

2024 Preliminary Transportation Operating Budget

Transportation Committee

July 24, 2023





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Council Budget Development



Schedule

May – July	Budget Development Activities
July	Preliminary Budget Transportation Committee
August	Council Preliminary Budget Presentation Council Adopt Preliminary Budget / Levies
October	Council Capital Program Presentation Adjust Operating Budget for Public Comment Adopt Public Comment Draft Budget
December	Council Adopt Finance Budget / Levies

Basis for Budget Development

Minnesota Statute 473.125

“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.”



Transportation Division

Services

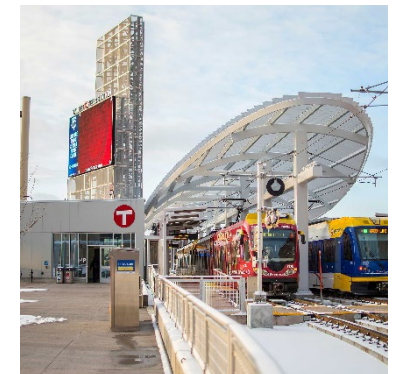
- Metro Transit
 - Bus
 - METRO Blue and Green Lines
 - Northstar Commuter Rail
 - METRO Orange and Red Lines
 - BRT Lines
 - Capital Project Development
- Metropolitan Transit Services
 - Contracted Bus
 - Metro Mobility
 - Planning
 - Transit Link
 - Vanpool



Transportation Division

Budget Development Basis

- Council Policy & Actions
 - Thrive MSP 2040 (2050 In Development)
 - Transportation Policy Plan
 - Labor Agreements
 - Fare Policy
 - Allocation of Federal Relief Funds
 - Target Fund Balance
- Forecasts and Legislation
 - Preliminary Budget reviewed with Forecasts/Toolbox – Current year plus 4 years
 - Motor Vehicle Sales Tax (MVST)
 - State General Fund Appropriation
 - Federal Relief Funds
 - Metro Mobility becomes state forecasted program in SFY 2026
 - Includes Metropolitan Transportation Sales Tax (In Progress)
 - Removes County Operating Contributions



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

Transportation Division



Thrive MSP 2040 is the vision for our region over the next 30 years.

Thrive MSP 2040 Implementation

- Growing service while responding to Ridership and Market Development across the region
- Prioritize Budget with a multi-year focus
- Minimize impact on Council levies
- Maintain reserves at policy levels
- Support Implementation of the Regional Transportation Policy Plan

Transportation Division

Budget Framework Considerations

- Rollup major revenue & expense categories
- Levels of service – base and expansion
- Ridership/Revenue Loss with Changes in Travel Market
- Increasing investment in customer experience, public safety, facility upkeep and technology
- Metropolitan Transportation Sales Tax Investments (In Progress)



Transportation Division

Mitigate Volatility

- Budget 95% of Motor Vehicle Sales Tax
- Fuel price hedging
- Progaming federal funds
- Operating fund reserve targets
- Metropolitan Transportation Sales Tax Investment and Reserve Policies (In Progress)



Transportation Division



Tracking on-going risk

- Ridership / Travel demand
- Passenger Fare Revenue
- Sales Tax volatility
- Workforce Shortages
- Fuel prices
- Continuous evaluation and review of budget assumptions

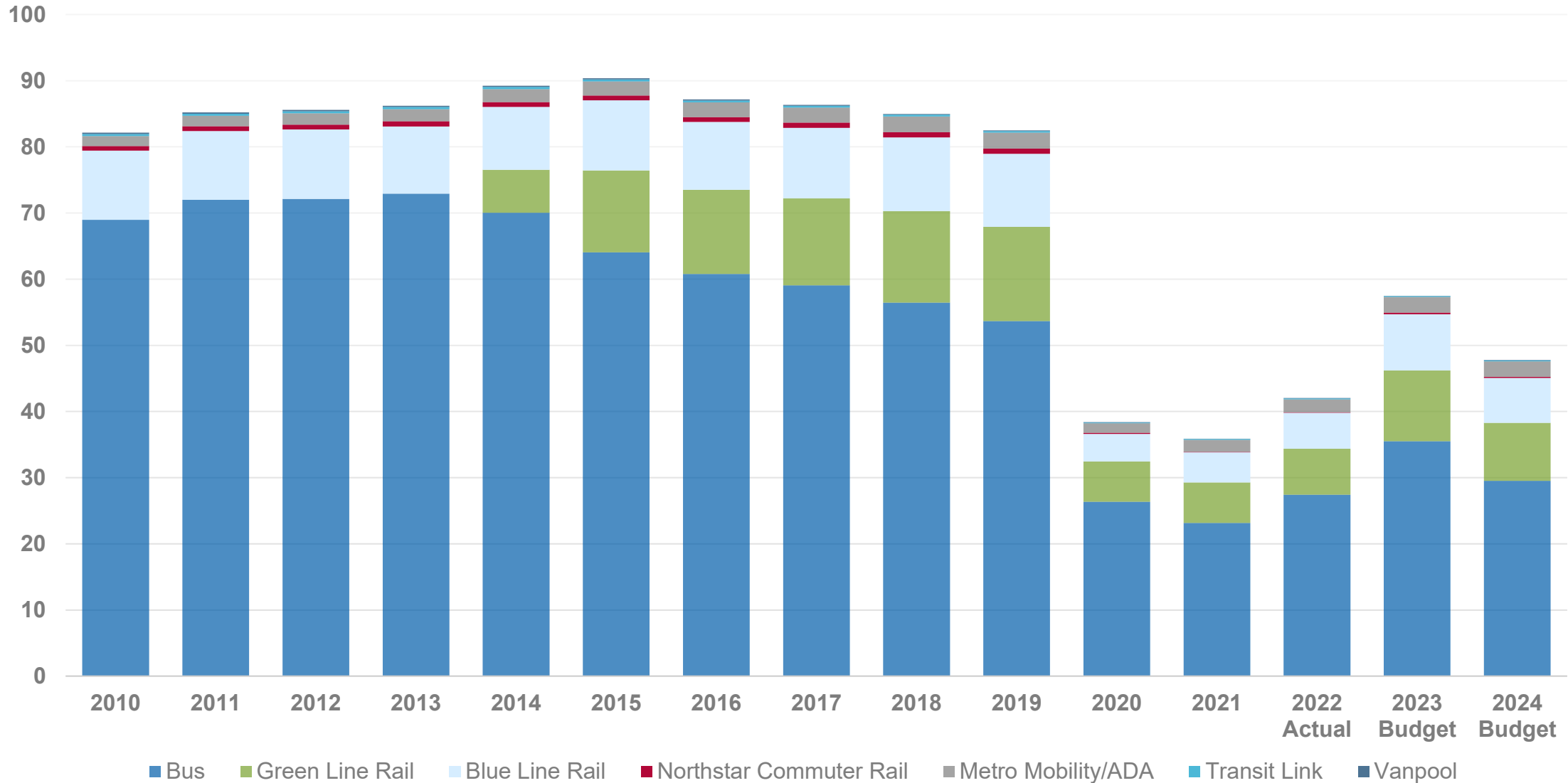
Transportation Division



Revenue Assumptions

- State General Fund and MVST per legislation and state forecast
- Metropolitan Transportation Sales Tax (In Progress)
- Removes County contributions
- Program federal relief funds to offset revenue loss
- Passenger Ridership Recovery Assumption (% pre-covid)
 - Bus 57%
 - Light Rail - Blue 62% and Green 61%
 - Metro Mobility 100%
 - Northstar 20%

Council Ridership (in millions)



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
- 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

Metro-area sales tax uses



Sales tax will help fund transit operations, maintenance, and capital projects. Required uses include:

