

04 - 0190

# **Metropolitan Agencies 2002 Consolidated Financial Report**

Report to the  
Minnesota Legislature

Metropolitan Airports Commission  
Metropolitan Council  
Metropolitan Parks and Open Space Commission  
Metropolitan Sports Facilities Commission

April, 2003

Metropolitan Council  
Mears Park Centre, 230 East Fifth Street  
St. Paul, Minnesota 55101  
Tel. 651-602-1000 TTY 651-291-0904  
Publication No. 21-03-011

Upon request, this publication will be made available in alternative formats to people with disabilities. Please call the Metropolitan Council Data Center at 651-602-1140 or TTY at 651-291-0904.

This publication was printed on recycled paper containing at least 10 percent post-consumer waste.

# CONTENTS

Executive Summary .....	1
Purpose and Scope of 2002 Report .....	3
Agency Descriptions and Relationships .....	5
Key Issues with Fiscal Implications .....	9
Consolidated Financial Information and Fiscal Trends	
Background .....	15
Current Revenues .....	17
Current Expenditures .....	25
Capital Outlays .....	33
Capital Facilities (Fixed Assets) .....	33
Capital Spending and Financing .....	37
Long-Term Debt Issuance and Outstanding Debt .....	45

**RECEIVED**

FEB 18 2004

LEGISLATIVE REFERENCE LIBRARY  
STATE OFFICE BUILDING  
ST. PAUL, MN 55155

## TABLES

Table 1: Current Revenues .....	23-24
Table 2: Current Expenditures/Expenses .....	31
Table 3: Capital Facilities and Accumulated Depreciation .....	33
Table 4: Capital Project Funding .....	43-44
Table 5: Debt Issuance, Debt Retirement and Outstanding Debt .....	48-49

## FIGURES

### Current Revenues

Figure 1: 2002 Current Revenues by Category .....	18
Figure 2: 2000-2005 Current Revenues by Category .....	19
Figure 3: 2000-2005 User Charge Revenues by Function .....	20
Figure 4: 2000-2005 Property Tax Revenues by Function .....	21
Figure 5: 2000-2005 State Appropriations by Function .....	22

### Current Expenditures/Expenses

Figure 6: 2002 Current Expenses by Category .....	26
Figure 7: 2000-2005 Current Expenses by Category .....	27
Figure 8: 2000-2005 Current Expenses by Function .....	28
Figure 9: 2000-2005 Operations Expenses by Function .....	29
Figure 10: 2000-2005 Debt Service Expenses by Function .....	30

### Capital Outlays

Figure 11: 2002 Capital Facilities .....	34
Figure 12: 2000-2005 Capital Assets by Function .....	35
Figure 13: 2000-2005 Capital Outlays by Function .....	39
Figure 14: 2000-2005 Capital Financing by Source .....	40
Figure 15: 2000-2005 Annual Capital Outlays by Function .....	41
Figure 16: 2000-2005 Annual Capital Financing by Source .....	42
Figure 17: 2000-2005 Long Term Debt Issuance by Function .....	46
Figure 18: 2000-2005 Net Outstanding Debt by Function .....	47

## EXECUTIVE SUMMARY

The 2002 Metropolitan Agencies Consolidated Financial Report provides a consolidated picture of the financial activities of metropolitan agencies and shows trends in major revenue, expenditure and debt categories of the agencies.

Regional services provided by the metropolitan agencies and their associated finances are one component of the public services provided by local governments in the seven-county metropolitan area. The financial activities of the metropolitan agencies are significant and each agency makes service and financing policy decisions that have fiscal impacts for residents of the region. In 2003, metropolitan agencies will spend approximately \$775 million to operate regional services, make annual debt service payments on regional debt and administer federal, state and regional grants to other entities and individuals. The agencies will also invest \$903 million in 2003 and \$4.5 billion over the six year period in regional capital facilities and equipment. A significant portion of the capital facilities will be funded from external funding sources, such as federal and state capital grants. The portion of these capital outlays financed with regional debt will increase future debt service payments for the metropolitan agencies.

The *Metropolitan Agencies Consolidated Financial Report* reflects the implementation of regional plans in a number of areas:

The Metropolitan Airports Commission is implementing its 2010 Plan for airport development including significant expansion of airport facilities at Minneapolis-St. Paul International Airport to meet aviation needs of the region and state. These airport capital investments will increase debt issuance of the MAC and increase airport user fees. The Airports Commission is currently in the process of deferring a significant portion of its 2003 Capital Improvement Program due to the current slowdown in air travel. **The deferral of projects is not reflected in this report.**

The Metropolitan Sports Facilities Commission retired its revenue bonds in 1998 and continues to operate and make improvements to the Hubert H. Humphrey Metrodome.

The Metropolitan Council is proposing to maintain transit service in the region to meet existing transit needs. The Council will continue to rely on regional property tax revenues, state appropriations, federal grants and passenger fares to fund a base level of transit service. To balance its budget within available resources, the Council is proposing service reductions and fare increases in the 2003-2005 period.

The Metropolitan Council is implementing plans to make its wastewater services more competitive compared to other wastewater agencies nationally. Environmental Services is very cost-effective compared to similar agencies.

This page left blank intentionally

## PURPOSE AND SCOPE OF 2002 REPORT

The Metropolitan Council has been given responsibility by the Minnesota Legislature for preparing biennial reports that summarize key financial information about the metropolitan agencies. Minnesota Statutes 473.1623 requires that the Metropolitan Council publish a consolidated metropolitan agency financial report covering the Metropolitan Council, Metropolitan Airports Commission and Metropolitan Sports Facilities Commission. The report also covers regional recreation open space activities of the Council and the Metropolitan Parks and Open Space Commission. The Council is required to prepare the report by December 15 of even-numbered years.

In this year's report, financial information is presented to allow comparisons of key revenues, expenditure and debt categories over time and among agencies and functions. This report covers the period from 2000 to 2005, requiring the agencies and operating divisions of the Council to forecast financial activity beyond the 2002 budget year.

The intent of this report is to provide a consolidated picture of the financial activities of the metropolitan agencies that is useful for public policy-making. The emphasis of the report is on major trends in revenues, expenditures and debt by major functional area and on major changes in financial resource requirements. Although four metropolitan agencies were merged in 1994, financial activities for wastewater services and transit services continue to be reported separately so policy makers can see financial activities and trends for the major regional service functions provided by the Metropolitan Council.

This consolidated financial report provides a basis for making general conclusions about the agencies and their financial operations. At the same time, consolidation of financial information into broad revenue and expenditures obscures important program and financial information about individual agencies. Users of this report should also use agency budget documents and annual financial reports to obtain a more detailed and complete financial picture for each agency and function.

This report has two major sections. The first section includes descriptions of each agency and the relationships among the agencies and summarizes key fiscal issues. The second section provides summarized information on agency finances. The financial information was provided by each of the metropolitan agencies based on annual financial reports for 2000 and 2001, adopted 2002 and 2003 budgets and forecasts for 2004 and 2005. The adopted 2003 Metropolitan Council budget for Transit Services has been modified to reflect state funding levels proposed in the Governor's state budget submission. This report should not be used as a substitute for the financial reports and budgets of the individual agencies. These reports provide supplemental information and notes that provide a more detailed and complete picture of the financial operations of each agency.

This page left blank intentionally



# **AGENCY DESCRIPTIONS AND RELATIONSHIPS**

This section of the report provides brief descriptions of the metropolitan agencies and described how the agencies interact with one another in carrying out their roles and responsibilities in providing regional services.

## **AGENCY DESCRIPTIONS**

### **METROPOLITAN COUNCIL**

The Metropolitan Council was established by the Minnesota Legislature in 1967 to plan and coordinate the orderly and economic development of the seven-county Metropolitan Area. The Council's area of jurisdiction includes the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington. There are 188 municipalities and townships within these counties.

The Metropolitan Council has seventeen members appointed by the governor. Sixteen members are appointed to represent geographic districts of equal population and serve at the governor's pleasure. Members must live in the district they represent. The Council Chair, the 17<sup>th</sup> member, is appointed at-large by the governor and also serves at the governor's pleasure.

Legislation passed in 1994 reorganized metropolitan government in the Twin Cities metropolitan area. Responsibilities of three regional agencies were transferred and merged into the Metropolitan Council. The law abolished the boards of the Metropolitan Waste Control Commission, Metropolitan Transit Commission and Regional Transit Board. The merger of the four agencies broadened the fundamental mission of the Council.

From its creation in 1967 through mid-1994, the Council was a regional planning and coordinating agency with oversight responsibilities over the other agencies. Under the new organization, the Council continues its long-range planning and coordination role but also integrates shorter-term service planning functions and directly operates the regional wastewater collection and treatment system and the largest public transit system in the region.

The legislation passed in 1994 did not alter existing statutory relationships between the Council and the three metropolitan commissions with responsibilities for airports, sports facilities and parks and open space.

## **METROPOLITAN AIRPORTS COMMISSION**

The Metropolitan Airports Commission was created by an act of the Minnesota Legislature in 1943 as a public corporation. Its purpose was to promote air navigation and transportation (international, national and local) in and through the State of Minnesota, promote the efficient, safe and economical handling of air commerce, assure the inclusion of the state in national and international programs for air transportation, and to those ends develop the full potentialities of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies and minimize the public's exposure to noise and safety hazards around airports. The Commission owns and operates seven airports: the Minneapolis-St. Paul International Airport, the primary air carrier facility, and the St. Paul Downtown, Flying Cloud, Crystal, Anoka County/Blaine, Lake Elmo and Airlake airports which are reliever airports serving general aviation.

The Commission consists of thirteen commissioners appointed by the governor, plus the mayors of Minneapolis and St. Paul. The mayors of Minneapolis and St. Paul have the option to appoint a surrogate to serve in their place. The Airport Commission's jurisdiction encompasses the seven-county Metropolitan Area, as well as 35 miles in all directions from the Minneapolis and St. Paul city halls.

## **METROPOLITAN SPORTS FACILITIES COMMISSION**

The Metropolitan Sports Facilities Commission was established by the Minnesota Legislature in 1977 and is responsible for operating the Hubert H. Humphrey Metrodome in Minneapolis.

The Commission consists of six members appointed by the Minneapolis City Council and a chair appointed by the governor. The members serve four year terms.

## **METROPOLITAN PARKS AND OPEN SPACE COMMISSION**

The Metropolitan Parks and Open Space Commission was established in 1974 to assist the Council in setting policies and plans for the regional park system. The Commission advises the Council in developing a recreation open space plan and a capital improvement program for regional parks.

The Commission consists of eight members appointed by the Metropolitan Council to represent districts, plus a chair serving at-large. The members serve four year terms.

## **RELATIONSHIPS AMONG THE AGENCIES**

### **AIRPORTS**

Both the Metropolitan Council and the Metropolitan Airports Commission (MAC) play roles in providing air transportation in the Metropolitan Area.

The MAC owns and operates seven airports in the Twin Cities Area. The largest one, Minneapolis-St. Paul International Airport (MSP) benefits the region and state by providing access to the national and international marketplace. Besides promoting air access, the MAC works with the federal, state and local governments to minimize environmental effects of air transportation. It also manages the operations of all commercial activities, parking and building rentals at its airports and is responsible for facility planning, engineering and project implementation.

The Metropolitan Council's involvement in aviation planning includes reviewing and approving certain large-scale capital improvements (those of more than \$2 million at reliever airports and more than \$5 million as MSP) proposed by the MAC. The Council is also involved with MAC activities through its review of environmentally sensitive projects and its efforts to promote land-use compatibility around MAC airports. The Council approves the Commission's long-term comprehensive plans for airports, upon which capital improvements and other MAC operating actions are based, in the context of the Council's Regional Aviation Systems Plan.

The MAC is represented on the Aviation Committee of the Council's Technical Advisory Committee and the Council designates one of its members to act as a formal liaison to the MAC.

### **SPORTS FACILITIES**

The major responsibility of the Metropolitan Sports Facilities Commission (MSFC) is the operation of the Hubert H. Humphrey Metrodome. The MSFC may exercise all powers necessary to carry out the duties required by law, but is not limited to the powers specifically authorized in the enabling legislation. As part of its operations, the MSFC enters into contracts and lease agreements for management of Metrodome concessions, collection of parking receipts and the use of the Metrodome.

The Metropolitan Council has the authority to review and approve the MSFC's operating and capital budgets. The Council is responsible for issuing any bonds on behalf of the MSFC for acquisition or improvement of its sports facilities. The Council issued bonds in 1979 for the construction of the Metrodome and issued refunding bonds in 1992. In 1998, the MSFC retired the remaining outstanding bonds using proceeds from the sale the Met Center site in Bloomington.

## **PARKS AND OPEN SPACE**

The Metropolitan Parks and Open Space Commission (MPOSC) was created to advise the Council on its mandated park activities, including preparation of a policy plan for regional recreation open space and implementation of a capital grants program for acquisition and development of regional parks. Although the MPOSC is considered to be one of the metropolitan agencies and the capital financing activities are reported separately in this report, the Commission has no staff and no taxing or bonding authority. The Council budget includes a parks and open space program funded by the Council's general property tax levy and the Council is the agent for system planning and grants administration. The Council first issued bonds for parks and open space in 1974.

