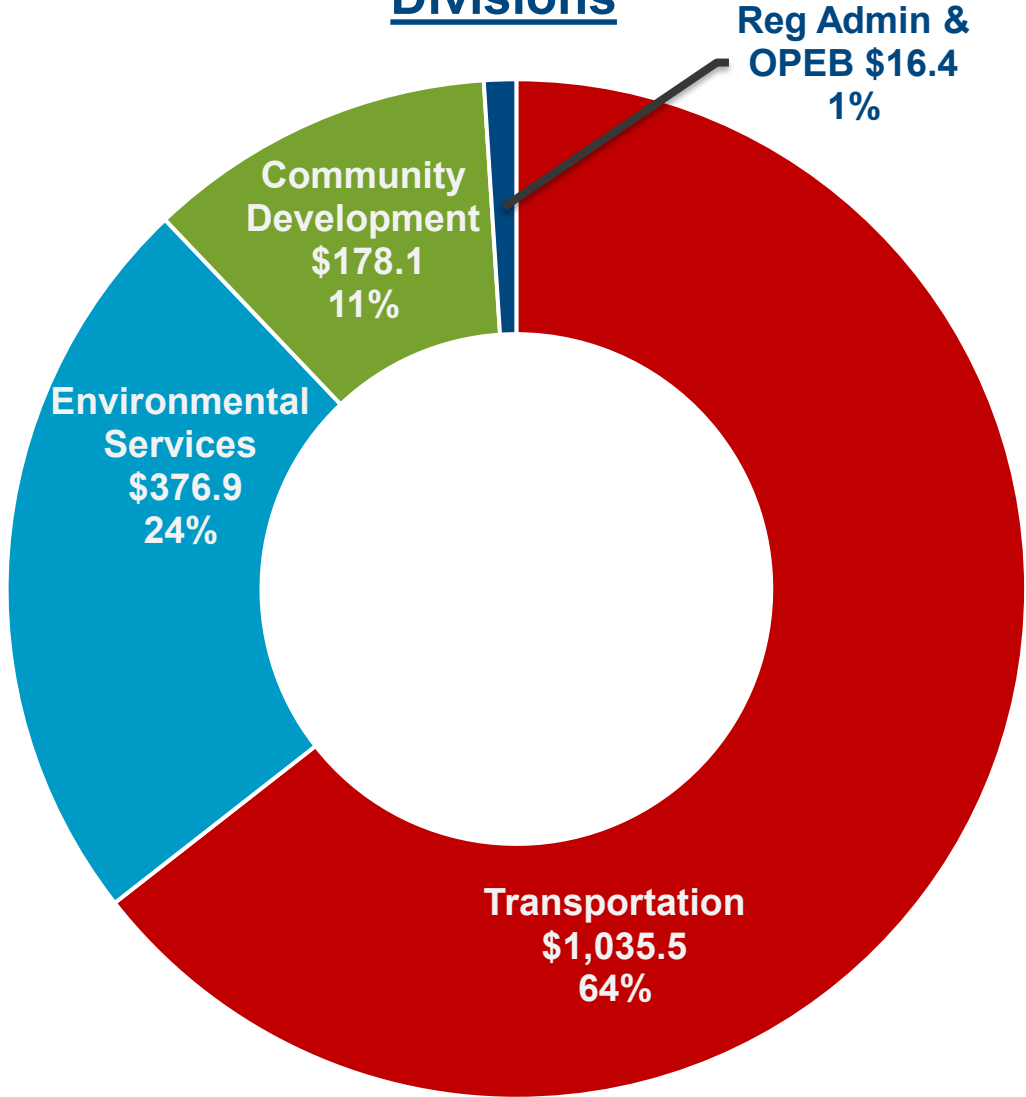
OPEB
Debt Service
Pass through



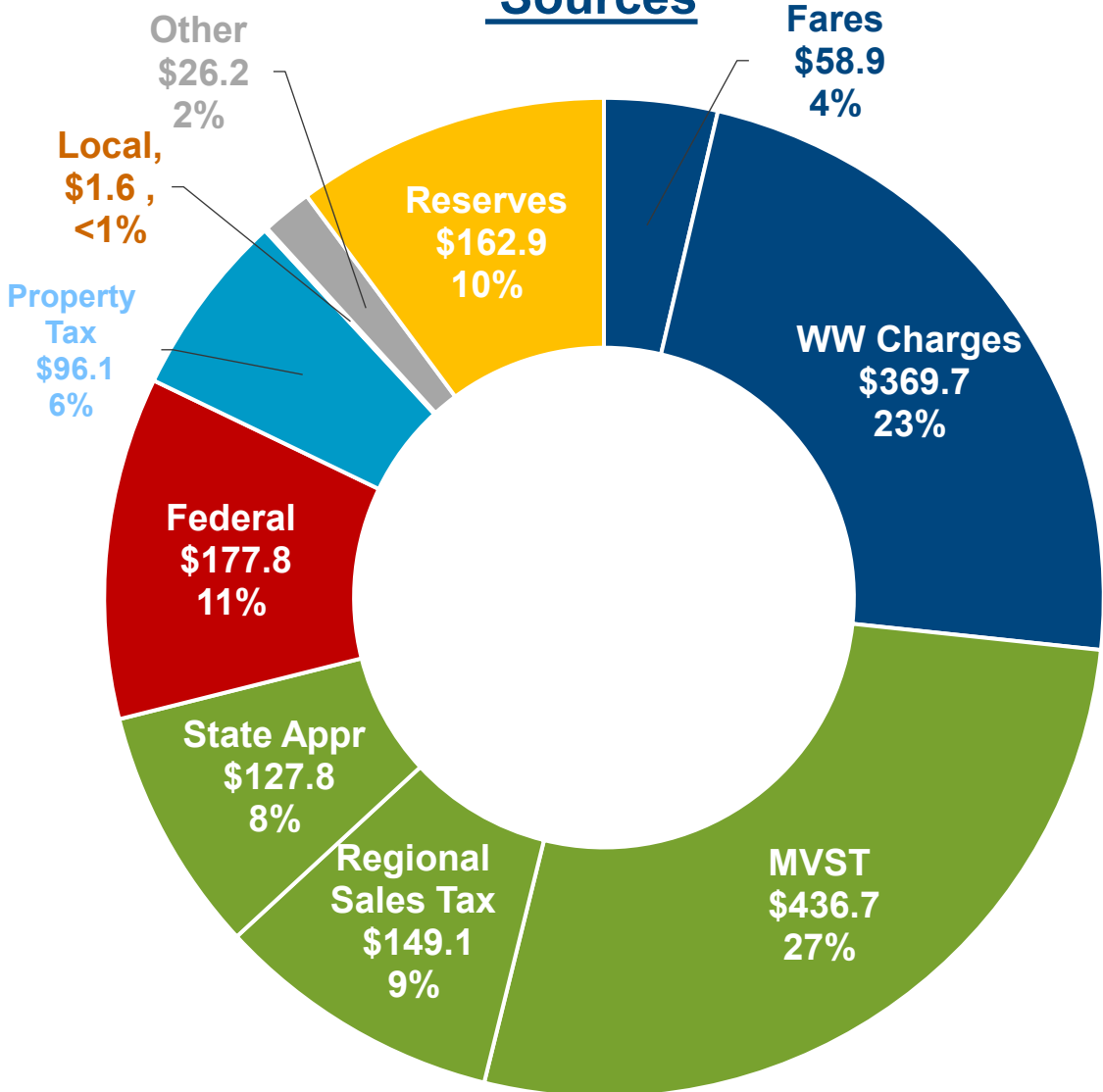
Other
Contracted Services
Salaries & Benefits