- **Improvements to:**
 - Regular route bus service levels
 - Transit safety, including additional transit officials
 - Accessibility at transit stops and transit centers
 - New, replacement shelters
- **Bus Rapid Transit:**
 - Planning and project development
 - Operations, capital maintenance
- **Other investments:**
 - Zero emissions bus transition
 - Microtransit
 - Active transportation
 - Wage adjustments for Metro Transit hourly operations employees

Federal Relief Funds

Appropriations

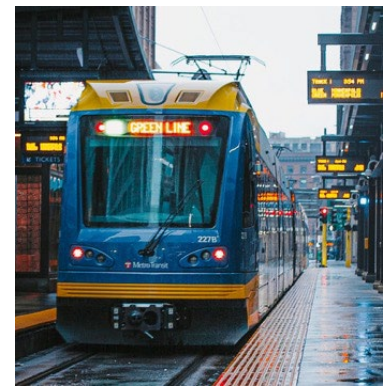
- \$313.4M ARP
- \$185.9M CRRSAA
- \$226.5M CARES
- \$725.8M Total

Council Total \$686.9M

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

Summary

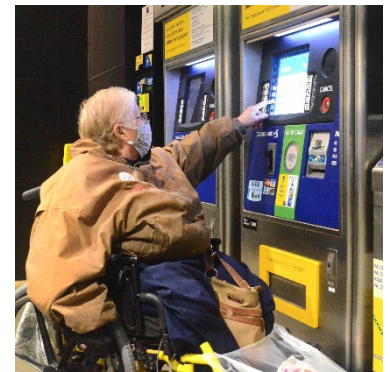
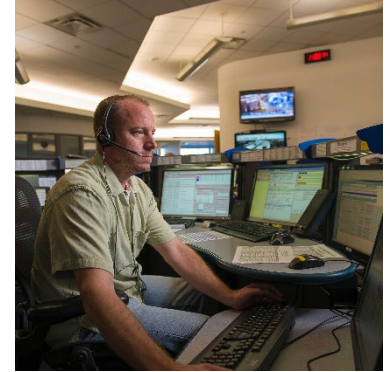
- Awarded to Council based upon federal formulas
- Eligible activities defined by federal 5307 program rules
- Federal emphasis on payroll and transit operations expenses
- Grantees must follow federal grant rules and guidelines



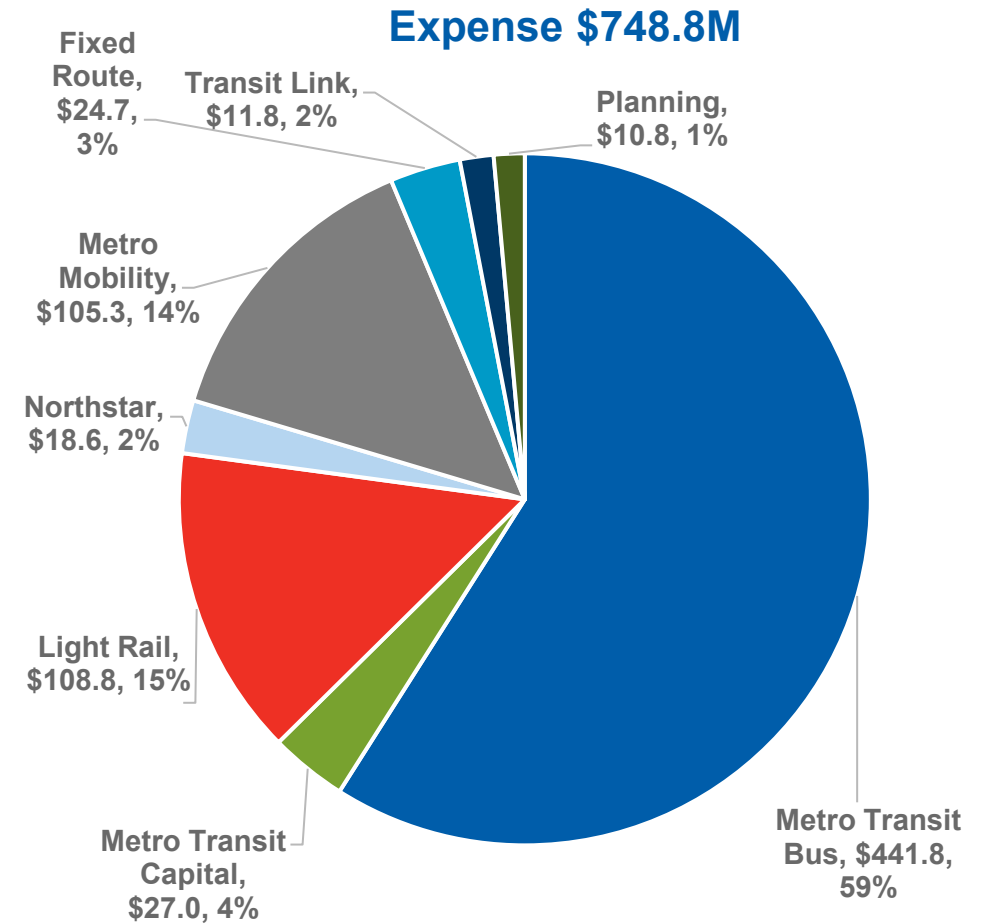
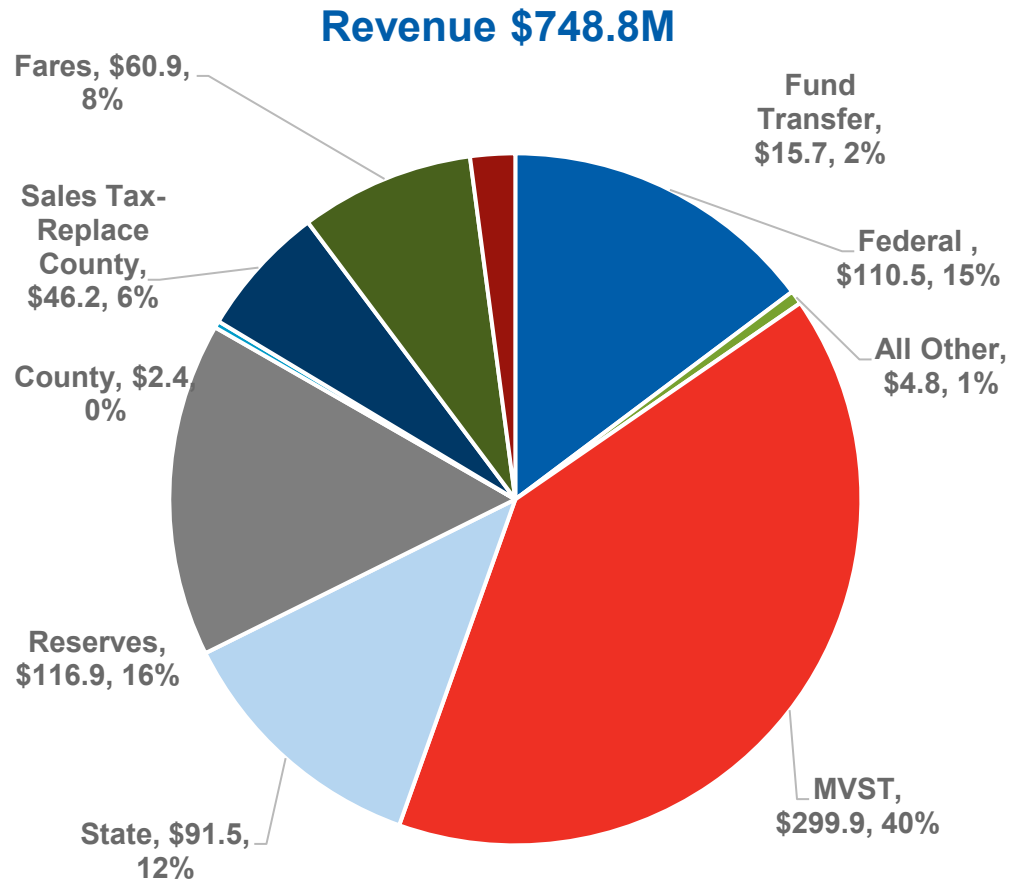
Transportation Division