The regional system has been set up as a partnership between the Council, the MPOSC and ten implementing agencies that own and operate the regional parks. These ten units of government are the only entities eligible for park grants from the Council. Implementing agencies prepare master plans for each park, park reserve and trail unit that are reviewed by the Council and MPOSC for consistency with the Council's policy plan. Capital projects that are consistent with the master plans are included in the capital improvement program and prioritized for implementation.

# KEY ISSUES WITH FISCAL IMPLICATIONS

## AIRPORTS

Operating revenues for the MAC come entirely from user fees for various services and facilities provided at all MAC airports. While the MAC has the power to levy property taxes to support its operations, it has operated since the late 1960s without general tax support. Operating revenue sources include airline rates and charges from landing and ramp fees, terminal space rentals and noise surcharges, concession revenues for food and beverage sales, merchandise sales, auto parking, etc., and other rental and utility charges. Certain major investments in facilities at MSP are financed with revenue from lease agreements with tenants.

The philosophy of the MAC is that it should operate as a business. One of the guiding principles of the MAC is to generate enough revenue from operations to support the entire airport system without requiring the use of general taxes, including the property tax. To do this, tenant rates and charges are established at a level necessary to cover operating and debt service costs. Operating funds remaining at the end of the year are transferred to the construction fund to pay for capital projects. Other guidelines include keeping airline rates and charges reasonable compared to other major airports and retaining the agency's AAA bond rating.

The MAC has issued three forms of indebtedness – airport improvement bonds, general airport revenue bonds and general obligation revenue bonds. From 1943 to 1975, the MAC issued airport improvement bonds to provide funds for its capital improvement program. Since 1976, the MAC has issued general obligation revenue bonds backed by its revenues and the authority to levy any required taxes on the assessed valuation of the seven-county Metropolitan Area. By October 10 of each year the MAC is required to have in its debt service account any amount equal to all principal and interest payments due to the end of the second following year. Authority for issuing general obligation revenue bonds is obtained from the Minnesota Legislature.

In 1996, the MAC was granted authority to issue general airport revenue bonds, special facility bonds and passenger facility charge bonds without limit. No general obligation security is available, but under certain conditions the pledge of revenue can be on a parity with the general obligation bonds. Standard & Poor's Ratings Group and Fitch IBCA Inc. have assigned ratings of AAA to the MAC's general airport revenue bonds based upon the policy issued by a bond insurer. Standard & Poor's Ratings Group and Fitch IBCA Inc. have assigned ratings of AA- to the MAC's general airport revenue bonds without taking into account the policy issued by the insurance.

Capital funding required for completion of all capital projects come from five sources – general obligation revenue bonds, airport revenue bonds, state and federal grants, funds generated from operations and passenger facility charges. The MAC seeks to optimize the use of federal and state grants, passenger facility charges and funds generated from operations so that it can limit debt service costs. Passenger facility charges are fees

imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport capital projects that increase capacity, improve safety or mitigate noise impacts.

In order to modernize the airport system, the Minnesota Legislature directed the Commission to develop and implement a long-term capital improvement program. In response to this directive, the MAC has developed a 2010 Plan. The principal features of the 2010 Plan are:

- Airfield projects including construction of a new 8,000 foot north/south runway at MSP, construction of holding/deicing pads, continuation of the noise mitigation program, development of runway 4/22, taxiway construction and other projects.
- Terminal and concourse improvements including expansion of the Green Concourse, upgrades to the other concourses, rehabilitation of the Lindbergh Terminal, expansion of international arrival facilities, concession area development and other projects.
- Landside projects including the construction of a new auto rental and public parking facility, commercial vehicle passenger shelter and roadway and other projects.
- Construction of a new Hubert H. Humphrey (HHH) terminal.
- Construction of a light rail tunnel and associated stations at the Lindbergh and HHH terminals.
- Other projects including the construction of additional air cargo facilities and the capability for additional maintenance facilities on the south and west sides of the airport.
- Reliever airport projects including land acquisition for runway protection, rehabilitation of airfield pavements, construction of areas for new hangers, airfield development, extension of sewer and water utilities and other projects.

Implementation of the 2010 Plan will significantly increase outstanding debt, even with the agency optimizing federal and state grants, passenger facility charges and net income from operations. The additional debt issuance, primarily general airport revenue bonds, will increase the agency's annual debt service payments. The MAC will fund the additional debt service resulting from implementation of the plan with airline charges and concession revenues.

## **TRANSIT**

Operating revenues for transit come from four major sources – state motor vehicle excise taxes, state general fund transit assistance, passenger fares and federal transit operating assistance. The Metropolitan Council is authorized by statute to levy property taxes within transit taxing district (the urbanized portion of the region) to provide for the payment of debt service on transit bonds issued by the Council.

The Council receives a biennial appropriation from the State of Minnesota to fund transit services in the region. State funding may be used for transit operations, transit planning/service design and administration. Passenger fares are collected by all service providers

in the regional transit system. To help achieve equity in the fare structure, higher fares are charged for peak period and express service.

Capital funding for transit comes primarily from two sources – federal/state capital grants and regional transit bonds. Council authority for issuing general obligation transit bonds is obtained from the Minnesota Legislature. The Council levies property taxes within the transit taxing district to pay annual debt service on regional transit bonds.

The Metropolitan Council's Transportation Division is organized into two units – Metro Transit, the operating division, and Metropolitan Transportation Services. Metro Transit is the principal transit provider in the region and is responsible for operating regular route service in a large portion of the transit district and maintaining the bus fleet and infrastructure used to provide the service. Metropolitan Transportation Services is responsible for regional transportation planning, including planning for aviation, highway and transit systems, and transit development. Metropolitan Transportation Services also provides transit operating assistance to other transit providers and manages capital grants to transit service providers.

Regular route service is the backbone of the region's transit system, operating local and express service on fixed routes and schedules. Metro Transit provides more than 90 percent of the regular route transit service in the region. Metro Mobility provides Americans with Disabilities Act (ADA) service in the region. Opt-Out programs are transit programs who provide primarily peak express with some local and dial-a-ride service in twelve suburban communities. Finally, community-based programs are designed to meet transit needs in lower density suburban and rural areas where regular route service cannot be provided cost-effectively.

The Council's long range plans – the regional growth strategy and the Transportation Policy Plan – project that between 2000 and 2020 the region will add 500,000 new residents. The additional residents will commute to 285,000 new jobs, increasing the number of trips and the associated congestion on the highway system.

Transit service plans and the Council's 2003-2012 Transit Capital Improvement Program set the Council on a path to double transit ridership by 2020 and increase the portion of all trips using transit from 2 percent to 3 percent. Implementation of this six-year capital program and service plan will require a commitment from the Legislature to provide a new capital funding sources for transit, as well as additional state funding for transit operations. The current state budget deficit have put these plans on hold for the near future. The capital program assumes that a significant portion of the capital improvement program will be funded with federal capital grants. The program also requires the financial support of the state, both in providing authority to the Council to issue regional transit bonds and in providing capital funding. Finally, the program will require increase property taxes within the transit taxing district to pay annual debt service on anticipated regional bond issues.

For the FY 2004-2005 biennium, the Metropolitan Council has a number of legislative requests for financial assistance in implementing its transit service in the region. Requests recommended the Governor's proposed state budget include:

- \$106.9 million in state appropriations for bus system operating assistance.
- \$5.4 million in state appropriations for rail system operating assistance.
- New regional bonding authorization to fund transit capital needs. The amount is currently unknown.

The Governor's budget recommendations also assume that there will be fare increases in 2003.

## **ENVIRONMENTAL SERVICES**

Operating revenues for wastewater collection and treatment come entirely from user fees. The Council's Environmental Services Division receives no federal/state operating or capital grants and does not levy property taxes. The major user fees of the Division are: 1) wastewater service charges allocated to 104 sewered communities based on wastewater volume, 2) service availability charges (SAC), a connection fee collected by municipalities when a building permit and/or sewer connection permit is issued, 3) industrial strength charges to treat wastewater with higher than normal concentrations of pollutants, 4) load charges for hauled waste (septage) discharged into the sewer system and 5) industrial discharge permit fees.

Capital funding comes primarily from the issuance of long-term debt in the form of general obligation bonds and loans from the Minnesota Public Facilities Authority (PFA). MCES uses SAC revenues and wastewater service volumetric charges to pay annual debt service on the bonds and PFA loans. The Council has unlimited authority to issue bonds and receive PFA loans for wastewater services.

Environmental Services is responsible for 1) cost competitive, high quality collection and treatment of wastewater from 104 communities and approximately 804 industrial clients, 2) water resource management, including achieving the best mix of point source (treatment plant) and nonpoint source (urban/rural runoff) solutions and 3) coordinated planning related to regional water supply and quality and to capital investments in the metropolitan sewer service system.

The MCES 2003 Budget and its longer range Plan for Allocating Resources (PAR) are directly linked to accomplishing MCES's mission, strategic and tactical goals. The budget and PAR are designed to implement and carry forward the Council's Rate Policy for sewer service charges and MCES's Strategic and Business Plans. MCES strongly believes that the projected resource allocation for 2003-2012 will allow the division to be cost-competitive while maintaining its ability to deliver, along with others, the high quality of environmental services the region expects.



To sustain change into the future, one tactic of the Division is to improve and reduce the costs of the organization's capital program. By reengineering this and other key business processes, the Division will continue to improve its competitive standing. MCES currently ranks 20th out of 170 comparable agencies in wastewater rates according to the national Association of Metropolitan Sewerage Agencies (AMSA), that is, only 19 comparable agencies offer lower wholesale rates than the Council.

## **PARKS AND OPEN SPACE**

Regional parks, park reserves and trails are operated by nine local implementing agencies, including five counties, three cities and one special district. Operating revenues come from general revenues of the jurisdictions (primarily property taxes) and, to a lesser extent, park user fees and state appropriations.

The Metropolitan Council provides capital grants to the local implementing agencies to acquire land and develop or redevelop park facilities. Capital funding comes from state appropriations and regional bonds. State general fund revenues pay the annual debt service on state bonds issued for regional parks and regional property taxes pay the annual debt service on regional park bonds. The Metropolitan Parks and Open Space Commission prepares a capital improvement program for Council approval that lays out the capital investment and financing plan for regional parks, park reserves and trails. The Council also receives state appropriations for operations and maintenance and distributes the funding to the local implementing agencies.

The principal fiscal goal of the Metropolitan Parks and Open Space Commission and the Council for the regional parks system is to establish a long-range financial plan for the system that will 1) continue to deliver high quality services at affordable costs, 2) obtain stable, adequate and reliable sources of capital and O&M funding and 3) maximize contributions from state, federal and other sources.

## **SPORTS FACILITIES**

Operating revenues for the Metropolitan Sports Facilities Commission come entirely from user fees, including stadium rents, admissions taxes, concession revenues, advertising fees and parking fees. The Commission retired the stadium bonds in 1998 and no longer has annual debt service payments. Capital improvements to the Metrodome are funded from operating revenues. The financial forecasts of the agency assume that the Minnesota Twins will continue to play in the Metrodome through 2006.

The University of Minnesota Gophers and the Minnesota Vikings are under contract to play in the Metrodome through the 2011 football season.

There are currently several efforts to fund a new baseball park and football stadium. The Commission's assumptions, however, remain that the teams will fulfill the obligations of their respective Use Agreements.

This page left blank intentionally

## **CONSOLIDATED FINANCIAL INFORMATION AND FISCAL TRENDS**

This section summarizes the consolidated financial information of the metropolitan agencies, providing information on the levels of revenues, expenditures and debt and on trends in this financial information over the period from 2000 to 2005.

### **BACKGROUND**

The financial activities of the metropolitan agencies are significant. The agencies will spend approximately \$775 million in 2003 on operations, debt service and passthrough activities and invest an additional \$903 million in regional capital facilities. The agencies will raise \$425 million in user fees and collect \$58 million in property taxes to fund operating and debt service expenses and will issue a significant amount of long-term debt. It is important to understand, however, that regional agencies comprise just one piece of the total public finance picture in the seven-county Metropolitan Area. Public services are also provided by counties, cities, townships, school districts and special districts. Regional agencies provide a range of valuable services to the citizen's of the region, including services that in other metropolitan areas or in other parts of the state would be provided by municipalities or other units of local government.

Consolidated fiscal information for all local units of government in the seven-county metropolitan area is not readily available to show where metropolitan agencies fit in the total picture of local government finance. Compared to other units of government in the seven-county area, regional services provided by metropolitan agencies are more capital intensive and rely more on user fees as a financing source.

Financial information and trends for the metropolitan agencies should also be viewed in the context of other changes in the region, including household growth, changes in personal income and market values and inflationary increases for local government services. Average annual changes forecast for these factors between 2000 and 2005 are:

- an increase in households of 1.5 percent,
- an increase in personal income per household of 2.5 percent,
- an increase in market value per household of 8.6 percent,
- an increase in total personal income of 4.0 percent,
- an increase in total market values of 10.2 percent and
- an increase in the prices for local government services of 2.3 percent.

