



# Metropolitan Council Transportation Division 2022 Preliminary Operating Budget

Transportation Committee  
August 9, 2021

Ed Petrie  
Director Finance, Metro Transit

Heather Agesen-Huebner  
Director Finance, Metropolitan Transportation Services

## Budget/Levy Adoption Schedule

July to August 11	Council Preliminary Budget Review/Information Items
August 25	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 8	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 Opt Out 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
- Federal Relief 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
- Metro Mobility becomes forecasted program in SFY26
- Legislature did not address bus and rail structural deficit in the future biennia.
- Financial considerations:
  - State General Fund Appropriation
  - Motor Vehicle Sales Tax (MVST)
  - Federal Relief Funds
  - 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 will need increase in State General Fund appropriations
- Metro Mobility Forecasted Service SFY 2026
- Bus Operations relies on MVST for subsidy

## State General Fund Appropriation

SFY	2022	2023	2024	2025
<b>Metro Mobility</b>				
Base	\$ 56.42	\$ 55.98	\$ 55.98	\$ 55.98
One Time	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 56.42	\$ 55.98	\$ 55.98	\$ 55.98
<b>Light Rail</b>				
Base	\$ 25.51	\$ 25.51	\$ 25.51	\$ 25.51
One Time	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 25.51	\$ 25.51	\$ 25.51	\$ 25.51
<b>Commuter Rail</b>				
Base	\$ 7.15	\$ 7.15	\$ 7.15	\$ 7.15
One Time	\$ -	\$ -	\$ -	\$ -
Subtotal	\$ 7.15	\$ 7.15	\$ 7.15	\$ 7.15
<b>Other:</b>				
Zero Emission Plan	\$ 0.25	\$ -	\$ -	\$ -
Highway 55	\$ 0.25	\$ -	\$ -	\$ -
BRT Lines E and F	\$ 57.5	\$ -	\$ -	\$ -
<b>TOTAL</b>	<b>\$ 147.08</b>	<b>\$ 88.64</b>	<b>\$ 88.64</b>	<b>\$ 88.64</b>



# 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
- Without a future dedicated and stable source of tax revenues, budgets will be volatile with insufficient revenues

# Federal Relief Funds

- Appropriations
  - \$313.4M ARP
  - \$185.9M CRRSAA
  - \$226.5M CARES

---

\$725.8M Total

- 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

# Federal Relief Funds Council Summary

- Allocation Strategy
  - Consistent with Federal goals of supporting COVID-induced financial challenges
  - Clear and transparent distribution amongst Council modes
  - Easy to explain
  - Balance CY22 budgets in each mode
- CY22 Preliminary
  - Balanced budgets
  - Programmed Federal Funds
  - Target reserve balances maintained
  - Cost containment and reductions
  - Future Fiscal cliff remains

# 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 Relief Funds
  - Service levels
  - Financial cliff mid-year 2025

# Tracking On-Going Risk

- Ridership / Travel Demand
- Passenger Fare Revenue
- Motor Vehicle Sales Tax Volatility
- Operator Hiring
- Covid Impacts on Operations
- Continuous Evaluation and Review of Budget assumptions

# Operating Reserves by Fund

(in millions)

	Reserve YE 2020	Minimum Target %	2021 Budget	2022 Budget	2022 Target
Metro Mobility	\$39.0	10%	\$ 16.4	\$ 15.7	\$ 9.6
Rail Operations	20.6	8.3%	20.6	17.2	9.3
Bus Operations & Planning:					
Metro Transit Bus	185.1	8.3%	181.7	181.1	31.3
Contracted Services	23.3	10%	16.2	15.9	2.8
Planning	8.3	30%	6.0	5.9	3.1

# Metropolitan Council Transportation Division 2022 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

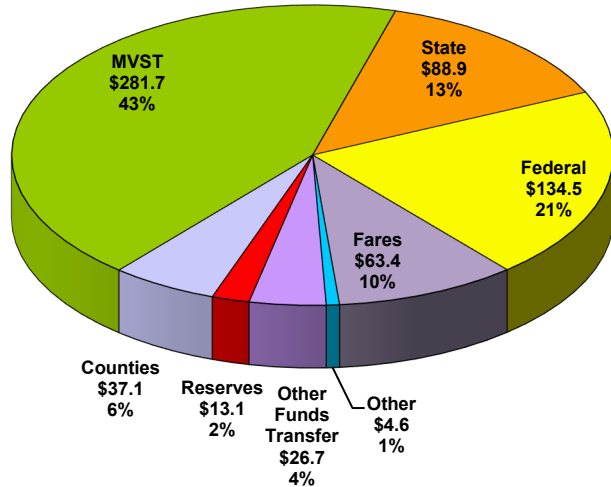
- Rollup budget major revenue & expense categories
- Tight Parameters on budget development
  - Anticipated revenue growth (MVST, state appropriations, fares)
  - Service on the street including labor and service contracts
- COVID impact on operations
- Continue daily cleaning and disinfecting of vehicles, facilities, stations
- 95% bus service levels 2022
- 100% Service METRO Blue/Green Line
- Northstar Service 4 trips Morning & Evening/no weekend
- Metro Mobility ridership returns to pre-pandemic levels