Proposed Budget - \$1.6 Billion

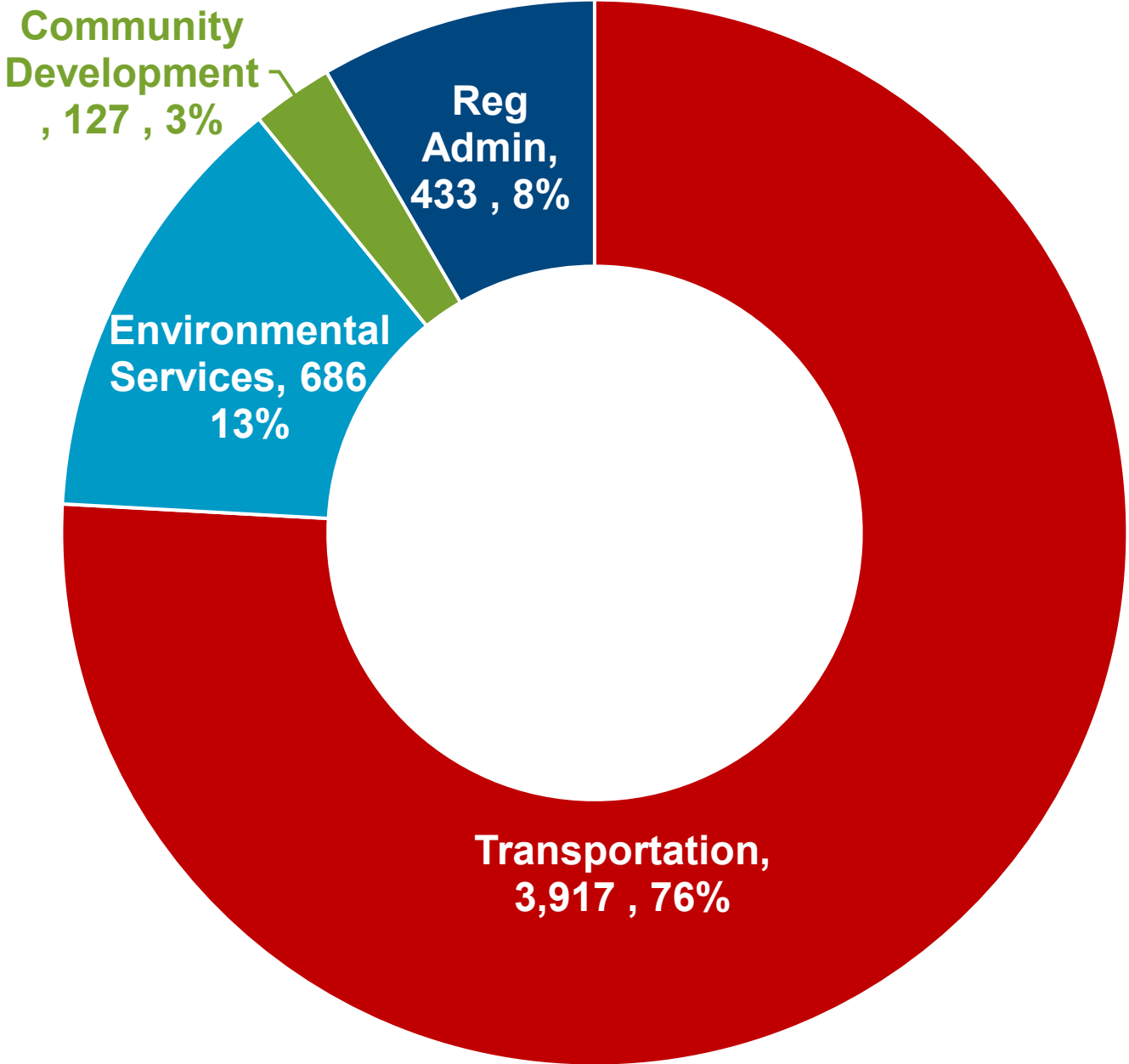
Divisions



Sources



Proposed FTEs (5,163) by Division



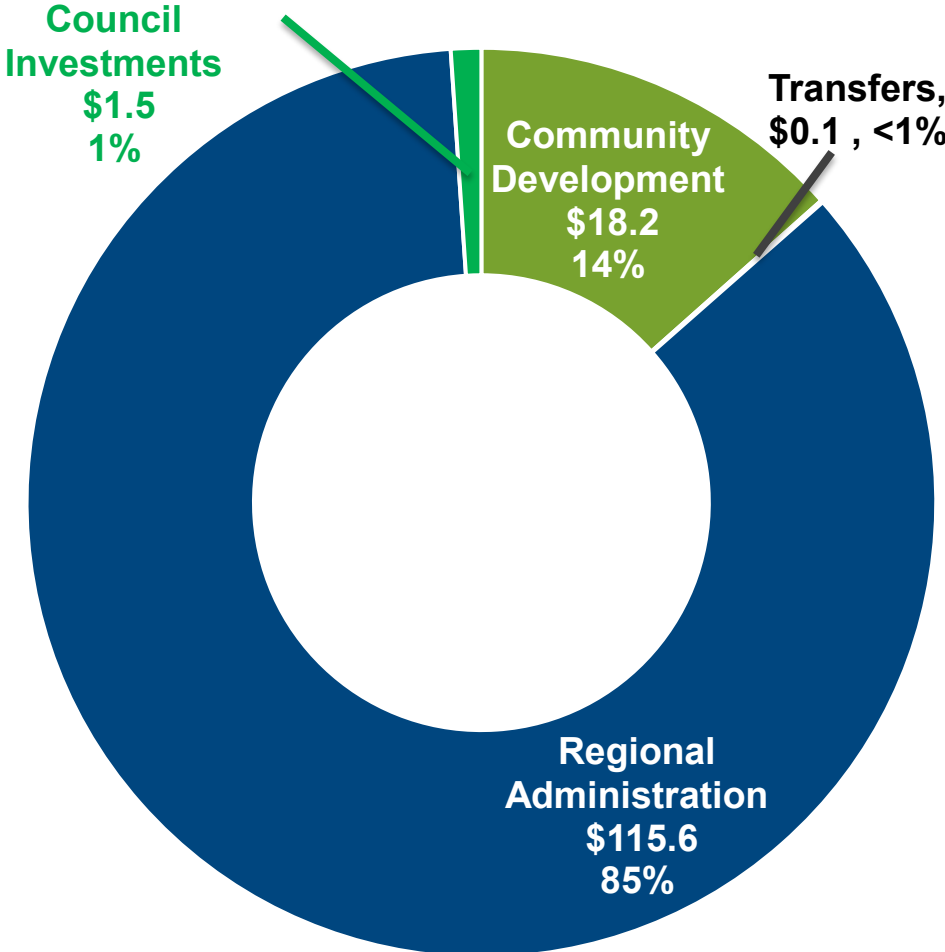


General Fund Operations



General Fund Operations - \$135.4M

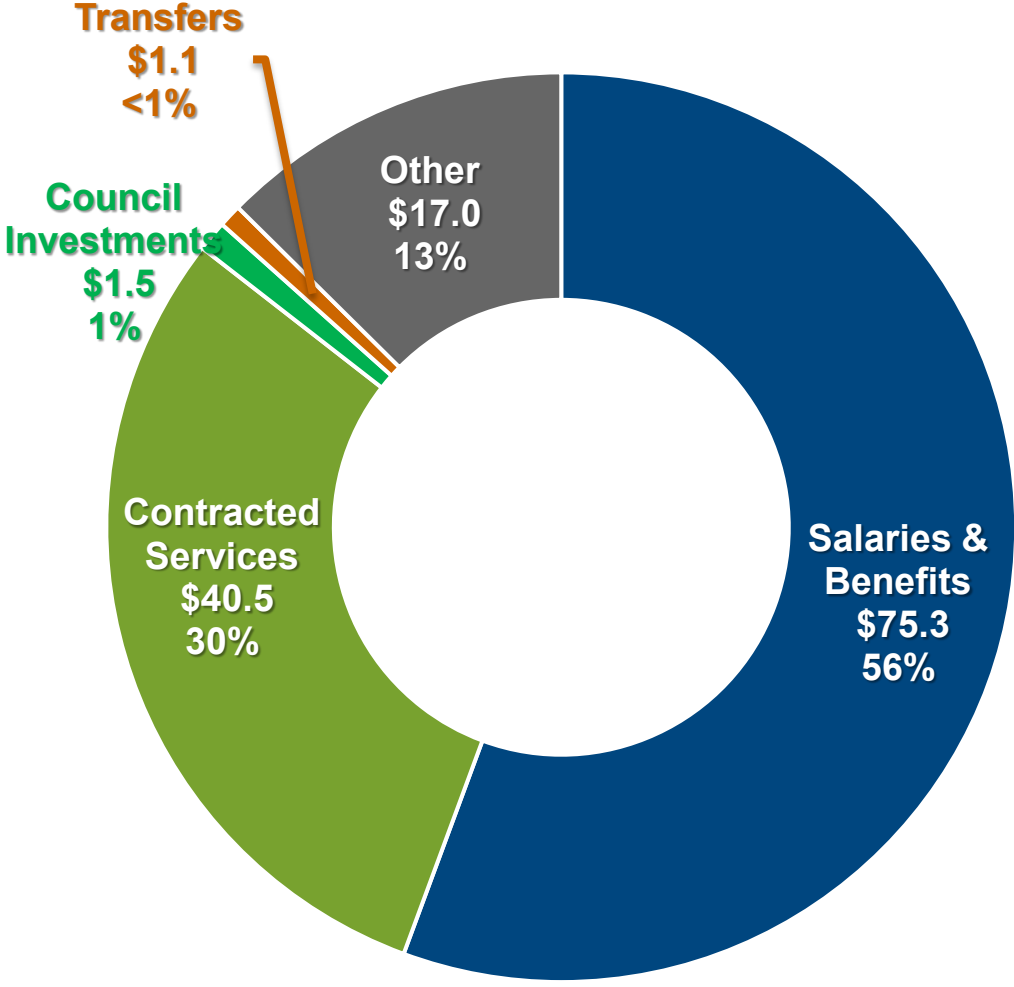
Uses by Department



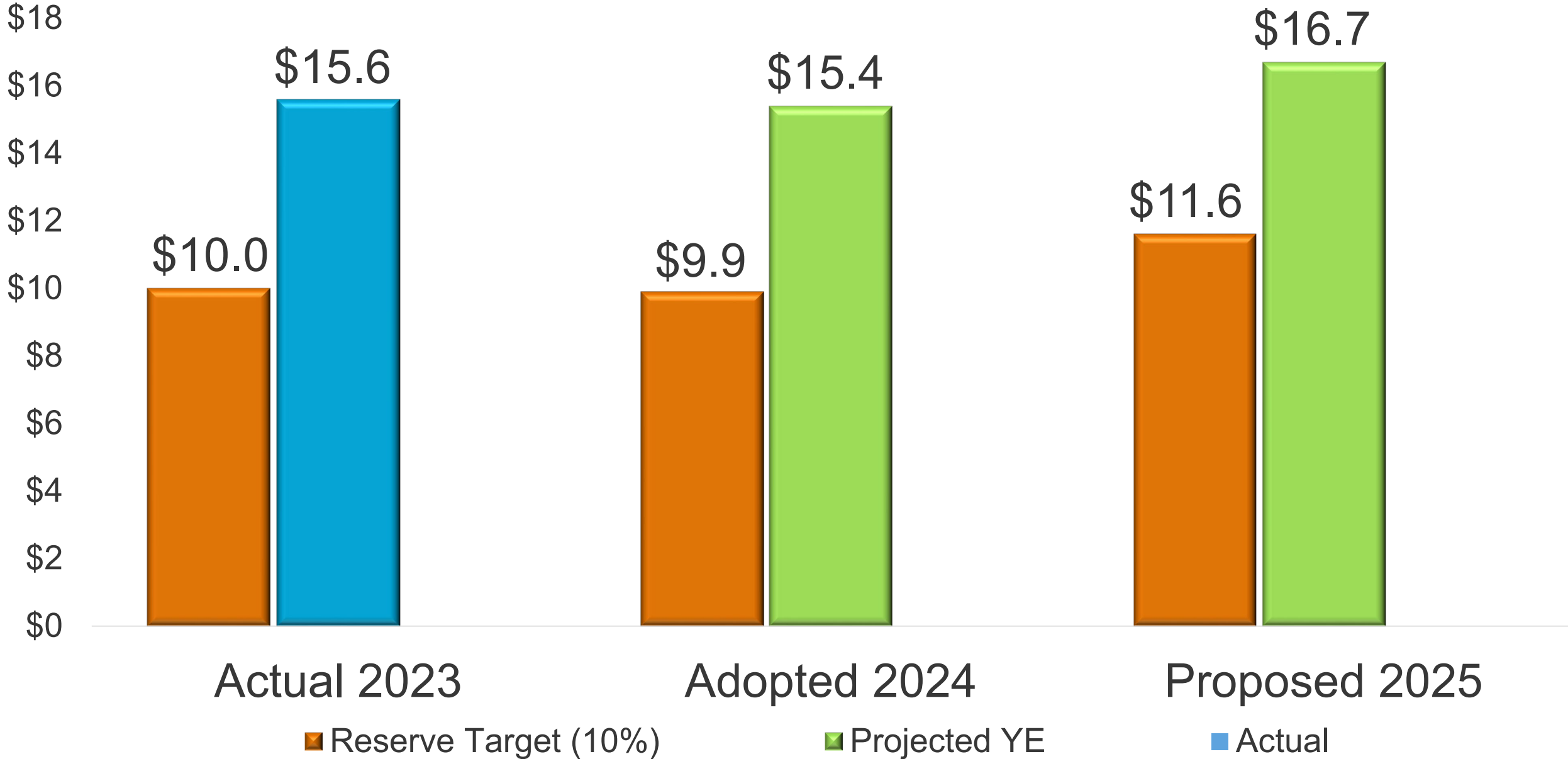
Sources

General Purpose Levy	\$19.32
RA Allocations	\$114.72
Other	\$1.36
Total	\$135.40

Uses by Category



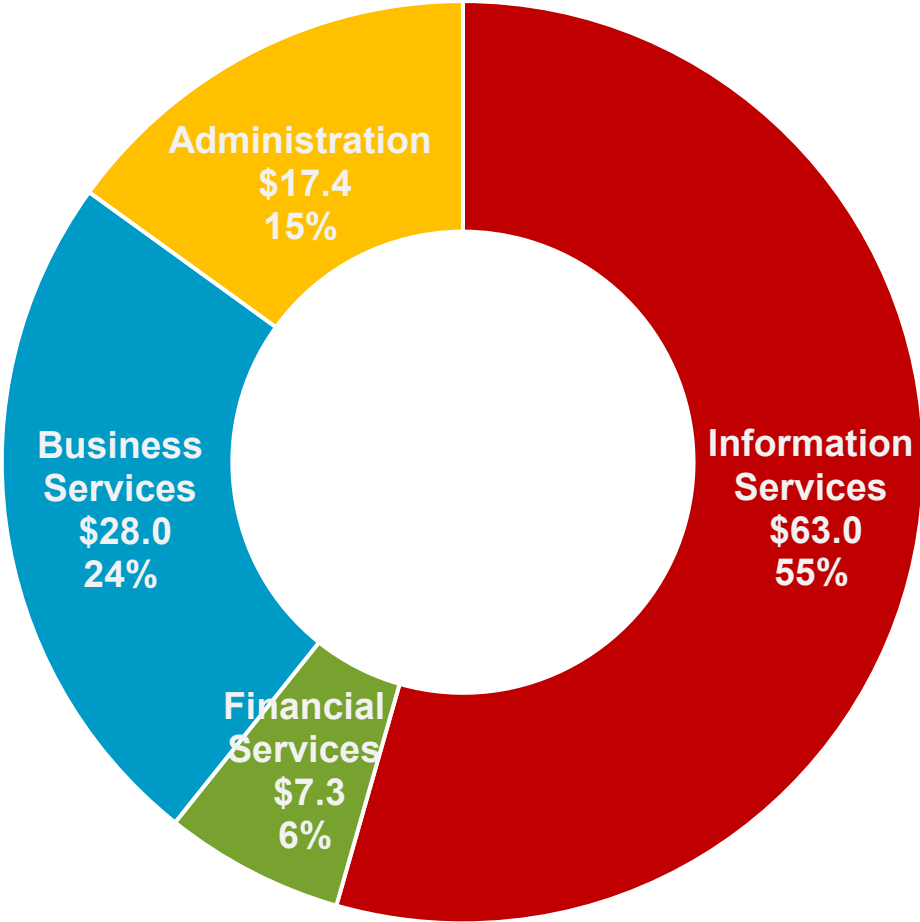
General Fund Unassigned Operating Reserve