Primary Expense Assumptions

- Service levels
 - Bus (MT & Contracted)
 - Light Rail
 - Commuter Rail
 - Metro Mobility
 - Transit Link
 - Vanpool
 - MicroTransit
- Existing contracts
 - salaries and benefits
 - contracted transit services
 - fuel forwarding (for MT)
- Parts and supplies based on service plan
- Transit Safety Initiatives
- Regional Allocations



Proposed 2024 Transportation Budget – To be Updated with Sales Tax Revenue)



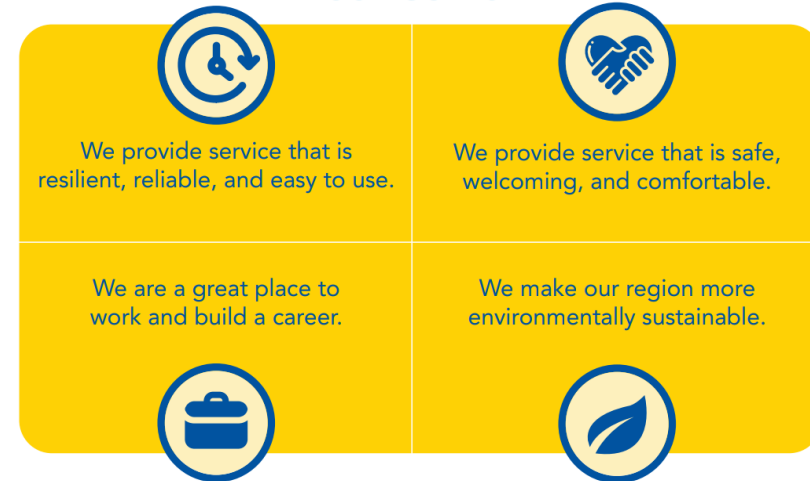


Our mission is to deliver environmentally sustainable transportation choices that link people, jobs, and community conveniently, consistently, and safely.

Advancing *Stronger, Better* 2023 Strategic Operations Plan

- Focuses on efforts that will help us emerge from the challenges of recent years as a stronger transit system
- Includes Network Now, Safety & Security Action Plan, and other initiatives
- Aligns with *Thrive MSP 2040* and Council's Strategic Plan

OUR GOALS



CORE ELEMENTS



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
Total	\$ 600,159,944	\$ 411,438,402	3,279.18

Bus Highlights

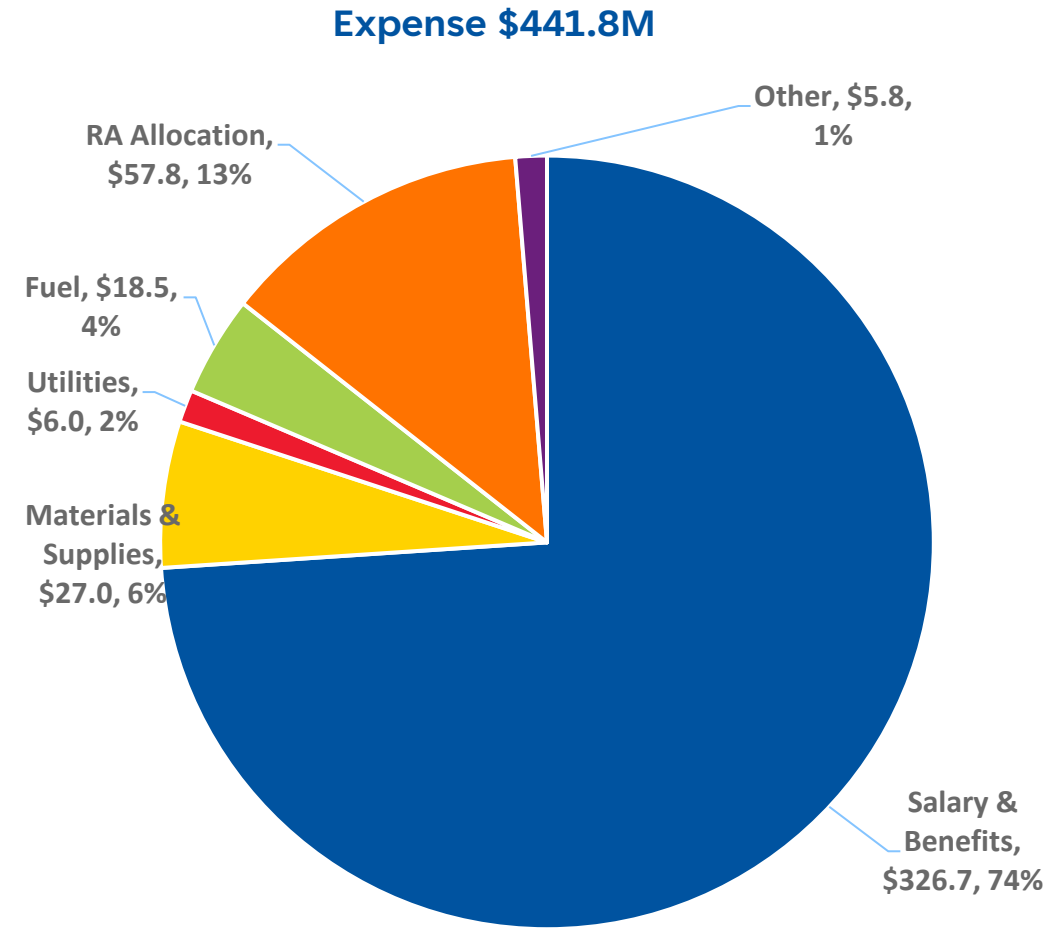
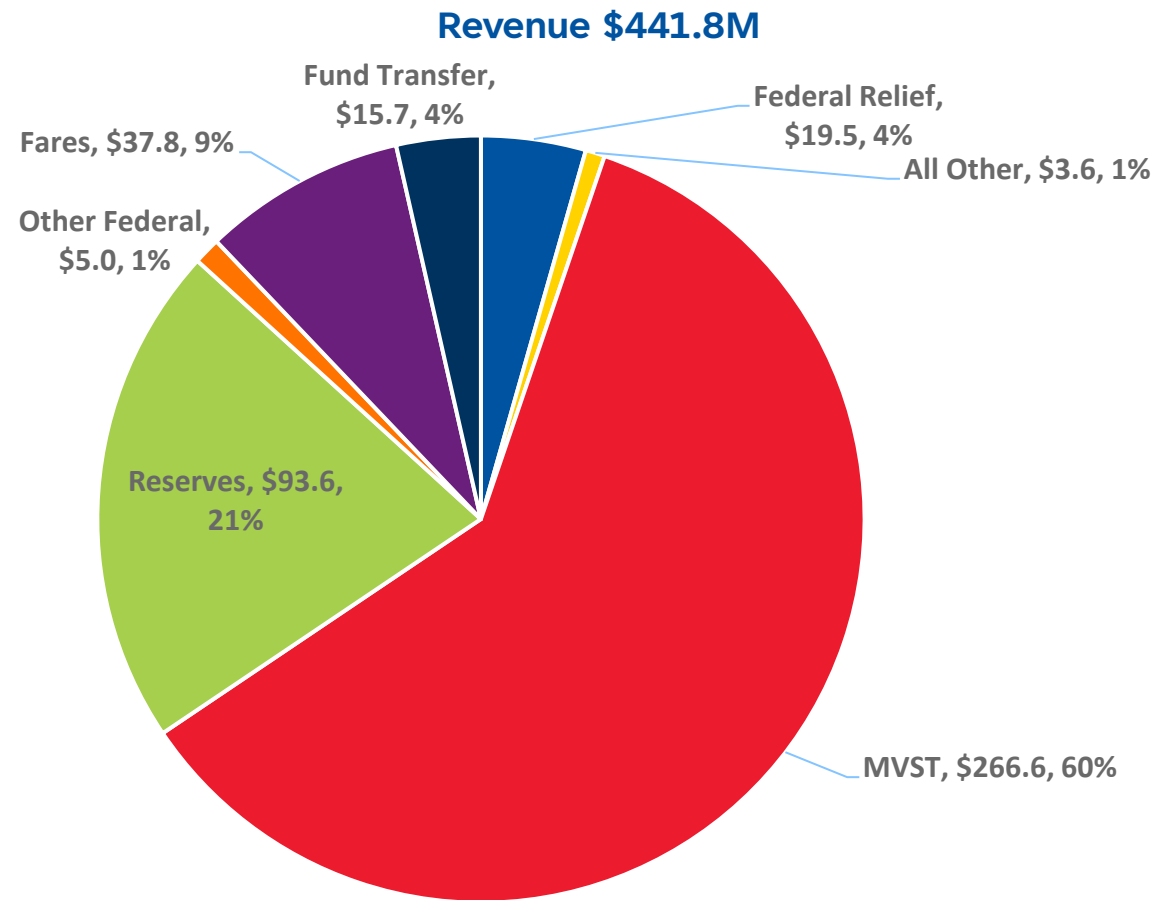
2024 Preliminary Operating Budget

