

Metropolitan Council Transportation Division 2021 Preliminary Operating Budget

Transportation Committee
July 27, 2020

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Budget/Levy Adoption Schedule

| | |
|-------------------|---|
| July to August 12 | Council Preliminary Budget Review/Information Items |
| August 26 | Adopt Preliminary Operating Budgets and Maximum Tax Levies |
| Sept/Oct | Transportation Committee and Council Capital Budget Review |
| October | Adopt Public Comment Versions of Operating Budget, Levies and Capital Program |
| December 9 | Council Adopts Final Budget & Levies |

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.”

Basis For Budget Development

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
- CARES Act funds

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)
 - CARES Act Funds Balance
 - 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
- Bus Operations relies on MVST for subsidy

State General Fund Appropriation

| SFY | 2020 | 2021 | 2022 | 2023 |
|-----------------------|------------------|------------------|-----------------|-----------------|
| Metro Mobility | | | | |
| Base | \$ 57.17 | \$ 57.17 | \$ 56.42 | \$ 55.98 |
| One Time | \$ 23.17 | \$ 13.00 | \$ - | \$ - |
| Subtotal | \$ 80.34 | \$ 70.17 | \$ 56.42 | \$ 55.98 |
| Light Rail | | | | |
| Base | \$ 25.51 | \$ 25.51 | \$ 25.51 | \$ 25.51 |
| One Time | \$ - | \$ - | \$ - | \$ - |
| Subtotal | \$ 25.51 | \$ 25.51 | \$ 25.51 | \$ 25.51 |
| Commuter Rail | | | | |
| Base | \$ 7.15 | \$ 7.15 | \$ 7.15 | \$ 7.15 |
| One Time | \$ - | \$ - | \$ - | \$ - |
| Subtotal | \$ 7.15 | \$ 7.15 | \$ 7.15 | \$ 7.15 |
| Bus | | | | |
| Base | \$ - | \$ - | \$ - | \$ - |
| One Time | \$ - | \$ - | \$ - | \$ - |
| Subtotal | \$ - | \$ - | \$ - | \$ - |
| Pass Through (MVTA) | \$ 0.20 | \$ - | \$ - | \$ - |
| TOTAL | \$ 113.19 | \$ 102.82 | \$ 89.07 | \$ 88.63 |

Motor Vehicle Sales Tax (MVST)

- State of MN forecast February and November each year
- State of MN updated Forecast May 4, 2020
- 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

Tracking Financial Outlook

- Council Finance forecasts Transportation Financial Operations current year plus 4 years forward (2 biennia) (5 years)
 - Programs state funding according to current law
 - Uses most recent MVST forecast
 - Forecasts structural financial position
 - Updated every bi-annual MVST forecast and end of Legislative Session
 - Details funding expense assumptions, use of reserves
- Significant Changes
 - MVST, passenger fare, one-time reserve funds, and Federal CARES Act revenue
 - Service levels
 - Increased use of reserves programmed for pending financial cliff
 - Financial cliff January 2022

2020 / 2021 COVID Summary

Increasing*

Federal Transit Revenue – CARES
Use of Reserves
Overhead Expenses (some areas)
Cleaning & Protective Supplies
COVID-19 Staff Time

Decreasing*

Motor Vehicle Sales Tax Revenue
Ridership / Passenger Fare Revenue
Service & Contract Hours
Consulting Projects Delayed
Salary / Administrative Reductions

*Documented and anticipated impacts

2020 / 2021 COVID Summary

- Safe and conservative assumptions based on what we do not know
- 2-year challenge balancing years 2020 and 2021
- 2020 forecasted CARES Act funds used exceeded available reserves
- Two-year loss of MVST over \$103M and Passenger Fares over \$138M
- Bus 100% to 80%.
 - MT savings of \$42M, Largely offset by added costs for social distancing and cleaning
 - MTS savings \$6M from pre-covid forecast.

*Documented and anticipated impacts

CARES Act: Rule Summary

- Grantees must follow federal grant rules and guidelines
 - FTA directly audits the Council
 - Council is responsible for monitoring subrecipients (regional providers)
- No local match required – grants are 100% federal
- Expenses occurring after January 20, 2020 are eligible
- Funds available until expended

CARES Act: Regional Allocations

| Regional Provider | Regional Allocation |
|------------------------------------|----------------------------|
| Maple Grove | \$1,213,690 |
| Metropolitan Council | \$214,367,788 |
| Minnesota Valley Transit Authority | \$6,118,007 |
| Plymouth Metrolink | \$1,188,885 |
| Southwest Transit | \$2,525,156 |
| University of Minnesota | \$1,085,532 |
| Regional Total | \$226,499,058 |

CARES Act: Council Allocations

| Council Service Allocations | Formula Distribution |
|------------------------------------|-----------------------------|
| Metro Transit Bus | \$158.9M |
| Light Rail | \$32.4M |
| Contracted Fixed Route Bus | \$8.8M |
| Metro Mobility | \$7.0M |
| Commuter Rail | \$3.3M |
| Transit Link | \$3.1M |
| Planning | \$0.9M |
| Council Total | \$214.4M |

Formula based upon estimated COVID-induced lost revenues.

CARES Act: Council Summary

- Allocation Strategy
 - Consistent with CARES Act goals of supporting COVID-induced financial challenges
 - Clear and transparent distribution amongst Council modes
 - Easy to explain
 - Balance CY20 and CY21 budgets in each mode
- CY20 & CY21 Preliminary
 - Balanced budgets
 - Program \$140M CARES Act in CY 20 and CY 21
 - Target reserve balances maintained
 - High use of one-time funds in CY21 (over \$125M)
 - Cost containment and reductions
- CY22
 - Fiscal cliff remains

Operating Reserves by Fund

(in millions)

| | Reserve YE 2019 | Minimum Target % | 2020 Budget | 2021 Budget | 2021 Target |
|----------------------------|--------------------|---------------------|----------------|----------------|----------------|
| Metro Mobility | \$29.5 | 10% | \$ 18.6 | \$ 9.4 | \$ 9.3 |
| Rail Operations | 22.9 | 8.3% | 21.4 | 15.1 | 9.5 |
| Bus Operations & Planning: | | | | | |
| Metro Transit Bus | 69.3 | 8.3% | 49.4 | 36.5 | 28.5 |
| Contracted Services | 17.3 | 10% | 13.6 | 3.13 | 3.13 |
| Planning | 6.7 | 30% | 5.5 | 3.07 | 3.06 |

Metropolitan Council Transportation Division 2021 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