Dollars in Millions

Regional Administration - \$115.7M

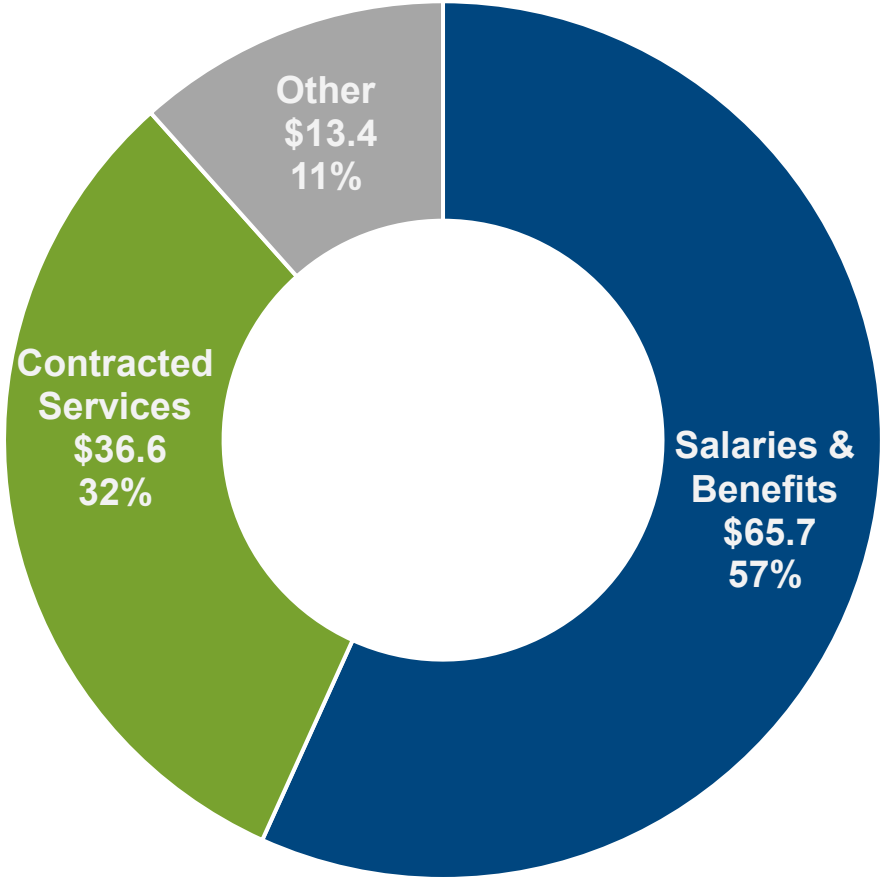
Uses by Department



Sources

RA Allocation	\$ 114.7
Property Tax	\$ 1.5
Investment Income	\$ 0.8
Reserves/Council Investment	\$ (1.3)
Total	\$ 115.7

Uses by Category



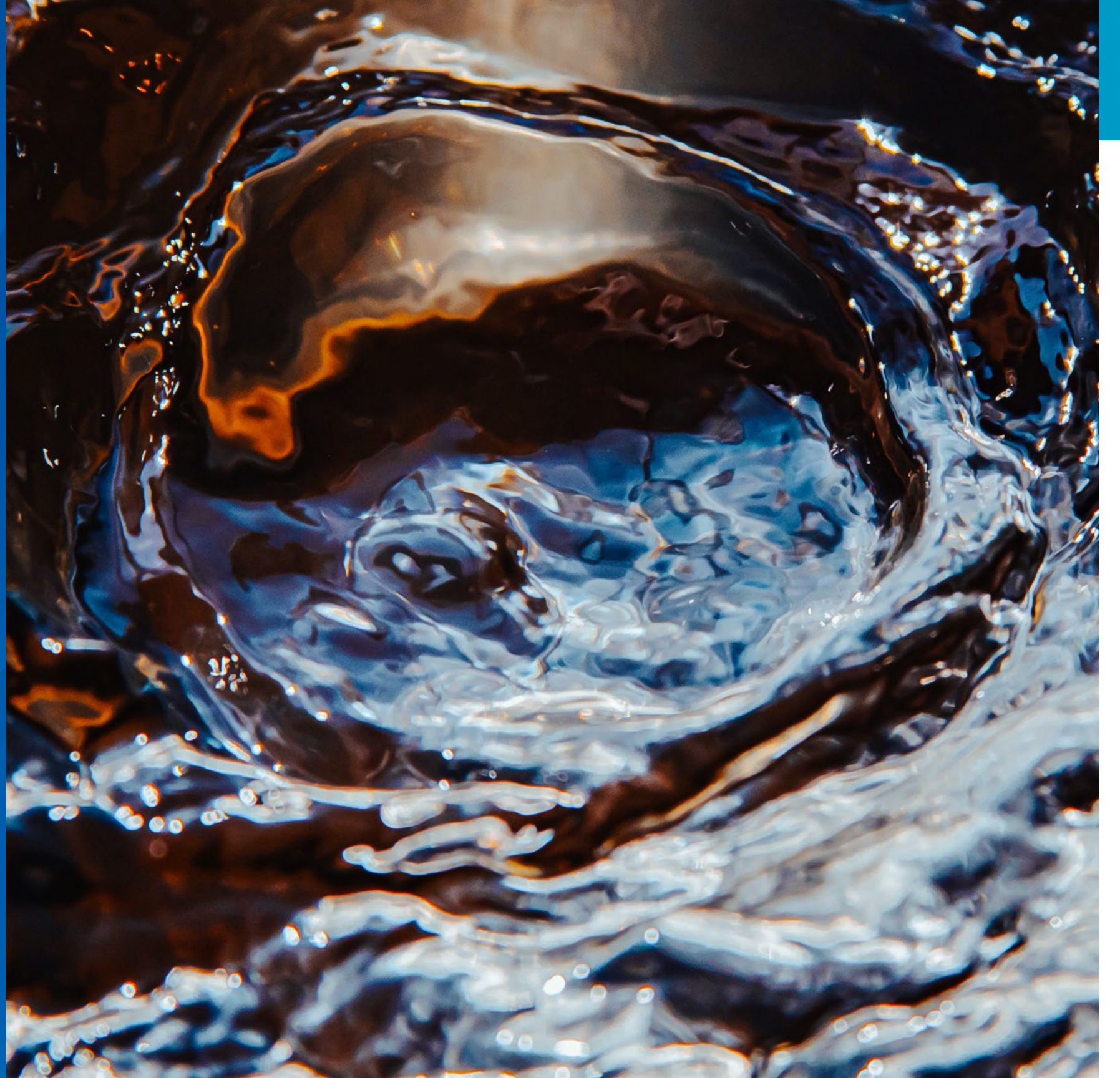
- Uses includes expenses & transfers out
- Sources includes revenues & transfers in

Regional Admin Sources/Interdivisional Allocation (\$ in millions)

	2024 Adopted Budget	2025 Preliminary Budget	Share	Change	
Community Development/HRA	\$ 3.8	\$ 4.4	3.8%	\$0.6	15.8%
Environmental Services	\$22.7	\$26.5	22.9%	\$3.8	16.7%
Metropolitan Transportation Services	\$6.0	\$7.4	6.4%	\$1.4	23.3%
Metro Transit	\$65.2	\$76.4	66.1%	\$11.2	17.2%
Other	\$0.7	\$0.9	0.8%	\$.2	28.6%
Total	\$98.4*	\$115.6*	100%	\$17.2	17.5%

*Includes expenses, not transfers out

Environmental Services



Clean Water for Future Generations



Partner

Convene, engage, collaborate, and build solutions with our customers, stakeholders, and partners.

- **Waste heat recovery:** Explore energy efficiency with City of St Paul and District Energy.
- **White Bear Lake Area Comprehensive Plan:** Convene an advisory workgroup and implement a comprehensive plan of long-term solutions for sustainable water in the north and east Metro Area.
- **Tribal Nations:** Strengthen relationships and lead work from an Indigenous perspective.
- **Community liaison pilot program:** Underrepresented communities increase knowledge and capacity to engage and inform our decisions.

Clean Water for Future Generations



Plan

Assess conditions and identify long-term approaches and infrastructure investments.

- **Preserve:** 9 water resource recovery facilities, 60 lift stations, 600+ miles of interceptor pipe, 231 meters
- **Expand:** Future Crow River facility to meet northwest area needs.
- **Improve:** Meet more-stringent regulations to reduce sulfides passing through facilities.
- **Climate resiliency:** System planning for floods and droughts.
- **Sustainable landscapes:** 5 sites to need less water, reduce runoff, and provide habitat for birds, bees.

Clean Water for Future Generations



Provide

Deliver critical services, tools, and resources.

- **Clean 250 million gallons of wastewater every day:** From more than 2 million residents in 111 communities.
- **Climate resiliency:** Private property inflow and infiltration grants to prevent clear water entering wastewater system.
- **Minnesota State Fair exhibit:** Engage community members to build support for clean water and interest in water careers.
- **PFAS reduction:** Provide industrial users technical assistance to reduce PFAS entering wastewater.
- **Sustainable water workforce:** Diversity and inclusion approaches for an innovative, resilient workforce.

Operating Budget Highlights

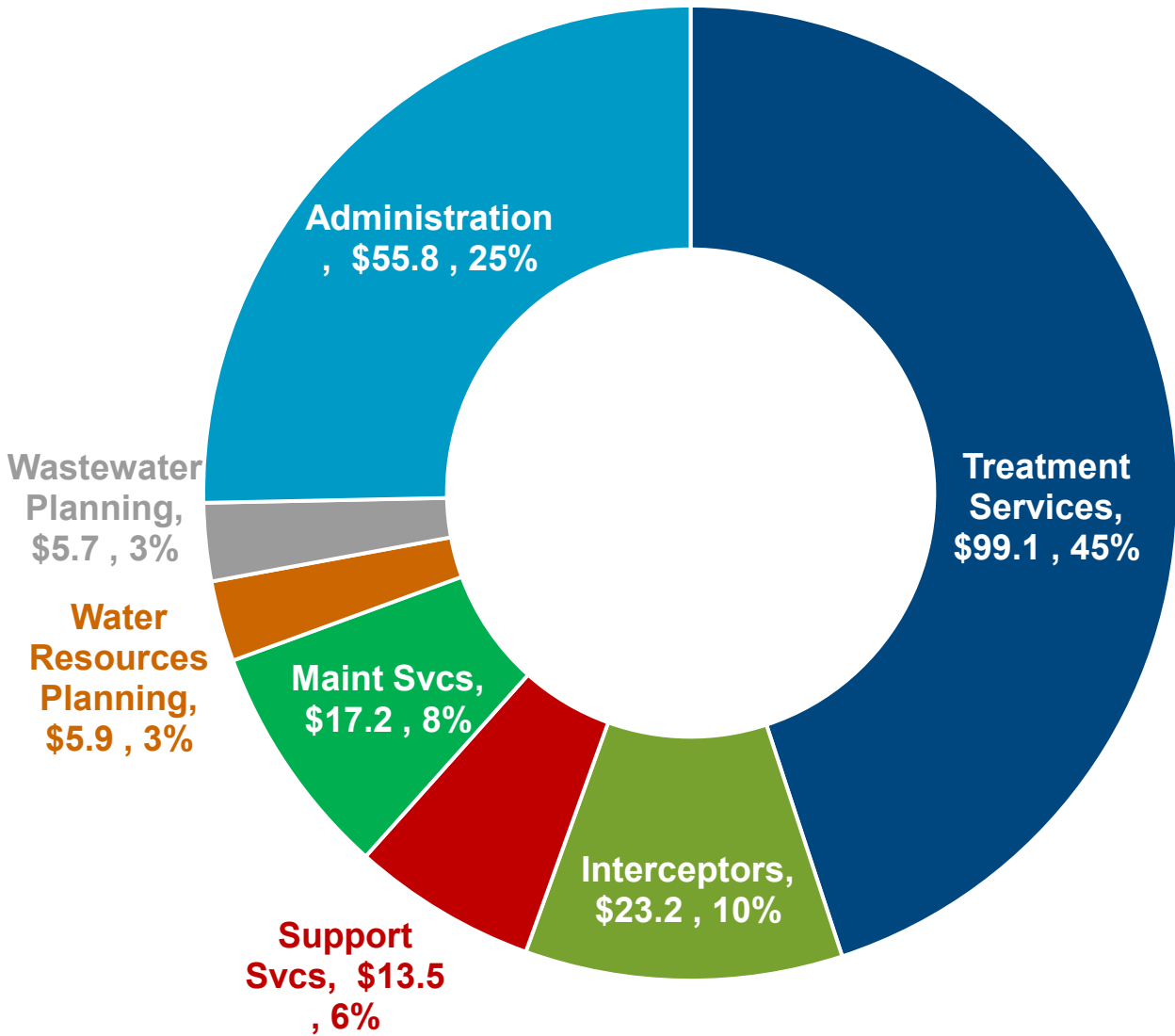


- **Municipal Wastewater Charge: +5.6%**
 - 2025 = \$297.4M (\$15.8M higher than 2024)
 - \$8.55 annual increase per REC (residential equivalent connection)
- **Sewer Availability Charge: No Change**
 - \$2,485 per SAC (flat since 2014)
 - Total FY25 transfer = \$52.8M (includes \$5M for PAYGO*)
- **Industrial Waste Strength Charge: +7.1%**
- **Industrial Waste Permit Fees: +5.8%**