- Bus service level target at nearly 88% of pre-covid levels in preliminary 2024 (dependent on hiring)
- Robust efforts to hire and retain operators and other frontline workers to continue ability to increase service levels; will be shaped by Network Now project
- Continuous evaluation and review of budget assumptions and ridership/travel demand, including annual Service Equity Evaluation
- Investments in safety and customer experience



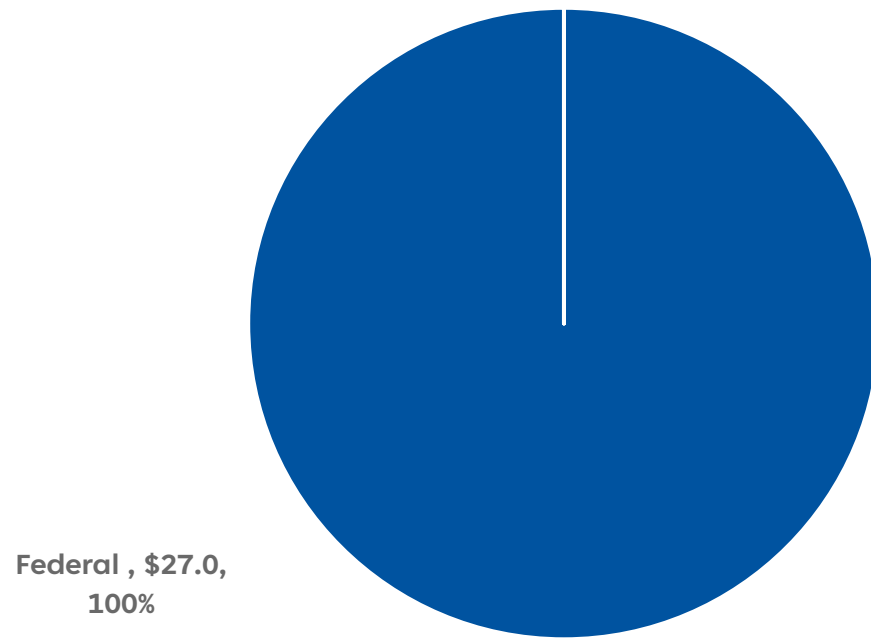
Metro Transit Bus 2024 Operating Revenue & Expense

(To Be Updated with Sales Tax Revenue)

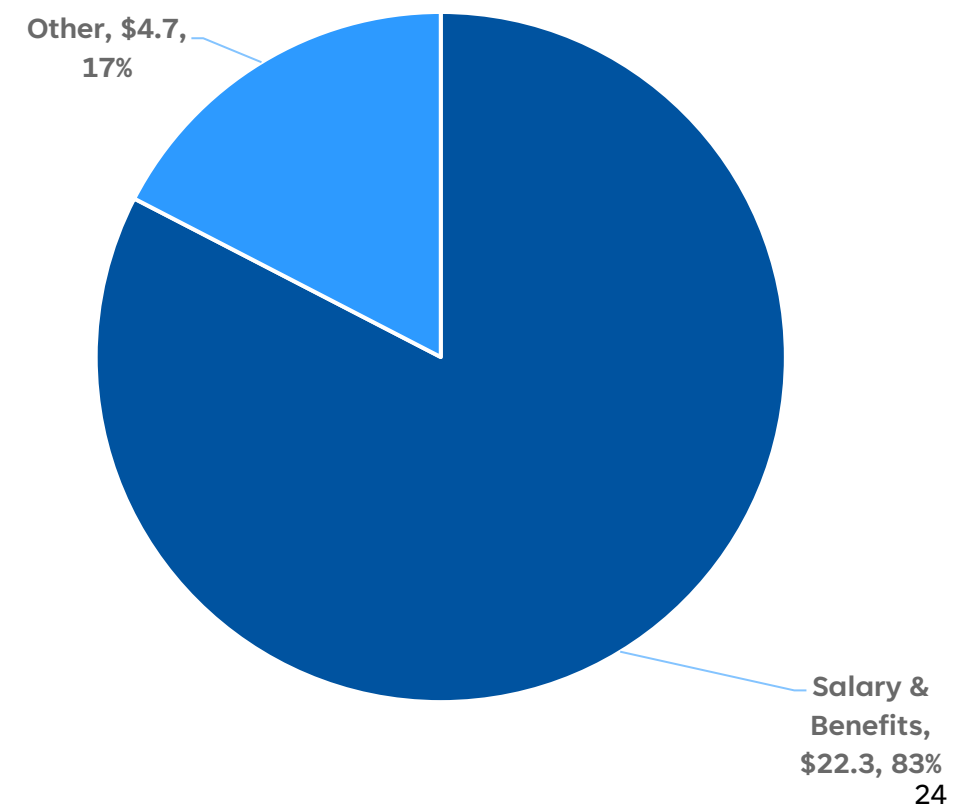


Metro Transit Bus 2024 Proposed Capital Operating Revenue & Expense

Revenue \$27.0M



Expense \$27.0M



Metro Transit Bus Preliminary Budget increasing 7.6% over 2023

- \$441.8M compared to \$410.3 in 2023, increase 31.5M or 7.6%
- Above 3.15% Base Inflation Adjustments = \$18.2M
 - \$2.6M Preliminary rates from HR
 - \$4.7M Base Service Increase from 80% to 82.5%
 - \$3.5M fuel increase (+27%, \$2.44 to \$3.11/gal)
 - \$4.0M Parts rate per mile increase based on actual 2022 at 35% increase
 - (\$0.5M) A-87 Federal Rate Adjustment
 - \$3.7M RA Allocation increase of 10.3%
 - \$0.6M Net Non-Operational FTE Increase of 3 FTE's (5 new and 2 transfer to LRT)
 - \$18.6M Total Explained