This page left blank intentionally

## CURRENT REVENUES

Current revenues supporting the financial operations of metropolitan agencies come from a variety of sources, including user charges, property taxes, federal and state operating grants, investment earnings and other sources.

Regionally raised revenues (user charges, property taxes, investment income and other sources) are the major source of current revenues for regional agencies, generating 71 percent of total current revenues. The remaining 29 percent of current revenues come from federal and state operating grants. The share of revenues coming from the state increased during the period as the result of the shift in transit operating funding from regional property taxes to state motor vehicle excise tax revenues. Figure 1 summarizes current revenues for 2003.

User charges make up the largest revenue source. Operating agencies or divisions that directly provide regional services rely primarily on user charges to fund their operations. Operating and debt service costs for airports, wastewater services and sports facilities are funded almost exclusively with user charges. Passenger fares also provide a significant source of operating revenue for transit operations.

In 2000 and 2001, when regional property taxes funded transit operations, the second largest source of current revenues was the property tax. With the shift in transit operating funding, state revenues became the second largest source of current revenues for regional operations. The Metropolitan Council continues to levy property taxes within the seven-county Metropolitan Area to fund general operations, debt service for transit, parks, solid waste and 800 megahertz radio and passthrough grant and loans programs.

Trends in current revenues and specific revenue categories are highlighted in Figures 2-5. Significant trends in current revenues are:

- Total current revenues are forecast to increase 3.4 percent annually. This compares to a 4.0 percent annual increase in regional personal income.
- User charges in total are forecast to increase 4.1 percent annually and to increase slightly as a percent of total current revenues between 2000 and 2005.
- Wastewater charges for environmental services are forecast to increase 4.2 percent annually. This follows declines that occurred between 1998 and 2002 as the Council's Environmental Services division implemented budget reductions.
- Airport user charges are forecast to increase 4.2 percent annually, as the MAC implements its 2010 Plan to expand capacity at MSP.
- Property taxes are forecast to decline 43 percent between 2000 and 2005, reflecting the shift in transit operations funding from the property tax to state sources. Other property tax levies excluding the transit operating levy are projected to increase 7.5 percent annually, primarily due to increases in the debt service levy for transit.
- State appropriations in total are forecast to increase 7.6 percent annually between 2000 and 2005. State transit operating assistance represents 93 percent of the total state appropriations in 2003.