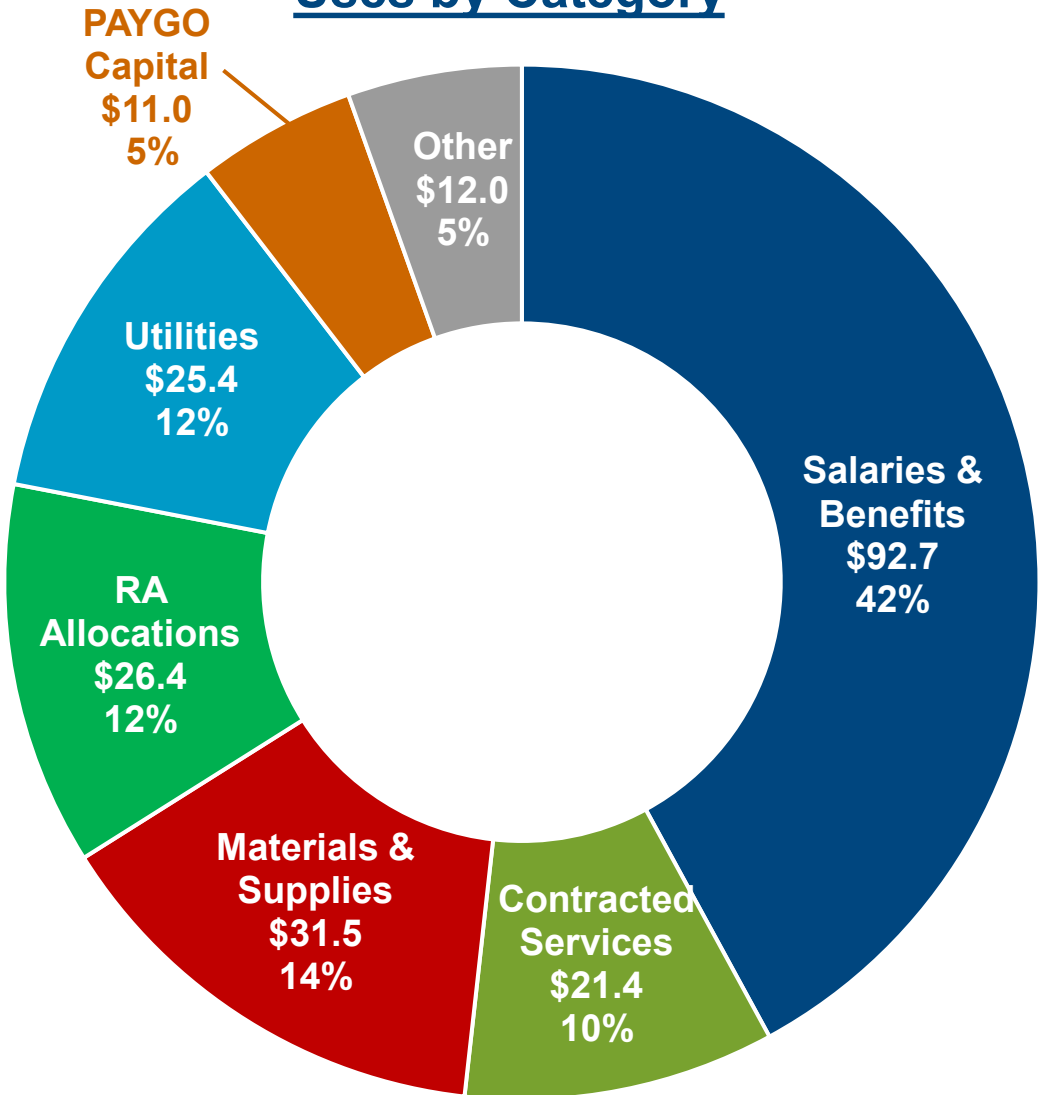
*PAYGO is paying cash for capital projects.

Environmental Services Operations: \$220.4M

Uses by Department

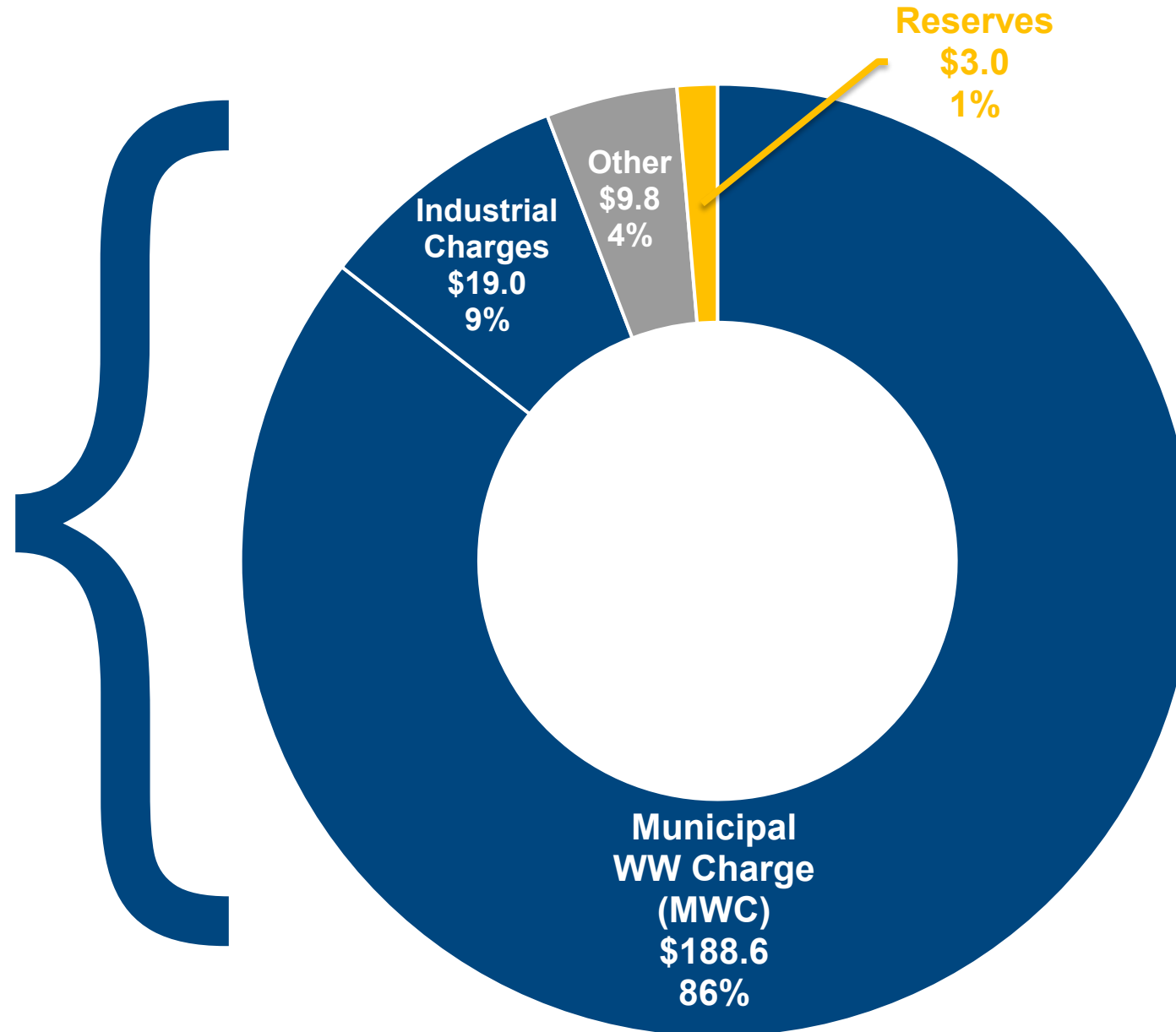


Uses by Category

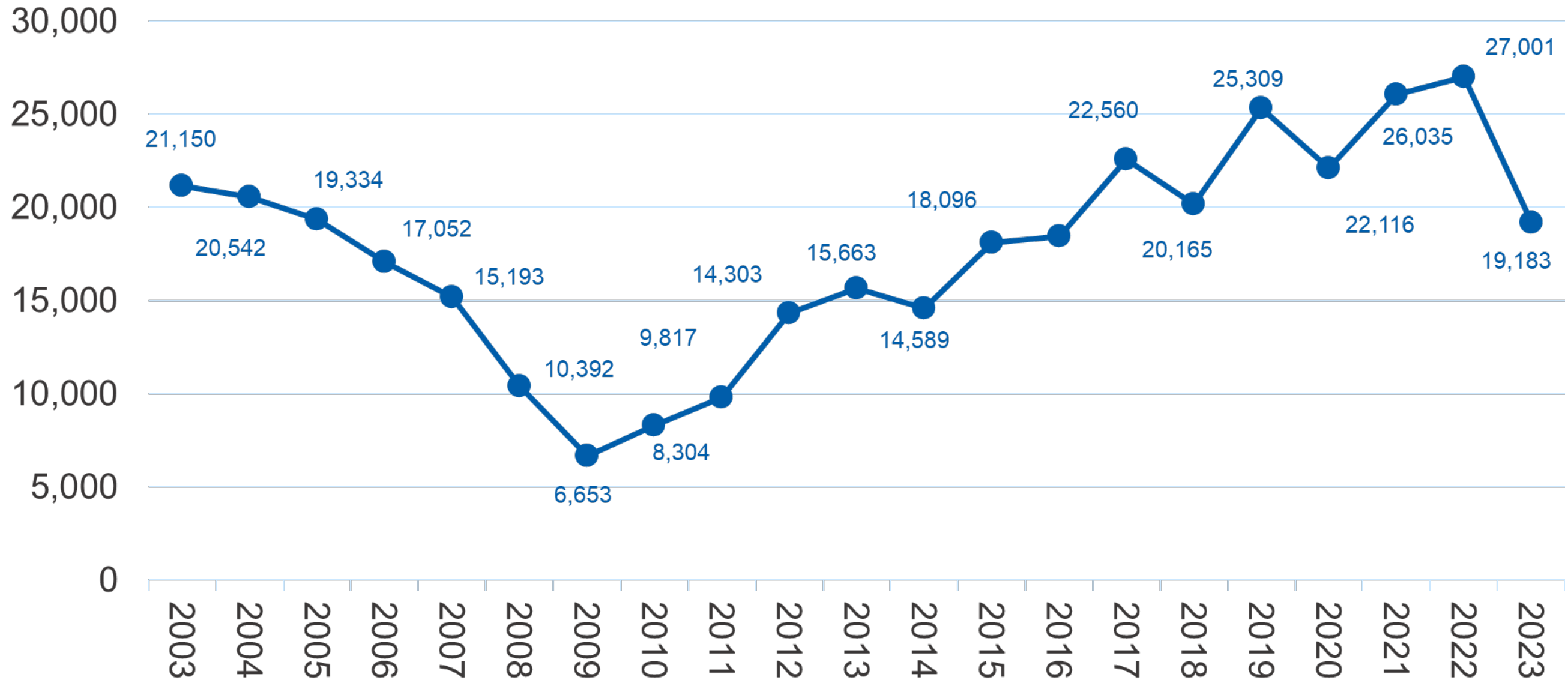


Environmental Services Sources: \$220.4M

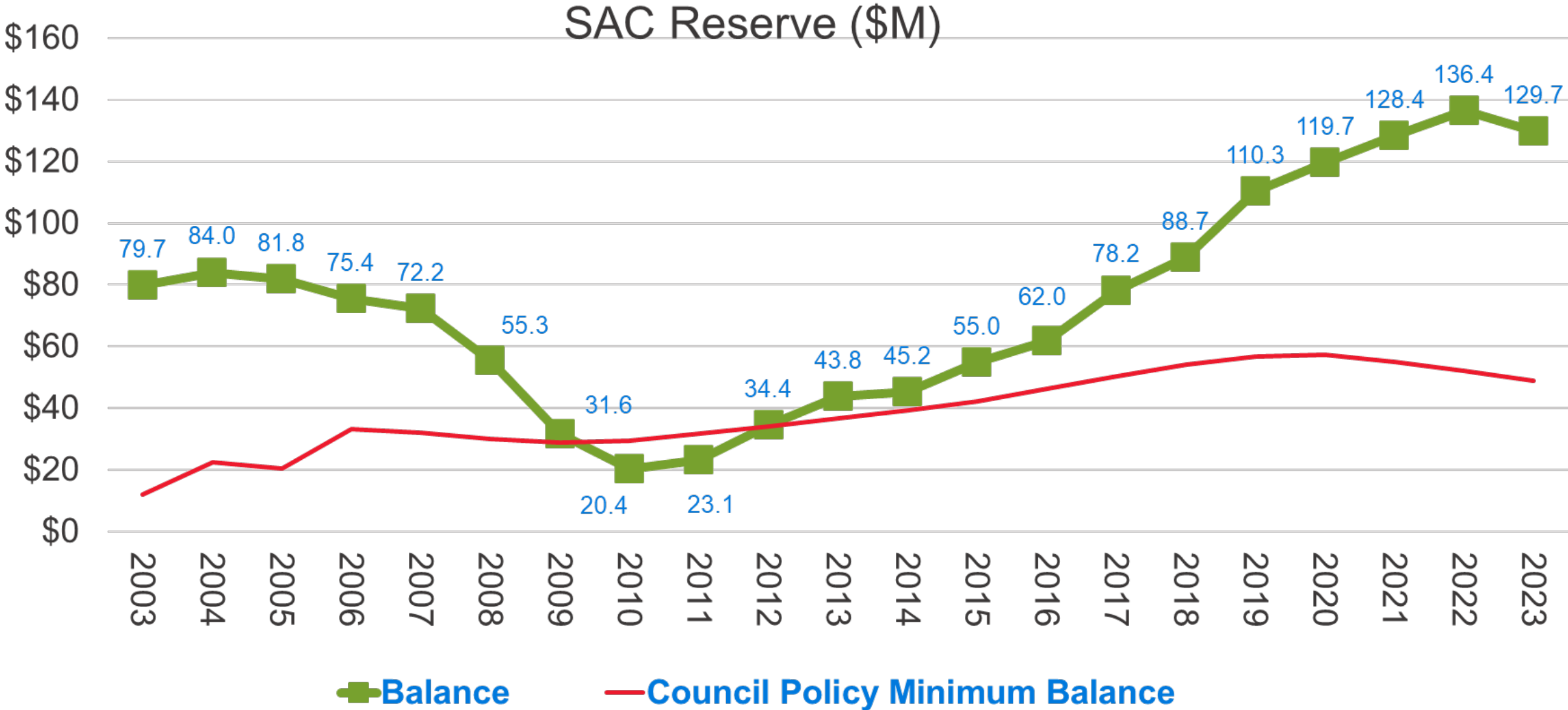
Wastewater Fees
\$207.6
95% of ES revenue