Light Rail Highlights

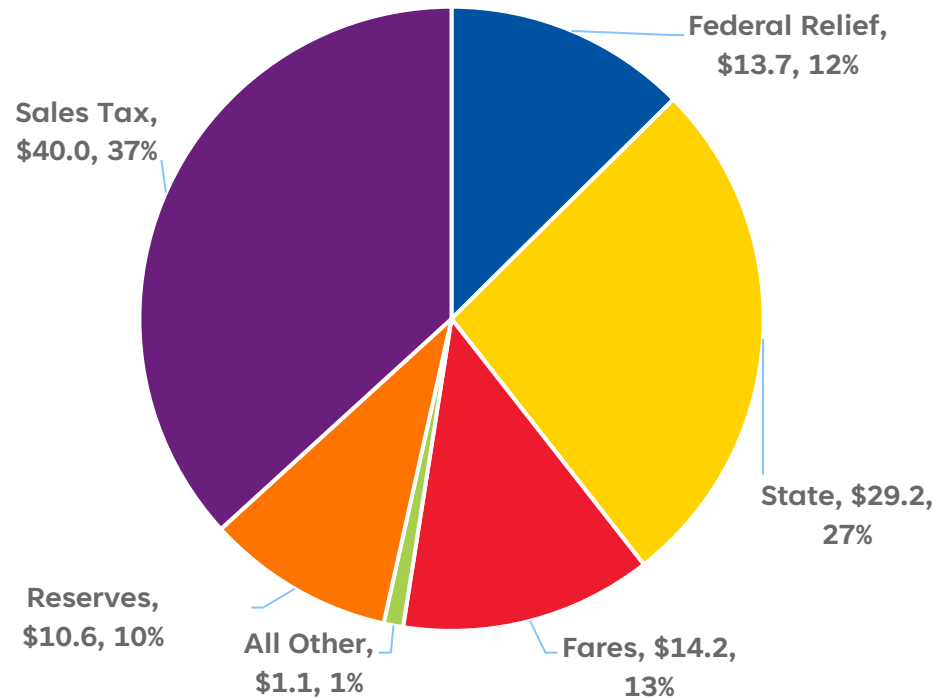
2024 Preliminary Operating Budget



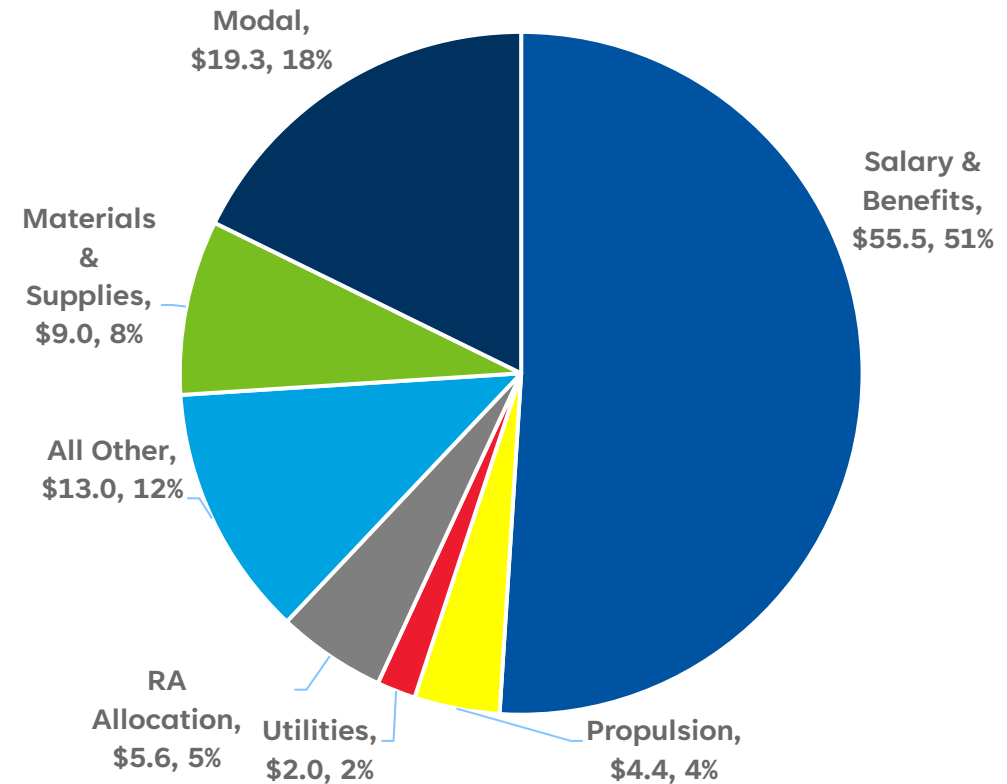
- Planned return to 10-minute frequency from current 15-minute frequency (dependent on hiring)
- Increase in Repair Parts and Utilities due to increased inflation
- Increased costs for LRT Structure Maintenance to maintain the assets into a State of Good Repair
- Removed County funding for METRO Blue and Green Lines; replaced by new Metropolitan Transportation Sales Tax

