Metropolitan Council
Transportation Division
2020 Operating Budget

Transportation Committee
July 22, 2019

Ed Petrie
Director Finance, Metro Transit

Heather Aagesen-Huebner
Director Finance, Metropolitan Transportation Services
<table>
<thead>
<tr>
<th>Date Range</th>
<th>Event Description</th>
</tr>
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<tbody>
<tr>
<td>July to Aug 14</td>
<td>Council Preliminary Budget Review/Information Items</td>
</tr>
<tr>
<td>Aug 28</td>
<td>Adopt Preliminary Operating Budgets and Maximum Tax Levies</td>
</tr>
<tr>
<td>Sept/Oct</td>
<td>Council Capital Budget Review</td>
</tr>
<tr>
<td>Oct 23</td>
<td>Adopt Public Comment Versions of Operating Budget, Levies and Capital Program</td>
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<tr>
<td>Dec 11</td>
<td>Council Adopts Final Budget &amp; Levies</td>
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</table>
Basis For Budget Development

- Minnesota Statutes Regional Administrator
- Metropolitan Council Policy and Actions
- Legislation and Financial Outlook
Basis For Budget Development

- 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.”
Metropolitan Council Policy and Actions:

• Council adopted the Transit Performance Standards in the Transportation Policy Plan (TPP)
  - Regional Transit Service annually evaluated and compared to TPP performance standards
  - Includes service operated by the Metropolitan Council and Suburban Transit Providers
  - Routes not meeting TPP standards are reviewed for potential change
  - Regional route analysis performed annually

• Labor agreements (ATU, TMSA, LELS, AFSME, Non-rep)
• Fare policy review
• Target Fund Balance

Basis For Budget Development
Basis for Budget Development

Forecasts and Legislation:

• Preliminary Budget has been reviewed with all forecasts and financial plans

• Legislature provided separate State Appropriation line for Metro Mobility

• Legislature did not address structural deficit in the future biennia.

• Financial considerations:
  – State General Fund Appropriation
  – Motor Vehicle Sales Tax (MVST)
  – Financial Outlook
State General Fund Appropriation

- Appropriated by Legislature on a biennial basis
- Per legislation must cover 50% net operating assistance light rail (excluding METRO Green Line Extension)
- State General Fund consumed by Metro Mobility, Light Rail, Commuter Rail, none for base bus operations
- To maintain current levels of Rail Operations and forecasted growth in Metro Mobility will need increase in State General Fund appropriations
- Metro Mobility on path to consume entire General Fund by SFY 2022
State General Fund Appropriation

- 2019 Legislature Separated General Fund into two separate appropriations
  - Transit Operations and Metro Mobility
  - Legislature recognition of federally mandated service
  - Establishes basis for future legislative requests

- Metro Mobility / Transit Operations
  - Metro Mobility base of $57.166M
  - Metro Mobility increase $23.17M SFY 2020 and $13.0M SYF 2021 contingent upon State of MN SFY 2019 closing positive balance
  - Metro Mobility returns to base SFY 2022
  - Transit Operations (Light Rail/Commuter Rail) remain at base of $32.66M per SFY
## State General Fund Appropriation

<table>
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<th>SFY</th>
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<th>2021</th>
<th>2022</th>
<th>2023</th>
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<td>$57.17</td>
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<td><strong>Commuter Rail</strong></td>
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<tr>
<td><strong>Bus</strong></td>
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<tr>
<td>Base</td>
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<tr>
<td>One Time</td>
<td>$</td>
<td>$</td>
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<tr>
<td>Subtotal</td>
<td>$</td>
<td>$</td>
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<td><strong>Pass Through (MVTA)</strong></td>
<td>$0.20</td>
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<td><strong>TOTAL</strong></td>
<td>$113.19</td>
<td>$102.82</td>
<td>$89.07</td>
<td>$88.63</td>
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Motor Vehicle Sales Tax (MVST)

- State of MN forecast February and November each year
- Use MnDOT forecast growth for future years
- Council budgets 95% of MVST
- Actual MVST receipts above 95% used in following year budget
- Volatile revenue source – can change February & November
- Future sales tax necessary to fund future transit service
- Without a future dedicated and stable source of tax revenues, budgets will be volatile with insufficient revenues
Motor Vehicle Sales Tax – SFY 16-23