Sewer Access Charges (SAC): Units



SAC Reserve Helps Manage Future Rates



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.

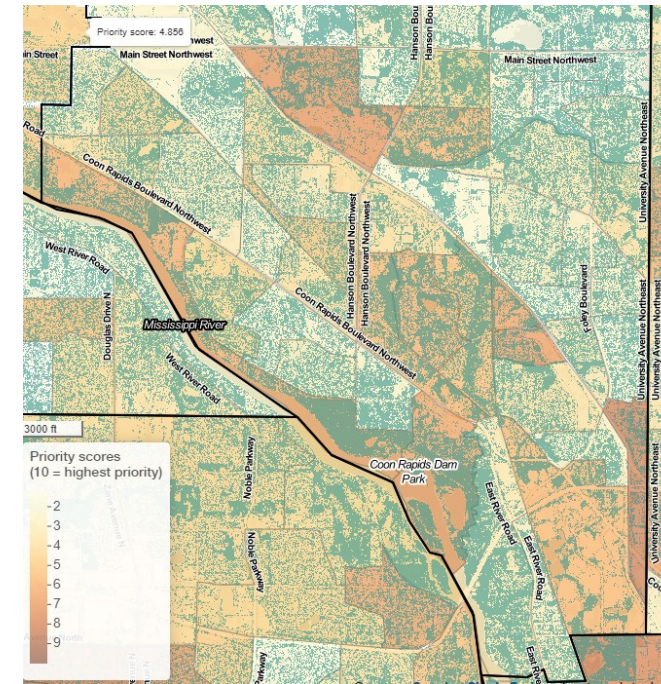


Provide Livable Communities Act grants to help clean up polluted sites, expand housing choices, and build developments that connect housing, jobs, and services.



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

Engagement and Accomplishments



Regional Planning

Imagine 2050



Major Initiatives and Studies

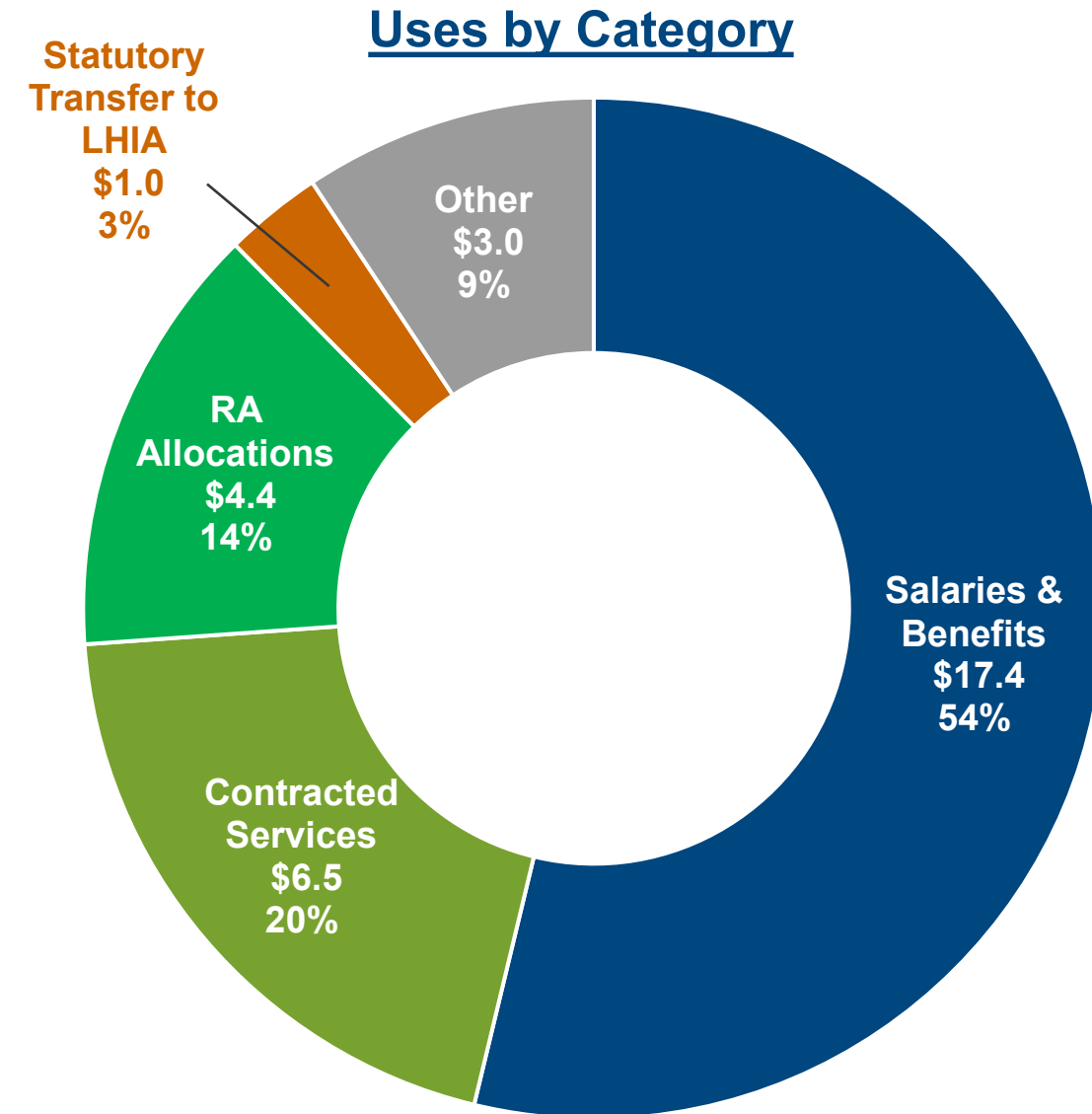
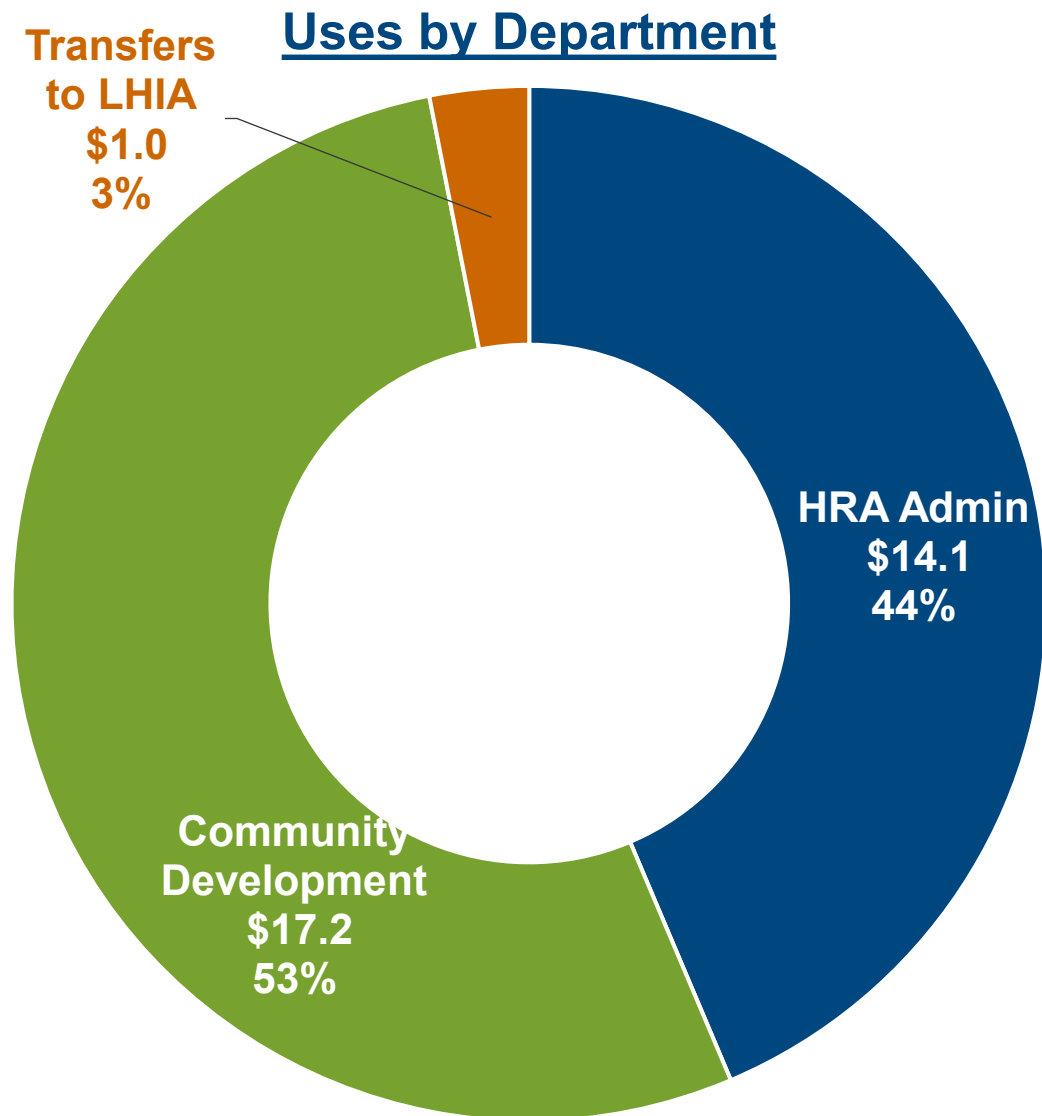
- System statement issuance
- Developing 2050 planning programs for technical assistance to implement regional policy in local plans
- HUD PRO Housing Grant
- Implement Parks Historical Cultural Study
- EPA Climate Pollution Reduction Grant
- Climate Action Work Plan implementation
- Population and employment estimates
- People-centered data