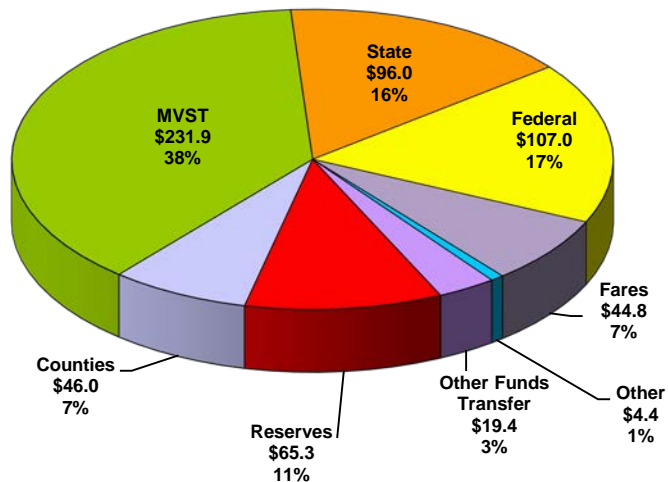
- Rollup budget major revenue & expense categories
- Tight Parameters on budget development
 - Anticipated revenue growth (MVST, state appropriations, fares)
 - Service on the street including labor and service contracts
- COVID impact on operations
- Continue daily cleaning and disinfecting of vehicles, facilities, stations
- Return to front door boarding
- 80% bus service levels 2021
- 100% METRO Blue/Green Line and Northstar Service levels
- Meet Metro Mobility demand

Mitigating Revenue and Expense Volatility

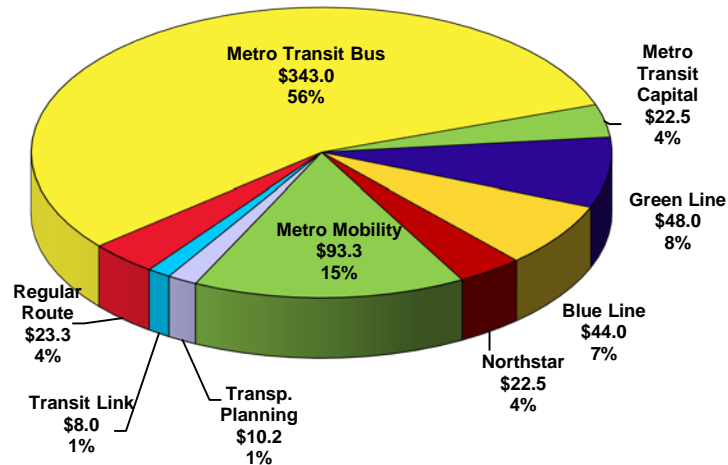
- Motor Vehicle Sales Tax
 - Budget 95% Motor Vehicle Sales Tax
 - Actual MVST receipts above 95% from prior year
- Fuel price hedging Metro Transit
- Programming of CARES Act Funds 2020 and 2021
- Operating fund reserve targets
 - Address volatility in other revenues and expenses
 - Reserves partial solution for future biennium structural deficit