# Metropolitan Agencies 2003 Current Revenues \$765 Million

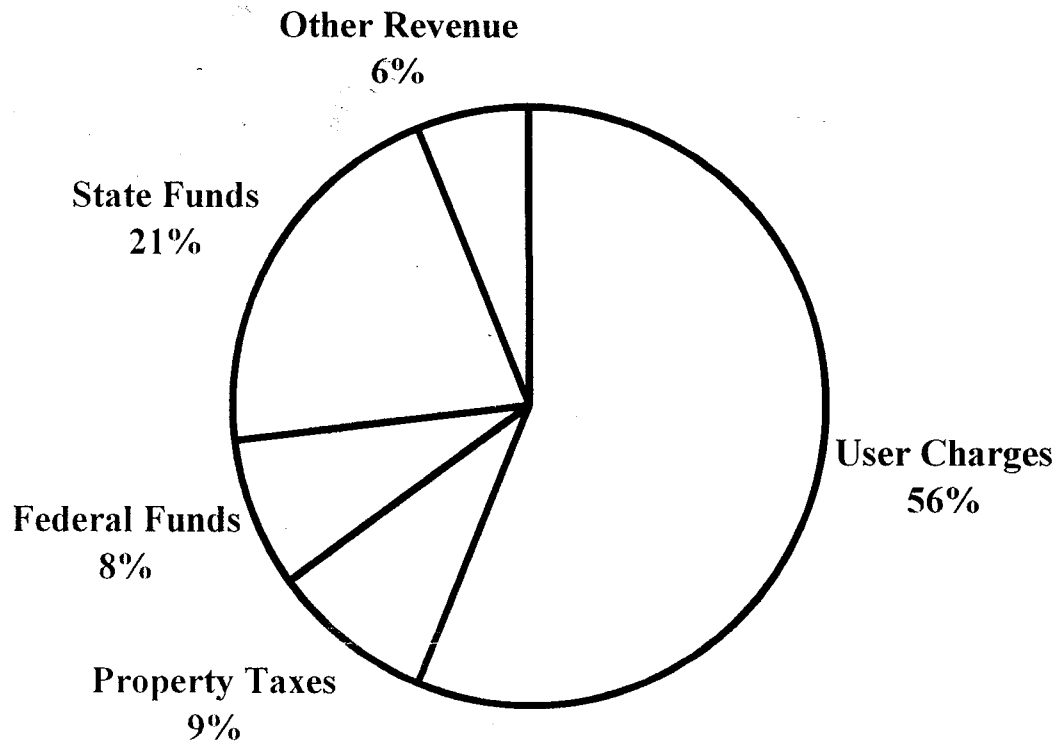


Figure 1

# Metropolitan Agencies Current Revenues by Source

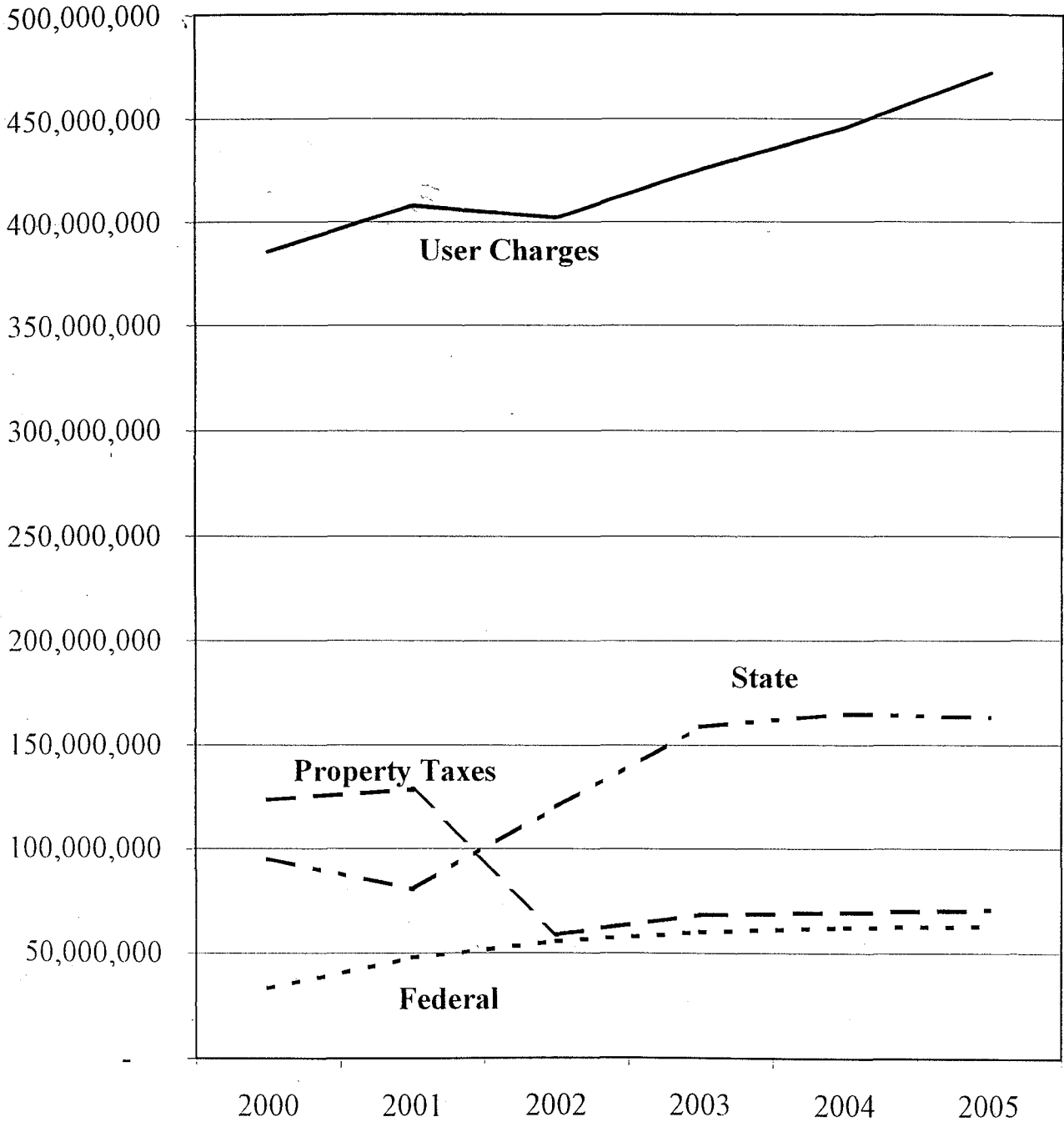


Figure 2

## Metropolitan Agencies User Charges by Function

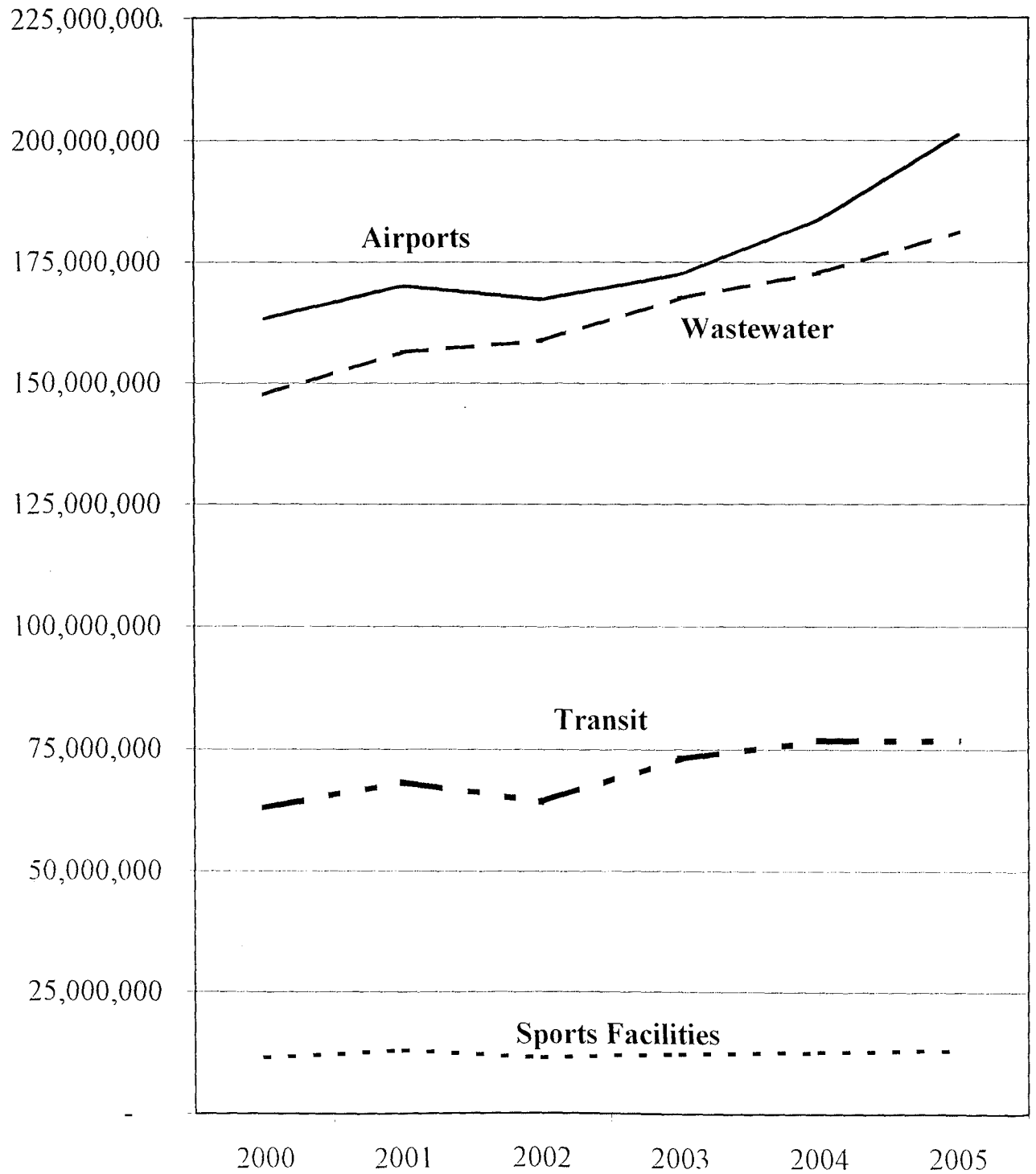


Figure 3



## Metropolitan Agencies Property Taxes by Function

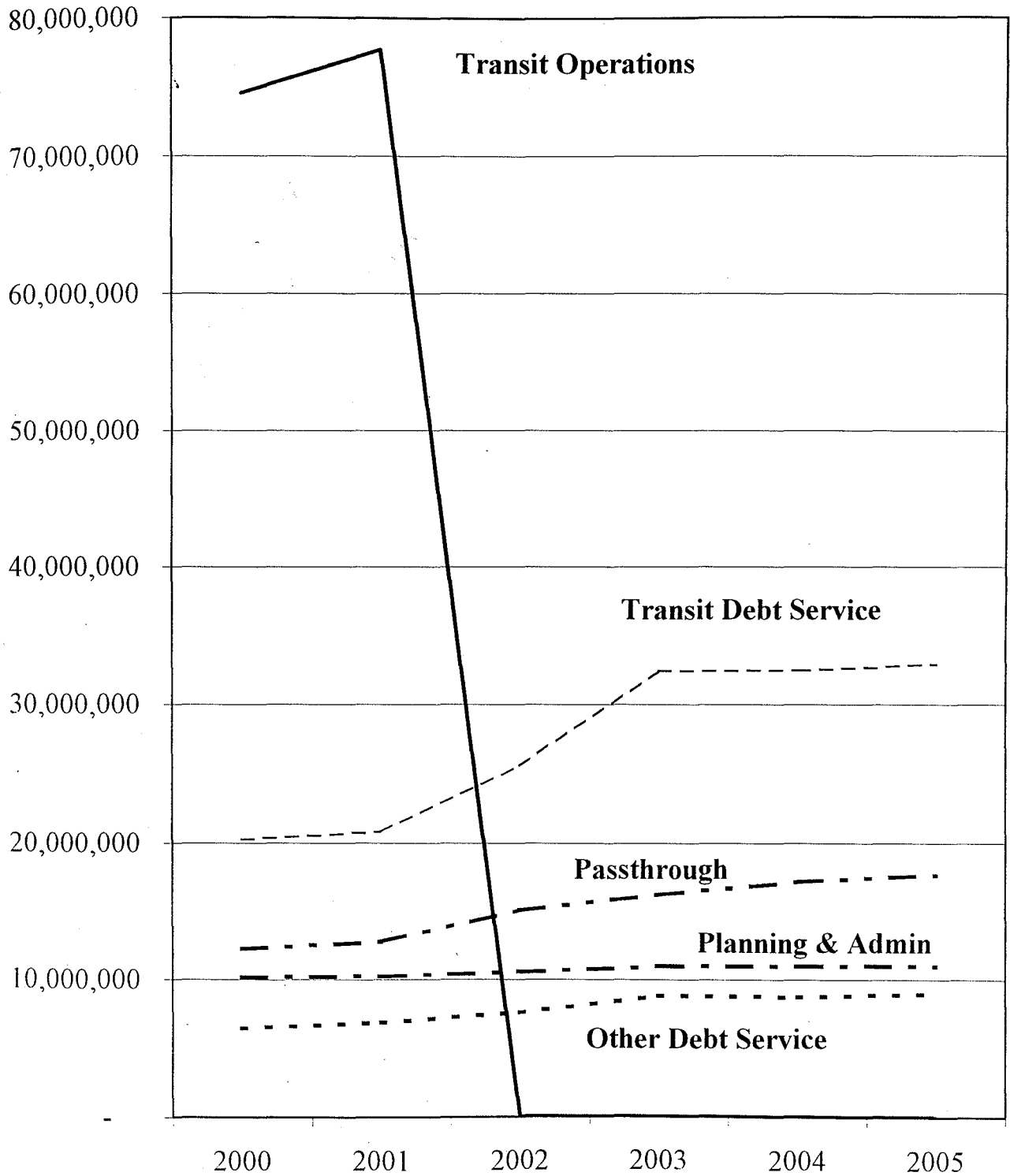


Figure 4

# Metropolitan Agencies State Revenue by Function

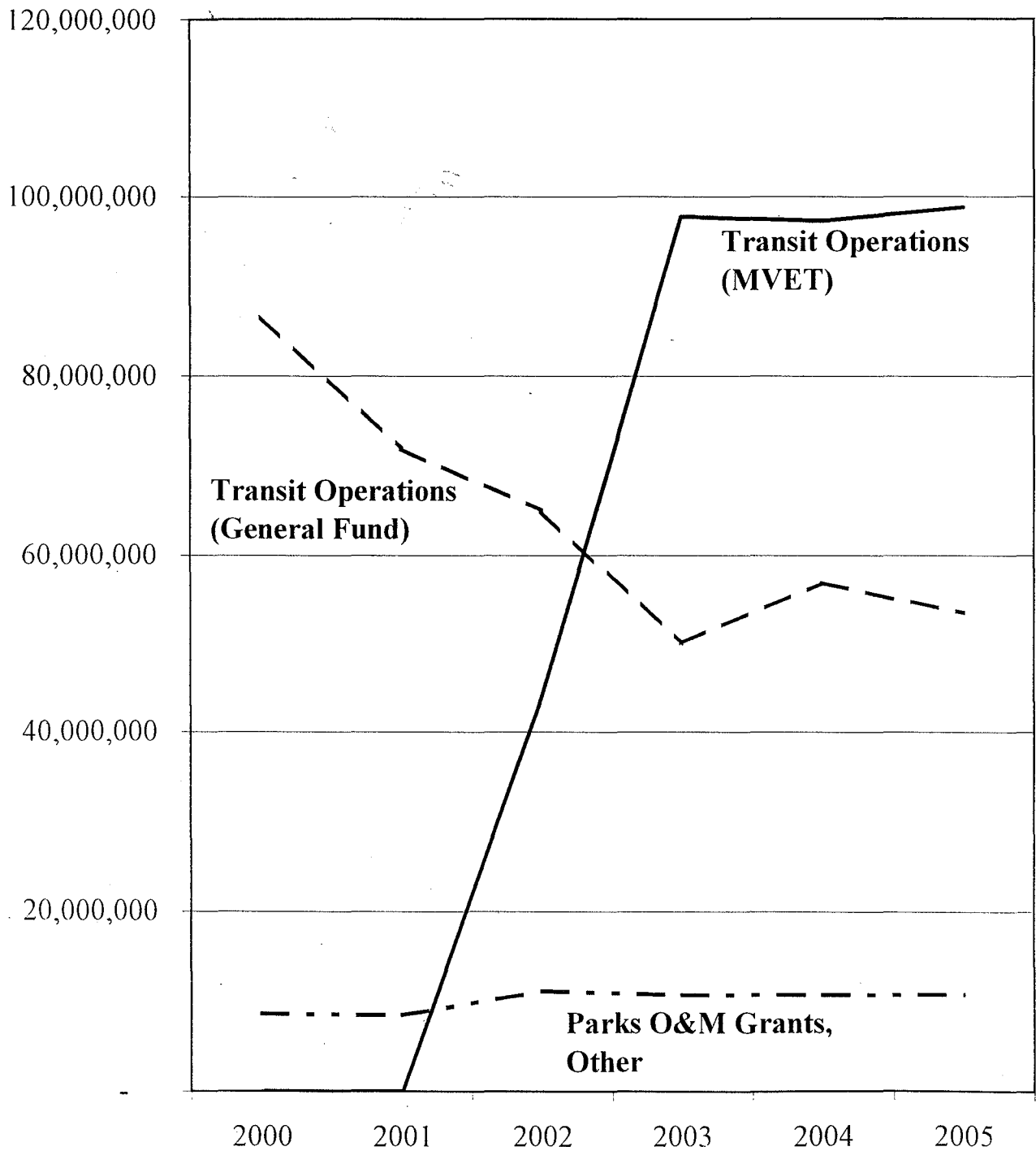


Figure 5

**Table 1**  
**METROPOLITAN AGENCIES**  
**Current Revenues**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Annual Pct. Chg.
<b>User and Service Charges:</b>							
Metropolitan Council							
Transit Operations	63,002,601	68,261,119	64,334,342	73,088,000	76,623,000	76,623,000	4.0%
Environmental Services	147,713,011	156,441,770	158,812,457	167,504,500	172,815,000	181,235,000	4.2%
Subtotal-Metropolitan Council	210,715,612	224,702,889	223,146,799	240,592,500	249,438,000	257,858,000	4.1%
Metropolitan Airports Commission	163,414,000	170,066,000	167,306,000	172,436,000	183,724,000	201,183,000	4.2%
Metropolitan Sports Facilities Commission	11,501,000	13,047,000	11,580,000	12,289,000	12,700,000	13,100,000	2.6%
Total	385,630,612	407,815,889	402,032,799	425,317,500	445,862,000	472,141,000	4.1%
<b>Property Taxes (including State HAC'A):</b>							
Metropolitan Council							
General Operations	10,164,932	10,220,596	10,563,898	11,023,437	11,023,000	11,023,000	1.6%
Transit Operations	74,563,808	77,737,520	-	-	-	-	-100.0%
Passthrough	12,259,596	12,773,416	15,104,500	16,231,000	17,148,000	17,667,000	7.6%
General Debt Service	6,456,985	6,899,393	7,582,055	8,811,400	8,762,400	8,970,100	6.8%
Transit Debt Service	20,257,809	20,837,763	25,592,405	32,392,700	32,428,300	32,915,000	10.2%
Subtotal-Metropolitan Council	123,703,130	128,468,688	58,842,858	68,458,537	69,361,700	70,575,100	-10.6%
Metropolitan Airports Commission	-	-	-	-	-	-	-
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	-
Total	123,703,130	128,468,688	58,842,858	68,458,537	69,361,700	70,575,100	-10.6%
<b>Recap:</b>							
Operations	84,728,740	87,958,116	10,563,898	11,023,437	11,023,000	11,023,000	-33.5%
Passthrough	12,259,596	12,773,416	15,104,500	16,231,000	17,148,000	17,667,000	7.6%
Debt Service	26,714,794	27,737,156	33,174,460	41,204,100	41,190,700	41,885,100	9.4%
Total	123,703,130	128,468,688	58,842,858	68,458,537	69,361,700	70,575,100	-10.6%
<b>Federal Grants for Operations/Passthrough:</b>							
Metropolitan Council							
General Operations	3,344,712	4,017,792	3,692,863	4,094,883	4,136,000	4,177,000	4.5%
Transportation							
Transportation Planning	3,092,077	5,643,096	4,147,065	4,456,000	4,595,000	4,596,000	8.2%
Transit Operations	4,036,864	7,218,116	18,825,222	22,394,000	24,052,000	24,551,000	43.5%
Passthrough	22,916,893	30,829,811	28,819,346	29,291,600	29,291,600	29,291,600	5.0%
Subtotal-Metropolitan Council	33,390,546	47,708,815	55,484,496	60,236,483	62,074,600	62,615,600	13.4%
Metropolitan Airports Commission	-	-	-	-	-	-	-
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	-
Total	33,390,546	47,708,815	55,484,496	60,236,483	62,074,600	62,615,600	13.4%
<b>State Grants for Operations/Passthrough:</b>							
Metropolitan Council							
General Operations	479,912	428,666	395,539	258,000	261,000	264,000	-11.3%
Transit Operations	86,545,154	71,898,007	108,896,168	147,810,000	154,163,000	152,238,000	12.0%
Passthrough	8,185,973	8,091,935	10,831,752	10,538,400	10,538,400	10,538,400	5.2%
Subtotal-Metropolitan Council	95,211,039	80,418,608	120,123,459	158,606,400	164,962,400	163,040,400	11.4%
Metropolitan Airports Commission	-	-	-	-	-	-	-
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	-
Total	95,211,039	80,418,608	120,123,459	158,606,400	164,962,400	163,040,400	11.4%
<b>Interest Income:</b>							
Metropolitan Council	11,724,055	8,970,651	6,755,900	6,041,700	6,301,700	6,342,500	-11.6%
Metropolitan Airports Commission	35,589,000	36,033,000	36,849,000	38,920,000	37,796,000	38,954,000	1.8%
Metropolitan Sports Facilities Commission	1,352,000	1,103,000	700,000	800,000	400,000	400,000	-21.6%
Total	48,665,055	46,106,651	44,304,900	45,761,700	44,497,700	45,696,500	-1.3%