Metro HRA Initiatives

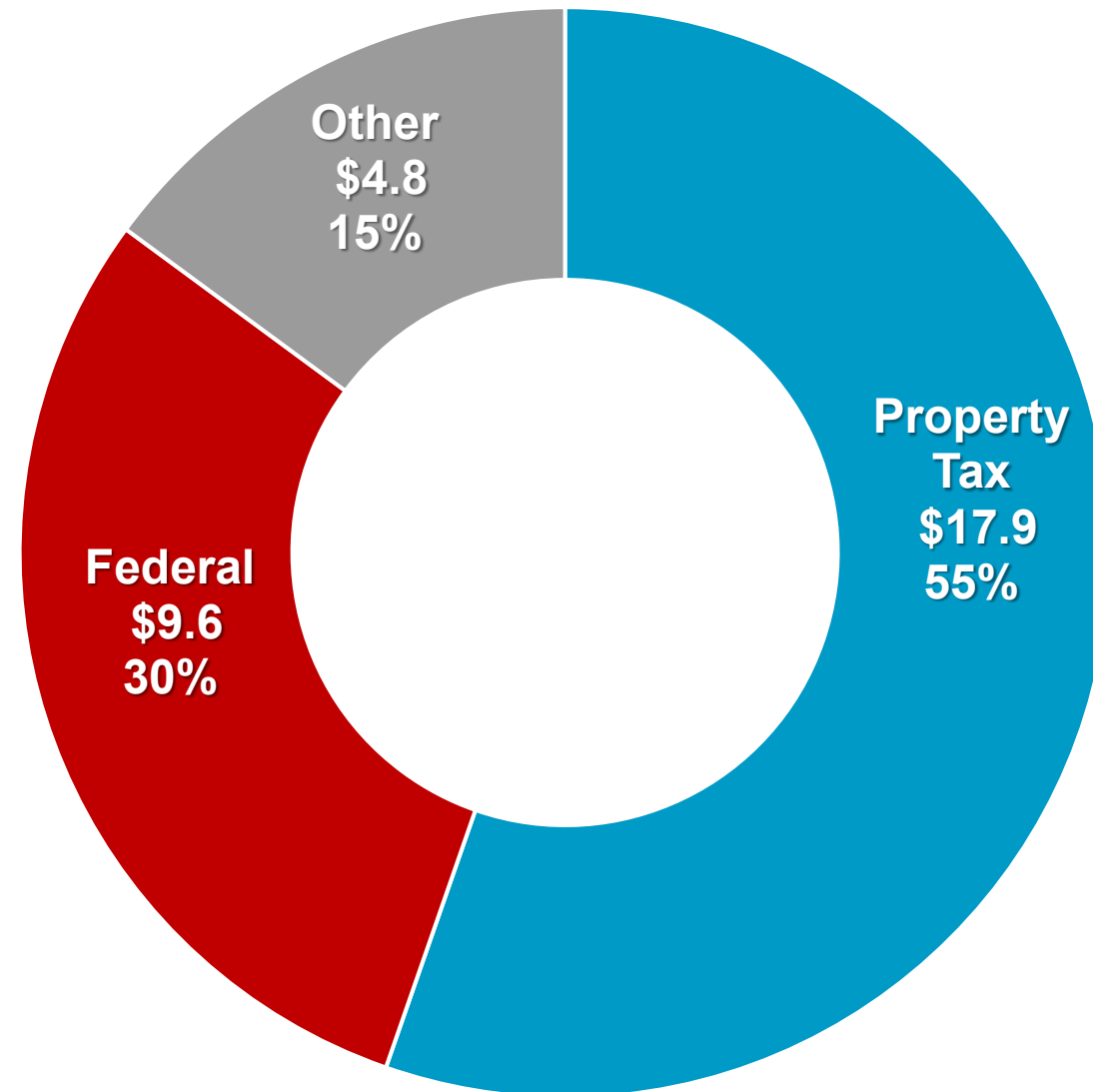
- **Bring It Home: Minnesota State Rental Assistance Program**
- **Housing Opportunity Through Modernization Act (HOTMA) and National Standards for Physical Inspection of Real Estate (NSPIRE)**
- **Residential Preferences of Voucher Holders**
- **Explore Wealth Building with Participants**



Community Development Operations - \$32.3M

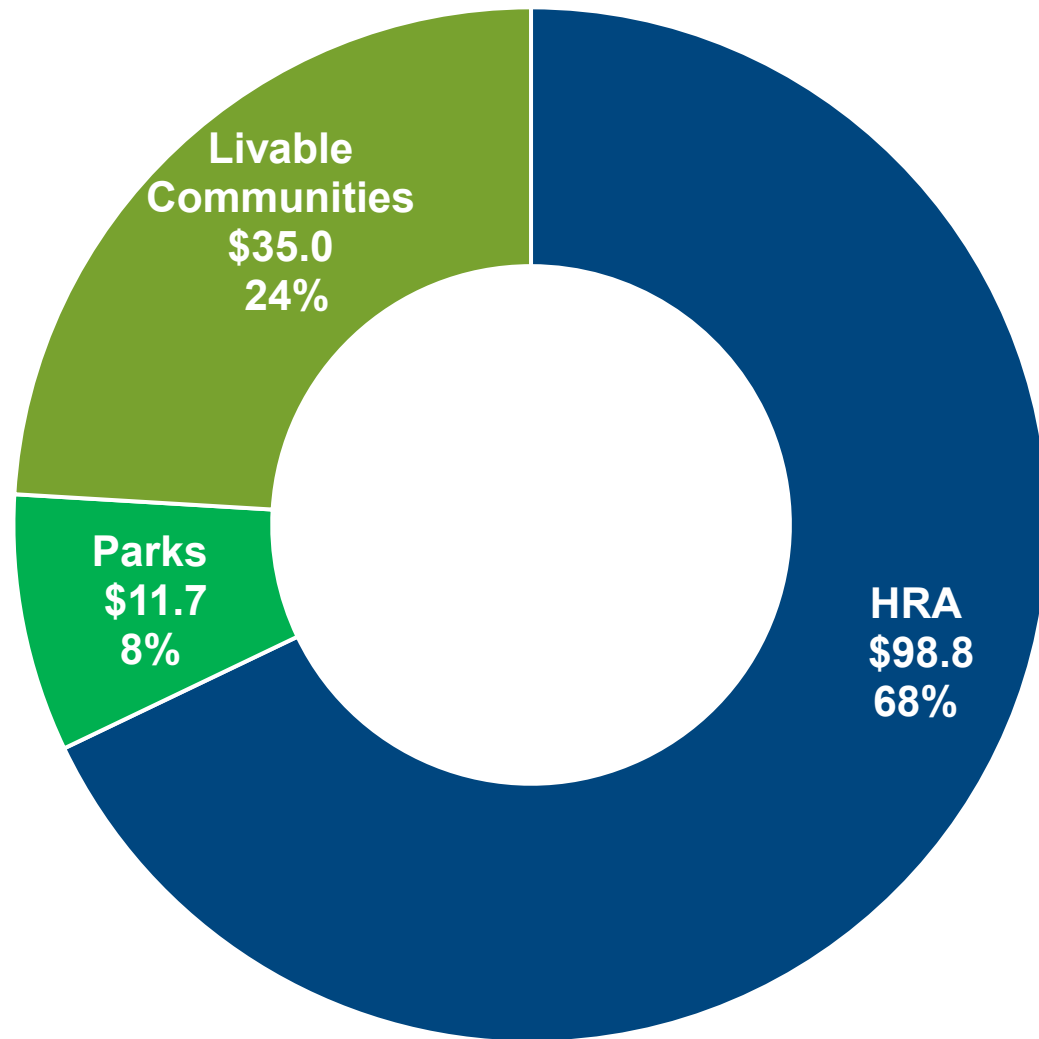


Community Development Sources - \$32.3M

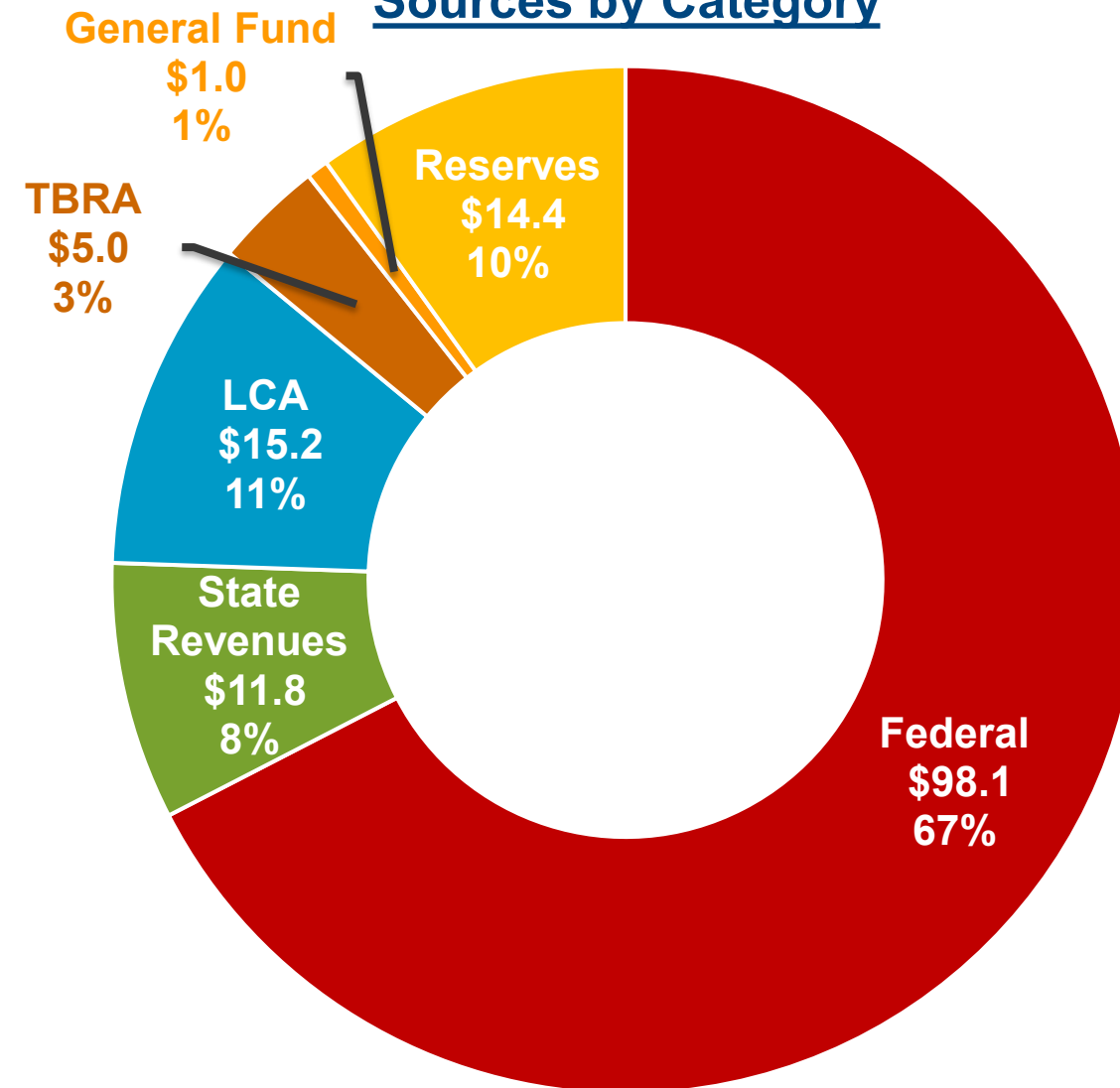


Community Development Passthrough - \$145.5M

Uses by Department



Sources by Category



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 – Completed in 2025
- Metropolitan Transportation Sales Tax

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 - Long Term Forecasts
 - Metropolitan Area Sales Tax

Metropolitan Area Sales and Use Tax

Work To Integrate The New Sales and Use Tax Is Underway

- Extensive long-term analysis being prepared now:
 - Forecasting Base Operations
 - Forecasting New LRT, BRT and ABRT Operations
 - Forecasting Capital Needs and Capital Maintenance Needs
 - Analyzing Investments in the Sales Tax Uses
 - Quantifying the Investments vs. the Forecasted Sales Tax Receipts
- Working on proposed Council Allocation Policy



Motor Vehicle Sales Tax (MVST) and State Appropriations

- 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
- State Appropriations:
 - Appropriation from Legislature for Rail and Metro Mobility

Federal Relief Funds

Appropriations

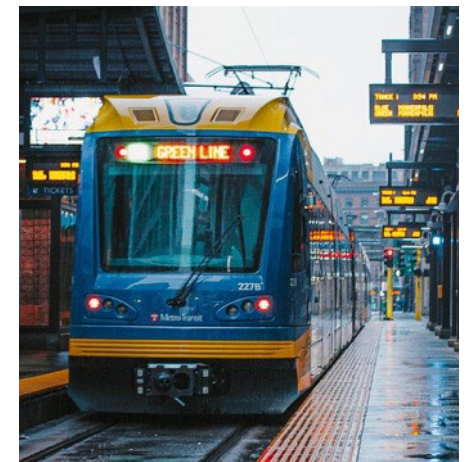
- \$313.4M ARP
- \$185.9M CRRSAA
- \$226.5M CARES
- \$725.8M Total

Council Total \$686.9M

2025 Preliminary Budget includes the last \$19M 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
- Growing service while responding to ridership and market development across the region
- Ridership/revenue loss with changes in travel market
- Workforce Shortages on going risk
- Service (contingent on workforce)
 - Bus service at nearly 91% 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 nearing pre-pandemic levels