Proposed 2021 Transportation Budget

Revenue
\$614.8M



Expenses
\$614.8M



Metro Transit

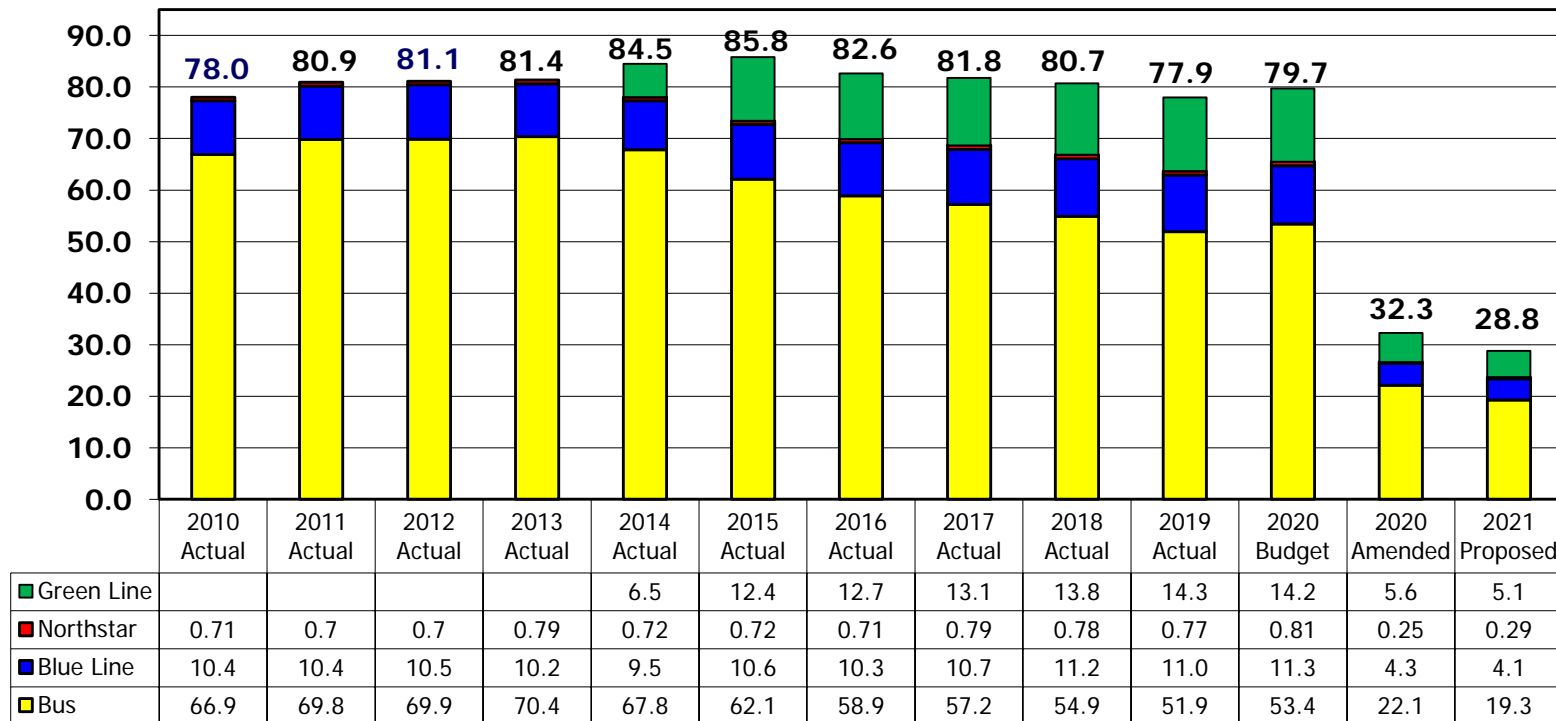


Metro Transit Budget Assumptions

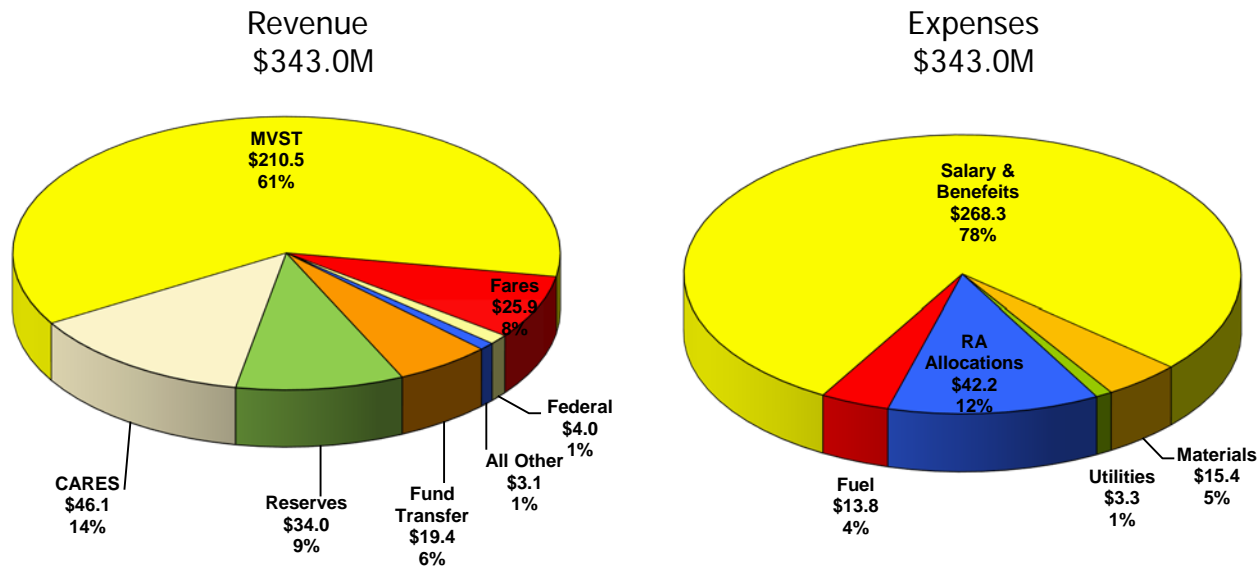
- COVID Response Impact on Operations
- Return to Front Door Boarding
- Bus 80% service levels, METRO Blue/Green and Northstar 100%
- Increased bus trips for social distancing
- Ridership at 28.8 million
- Diesel fuel at \$2.13/gallon
- County funding for METRO Blue Line, METRO Green Line and Northstar
- Southwest Light Rail FFGA anticipated in 2020
- Light Rail vehicle and Commuter Rail vehicle overhaul programs
- Programming of CARES Act Funds 2020 and 2021
- Significant One Time Use of Funds (CARES Act and Reserves)

Metro Transit Ridership

(in millions)