# Mitigating Revenue and Expense Volatility

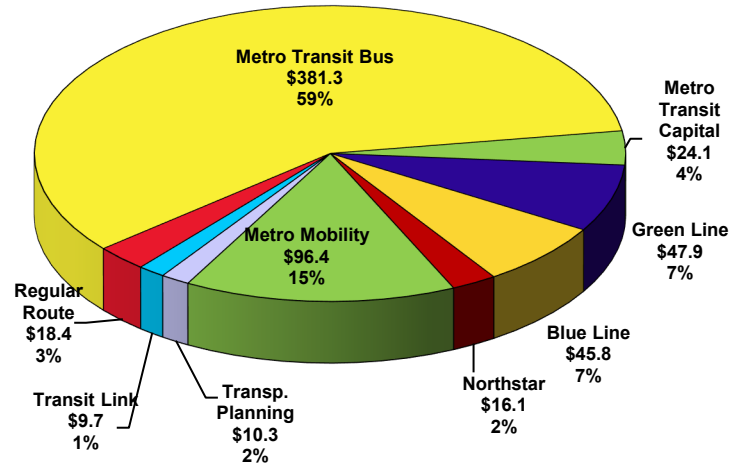
- Motor Vehicle Sales Tax
  - Budget 95% Motor Vehicle Sales Tax
  - Actual MVST receipts above 95% from prior year
- Fuel price hedging Metro Transit
- Programming of Federal Relief Funds 2022 and after
- Operating fund reserve targets
  - Address volatility in other revenues and expenses
  - Reserves partial solution for future biennium structural deficit