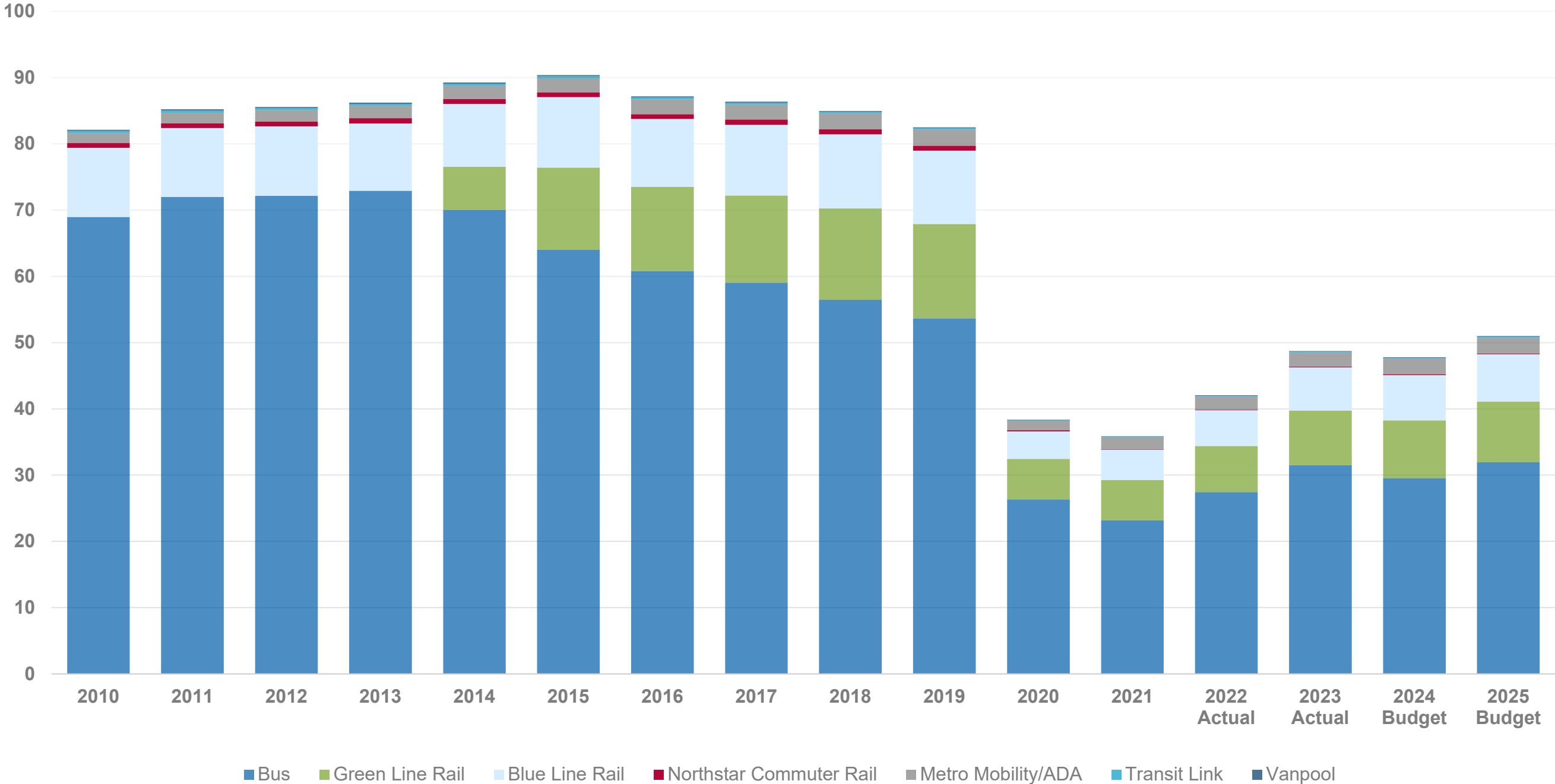
Mitigating Revenue and Expense Volatility

- 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 and Use Tax Investment (In Progress)

Tracking On-Going Risk

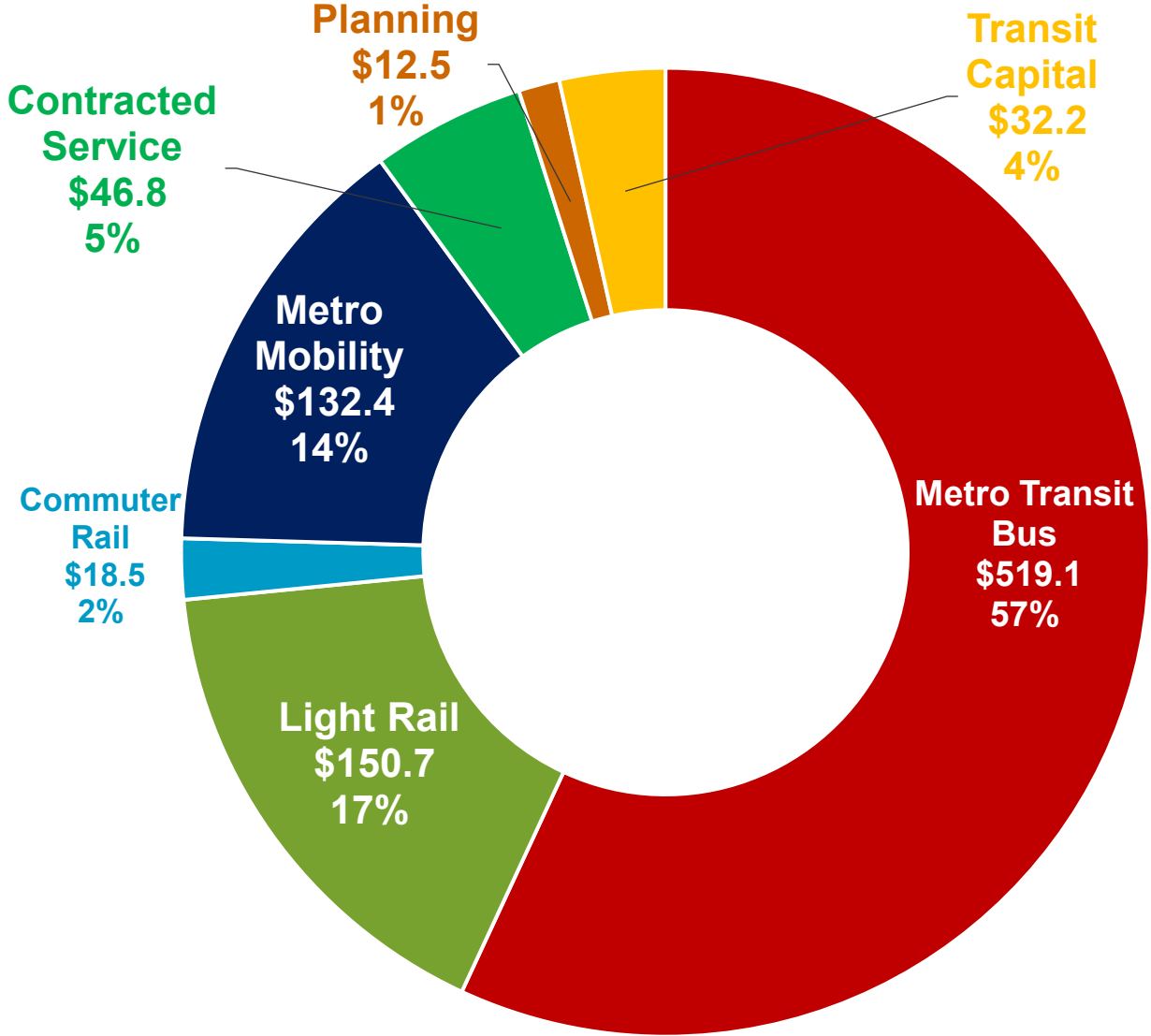
- Ridership / travel demand
- Passenger fare revenue
- Sales Tax volatility
- Workforce Shortages
- Fuel Prices
- Continuous evaluation and review of budget assumptions

Council Ridership (in millions)