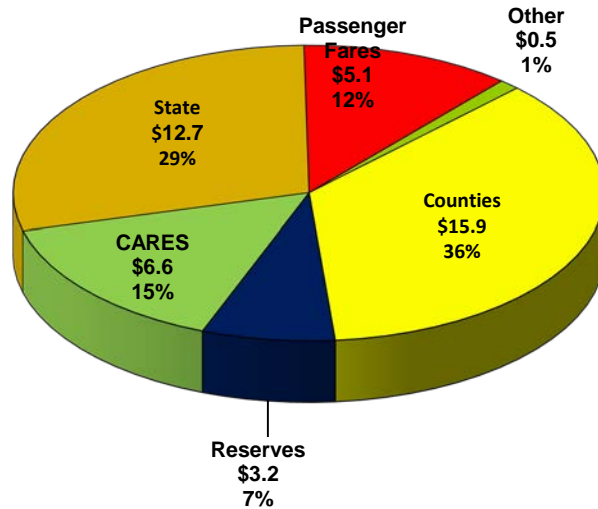


Metro Transit Bus 2021 Operating Revenue & Expenses

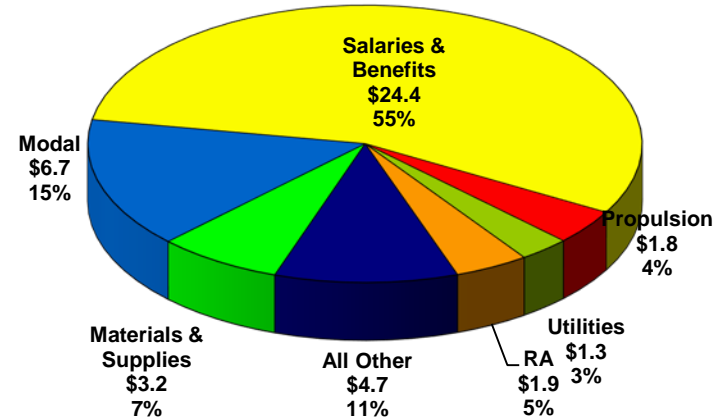


METRO Blue Line 2021 Operating Revenue & Expenses

Revenue
\$44.0M

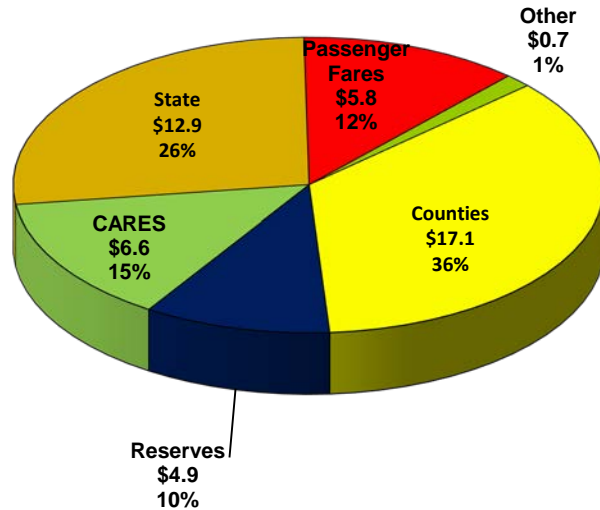


Expenses
\$44.0M

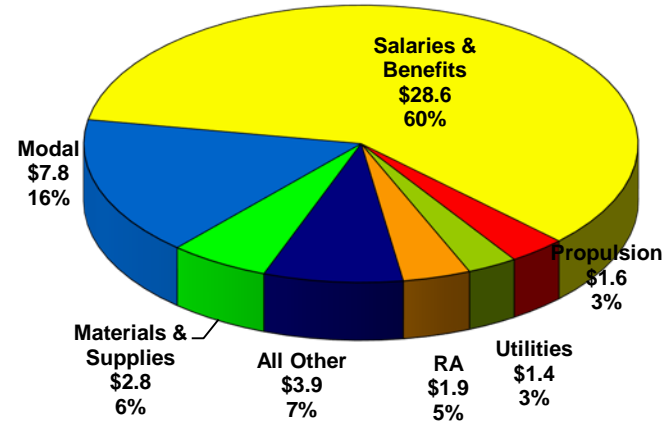


METRO Green Line 2021 Operating Revenue & Expenses

Revenue
\$48.0M

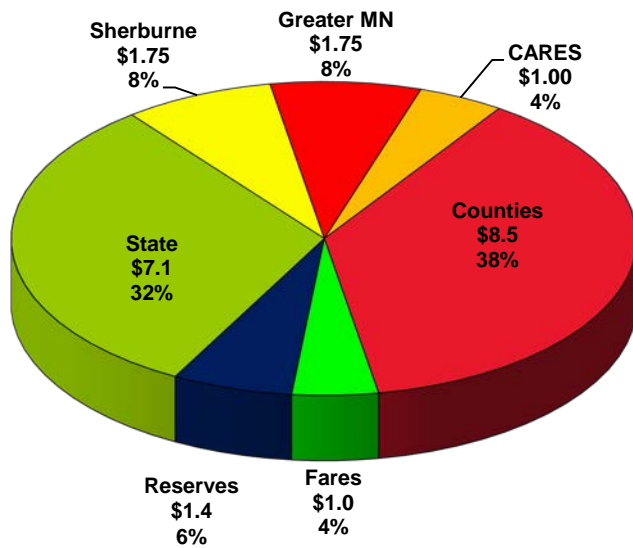


Expenses
\$48.0M

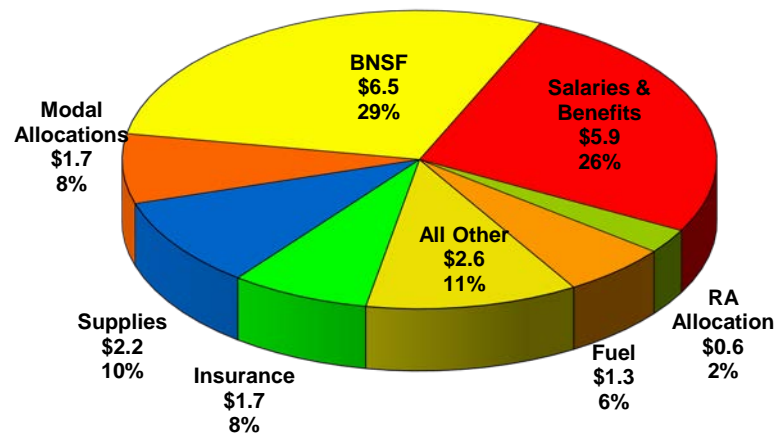


Metro Transit Northstar 2021 Operating Revenue & Expenses

Revenue
\$22.5M



Expenses
\$22.5M



Metro Transit - Bus & Rail Consolidated

| | 2020 Operating Budget Amended | 2021 Proposed Operating Budget | \$ Change | % Change |
|--------------------------|-------------------------------------|--------------------------------------|-----------------|---------------|
| Revenue: | | | | |
| MVST | \$191.0 | \$210.5 | \$19.5 | |
| State General Fund | 32.7 | 32.7 | 0 | |
| Counties/Greater MN | 38.1 | 45.0 | 6.9 | |
| Subtotal | \$261.8 | 288.2 | \$26.4 | 10.1% |
| Passenger Fares | \$42.2 | \$37.8 | (4.4) | |
| Federal/CARES | 136.2 | 64.3 | (71.9) | |
| Other Funds Transfer | 5.9 | 19.4 | 13.5 | |
| Other | 5.3 | 4.3 | (1.0) | |
| Total Revenue | 451.4 | \$414.0 | (\$37.4) | 8.2% |
| Expenses: | | | | |
| Salaries & Benefits | \$333.5 | \$327.2 | (\$6.3) | (1.9%) |
| Contract BNSF | 6.5 | 6.5 | 0 | 0 |
| Fuel/Propulsion | 21.4 | 18.5 | (2.9) | (13.5) |
| Materials & Supplies | 32.1 | 23.6 | (8.5) | (26.5) |
| RA Allocations | 44.2 | 46.6 | 2.4 | 5.4 |
| Other | 35.7 | 35.1 | (0.6) | (1.6) |
| Total Expenses | \$473.4 | \$457.5 | (\$15.9) | (3.3%) |
| Net Income (Loss) | (\$22.0) | (\$43.5) | (\$21.5) | |

Metro Transit - Bus & Rail Operating Consolidated

| | 2021 Proposed Operating Budget | 2021 Proposed Capital Operating Budget | Total 2021 Proposed Budget |
|--------------------------|--------------------------------------|---|----------------------------------|
| Revenue: | | | |
| MVST | \$210.5 | 0 | \$210.5 |
| State General Fund | 32.7 | 0 | 32.7 |
| Counties/Greater MN | 45.0 | 1.0 | 46.0 |
| Subtotal | <u>\$288.2</u> | <u>\$1.0</u> | <u>\$289.2</u> |
| Passenger Fares | \$37.8 | \$0 | \$37.8 |
| Federal | 64.3 | 21.5 | 85.8 |
| Other Funds Transfer | 19.4 | 0 | 19.4 |
| Other | 4.3 | 0 | 4.3 |
| Total Revenue | <u>\$414.0</u> | <u>\$22.5</u> | <u>\$436.5</u> |
| Expenses: | | | |
| Salaries & Benefits | \$327.2 | \$18.7 | \$345.9 |
| Contract BNSF | 6.5 | 0 | 6.5 |
| Fuel/Propulsion | 18.5 | 0 | 18.5 |
| Materials & Supplies | 23.6 | 0 | 23.6 |
| RA Allocations | 46.6 | 0 | 46.6 |
| Other | 35.1 | 3.8 | 38.9 |
| Total Expenses | <u>\$457.5</u> | <u>\$22.5</u> | <u>\$480.0</u> |
| Net Income (Loss) | <u>(\$43.5)</u> | <u>0</u> | <u>(\$43.5)</u> |