# Proposed 2022 Transportation Budget

Revenue  
\$651.0M



Expenses  
\$651.0M



# Metro Transit

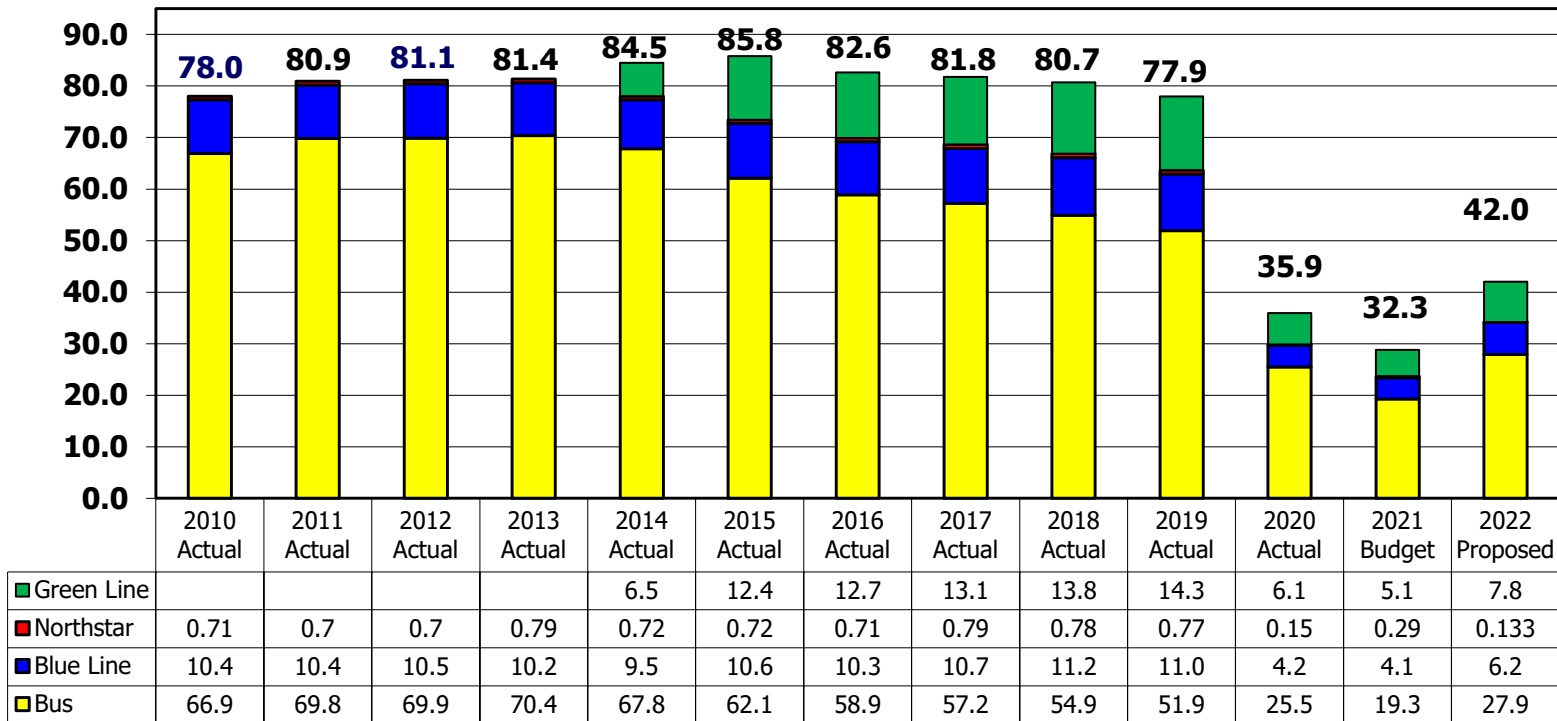


# Metro Transit Budget Assumptions

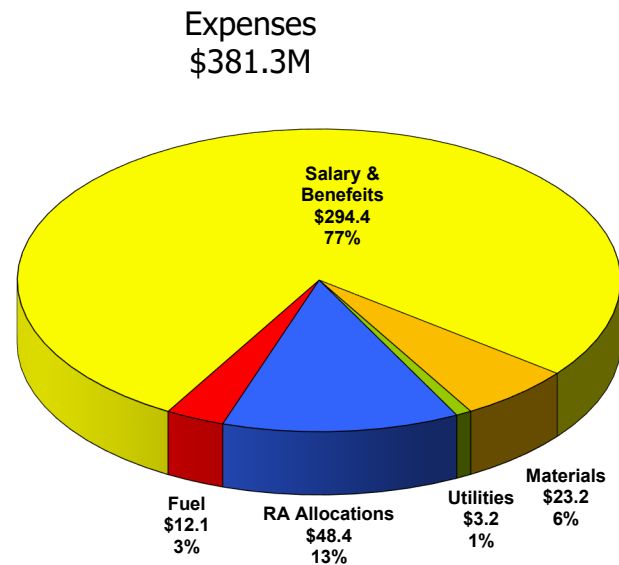
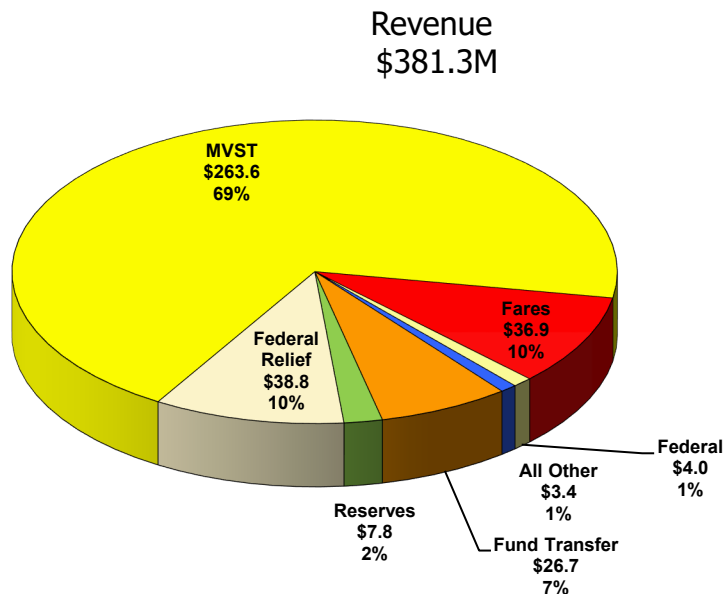
- COVID Response Impact on Operations
- Bus 95% service levels, METRO Blue/Green 100%, Northstar 4 trips morning and evening with no weekend service
- Bus trips for service overloads
- Ridership at 42.0 million, 55% of Pre-Pandemic Levels
- Diesel fuel at \$1.73/gallon
- County funding for METRO Blue Line, METRO Green Line and Northstar
- Light Rail vehicle and Commuter Rail vehicle overhaul programs
- Programming of Federal Relief Funds
- Significant One Time Use of Funds (Federal Relief Funds and Reserves)
- Increasing Investment in Customer Experience, Security, Facility Upkeep and Technology

# Metro Transit Ridership

(in millions)