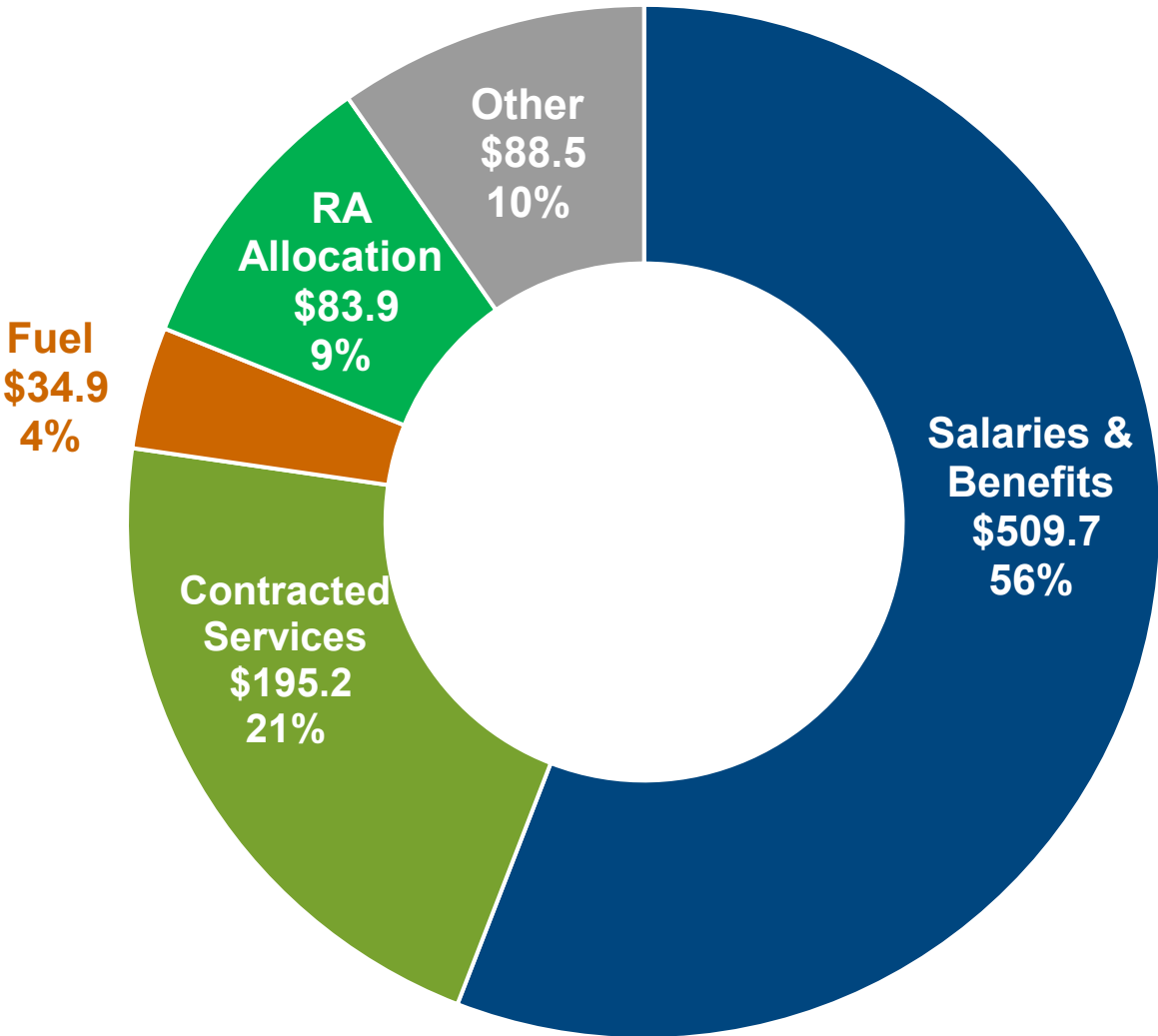


Transportation Operations - \$912.2M

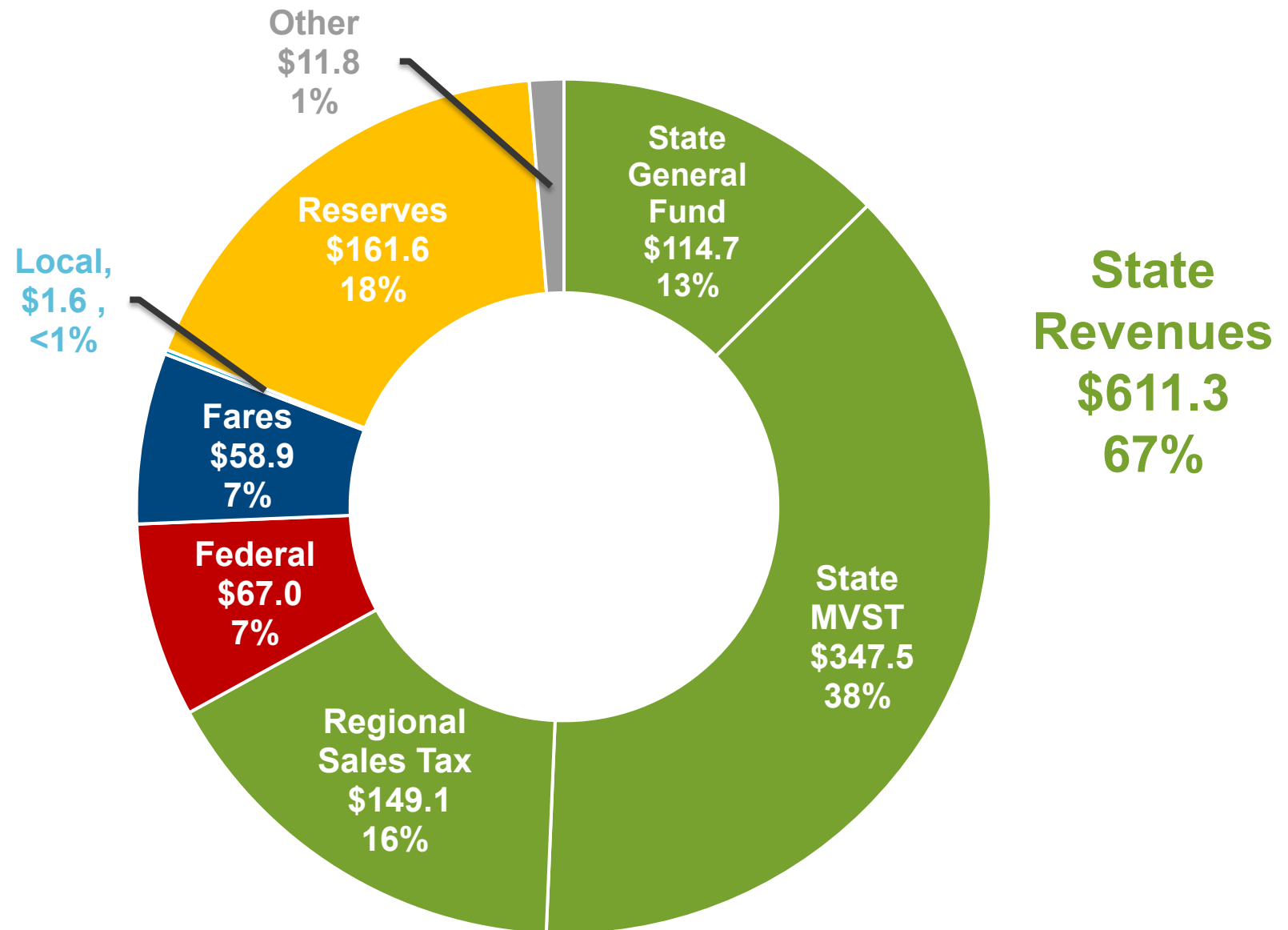
Uses by Department



Uses by Category



Transportation Operations Sources - \$912.2M



Dollars in Millions

Metro Transit 2025 Proposed Budget by Division

Division	Total Budget	Salaries & Benefits	FTE's
Bus Transportation	\$ 211,859,959	\$ 170,808,879	1,608.93
Bus Maintenance	118,233,869	63,504,607	520.34
Engineering & Facilities	62,491,670	34,452,181	324.51
Police	51,038,903	40,024,849	231.01
Finance	15,954,314	34,625,111	170.33
Rail Operations	140,644,216	85,312,530	653.98
Transit Systems Development	23,999,470	18,972,545	125.00
Other	96,323,746	59,095,139	238.11
Total	\$ 720,546,147	\$ 506,795,840	3,872.21

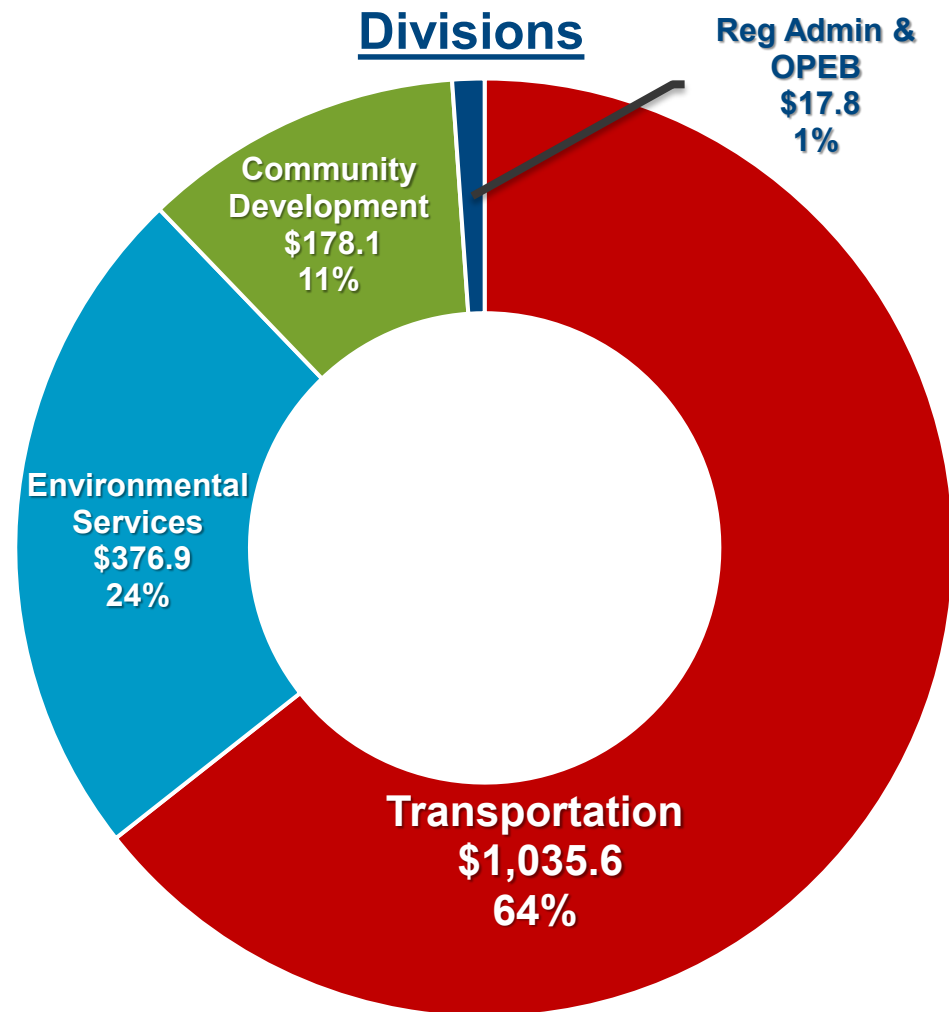
Special Transportation Services

- Metro Mobility and Metro Move
- Programming federal funds
- Ridership projected to be at 95% of pre-Covid levels in 2025
- Gasoline at \$3.58/gallon
- Legislature provided separate State Appropriation line
- Transitioning to state forecasted program in SFY26; reporting begins fall 2025.

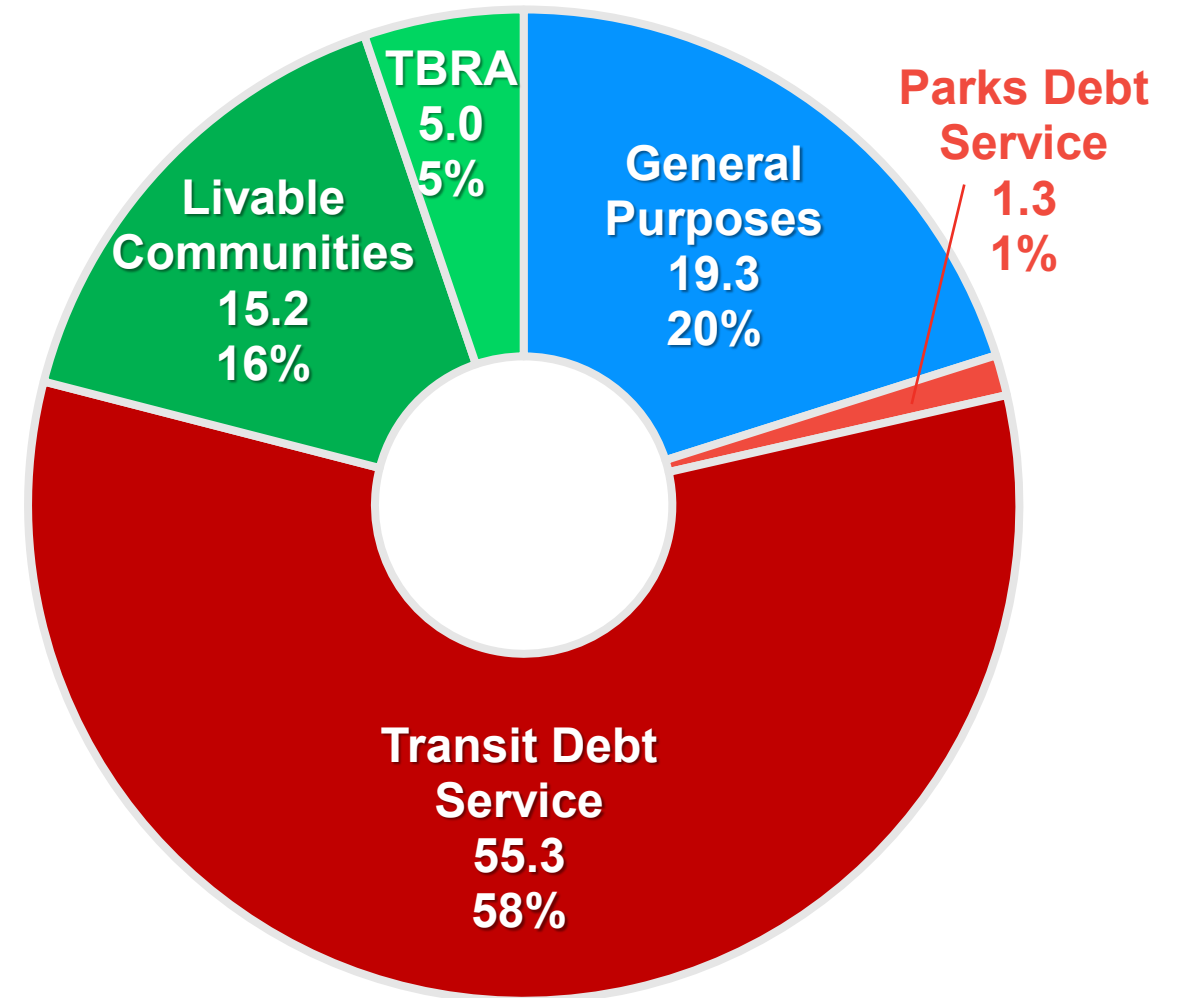


2025 Unified Operating Budget and Levies

Budget - \$1.61 Billion



Levy - \$96.1 Million



Contacts

Ned Smith CFO 651-602-1162

Lisa Barajas, Community Development Executive Director 651-602-1895

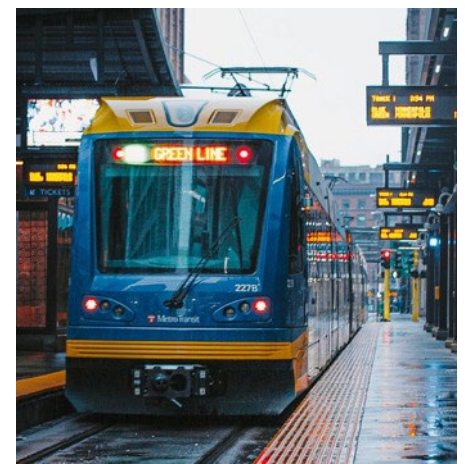
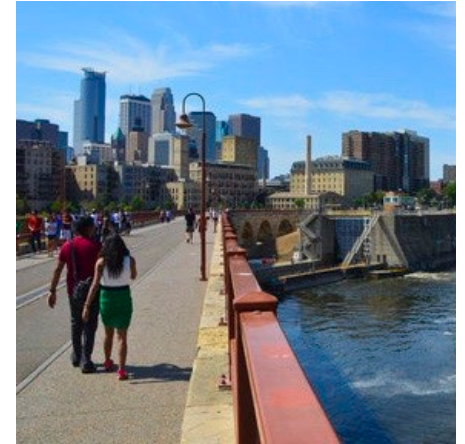
Heather Giesel, Finance Director 651-602-1715

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

Lesley Kandaras, Metro Transit General Manager 612-349-7513

Charles Carlson, MTS Executive Director 651-602-1761

Ed Petrie, Finance Director 612-812-2714





Thank You!

Find out more at metro council.org.