Towards Budget Equity Analysis

- *Thrive MSP 2040* and the Metropolitan Council's Equity Policy commit us to evaluating planning, operations, and investments through an equity lens
- Work is underway to develop a more deliberate and intentional approach

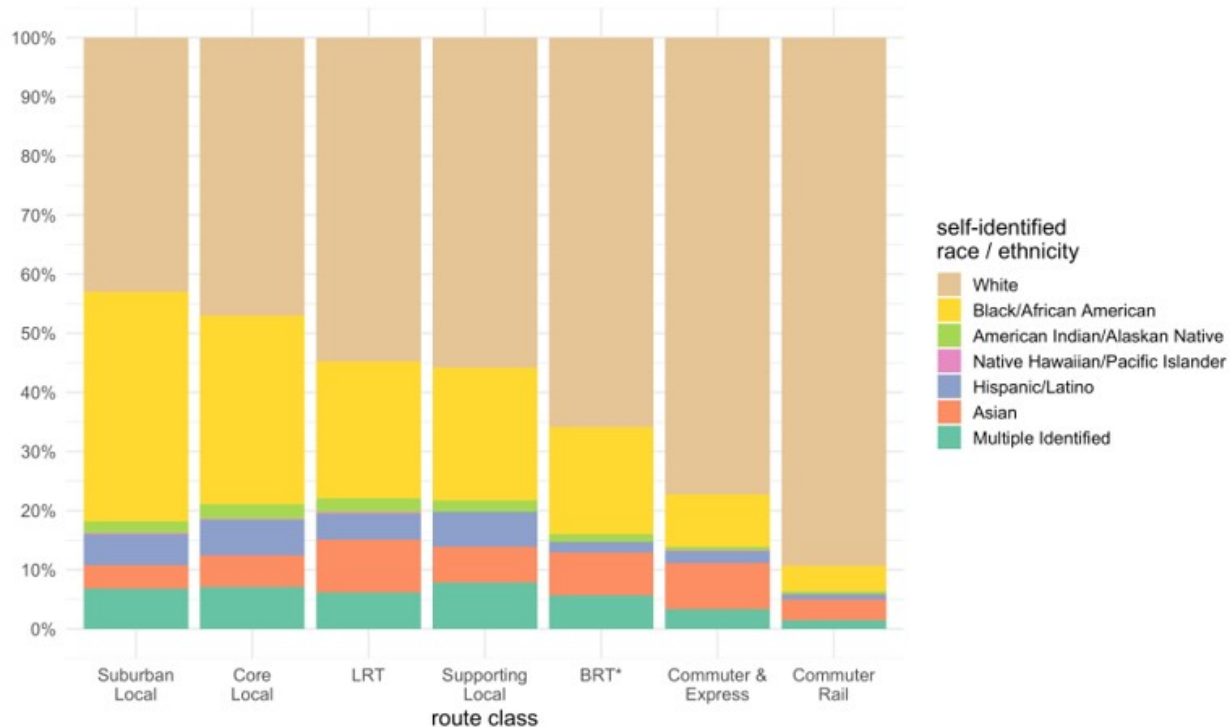
Who We Serve

- Our riders are:
 - Mostly under 35 years old
 - 41% have a household income under \$35K annually
 - 45% identify as BIPOC, compared to 27% regionwide
- Over 60% of trips are for work or school
- 1/3 of trips are a 9-5 commute

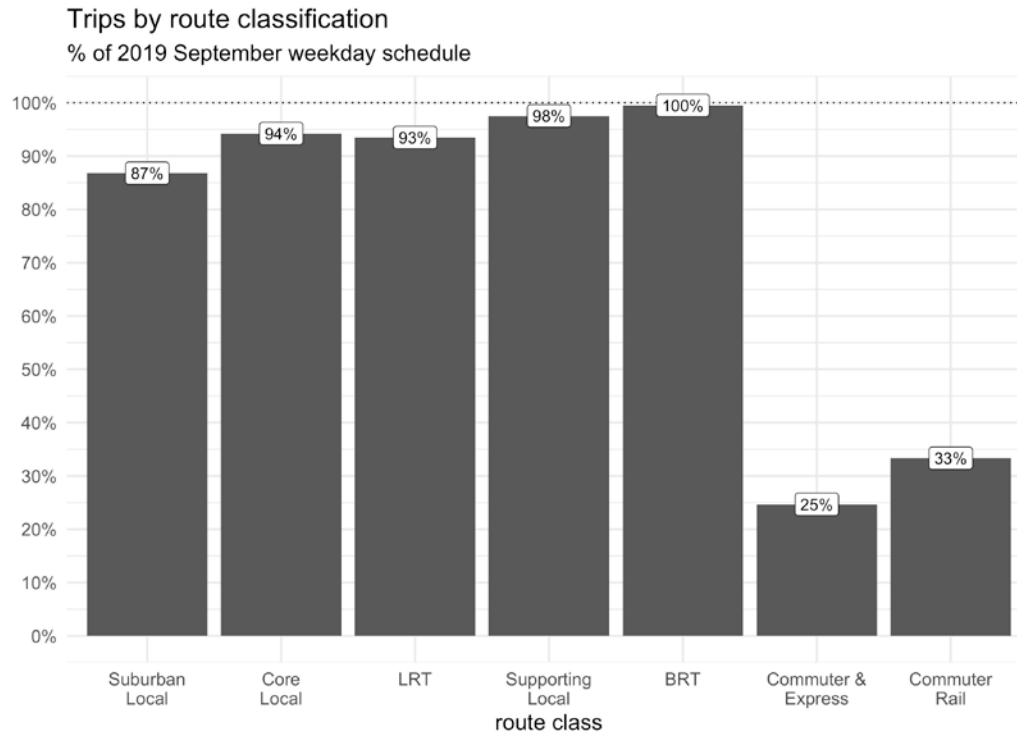
Transit Service Plan Drives Operations Budget

- September 2020 pick represents approximately the same amount of service included in the preliminary 2021 operating budget
- September 2020 pick will be approximately 80% of pre-pandemic service levels
- Will return to weekday pre-“stay at home order” levels on most core local bus routes. Focus on:
 - Highest ridership routes (pre- and during COVID)
 - Routes serving communities that rely on transit
 - Service to schools & colleges anticipated to re-open
- Commuter express routes will remain at June levels
- Most routes that are suspended remain suspended

Race/Ethnicity by Route Classification



Comparing September 2019 to September 2020



Budget Supports Investments and Programs that Contribute to Advancing Equity

Examples:

- Arterial Bus Rapid Transit (BRT) Program
- Better Bus Stops
- Better Bus Routes/Speed and Reliability
- Transit Assistance Program (TAP)
- Metro Transit Police Department Homeless Action Team (HAT)
- Preparing for administrative citations