**Table 1**  
**METROPOLITAN AGENCIES**  
**Current Revenues**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Annual Pct. Chg.
<b>Other Revenue:</b>							
Metropolitan Council	6,940,391	6,716,656	13,581,029	6,896,489	6,488,100	6,489,100	-1.3%
Metropolitan Airports Commission	-	-	-	-	-	-	
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	
<b>Total</b>	<b>6,940,391</b>	<b>6,716,656</b>	<b>13,581,029</b>	<b>6,896,489</b>	<b>6,488,100</b>	<b>6,489,100</b>	<b>-1.3%</b>
<b>Combined Current Revenues:</b>							
Metropolitan Council	481,684,773	496,986,307	477,934,541	540,832,109	558,626,500	566,920,700	3.3%
Metropolitan Airports Commission	199,003,000	206,099,000	204,155,000	211,356,000	221,520,000	240,137,000	3.8%
Metropolitan Sports Facilities Commission	12,853,000	14,150,000	12,280,000	13,089,000	13,100,000	13,500,000	1.0%
<b>Total</b>	<b>693,540,773</b>	<b>717,235,307</b>	<b>694,369,541</b>	<b>765,277,109</b>	<b>793,246,500</b>	<b>820,557,700</b>	<b>3.4%</b>
User and Service Charges	385,630,612	407,815,889	402,032,799	425,317,500	445,862,000	472,141,000	4.1%
Property Taxes	123,703,130	128,468,688	58,842,858	68,458,537	69,361,700	70,575,100	-10.6%
Federal Grants for Operations/Passthrough	33,390,546	47,708,815	55,484,496	60,236,483	62,074,600	62,615,600	13.4%
State Grants for Operations/Passthrough	95,211,039	80,418,608	120,123,459	158,606,400	164,962,400	163,040,400	11.4%
Interest Income	48,665,055	46,106,651	44,304,900	45,761,700	44,497,700	45,696,500	-1.3%
Other Revenue	6,940,391	6,716,656	13,581,029	6,896,489	6,488,100	6,489,100	-1.3%
<b>Total</b>	<b>693,540,773</b>	<b>717,235,307</b>	<b>694,369,541</b>	<b>765,277,109</b>	<b>793,246,500</b>	<b>820,557,700</b>	<b>3.4%</b>
<b>Percent of Total Revenue:</b>							
Metropolitan Council	69.5%	69.3%	68.8%	70.7%	70.4%	69.1%	
Metropolitan Airports Commission	28.7%	28.7%	29.4%	27.6%	27.9%	29.3%	
Metropolitan Sports Facilities Commission	1.9%	2.0%	1.8%	1.7%	1.7%	1.6%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	
User and Service Charges	55.6%	56.9%	57.9%	55.6%	56.2%	57.5%	
Property Taxes	17.8%	17.9%	8.5%	8.9%	8.7%	8.6%	
Federal Grants for Operations/Passthrough	4.8%	6.7%	8.0%	7.9%	7.8%	7.6%	
State Grants for Operations/Passthrough	13.7%	11.2%	17.3%	20.7%	20.8%	19.9%	
Interest Income	7.0%	6.4%	6.4%	6.0%	5.6%	5.6%	
Other Revenue	1.0%	0.9%	2.0%	0.9%	0.8%	0.8%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

## CURRENT EXPENDITURES

The expenditures or expenses of the metropolitan agencies fall into four major categories:

- Current Expenditures/Expenses
  - Operations
  - Debt Service
  - Passthrough
- Capital Outlays

This section of the report focuses on current expenditures/expenses, while capital outlays (and financing) are covered in the following section. Figure 6 summarizes current expenses for 2003.

Operations expenditures comprise approximately 62 percent of total current expenditures in 2003. In this report operating expenditures include operating expenses minus depreciation for operating agencies or divisions (MAC, MSFC, MCES and MCTO) and operations expenditures for the balance of the Council. The direct provision of regional services to citizens of the region represents the majority of current expenses.

The remaining current expenditures are comprised of debt service payments for principal and interest (31 percent) and passthrough grant and housing assistance payments (7 percent). The Council currently makes debt service payments on wastewater, transit, parks and open space, solid waste and 800 megahertz radio bonds and loans. The Airports Commission makes debt service payments on airport bonds. Passthrough expenditures include housing assistance payments made by the Council's Housing and Redevelopment Authority, grants under the Livable Communities program, and other smaller grant programs.

Trends in current expenditures/expenses are highlighted in Figures 7-10. Significant trends in current expenditures are:

- Total current expenditures are forecast to increase 6.6 percent annually. The cost of local government services is forecast to increase 2.3 percent over the same period.
- Operations expenditures in total are forecast to increase 4.8 percent annually and to decline as a percent of total current expenditures between 2000 and 2005.
- Debt service payments are forecast to increase 11.5 percent annually. As the MAC implements its 2010 Plan, airport debt service is forecast to increase 16.7 percent annually.