METRO Light Rail 2024 Operating Revenue & Expense

Revenue \$108.8M



Expense \$108.8M



Commuter Rail Highlights

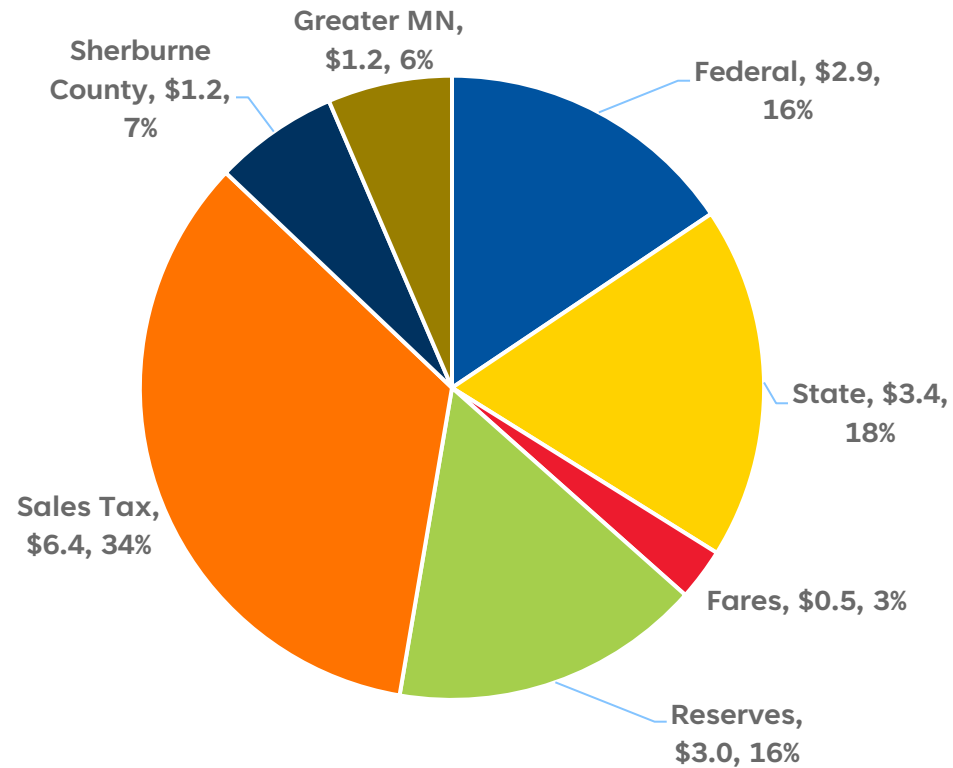
Operating Budget Highlights



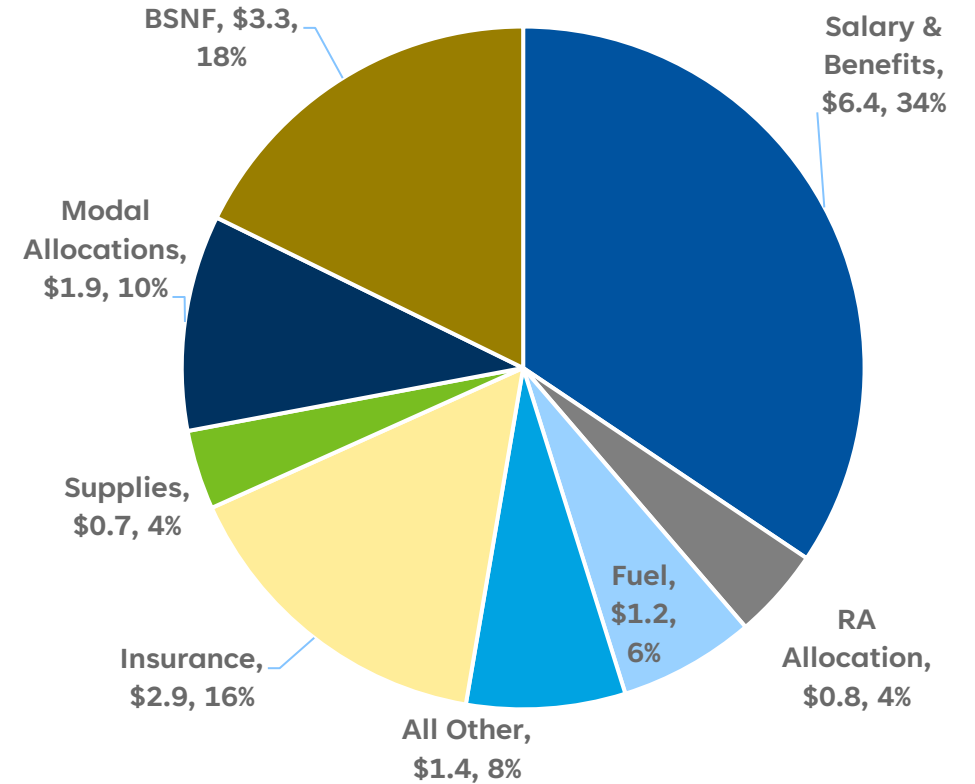
- Planned levels of 8 trips per weekday and special event service
- Continuous evaluation of service needs and ridership demand
- Increase in Repair Parts and Utilities due to increased inflation
- Increased Costs for Northstar Structure Maintenance to maintain the assets into a State of Good Repair
- Removed Hennepin and Anoka County funding; replaced by new Metropolitan Transportation Sales Tax

Northstar Commuter Rail 2024 Operating Revenue & Expense

Revenue \$18.6M



Expense \$18.6M



Rail

Preliminary 2024 Budget \$127.4M

Light Rail

- 6.4% increase
- \$108.8M compared to \$102.1M in 2023
- \$3.3M or 3.2% above 3.15% base inflation
 - \$1.2M Wage Increase
 - \$3.6M Service Increase to 10-minute Frequency
 - \$0.3M FTE Increase-2 technicians from bus
 - (\$1.2M) COVID Maint Adjustment
 - (\$0.5M) RA Allocation and Parts Adjustment
 - \$3.4M Total Explained

Northstar

- 4.4% increase
- \$18.6M compared to \$17.8M in 2023
- \$0.2M or 1.22% Above 3.15% base inflation:
 - \$0.1M Wage Increases
 - \$0.2M Fuel
 - (\$0.1M) RA Allocation and COVID Maint Adj
 - \$0.2M Total Explained

Metropolitan Transportation Services



Contracted Services Highlights



Operating Budget Highlights

- Bus service levels 100%
- Metro Mobility service levels 100%
- Continued COVID impacts on operations
- Higher transit provider contract rates in preliminary 2024 budget offset by lower budgeted general expenses, premium on-demand service costs, fuel costs and vehicle revenue hours.
- Continuous evaluation and review of assumptions and ridership / travel demand.
- Metro Mobility transition to state forecasted program
- Zero Emission Fleet Plan

Contracted Services Preliminary Budget \$141.8M

Metro Mobility

- 3% increase
- \$105.3M compared to \$102.6M in 2023
- Assumes gas at \$3.46/gallon

Bus / Vanpool

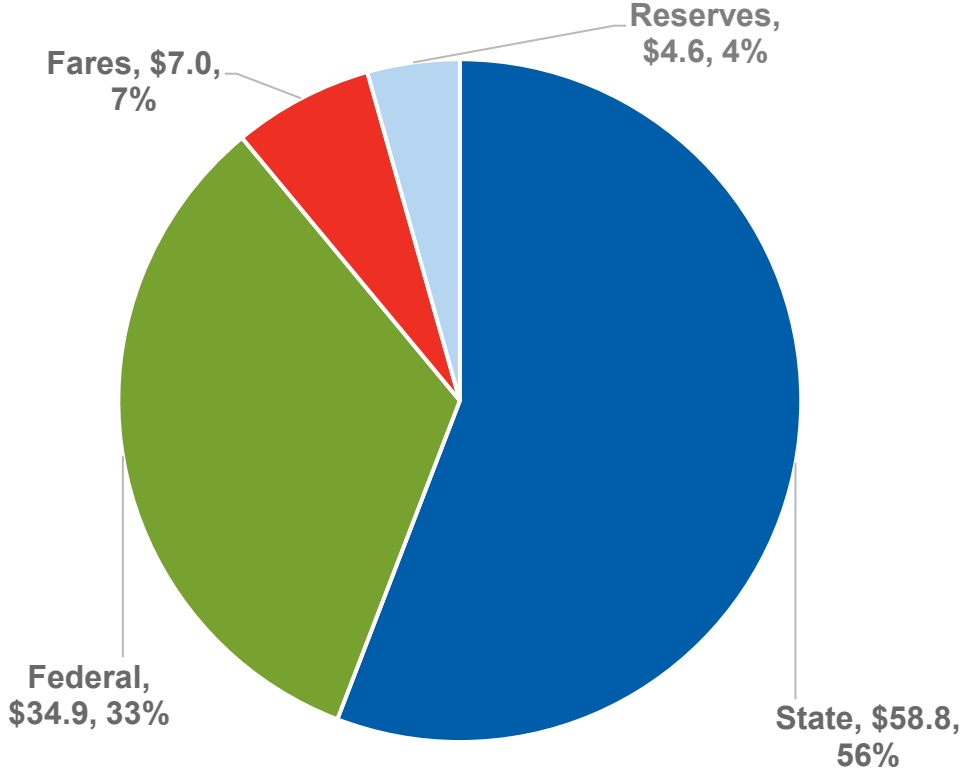
- 10% increase
- \$24.7M compared to \$22.4M in 2023
- Assumes diesel at \$3.64/gallon
- Assumes gas at \$3.46/gallon

Transit Link

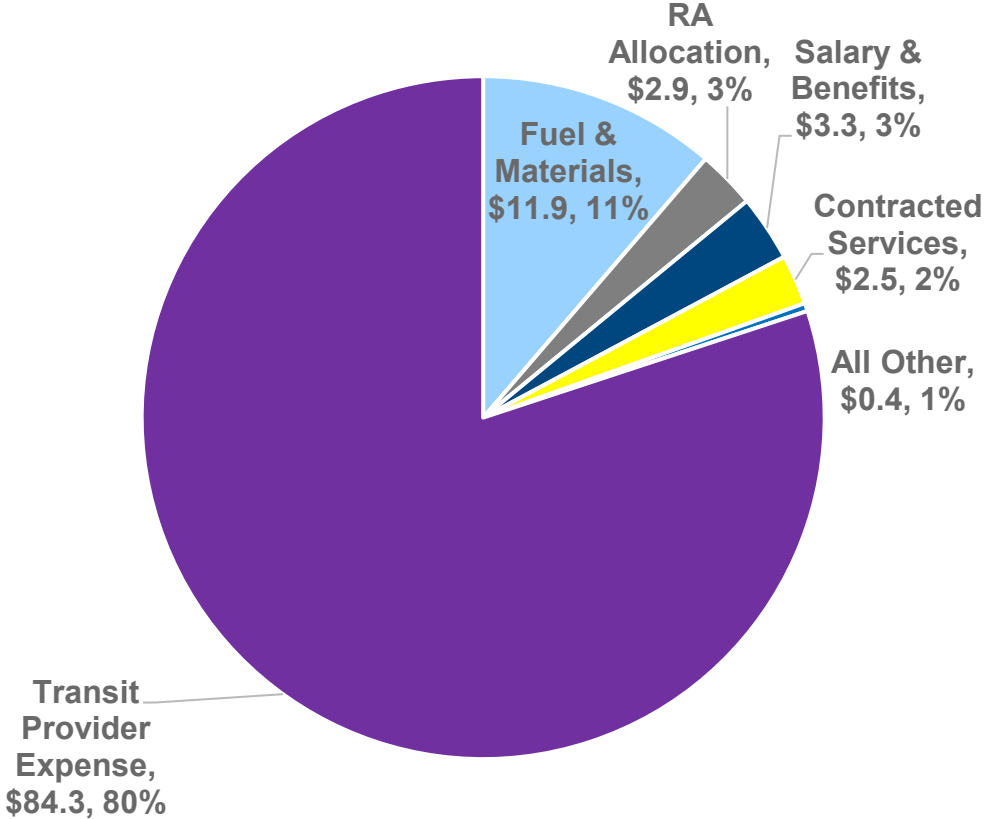
- 15% increase
- \$11.8M compared to \$10.3M in 2023
- Assumes gas at \$3.46/gallon