Forecast Trend

$255, $275, $295, $315, $335, $355

SFY 16, SFY 17, SFY 18, SFY 19, SFY 20, SFY 21, SFY 22, SFY 23

16-Feb, 16-Nov, 17-Feb, 17-Nov, 18-Feb, 18-Nov, 19-Feb

Dollars in millions
MVST Forecast Trend

Dollars in millions

- 15-Nov
- 16-Feb
- 16-Nov
- 17-Feb
- 17-Nov
- Actual

15-Nov: $283
16-Feb: $285
16-Nov: $289
17-Feb: $300
17-Nov: $325
Actual: $350
Tracking Financial Outlook

- Council Finance forecasts Transportation Financial Operations current year plus 4 years forward (2 biennia) (5 years)
- Uses current Law State Funding
- Uses most recent MVST forecast
- Forecasts structural financial position
- Update every bi-annual MVST forecast and end of Legislative Session
- Details funding expense assumptions, use of reserves
- Reserves increase was purposeful savings for financial cliff
  - Bus operator shortage
  - Harvest and non-reinvest service
  - Administrative savings/short-term open positions
## Structural & Financial Position

State Fiscal Years

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<td>547</td>
<td>576</td>
<td>598</td>
<td>609</td>
<td>626</td>
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<td>Operating Expenses</td>
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<td>619</td>
<td>647</td>
<td>668</td>
<td>691</td>
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<td>Structural Position</td>
<td>(41)</td>
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<td>(49)</td>
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<td>Non-Base State Appropriation</td>
<td>40</td>
<td>23</td>
<td>13</td>
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<td>Available Reserves</td>
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<td>20</td>
<td>35</td>
<td>12</td>
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<td>Financial Position</td>
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<td>-</td>
<td>(1)</td>
<td>(47)</td>
<td>(65)</td>
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# Financial Position by Fund

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<tr>
<th>Financial Position by Fund</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
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<tr>
<td><strong>Financial Position</strong></td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>(47)</td>
<td>(65)</td>
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<tr>
<td><strong>Metro Mobility</strong></td>
<td>-</td>
<td>-</td>
<td>(1)</td>
<td>(35)</td>
<td>(42)</td>
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<tr>
<td><strong>Rail Operations</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Bus Operations &amp; Planning</strong></td>
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<td>-</td>
<td>-</td>
<td>(12)</td>
<td>(18)</td>
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# Operating Reserves by Fund

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<tr>
<th>Fund</th>
<th>Reserve YE 2018</th>
<th>Minimum Target %</th>
<th>2019 Budget</th>
<th>2020 Budget</th>
<th>Projected YE 2020</th>
<th>2020 Target</th>
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<tbody>
<tr>
<td>Metro Mobility</td>
<td>$18,002</td>
<td>10%</td>
<td>$2,753</td>
<td>$(3,535)</td>
<td>$17,220</td>
<td>$9,430</td>
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<td>Rail Operations</td>
<td>19,020</td>
<td>8.3%</td>
<td>(233)</td>
<td>(1,515)</td>
<td>17,272</td>
<td>8,708</td>
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<tr>
<td>Bus Operations &amp; Planning:</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Metro Transit Bus</td>
<td>82,738</td>
<td>8.3%</td>
<td>(13,701)</td>
<td>(13,070)</td>
<td>55,967</td>
<td>26,188</td>
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<tr>
<td>Contracted Services</td>
<td>7,708</td>
<td>10%</td>
<td>-</td>
<td>(1,070)</td>
<td>6,638</td>
<td>3,140</td>
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<tr>
<td>Planning</td>
<td>4,957</td>
<td>30%</td>
<td>-</td>
<td>(480)</td>
<td>4,477</td>
<td>2,774</td>
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- All funds at minimum reserve targets in 2022
Metropolitan Council
Transportation Division
2020 Operating Budget
Budget Objectives

• Support implementation of
  • Thrive MSP 2040
  • Regional Transportation Policy Plan

• Thrive Lens
  • Preserve service while growing ridership & meeting needs across region
  • Prioritize structural solutions with a multi-year focus
  • Minimize impact on Council levies
  • Maintain reserves at policy levels
Budget Framework

- Rollup budget major revenue & expense categories
- Not set at a line item basis
- Tight Parameters on budget development
  - Anticipated revenue growth (MVST, state appropriations, fares)
  - Service on the street including labor and service contracts
- Metro Mobility expansion to Lakeville
- 2019 Customer Improvements (Annualized in 2020)
  - Improving customer communications
  - Safety
  - Improving condition of trains, stations and other facilities
  - Improving winter performance
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

• Operating Fund Reserve Targets
  – Address volatility in other revenues and expenses
  – Reserves partial solution for future biennium structural deficit
Proposed 2020 Transportation Budget