**Metropolitan Agencies  
2003 Current Expenses  
\$775 Million**

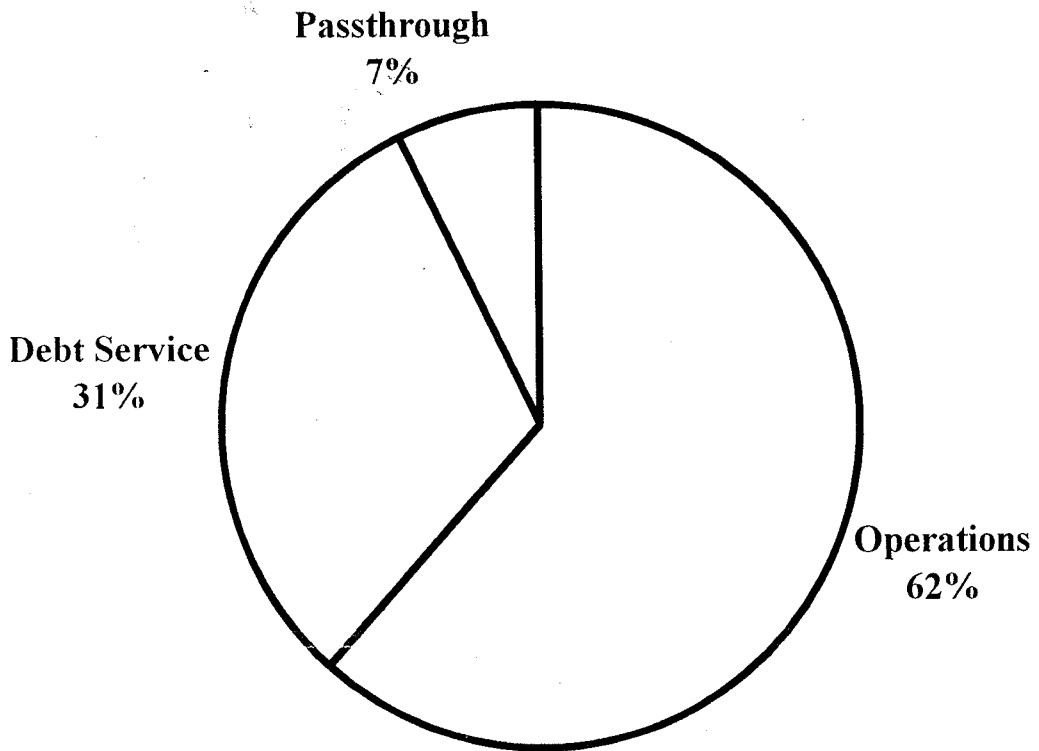


Figure 6

# Metropolitan Agencies Current Expenses by Category

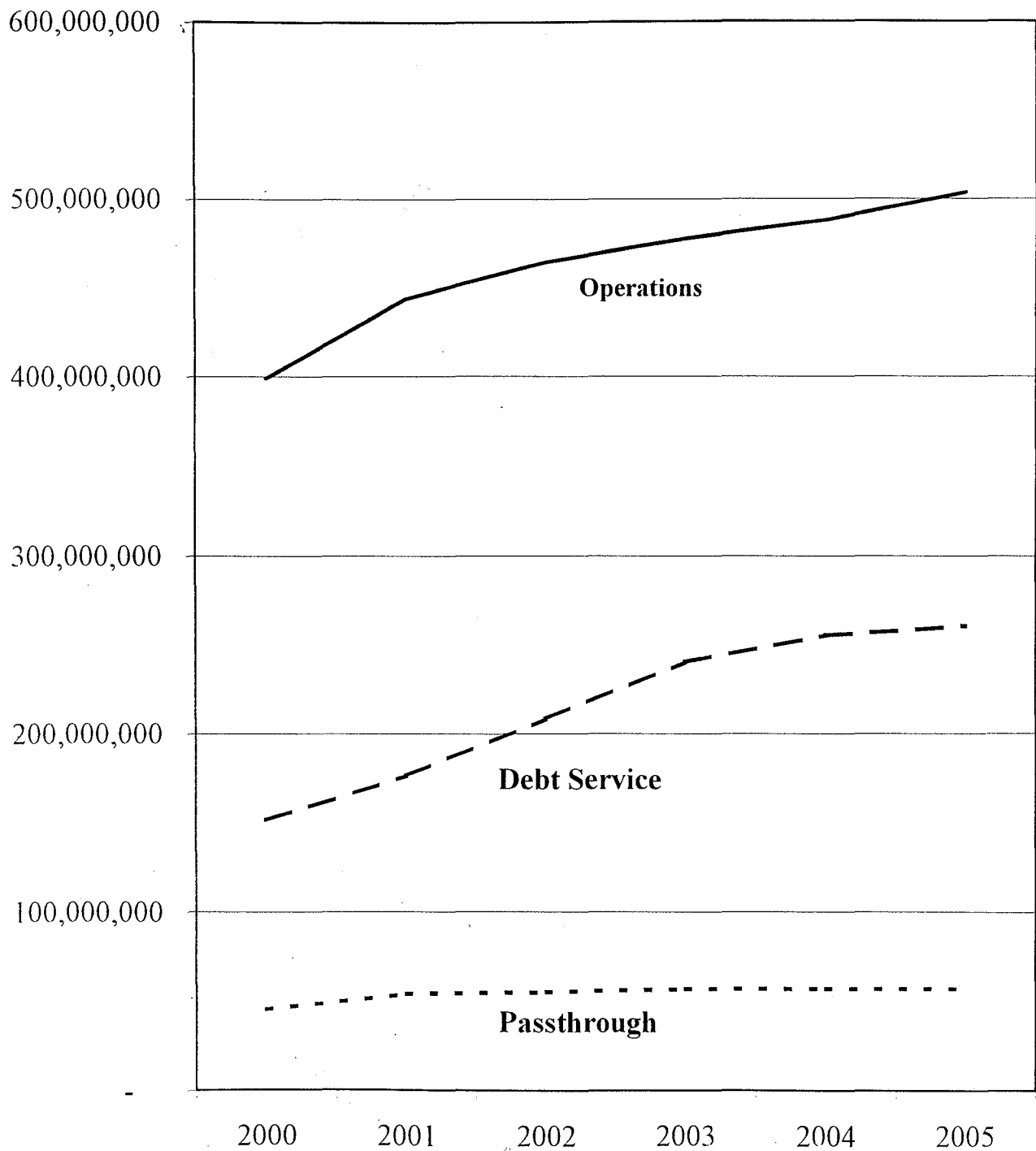


Figure 7

# Metropolitan Agencies Current Expenses by Function (Operations, Passthrough and Debt Service)

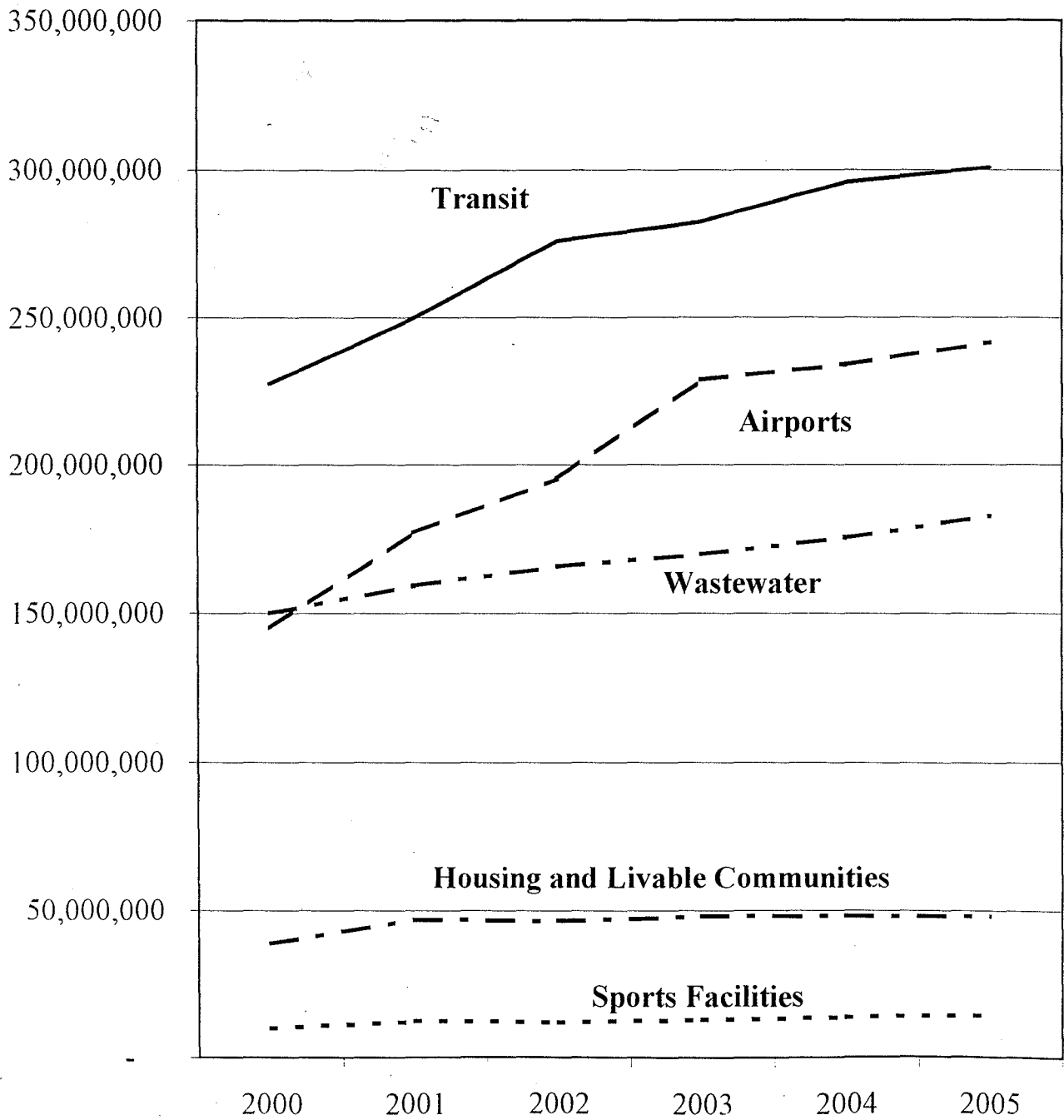


Figure 8



# Metropolitan Agencies Operating Expenses by Function

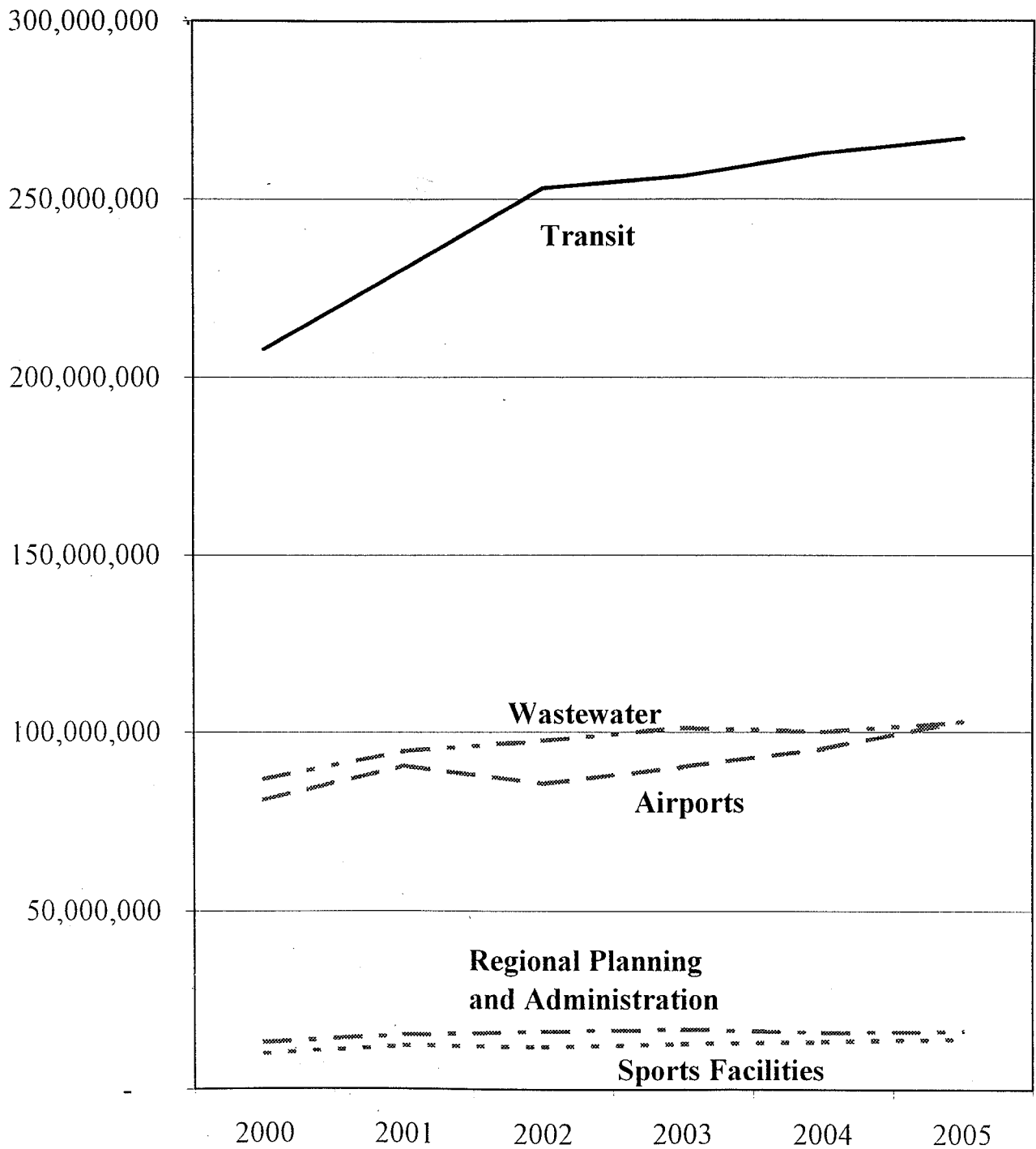


Figure 9

# Metropolitan Agencies Debt Service by Function

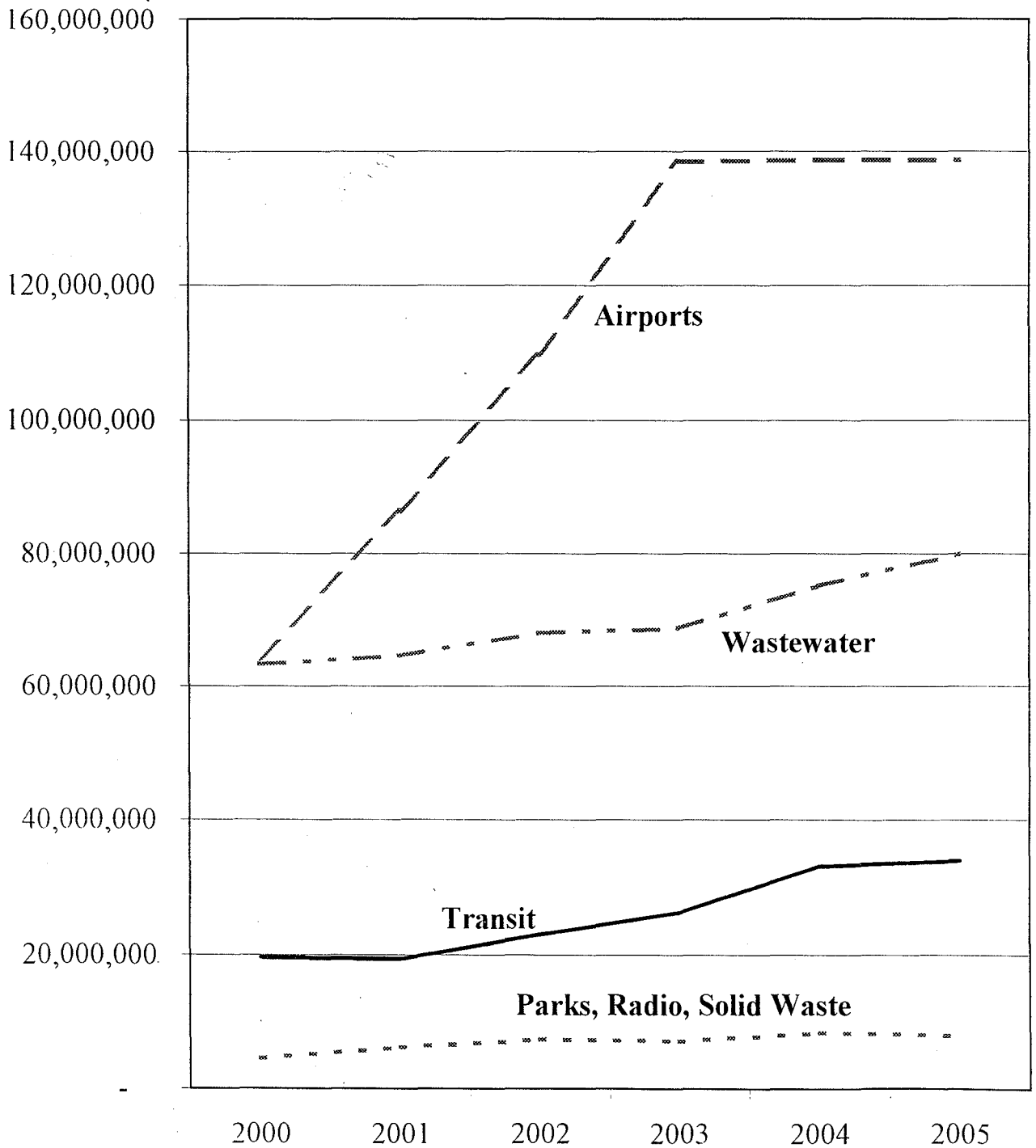


Figure 10

**Table 2**  
**METROPOLITAN AGENCIES**  
**Current Expenditures/Expenses**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Annual Pct. Chg.
<b>Operations:</b>							
Metropolitan Council							
General Operations	13,293,194	15,274,241	16,265,758	17,131,947	16,087,000	16,493,000	4.4%
Transportation/Transit Operations	207,836,811	230,424,910	253,106,775	256,333,000	262,752,000	266,944,000	5.1%
Environmental Services	86,775,913	94,793,926	97,596,548	101,179,280	100,103,000	102,690,000	3.4%
Subtotal-Metropolitan Council	307,905,918	340,493,077	366,969,081	374,644,227	378,942,000	386,127,000	4.6%
Metropolitan Airports Commission	81,022,000	90,604,000	85,418,000	90,201,000	95,325,000	102,923,000	4.9%
Metropolitan Sports Facilities Commission	9,943,000	12,357,000	12,034,000	12,874,000	13,600,000	14,300,000	7.5%
Total	398,870,918	443,454,077	464,421,081	477,719,227	487,867,000	503,350,000	4.8%
<b>Debt Service:</b>							
Metropolitan Council							
General Operations							
Parks and Open Space	3,748,639	5,425,717	6,665,177	6,427,275	7,657,136	7,699,639	15.5%
Solid Waste	427,698	415,494	399,091	399,725	425,500	-	
800 Megahertz Radio	400,624	397,046	386,753	387,053	386,460	380,210	-1.0%
Transit	19,595,177	19,357,248	23,018,525	26,225,600	33,081,800	33,971,100	11.6%
Environmental Services	63,257,048	64,574,984	68,020,000	68,615,339	75,174,000	80,021,000	4.8%
Subtotal-Metropolitan Council	87,429,186	90,170,489	98,489,546	102,054,992	116,724,896	122,071,949	6.9%
Metropolitan Airports Commission	64,082,000	86,413,000	109,771,000	138,434,000	138,611,000	138,620,000	16.7%
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	
Total	151,511,186	176,583,489	208,260,546	240,488,992	255,335,896	260,691,949	11.5%
<b>Passthrough:</b>							
Metropolitan Council							
General Operations							
Housing Assistance	25,296,839	32,984,541	31,935,542	32,115,000	32,115,000	32,115,000	4.9%
Parks and Open Space	6,712,428	6,982,677	8,630,000	8,630,000	8,630,000	8,630,000	5.2%
Livable Communities	13,370,811	13,822,602	14,304,589	15,904,550	15,905,000	15,905,000	3.5%
Other Passthrough Grants	79,011	5,207	39,885	250,000	250,000	250,000	25.9%
Total	45,459,089	53,795,027	54,910,016	56,899,550	56,900,000	56,900,000	4.6%
<b>Total Current Expenditures:</b>							
Metropolitan Council							
General Operations/Passthrough	63,329,244	75,307,525	78,626,795	81,245,550	81,456,096	81,472,849	5.2%
Transportation/Transit	227,431,988	249,782,158	276,125,300	282,558,600	295,833,800	300,915,100	5.8%
Environmental Services	150,032,961	159,368,910	165,616,548	169,794,619	175,277,000	182,711,000	4.0%
Subtotal-Metropolitan Council	440,794,193	484,458,593	520,368,643	533,598,769	552,566,896	565,098,949	5.1%
Metropolitan Airports Commission	145,104,000	177,017,000	195,189,000	228,635,000	233,936,000	241,543,000	10.7%
Metropolitan Sports Facilities Commission	9,943,000	12,357,000	12,034,000	12,874,000	13,600,000	14,300,000	7.5%
Total	595,841,193	673,832,593	727,591,643	775,107,769	800,102,896	820,941,949	6.6%
Operations	398,870,918	443,454,077	464,421,081	477,719,227	487,867,000	503,350,000	4.8%
Debt Service	151,511,186	176,583,489	208,260,546	240,488,992	255,335,896	260,691,949	11.5%
Passthrough	45,459,089	53,795,027	54,910,016	56,899,550	56,900,000	56,900,000	4.6%
Total	595,841,193	673,832,593	727,591,643	775,107,769	800,102,896	820,941,949	6.6%
<b>Percent of Total Expenditures:</b>							
Metropolitan Council							
General Operations	10.6%	11.2%	10.8%	10.5%	10.2%	9.9%	
Transportation/Transit Operations	38.2%	37.1%	38.0%	36.5%	37.0%	36.7%	
Environmental Services	25.2%	23.7%	22.8%	21.9%	21.9%	22.3%	
Subtotal-Metropolitan Council	74.0%	71.9%	71.5%	68.8%	69.1%	68.8%	
Metropolitan Airports Commission	24.4%	26.3%	26.8%	29.5%	29.2%	29.4%	
Metropolitan Sports Facilities Commission	1.7%	1.8%	1.7%	1.7%	1.7%	1.7%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Operations	66.9%	65.8%	63.8%	61.6%	61.0%	61.3%	
Debt Service	25.4%	26.2%	28.6%	31.0%	31.9%	31.8%	
Passthrough	7.6%	8.0%	7.5%	7.3%	7.1%	6.9%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

This page left blank intentionally

## CAPITAL OUTLAYS

Financial information on capital facilities, capital investments, capital financing and long-term debt of the metropolitan agencies are presented together in this section because of their close inter-relationships. Metropolitan agencies undertake long-term debt to finance the acquisition and preservation of capital equipment and facilities used to provide regional services. Trends in capital spending and the availability of other capital financing sources are the primary factors determining long-term debt issuance and the level of regional debt outstanding.