Budget Supports Key Components of Advancing Equity

Examples:

- Public engagement
- DBE and MCUB utilization
- Diverse hiring, retention, promotion
- Metro Transit Equity and Inclusion Unit



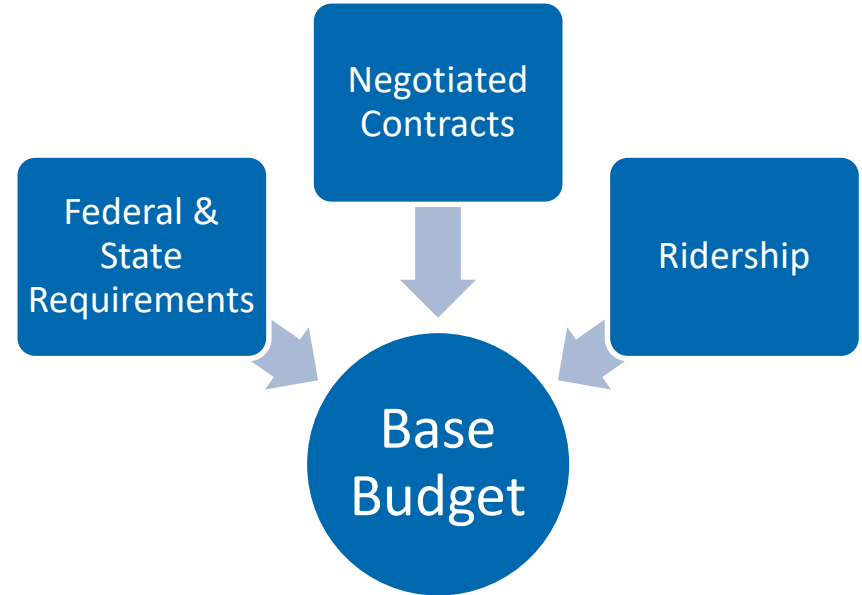
Metropolitan Transportation Services



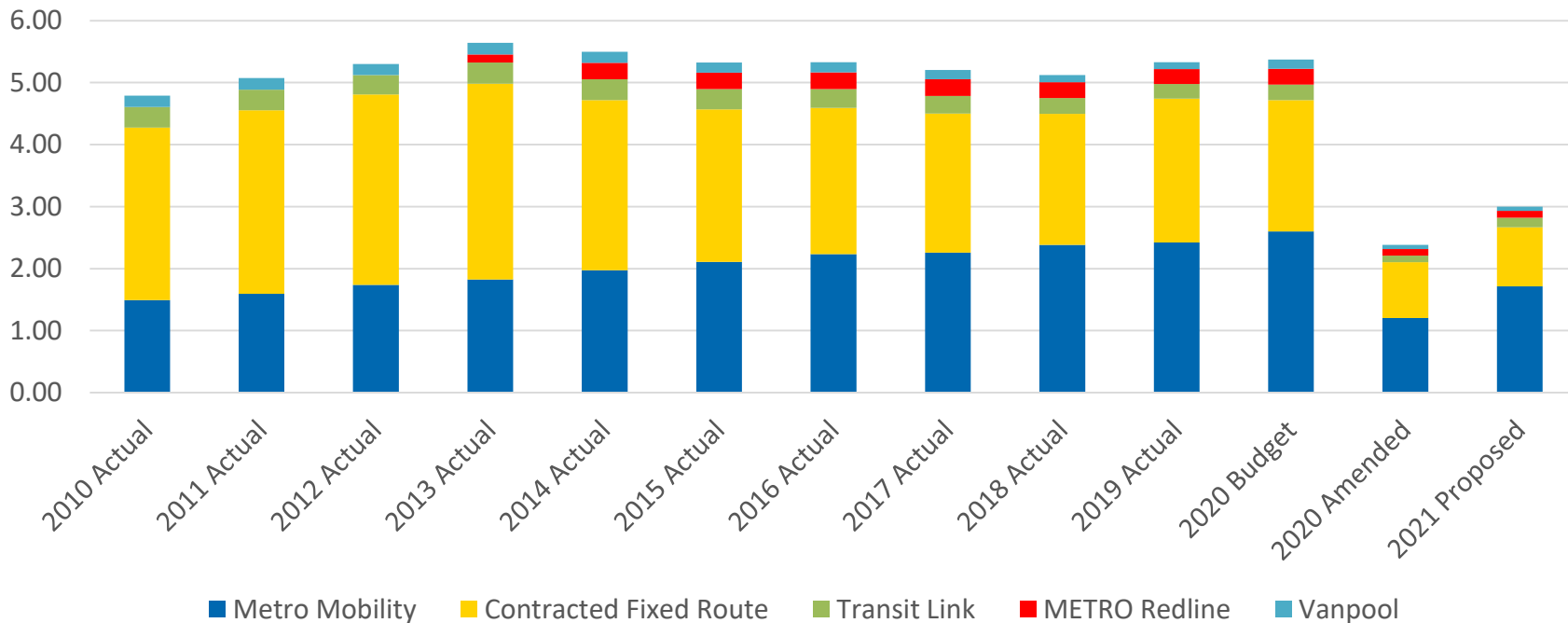
2021 Overview

Executive Summary

- \$134.8M Division Budget
- Flat from 2020
- Metro Mobility ADA will meet anticipated demand