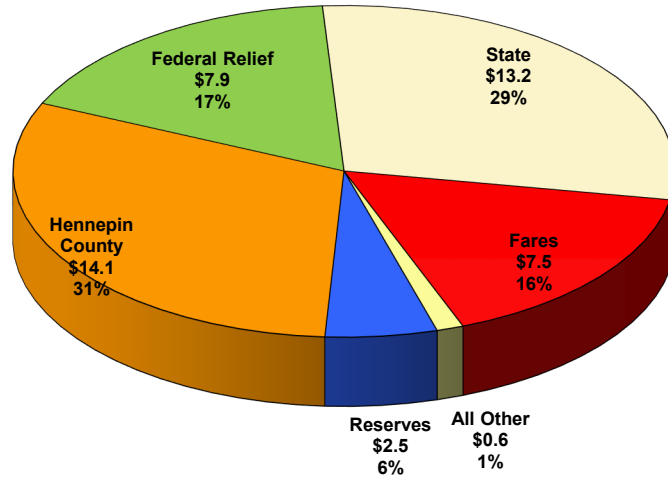


# Metro Transit Bus 2022 Operating Revenue & Expenses

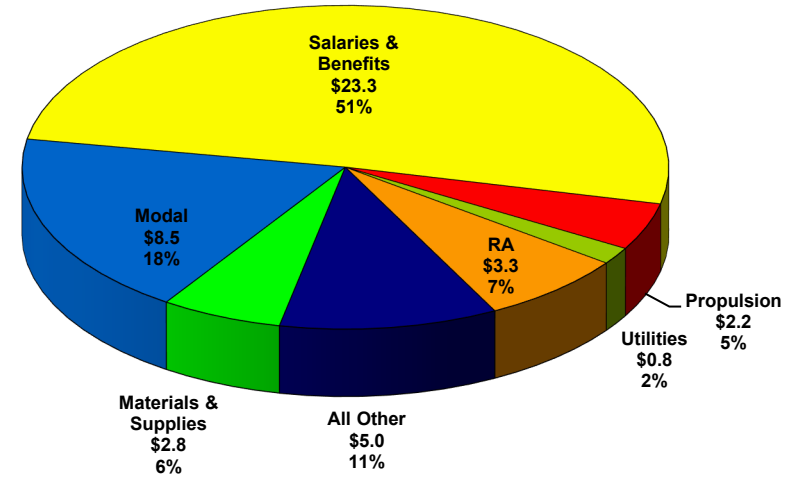


# METRO Blue Line 2022 Operating Revenue & Expenses

Revenue  
\$45.8M



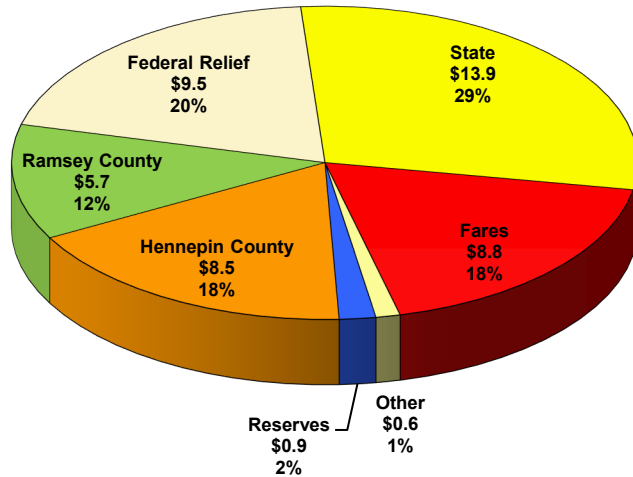
Expenses  
\$45.8M



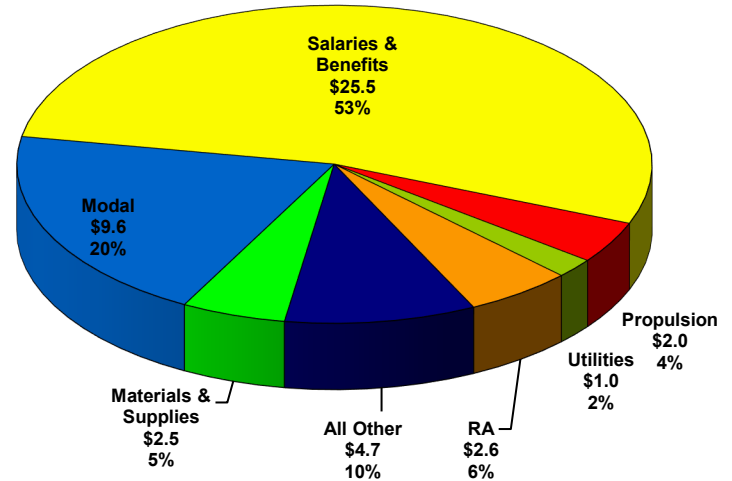


# METRO Green Line 2022 Operating Revenue & Expenses

Revenue  
\$47.9M

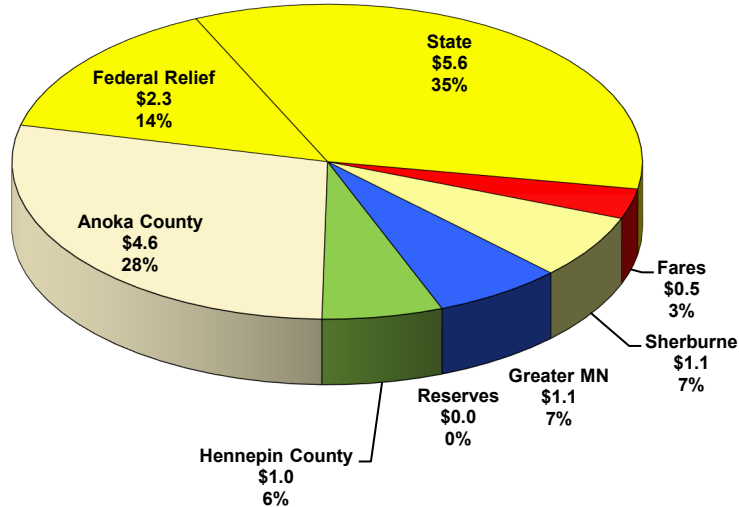


Expenses  
\$47.9M

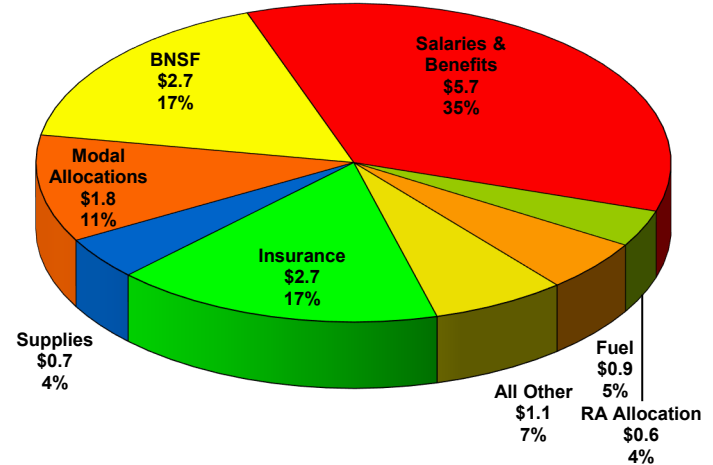


# Metro Transit Northstar 2022 Operating Revenue & Expenses

Revenue  
\$16.1M



Expenses  
\$16.1M



# Metro Transit - Bus & Rail Consolidated

	2021 Operating Budget	2022 Proposed Operating Budget	\$ Change	% Change
<b>Revenue:</b>				
MVST	\$210.5	\$263.6	\$53.1	
State General Fund	32.7	32.7	0	
Counties/Greater MN	45.0	36.1	(8.9)	
Subtotal	\$288.2	332.4	\$44.2	15.3%
Passenger Fares	\$37.8	\$53.7	15.9	
Federal/Federal Relief	64.3	62.5	(1.8)	
Other Funds Transfer	19.4	26.7	7.3	
Other	4.3	4.7	0.4	
<b>Total Revenue</b>	<b>414.0</b>	<b>\$480.0</b>	<b>\$66.0</b>	<b>15.9%</b>
<b>Expenses:</b>				
Salaries & Benefits	\$327.2	\$348.9	\$21.7	6.6%