## CAPITAL FACILITIES

As of the end of 2002, metropolitan agencies had approximately \$5.5 billion (gross fixed assets before depreciation) invested in capital facilities used to provide regional services. This investment is expected to grow to approximately \$7.0 billion as the Metropolitan Airport Commission implements its 2010 Plan to expand capacity at the Minneapolis-St. Paul International Airport and the Council invests in wastewater collection and treatment facilities and invests in transit facilities in the region. In addition to direct investment in capital facilities owned and operated by the metropolitan agencies, the Council has invested in regional park facilities owned and operated by local park implementing agencies and transit equipment and facilities owned and operated by transit service providers other than Metro Transit. The direct investments are summarized in Table 3 and Figures 11 and 12.

**Table 3**  
**Capital Facilities and Accumulated Depreciation**  
**As of December 31, 2002**

	Airports	Sports Facilities	Environmental Services	Transit	Gen Govt Housings	Total
Land and Buildings	\$1,901,527,000	\$116,040,000	\$1,410,569,000	\$221,982,000	\$13,885,000	\$3,664,003,000
Buses and Equipment	57,220,000	0	61,281,000	322,179,000	3,713,000	444,393,000
Projects in Progress	797,562,000	0	172,963,000	399,243,000	6,000,000	1,375,768,000
Total	\$2,756,309,000	\$116,040,000	\$1,644,813,000	\$943,404,000	\$23,598,000	\$5,484,164,000
Accumulated Depreciation	602,451,000	76,819,000	549,915,000	218,889,000	3,261,000	1,451,335,000
Net Fixed Assets	\$2,153,858,000	\$39,221,000	\$1,094,898,000	\$724,515,000	\$20,337,000	\$4,032,829,000

Metropolitan agencies must invest significant capital outlays in maintaining and preserving these regional facilities. The Metropolitan Council invests a significant portion of its capital program in the rehabilitation and replacement of wastewater and transit facilities and equipment and for redevelopment grants to local park agencies. The MAC also invests significant capital outlays in preserving its airport facilities.

**Metropolitan Agencies  
Fixed Assets before Depreciation  
December 31, 2003  
\$6 Billion Total**

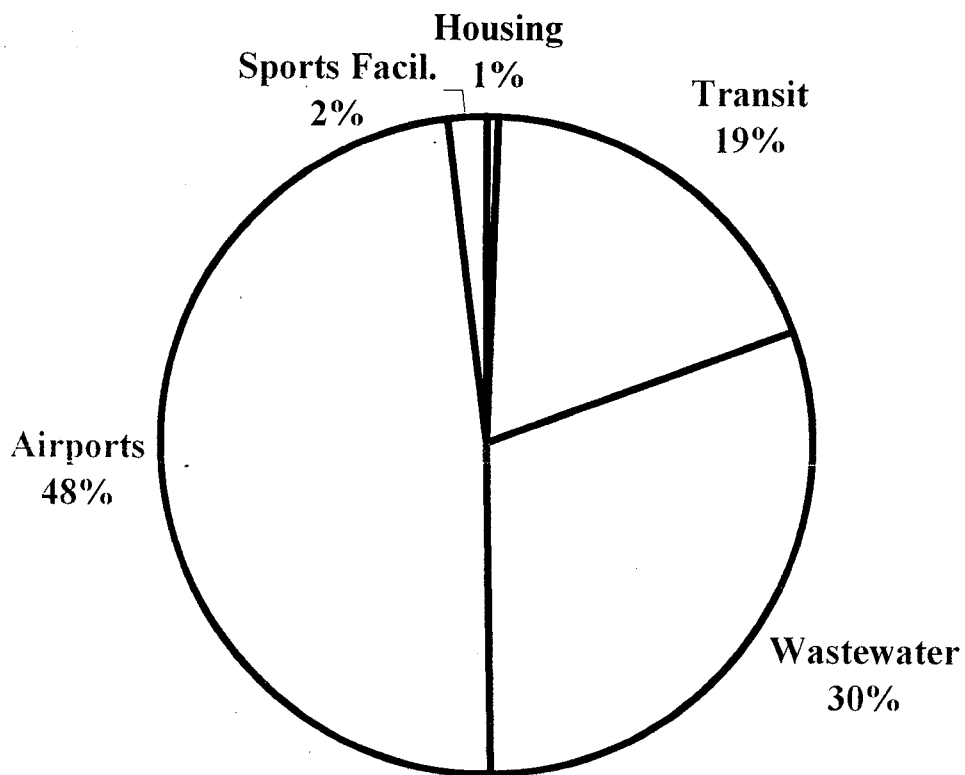


Figure 11

# Metropolitan Agencies Fixed Assets before Depreciation

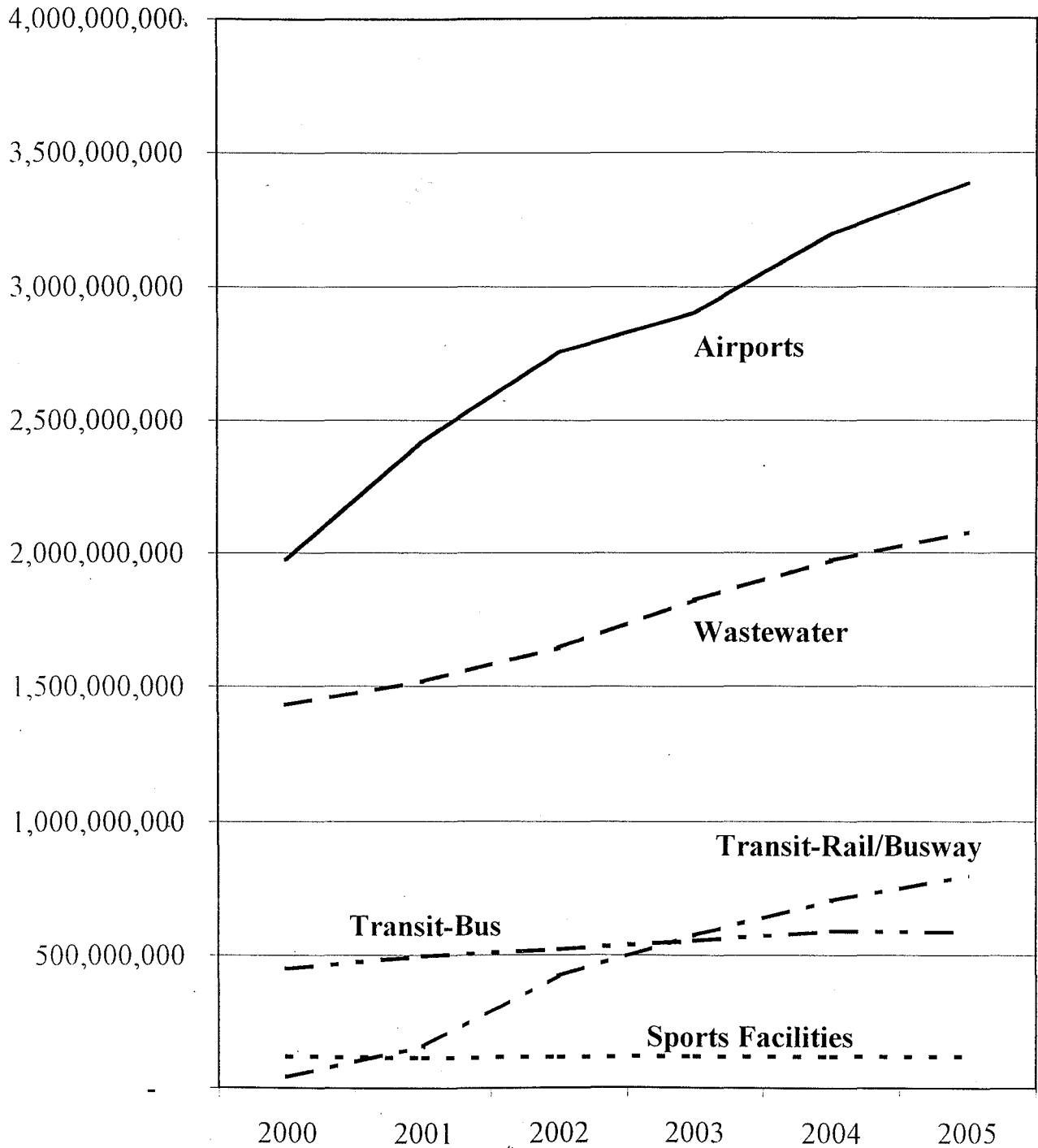


Figure 12

This page left blank intentionally



## CAPITAL SPENDING AND FINANCING

The metropolitan agencies are projecting capital outlays of \$4.554 billion between 2000 and 2005. Airport development will require the largest investment, with the MAC investing \$2.378 billion in airport facilities to implement its 2010 Plan. The Council anticipates capital outlays of \$1.259 billion for transit equipment and facilities, \$738 million for wastewater facilities, \$129 million in parks capital grants and \$26 million in family affordable housing during the same period. Figure 13, Figure 15 and Table 4 summarize capital spending by function.

Capital financing will come primarily from regional long-term debt issuance, although federal and state capital grants, airport passenger facility charges and agency funds also provide significant shares of the capital financing. Metropolitan agencies are forecasting the issuance of \$2.311 billion in regional debt between 2000 and 2005, including \$1.413 billion for airport facilities, \$653 for wastewater facilities and \$210 million for transit equipment and facilities. Figure 14, Figure 16 and Table 4 summarize capital financing by source.

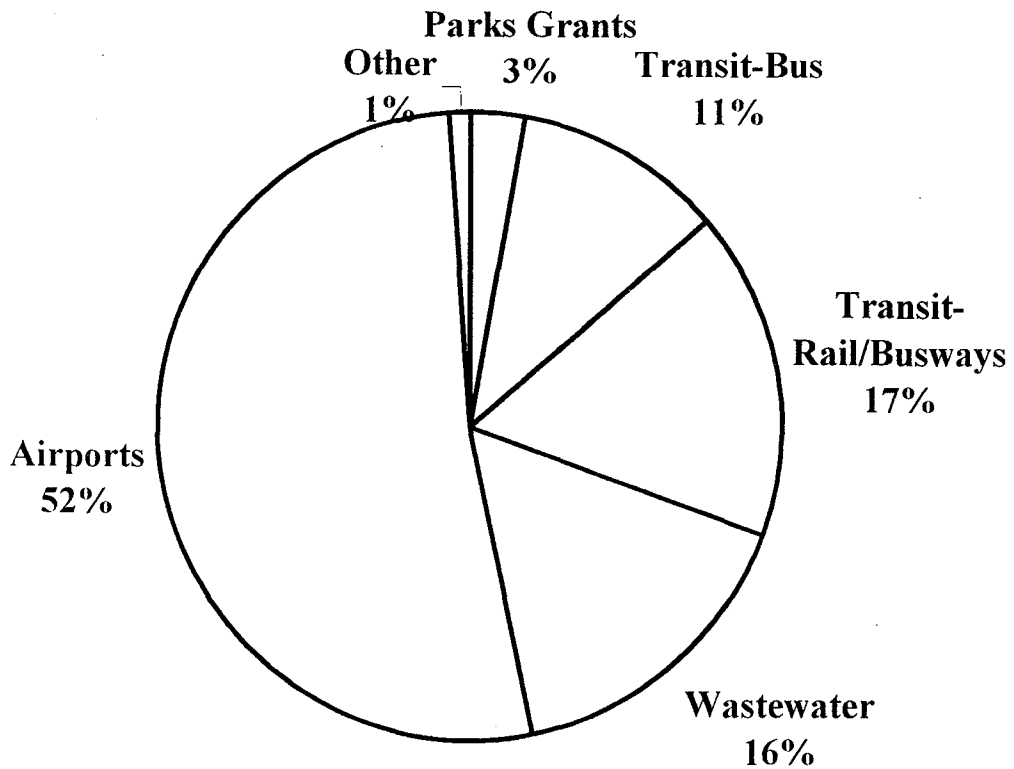
Capital outlays by metropolitan agencies tend to fluctuate from year-to-year as capital investment needs change. Figures 15 and 16 show annual capital spending by function and capital financing by source. Capital spending and long-term debt financing are projected to peak in 2002, primarily due to the implementation of the MAC 2010 Plan for airport development and construction of the Hiawatha light rail line.