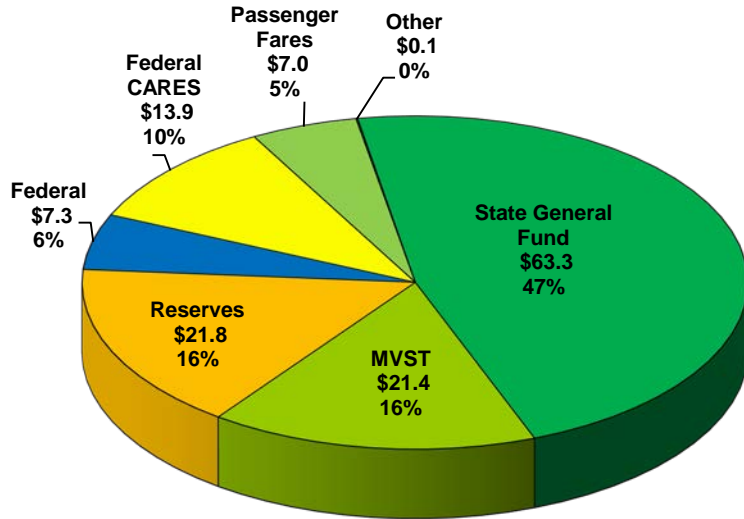


Contracted Services Ridership

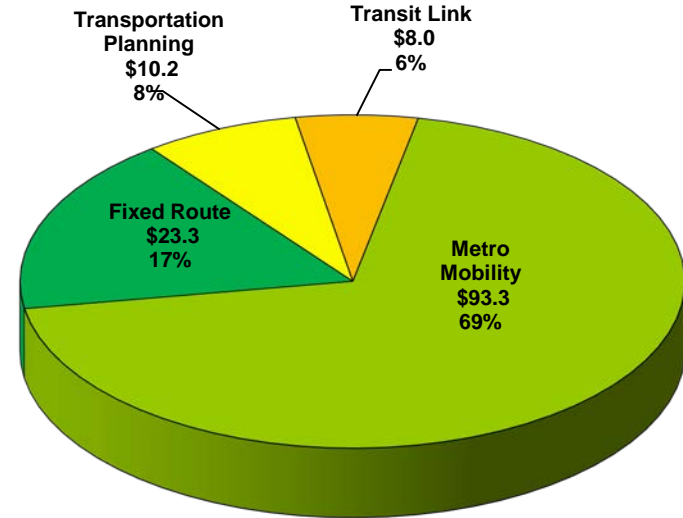


Metropolitan Transportation Services 2021 Operating Revenue & Expenses

Revenues
\$134.8M



Expenses
\$134.8M



\$ in millions

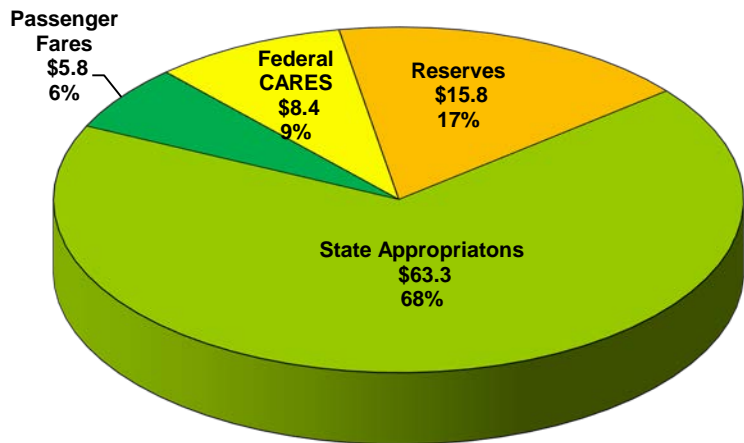
Metro Mobility

- Challenges
 - 30% ridership growth from 2013 to 2019; fleet 635 vehicles
 - Increasing trip length
 - Expanded service area (94 communities)
 - Wage pressure
 - Rising costs; \$28.59 average subsidy per ride

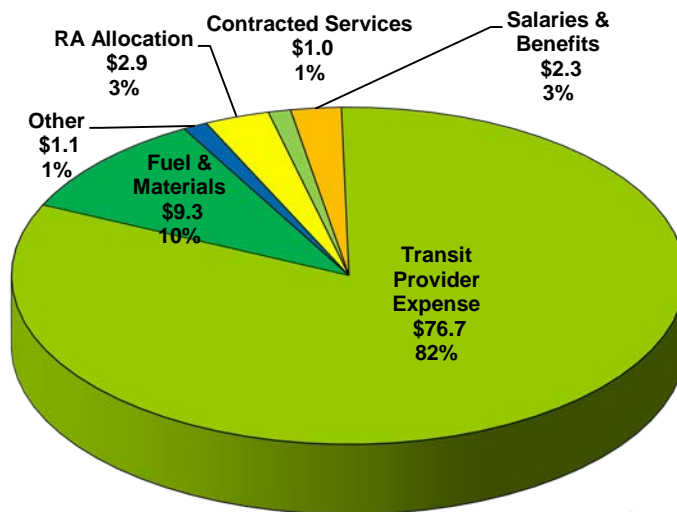


Metro Mobility 2021 Operating Revenue & Expenses

Revenues
\$93.3M



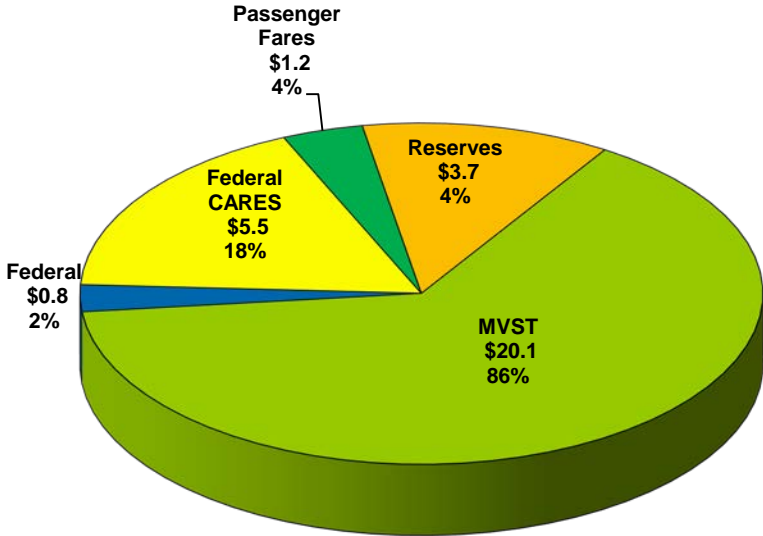
Expenses
\$93.3M



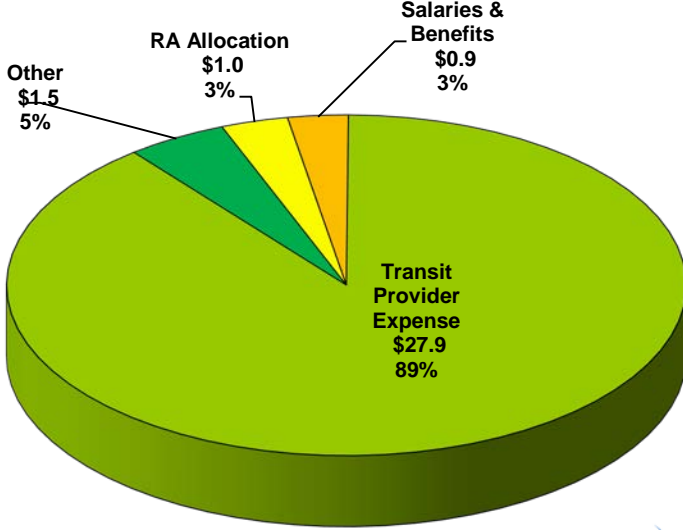
\$ in millions

Contracted Regular Route, Transit Link, Vanpool 2021 Operating Revenue & Expenses