Contract BNSF	6.5	2.7	(\$3.8)	(58.5)
Fuel/Propulsion	18.5	17.2	(1.3)	(7.0)
Materials & Supplies	23.6	29.2	5.6	23.7
RA Allocations	46.6	54.9	8.3	17.8
Other	35.1	38.3	3.2	9.1
<b>Total Expenses</b>	<b>\$457.5</b>	<b>\$491.2</b>	<b>\$33.7</b>	<b>7.4%</b>
<b>Net Income (Loss)</b>	<b>(\$43.5)</b>	<b>(\$11.2)</b>	<b>\$32.3</b>	

# Metro Transit - Bus & Rail Operating Consolidated

	2022 Proposed Operating Budget	2022 Proposed Capital Operating Budget	Total 2022 Proposed Budget
<b>Revenue:</b>			
MVST	\$263.6	0	\$263.6
State General Fund	32.7	0	32.7
Counties/Greater MN	36.1	1.0	37.1
Subtotal	\$332.4	\$1.0	\$333.4
Passenger Fares	\$53.7	\$0	\$53.7
Federal/Federal Relief	62.5	22.2	84.7
Other Funds Transfer	26.7	0	26.7
Other	4.7	0	4.7
<b>Total Revenue</b>	<b>\$480.0</b>	<b>\$23.2</b>	<b>\$503.2</b>
<b>Expenses:</b>			
Salaries & Benefits	\$348.9	\$20.8	\$369.7
Contract BNSF	2.7	0	2.7
Fuel/Propulsion	17.2	0	17.2
Materials & Supplies	29.2	0	29.2
RA Allocations	54.9	0	54.9
Other	38.3	3.3	41.6
<b>Total Expenses</b>	<b>\$491.2</b>	<b>\$24.1</b>	<b>\$515.3</b>
<b>Net Income (Loss)</b>	<b>(\$11.2)</b>	<b>(\$0.9)</b>	<b>(\$12.1)</b>