Metro Mobility 2024 Operating Revenue & Expense

Revenue \$105.3M

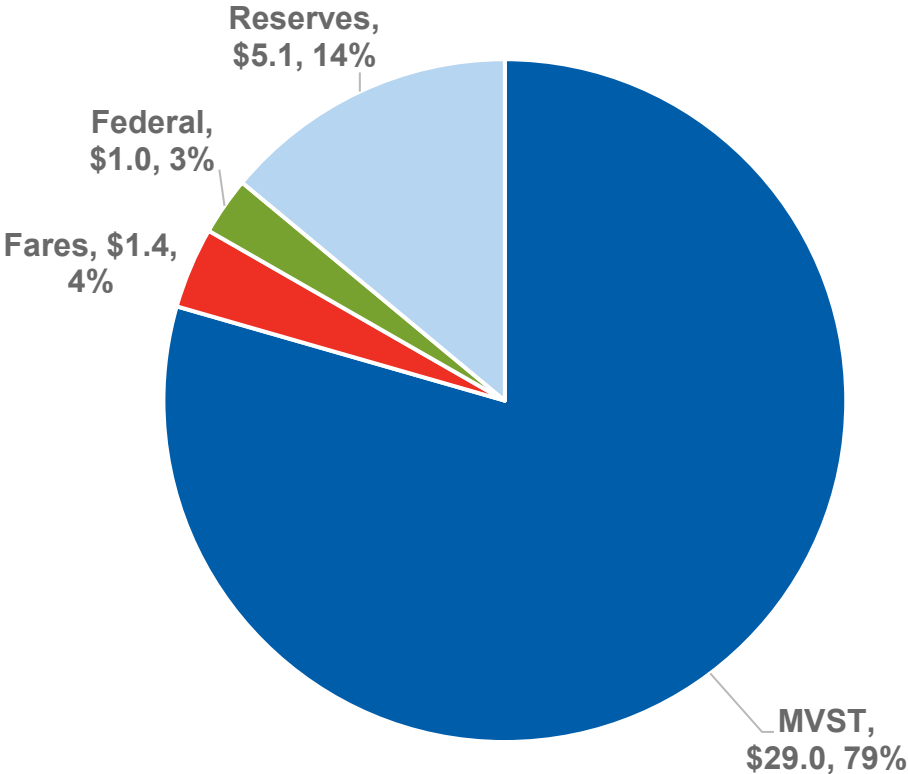


Expense \$105.3M

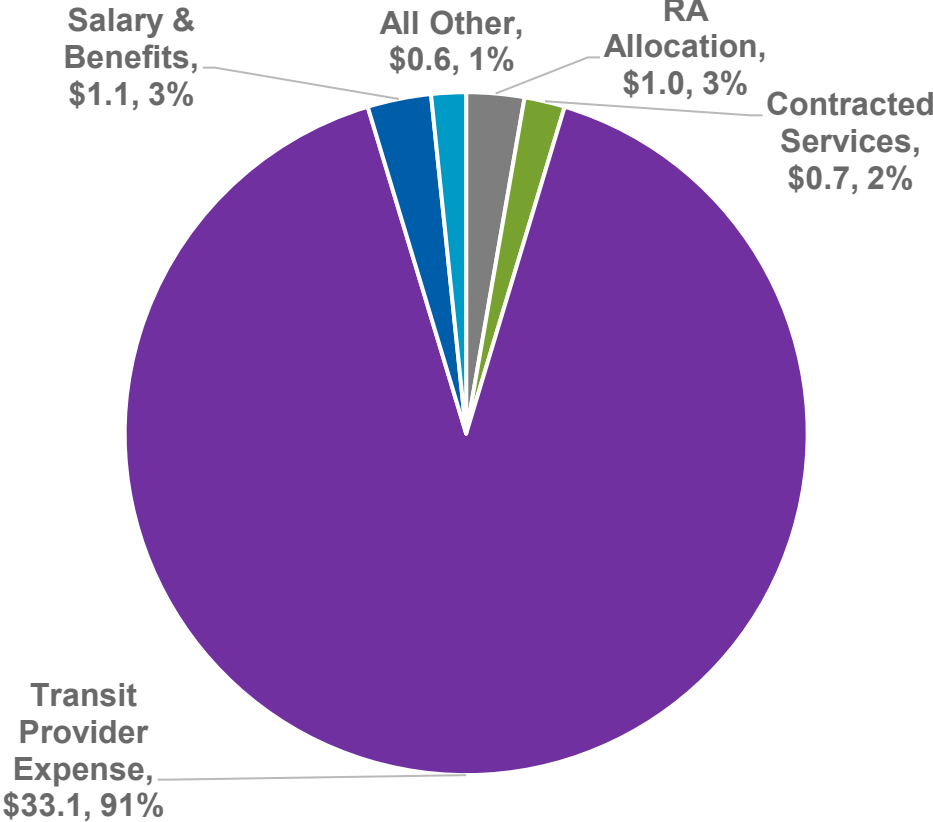


Contracted Bus / Transit Link / Vanpool 2024 Operating Revenue & Expense

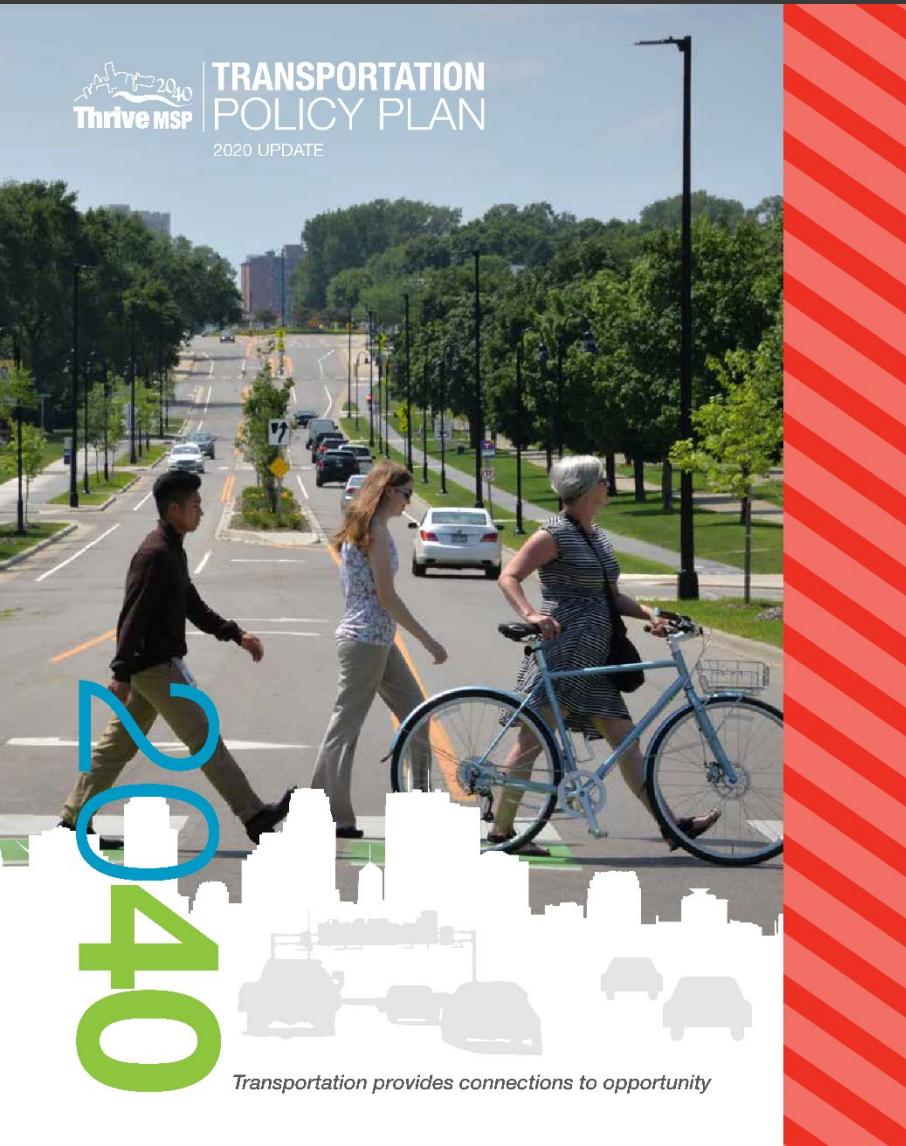
Revenue \$36.5M



Expense \$36.5M



Planning Highlights



Operating Budget Highlights

- 2050 Development Guide and 2050 Transportation Policy Plan updates are focus of planning work
- Beginning Regional Solicitation Evaluation to prepare for 2026 Solicitation
- New & Continued planning studies:
 - Regional Safety Action Plan
 - Equity Evaluation of Transportation Investment
 - EV Public Charging Needs Analysis
 - Metropolitan Highway System Harms, Impacts, and Mitigation Priorities Study
 - Microtransit Policy Framework
 - Other ongoing studies