Revenue
$621.5M

MVST
$260.6
42%

State
$110.1
18%

Fares
$113.3
18%

Other Funds Transfer
$25.3
4%

Reserves
$30.4
5%

Counties
$38.9
6%

Federal
$36.7
7%

Other
$6.2
1%

Expenses
$621.5M

Metro Transit Bus
$358.8
58%

Metro Mobility
$94.3
15%

Blue Line
$40.6
7%

Green Line
$43.5
7%

Northstar
$20.8
3%

Metro Transit Capital
$23.3
4%

Transp. Planning
$8.8
1%

Transit Link
$8.3
1%

Regular Route
$23.1
4%

Other Funds Transfer
$25.3
4%
Metro Transit
Metro Transit Budget Assumptions

• Maintains 2019 service levels with the following adjustments:
  - Contingency for overloads & bus bridge support
  - Adjust operators, mechanics, fuel, parts to meet service plan
• 2019 Customer Improvements (Annualized in 2020)
  - Improving customer communications
  - Safety
  - Improving condition of trains, stations and other facilities
  - Improving winter performance
• Ridership at 79.7 million
• Diesel fuel at $2.30/gallon
• County funding for METRO Blue Line, METRO Green Line and Northstar
• Southwest Light Rail full-funding grant application Fall 2019 with FFGA early 2020
• Light Rail vehicle and Commuter Rail vehicle overhaul programs
Metro Transit Ridership
(in millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Green Line Actual</th>
<th>Northstar Actual</th>
<th>Blue Line Actual</th>
<th>Bus Actual</th>
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<td>2006</td>
<td>73.4</td>
<td>0.71</td>
<td>9.0</td>
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<td>2007</td>
<td>77.0</td>
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<td>9.1</td>
<td>67.9</td>
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<td>2008</td>
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<td>2009</td>
<td>76.3</td>
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<td>9.9</td>
<td>66.4</td>
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<td>78.0</td>
<td>0.7</td>
<td>10.4</td>
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<td>2011</td>
<td>80.9</td>
<td>0.7</td>
<td>10.4</td>
<td>69.8</td>
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<td>81.1</td>
<td>0.7</td>
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<td>2013</td>
<td>81.4</td>
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<td>2014</td>
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<td>56.3</td>
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<td>79.7</td>
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<td>11.3</td>
<td>53.4</td>
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Metro Transit Bus
2020 Operating Revenue & Expenses

Revenue
$358.8M
- MVST $235.8M (66%)
- Fares $70.0M (20%)
- Federal $7.9M (2%)
- All Other $5.2M (1%)
- Fund Transfer $25.3M (7%)
- Reserves $14.6M (4%)

Expenses
$358.8M
- Salary & Benefits $278.5M (78%)
- Fuel $16.3M (4%)
- RA Allocations $40.1M (11%)
- Utilities $3.5M (1%)
- Materials $20.4M (6%)
METRO Blue Line
2020 Operating Revenue & Expenses

Revenue
$40.6M

- State: $12.7M (31%)
- Passenger Fares: $13.2M (33%)
- Counties: $13.3M (33%)
- Reserves: $0.6M (1%)
- Other: $0.8M (2%)

Expenses
$40.6M

- Salaries & Benefits: $20.9M (51%)
- Modal: $5.5M (14%)
- Propulsion: $2.0M (5%)
- Materials & Supplies: $4.3M (11%)
- Utilities: $1.4M (3%)
- RA: $1.6M (4%)
- All Other: $4.9M (12%)
**METRO Green Line**

**2020 Operating Revenue & Expenses**

<table>
<thead>
<tr>
<th>Revenue</th>
<th>$43.5M</th>
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<td>State</td>
<td>$12.9</td>
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<tr>
<td>Reserves</td>
<td>$0.5</td>
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<table>
<thead>
<tr>
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<tr>
<td>Salaries &amp; Benefits</td>
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<td>LRV Propulsion</td>
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<td>Utilities</td>
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<tr>
<td>Materials &amp; Supplies</td>
<td>$1.8</td>
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<tr>
<td>All Other Expenses</td>
<td>$6.7</td>
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Metro Transit Northstar
2020 Operating Revenue & Expenses

Revenue
$20.8M

- Fares $2.8M (14%)
- Sherburne $1.45M (7%)
- State $7.1M (34%)
- Counties $7.6M (36%)
- Reserves $0.4M (2%)

Expenses
$20.8M

- BNSF $6.5M (32%)
- Salaries & Benefits $5.0M (24%)
- Modal Allocations $1.6M (8%)
- Insurance $2.5M (12%)
- All Other $2.3M (11%)
- Supplies $1.0M (5%)
- Fuel $1.4M (7%)
- RA Allocation $0.5M (2%)