Revenues
\$31.3M



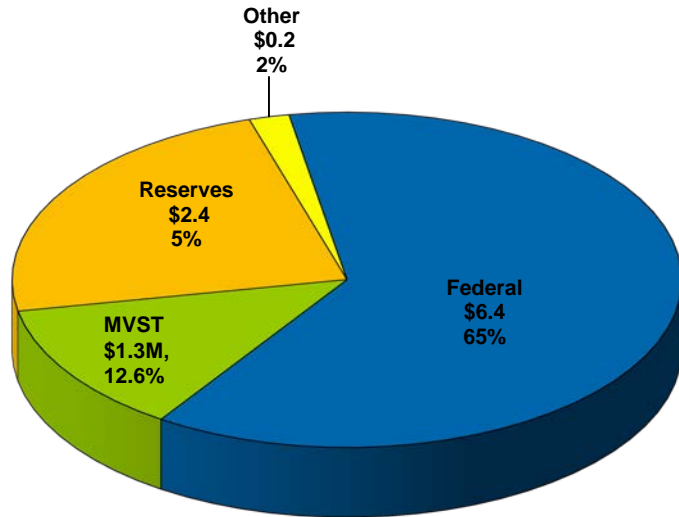
Expenses
\$31.3M



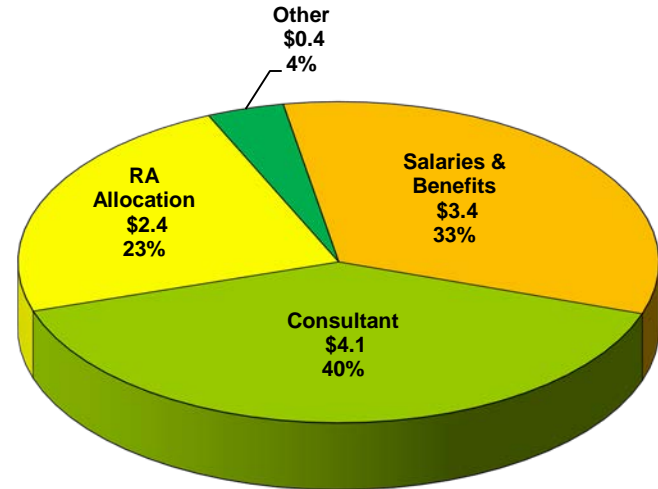
\$ in millions

Transportation Planning & Administration 2021 Operating Revenue & Expenses

Revenues
\$10.3M



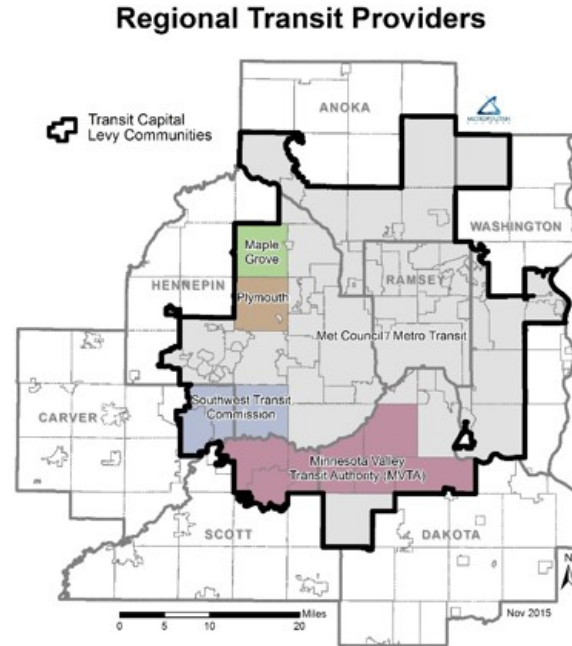
Expenses
\$10.3M



\$ in millions

MTS Pass-through Program

- Revenues allocated based on State Transit Funding Policy
- Suburban Providers allocated more than directed in law.



2021 Equity in Action

Service

Transportation
Policy Plan & Service
Plan

Fare Policy

Transportation
Accessibility
Advisory Committee

Regional Solicitation

Thrive MSP 2040

Scoring Criteria

Outreach &
Engagement

Annual Workplan

Strategic Initiatives

Equity Change
Teams

Outreach &
Engagement

Contracts & Consulting

Strategic Initiatives

MCUB/DBE

Contracted Work
Force

MTS Consolidated

(\$ in millions)

| | 2020 | | 2021 | | | |
|--------------------------|------------|------------|------|----|--------|----------|
| | Amended | Proposed | \$ | \$ | Change | % Change |
| Revenue | | | | | | |
| MVST | \$ 20.2 | \$ 21.4 | \$ | \$ | 1.2 | |
| General Fund | \$ 75.2 | \$ 63.3 | \$ | \$ | (11.9) | |
| Subtotal State | \$ 95.4 | \$ 84.7 | \$ | \$ | (10.7) | -11% |
| Federal | \$ 19.8 | \$ 21.2 | \$ | \$ | 1.4 | |
| Local/Other | \$ 0.8 | \$ 0.1 | \$ | \$ | (0.7) | |
| Fares | \$ 5.5 | \$ 7.0 | \$ | \$ | 1.5 | |
| Total Revenue | \$ 121.5 | \$ 113.0 | \$ | \$ | (8.5) | -7% |
| Expenses | | | | | | |
| Transit Provider Expense | \$ 105.5 | \$ 104.5 | \$ | \$ | (1.0) | -1% |
| Fuel & Materials | \$ 12.2 | \$ 10.2 | \$ | \$ | (2.0) | -16% |
| Salary & Benefits | \$ 6.6 | \$ 6.5 | \$ | \$ | (0.1) | -2% |
| Contracted Services | \$ 4.9 | \$ 5.4 | \$ | \$ | 0.5 | 10% |
| RA Allocation | \$ 5.2 | \$ 6.3 | \$ | \$ | 1.1 | 21% |
| Other Expense | \$ 1.1 | \$ 1.9 | \$ | \$ | 0.8 | 73% |
| Total Expenses | \$ 135.5 | \$ 134.8 | \$ | \$ | (0.7) | -1% |
| Net Income / (Loss) | \$ (14.00) | \$ (21.80) | \$ | \$ | (7.80) | |

Metropolitan Council Transportation Division 2021 Preliminary Operating Budget

Transportation Committee
July 27, 2020