Planning and Passthrough Preliminary Budget \$55.9M

Planning

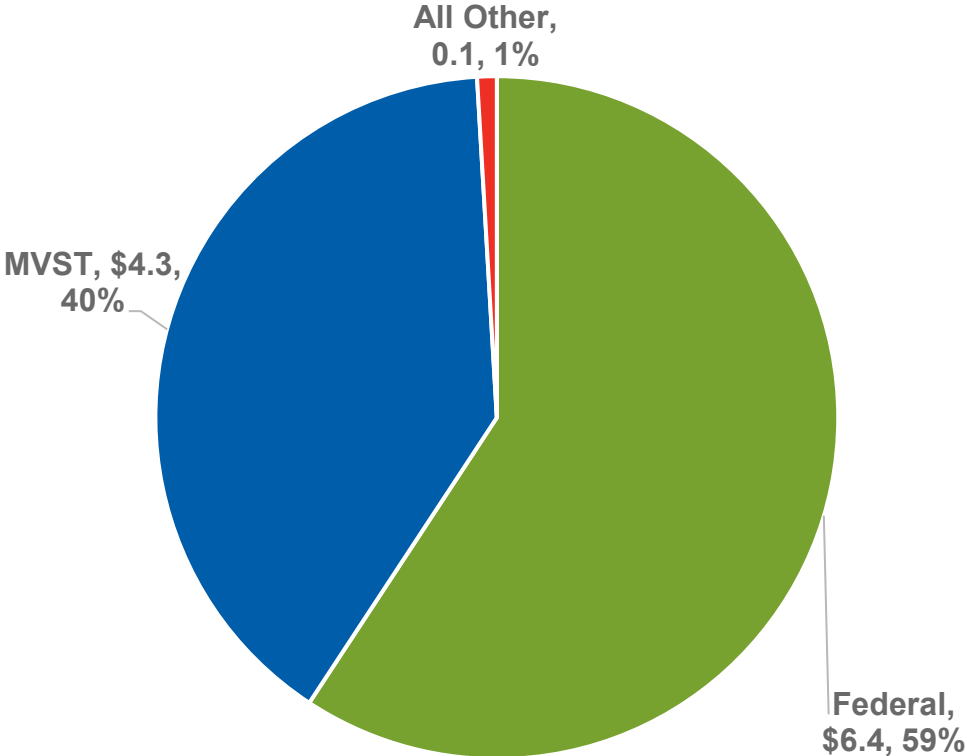
- 1% decrease
- \$10.8M compared to \$10.9M in 2023
- \$6.0M in federal Consolidated Planning Grant (CPG) funding

Passthrough

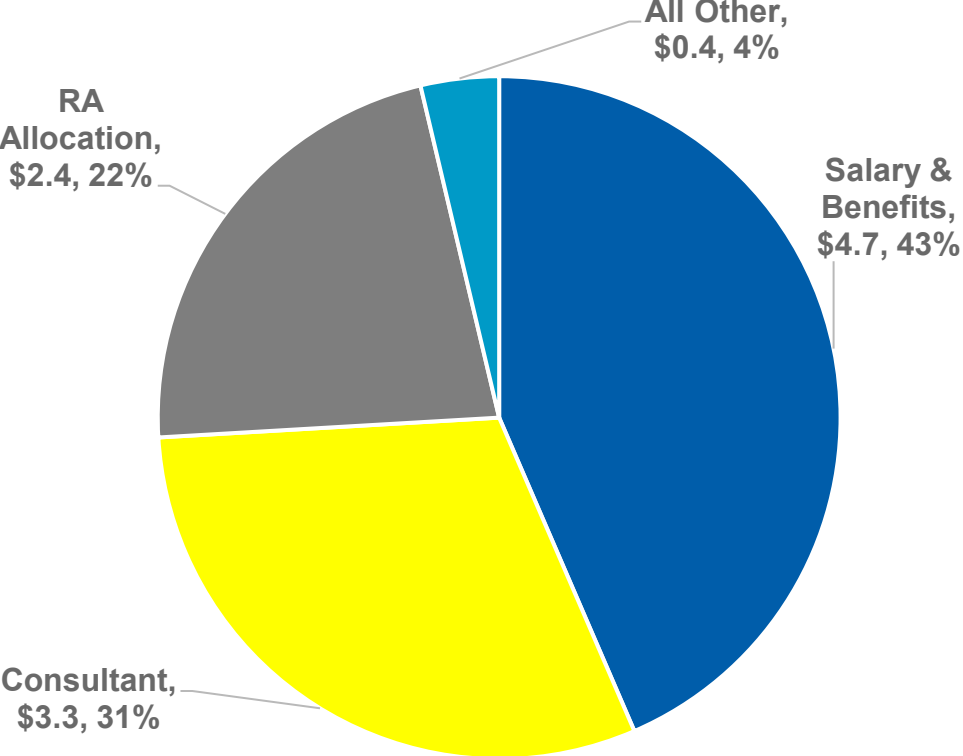
- 3% decrease
- \$45.1M compared to \$46.6M in 2023
- \$2.2M in federal operating grants
 - 2023 budget includes federally supported projects now expected to begin in 2025
 - This schedule change yields a small decrease in passthrough funds in 2024
- \$42.9M state operating dollars allocated to Suburban Opt Out Providers through State Transit Funding Allocation Policy

Planning 2024 Operating Revenue & Expense

Revenue \$10.8M



Expense \$10.8M



2024 Preliminary Operating Budget

Thank You

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