Greater MN $1.45M (7%)

2028
# Metro Transit - Bus & Rail Consolidated

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<th>2019 Amended Operating Budget</th>
<th>2020 Proposed Operating Budget</th>
<th>$ Change</th>
<th>% Change</th>
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<td>32.7</td>
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<td>(2.1)</td>
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<td><strong>437.5</strong></td>
<td><strong>447.6</strong></td>
<td><strong>$10.1</strong></td>
<td><strong>2.3%</strong></td>
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<td><strong>Expenses:</strong></td>
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<td>Salaries &amp; Benefits</td>
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<td>$327.5</td>
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<td>(5.1)</td>
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<td>10.2</td>
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<td>Other</td>
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<td>36.6</td>
<td>1.1</td>
<td>3.1</td>
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<td><strong>Total Expenses</strong></td>
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<td><strong>$463.7</strong></td>
<td><strong>$18.1</strong></td>
<td><strong>4.1%</strong></td>
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<tr>
<td><strong>Net Income (Loss)</strong></td>
<td><strong>($8.1)</strong></td>
<td><strong>($16.1)</strong></td>
<td><strong>($8.0)</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Metro Transit - Bus & Rail Operating Consolidated

<table>
<thead>
<tr>
<th></th>
<th>2020 Proposed Operating Budget</th>
<th>2020 Proposed Capital Operating Budget</th>
<th>Total 2020 Proposed Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MVST</td>
<td>$235.8</td>
<td>0</td>
<td>$235.8</td>
</tr>
<tr>
<td>State General Fund</td>
<td>32.7</td>
<td>0</td>
<td>32.7</td>
</tr>
<tr>
<td>Counties/Greater MN</td>
<td>37.9</td>
<td>1.0</td>
<td>38.9</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>$306.4</td>
<td>$1.0</td>
<td>$307.4</td>
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<tr>
<td>Passenger Fares</td>
<td>$101.9</td>
<td>$0</td>
<td>$101.9</td>
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<tr>
<td>Federal</td>
<td>7.9</td>
<td>22.3</td>
<td>30.2</td>
</tr>
<tr>
<td>Other Funds Transfer</td>
<td>25.3</td>
<td>0</td>
<td>25.3</td>
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<tr>
<td>Other</td>
<td>6.1</td>
<td>0</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$447.6</strong></td>
<td><strong>$23.3</strong></td>
<td><strong>$470.9</strong></td>
</tr>
<tr>
<td><strong>Expenses:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Benefits</td>
<td>$327.5</td>
<td>$19.5</td>
<td>$347.0</td>
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<tr>
<td>Contract BNSF</td>
<td>6.5</td>
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<td>6.5</td>
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<tr>
<td>Fuel/Propulsion</td>
<td>21.4</td>
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<td>21.4</td>
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<tr>
<td>Materials &amp; Supplies</td>
<td>27.5</td>
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<td>27.5</td>
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<tr>
<td>RA Allocations</td>
<td>44.2</td>
<td>0</td>
<td>44.2</td>
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<tr>
<td>Other</td>
<td>36.6</td>
<td>3.8</td>
<td>40.4</td>
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<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$463.7</strong></td>
<td><strong>$23.3</strong></td>
<td><strong>$487.0</strong></td>
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<tr>
<td><strong>Net Income (Loss)</strong></td>
<td>($16.1)</td>
<td>0</td>
<td>($16.1)</td>
</tr>
</tbody>
</table>
Metropolitan Transportation Services
2020 Overview

Executive Summary

• $134.5M Division Budget
• Metro Mobility ADA will meet anticipated demand
• Metro Mobility Lakeville expansion
• Implement Metro Mobility Task Force recommendations
Metropolitan Transportation Services
2020 Operating Revenue & Expenses

Revenues
$134.5M

- State General Fund $81.2M (60%)
- MVST $29.6M (22%)
- Reserves $5.1M (4%)
- Passenger Fares $11.3M (8%)
- Other $0.8M (1%)

Expenses
$134.5M

- Metro Mobility $94.3M (70%)
- Transit Link $8.3M (6%)
- Transportation Planning $8.8M (7%)
- Regular Route $23.1M (17%)

Federal $6.5M (5%)
Reserves $5.1M (4%)

$ in millions
Metro Mobility by the numbers*

- 2.38 million annual rides
- 30% ridership growth from 2013 to 2018
- 62,000 certified riders in system
- 616 vehicles
- 93 communities
- $28.68 average subsidy per ride
- 10.48 mile average trip length