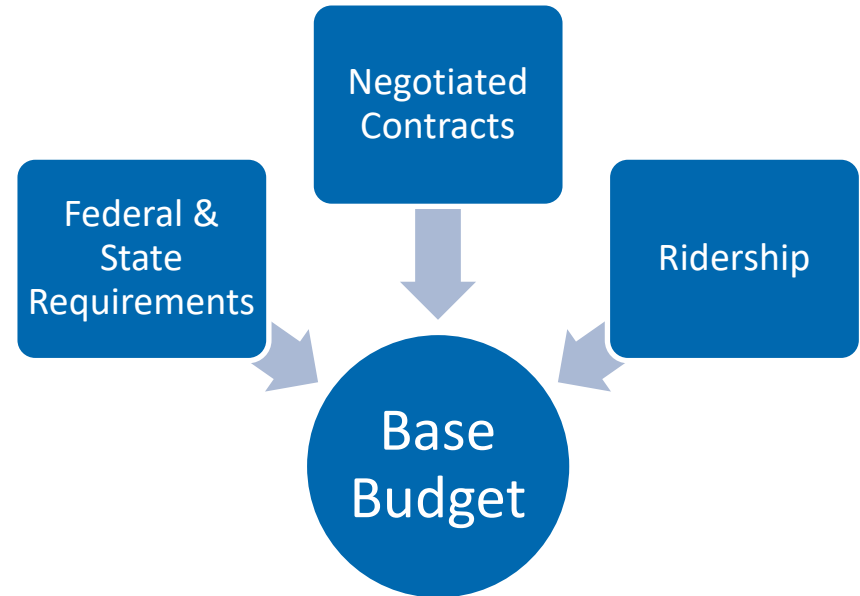


## Metropolitan Transportation Services

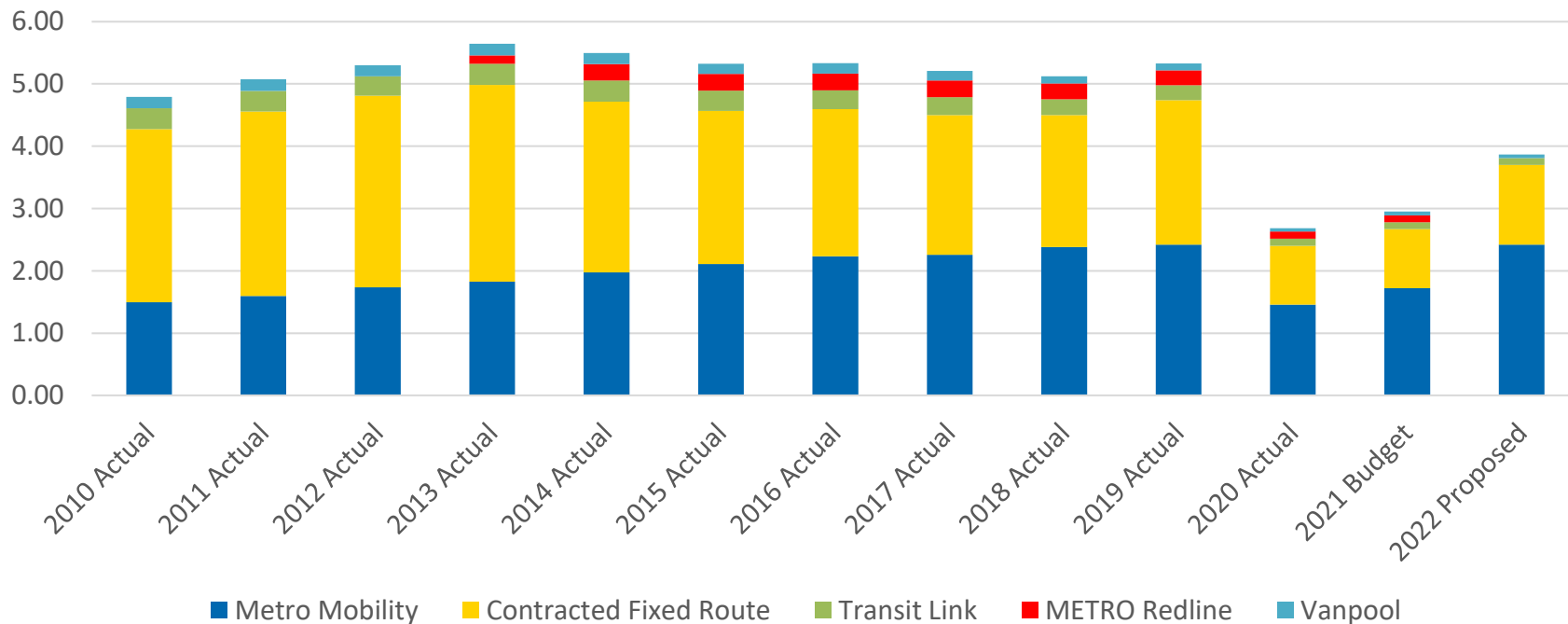


# 2022 MTS Assumptions

- Metro Mobility ridership returning to pre-pandemic levels
- Gasoline at \$3.00 a gallon
- Bus 95% Service Levels
- Bus ridership 55% of pre-pandemic levels
- Significant use of one-time funds



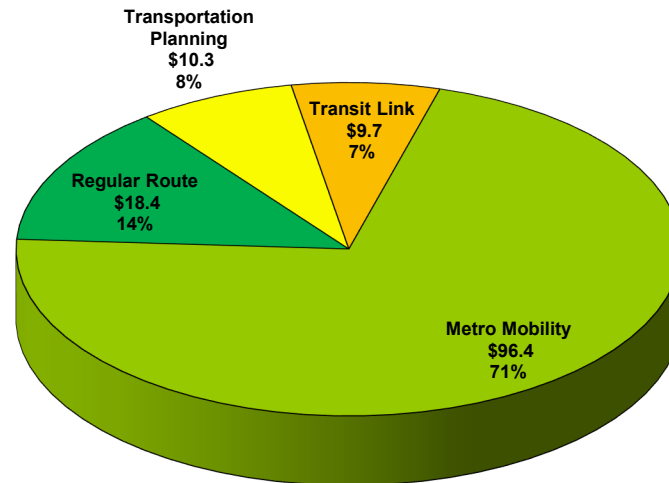
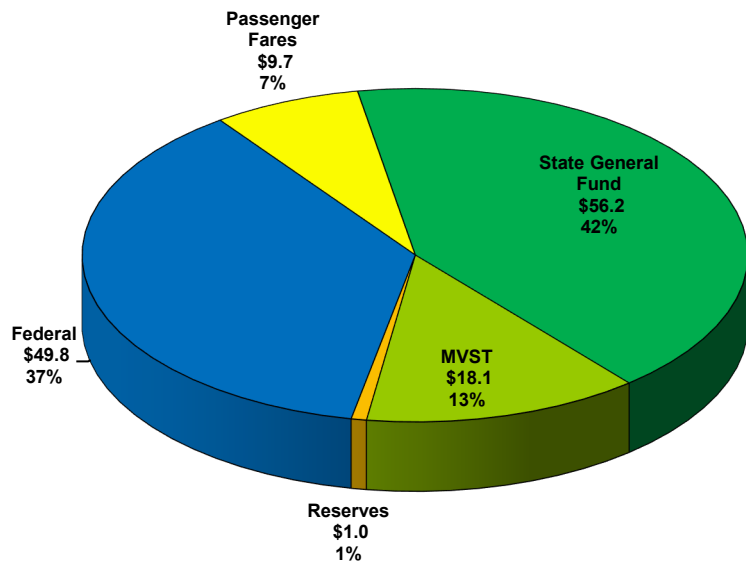
# Contracted Services Ridership



# Metropolitan Transportation Services 2022 Operating Revenue & Expenses

Revenues  
\$134.8M

Expenses  
\$134.8M



\$ in millions

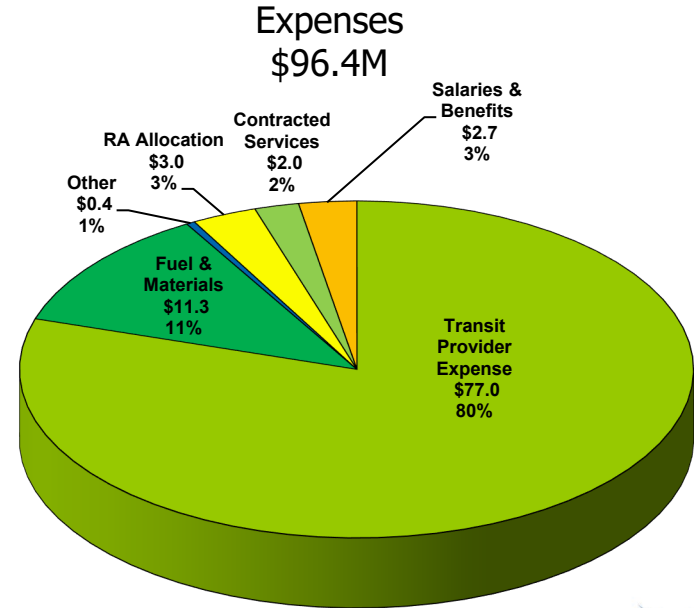
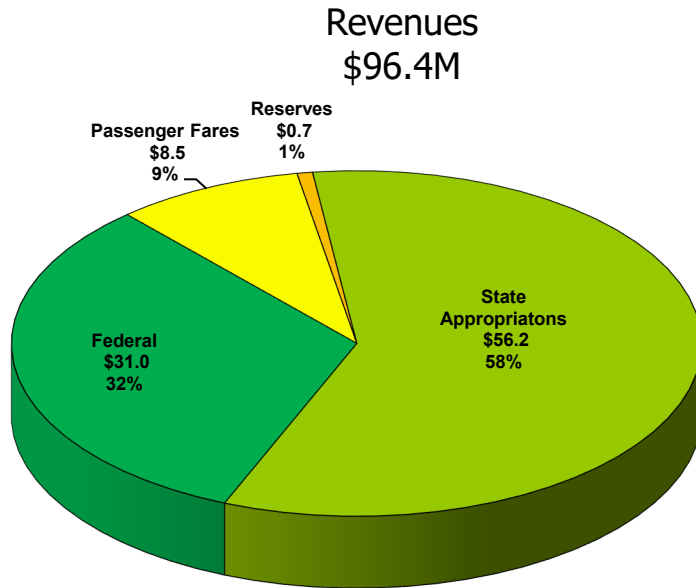


# Metro Mobility

- Programming federal funds
- Ridership returning to pre-pandemic levels
- Gasoline at \$3.00/gallon
- Legislature provided separate State Appropriation line for Metro Mobility
- Transitioning to state forecasted program in SFY26



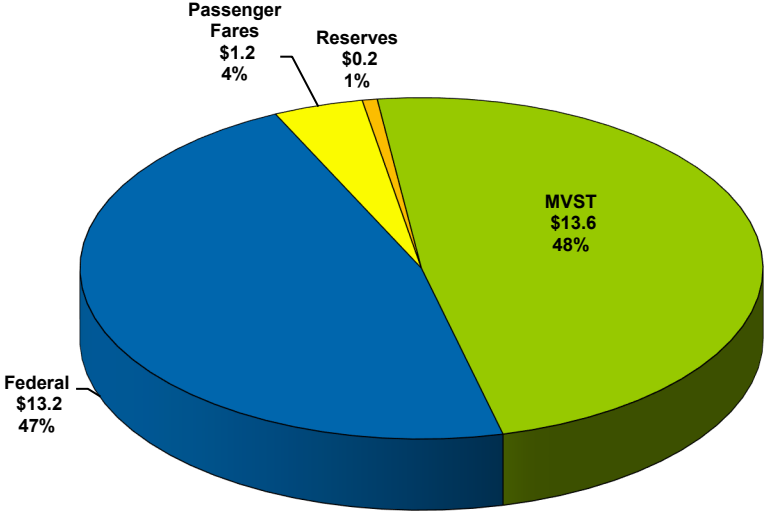
# Metro Mobility 2022 Operating Revenue & Expenses