*2018 data
Metro Mobility 2020

• Initiatives
  – Lakeville expansion
  – On-demand service pilot
  – Data sharing with Department of Human Services

• Challenges
  – Rising demand
  – Expanded service area
  – Wage pressure
  – Federal requirements
  – Increasing trip length
  – Rising costs
Metro Mobility
2020 Operating Revenue & Expenses

Revenues
$94.3M

- Passenger Fares $8.9 (9%)
- Reserves $3.5 (4%)
- State Appropriations $81.2 (86%)
- Other $0.7 (1%)

Expenses
$94.3M

- Transit Provider Expense $74.3 (79%)
- Fuel & Materials $11.1 (12%)
- Other Expense $3.5 (4%)
- RA Allocation $2.4 (2%)
- Contracted Services $0.7 (1%)
- Salaries & Benefits $2.3 (2%)

$ in millions
Contracted Regular Route, Transit Link, Vanpool
2020 Operating Revenue & Expenses

Revenues
$31.4M

- MVST $27.1 (86%)
- Passenger Fares $2.5 (8%)
- Reserves $1.1 (4%)
- Federal $0.7 (2%)

Expenses
$31.4M

- Transit Provider Expense $25.9 (82%)
- Contracted Services $0.1 (0%)
- RA Allocation $0.8 (3%)
- Salaries & Benefits $0.9 (3%)
- Other Expense $3.7 (12%)

$ in millions
Transportation Planning & Administration  
2020 Operating Revenue & Expenses  

### Revenues  
- Federal $5.7  
- MVST $2.5  
- Reserves $0.5  
- Other $0.1  

Total Revenues $8.8M  

### Expenses  
- Salaries & Benefits $3.4  
- Consultant $3.0  
- RA Allocation $2.0  
- Other Expense $0.4  
- Other $0.1  

Total Expenses $8.8M  

$ in millions
MTS Pass-through Program

• Revenues allocated based on State Transit Funding Policy
• Suburban Providers allocated more than directed in law.
# MTS Consolidated ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2019 Amended</th>
<th>2020 Proposed</th>
<th>$ Change</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>MVST</td>
<td>$27.56</td>
<td>$29.57</td>
<td>$2.01</td>
<td>7%</td>
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<tr>
<td>General Fund</td>
<td>$64.72</td>
<td>$81.21</td>
<td>$16.49</td>
<td>25%</td>
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<tr>
<td><strong>Subtotal State</strong></td>
<td><strong>$92.28</strong></td>
<td><strong>$110.8</strong></td>
<td><strong>$18.52</strong></td>
<td><strong>20%</strong></td>
</tr>
<tr>
<td>Federal</td>
<td>$8.90</td>
<td>$6.46</td>
<td>($2.44)</td>
<td>-27%</td>
</tr>
<tr>
<td>Local/Other</td>
<td>$0.11</td>
<td>$0.82</td>
<td>$0.71</td>
<td>645%</td>
</tr>
<tr>
<td>Fares</td>
<td>$11.25</td>
<td>$11.36</td>
<td>$0.11</td>
<td>1%</td>
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<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$112.54</strong></td>
<td><strong>$129.4</strong></td>
<td><strong>$16.85</strong></td>
<td><strong>15%</strong></td>
</tr>
<tr>
<td>Metro Mobility</td>
<td>$82.32</td>
<td>$94.30</td>
<td>$11.98</td>
<td>15%</td>
</tr>
<tr>
<td>Regular Route</td>
<td>$20.78</td>
<td>$23.08</td>
<td>$2.30</td>
<td>11%</td>
</tr>
<tr>
<td>Transit Link</td>
<td>$8.07</td>
<td>$8.32</td>
<td>$0.25</td>
<td>3%</td>
</tr>
<tr>
<td>Planning</td>
<td>$10.20</td>
<td>$8.81</td>
<td>($1.39)</td>
<td>-14%</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td><strong>$121.4</strong></td>
<td><strong>$134.5</strong></td>
<td><strong>$13.1</strong></td>
<td><strong>11.0%</strong></td>
</tr>
<tr>
<td><strong>Net Income/ (Loss)</strong></td>
<td><strong>($8.8)</strong></td>
<td><strong>($5.1)</strong></td>
<td><strong>$3.8</strong></td>
<td></td>
</tr>
</tbody>
</table>
Metropolitan Council
Transportation Division
2020 Operating Budget

Transportation Committee
July 22, 2019