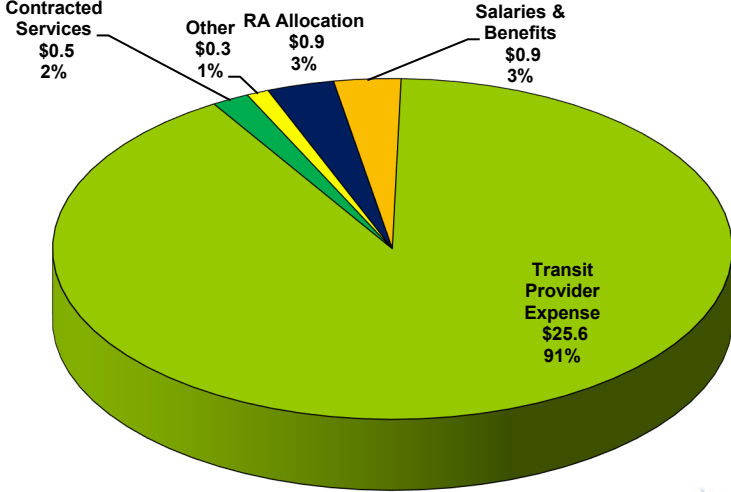
\$ in millions

# Contracted Regular Route, Transit Link, Vanpool 2022 Operating Revenue & Expenses

Revenues  
\$28.2M



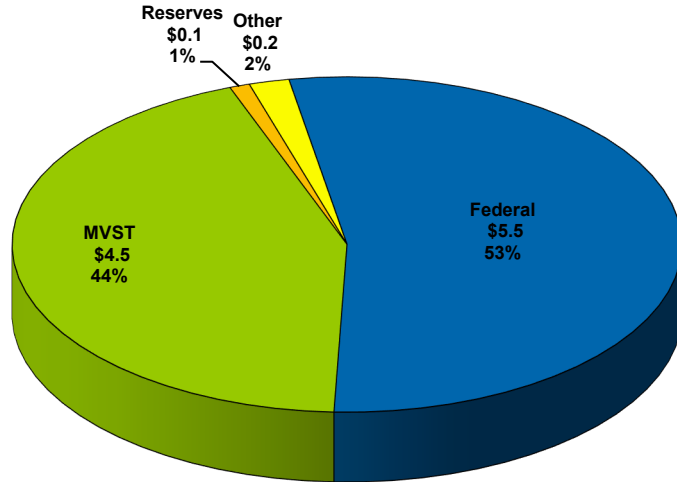
Expenses  
\$28.2M



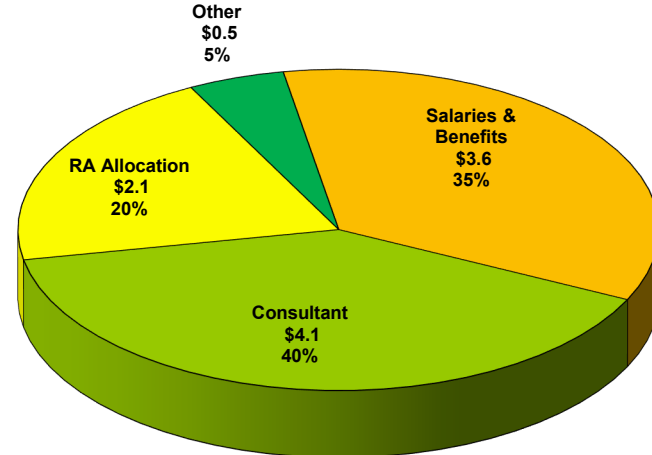
\$ in millions

# Transportation Planning & Administration 2022 Operating Revenue & Expenses

Revenues  
\$10.3M



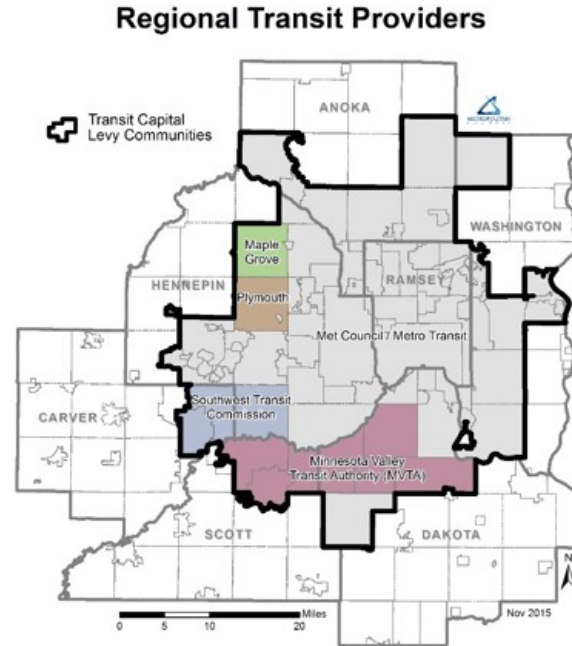
Expenses  
\$10.3M



\$ in millions

# MTS Pass-through Program

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



# MTS Consolidated

(\$ in millions)

	2021 Operating Budget	2022 Proposed Operating Budget	\$ Change	%Change
<b>Revenue:</b>				
MVST	\$ 18.5	\$ 18.1	\$ (0.4)	
General Fund	\$ 63.3	\$ 56.2	\$ (7.1)	
Subtotal State	\$ 81.8	\$ 74.3	\$ (7.5)	-9%
Federal	\$ 10.5	\$ 49.8	\$ 39.3	
Local/Other	\$ -	\$ -	\$ -	
Fares	\$ 6.8	\$ 9.7	\$ 2.9	
<b>Total Revenue</b>	<b>\$ 99.1</b>	<b>\$ 133.8</b>	<b>\$ 34.7</b>	<b>35%</b>
<b>Expenses:</b>				
Transit Provider Expense	\$ 101.3	\$ 102.6	\$ 1.3	1%
Fuel & Materials	\$ 9.1	\$ 11.3	\$ 2.2	24%
Salary & Benefits	\$ 6.5	\$ 7.1	\$ 0.6	9%
Contracted Services	\$ 6.5	\$ 6.6	\$ 0.1	2%
RA Allocation	\$ 6.4	\$ 6.0	\$ (0.4)	-7%
Other Expense	\$ 1.2	\$ 1.3	\$ 0.1	8%
<b>Total Expenses</b>	<b>\$ 131.0</b>	<b>\$ 134.8</b>	<b>\$ 3.8</b>	<b>3%</b>
<b>Net Income/(Loss)</b>	<b>\$ (31.9)</b>	<b>\$ (1.0)</b>	<b>\$ 30.9</b>	

# Metropolitan Council Transportation Division 2022 Preliminary Operating Budget

Transportation Committee  
August 9, 2021