Capital financing varies by function:

- The Metropolitan Airports Commission relies on a variety of capital funding sources for its airport capital investments. The MAC forecasts spending \$2.378 billion between 2000 and 2005 to implement its 2010 Plan for airport development. Major funding sources include \$1.413 billion in regional bonds (59 percent), \$338 million in passenger facility charges (14 percent) and \$138 million in internal funding from operations (6 percent). The Commission also anticipates receiving \$165 million in federal capital grants and \$8 million in state capital grants.
- The Metropolitan Council also relies on a variety of capital funding sources for transit and for specific investments within transit. For the existing bus system, the Council forecasts spending \$491 million in capital outlays between 2000 and 2005 to preserve and replace existing transit equipment and facilities. Federal capital grants will provide \$270 million in funding (55 percent), regional bonds will provide \$210 million (43 percent) and state capital grants will provide \$11 million (2 percent).
- Light rail transit relies on a different mix of capital funding sources than the bus system. The Council expects to capital spending of \$641 million on the Hiawatha light rail line between 2000 and 2005. Funding comes from \$384 million in federal funding (60 percent), \$100 million in state funding (16 percent) and \$156 million in local and in-kind sources (24 percent).

- The Metropolitan Council is projecting spending \$128 million on dedicated busways between 2000 and 2005, with funding coming from federal (17 percent), state (66 percent) and local (17 percent) sources.
- The Metropolitan Council – Environmental Services relies almost entirely on regional borrowing to finance its \$738 million capital investment to maintain and expand wastewater facilities. Regional bonds and PFA loans will provide \$653 million, or 88 percent of the capital financing needed between 2000 and 2005. Pay-as-you-go capital financing from sewer availability charges will provide \$45 million in capital funding (6 percent), and another \$40 million (6 percent) will be provided from available capital funds to reduce the need to issue new regional debt.
- Capital financing for parks reflects a funding partnership developed between the Council/Parks and Open Space Commission and the State Legislature where capital grants to local implementing agencies for regional parks will be finance with an approximate 60 percent state bonding/40 percent regional bonding mix. Approximately \$90 million in state funding and \$35 million in regional bond proceeds will be used during the 2000 to 2005 period to finance regional park acquisition, development and redevelopment.

# Metropolitan Agencies 2000-2005 Capital Outlays by Function



**Metropolitan Agencies  
2000-2005 Capital Funding by Source**

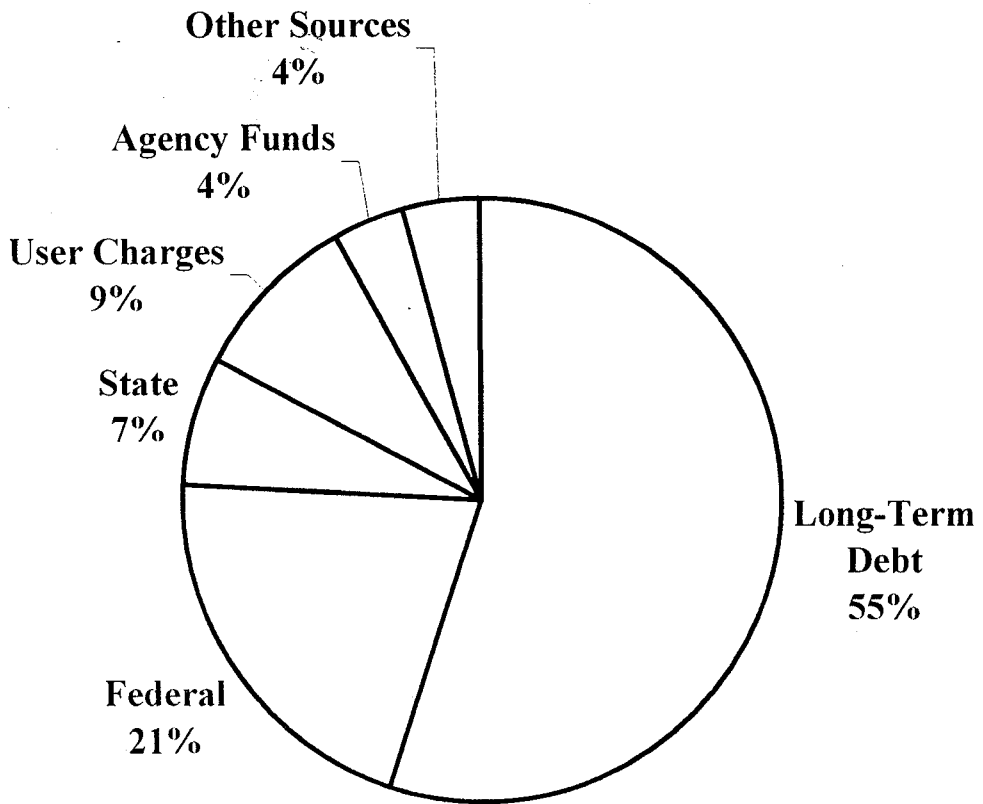


Figure 14

## Metropolitan Agencies Capital Outlays by Function

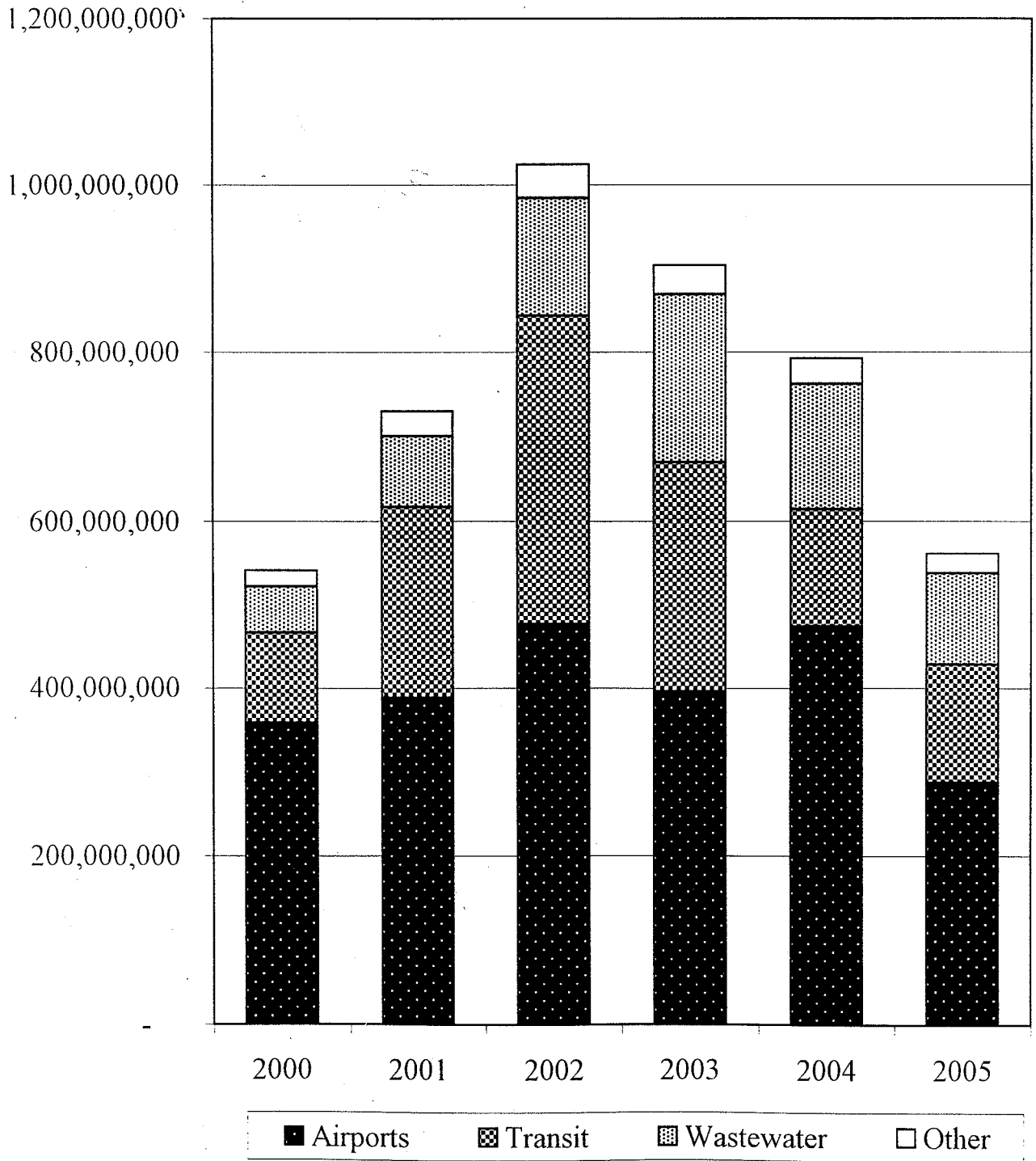


Figure 15

## Metropolitan Agencies Capital Financing by Source

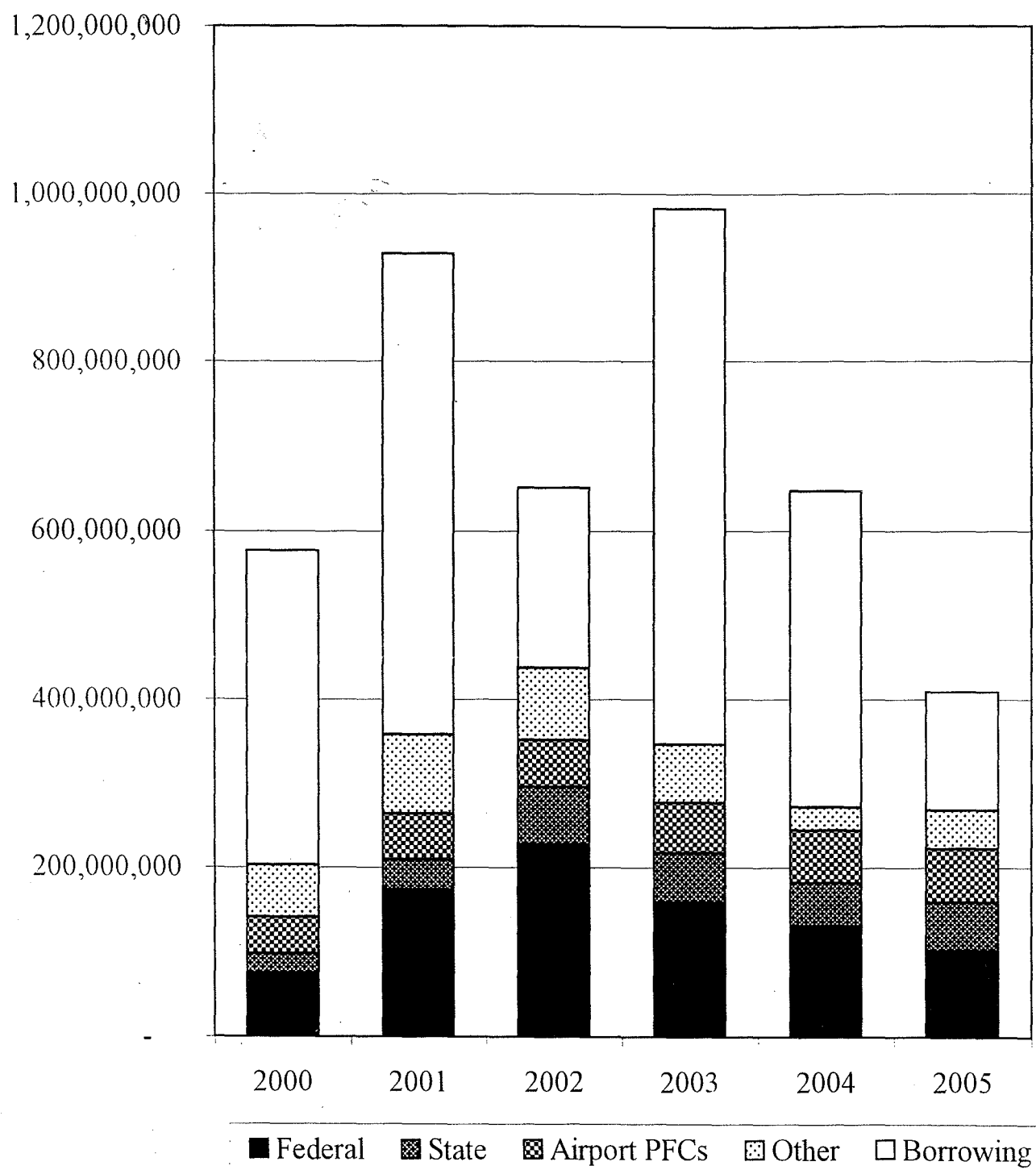


Figure 16

**Table 4**  
**METROPOLITAN AGENCIES**  
**Capital Project Funding**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Total
<b>Long-Term Debt:</b>							
Metropolitan Council							
Parks and Open Space	5,103,927	4,111,164	5,300,000	4,000,000	7,800,000	8,900,000	35,215,091
Transit	34,000,000	44,000,000	49,000,000	41,285,000	18,425,000	22,890,000	209,600,000
Environmental Services	56,084,780	71,926,399	102,751,000	173,600,000	139,140,000	109,530,000	653,032,179
Subtotal-Metropolitan Council	95,188,707	120,037,563	157,051,000	218,885,000	165,365,000	141,320,000	897,847,270
Metropolitan Airports Commission	279,070,000	450,815,000	56,000,000	417,335,000	210,170,000	-	1,413,390,000
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	-
Total	374,258,707	570,852,563	213,051,000	636,220,000	375,535,000	141,320,000	2,311,237,270
<b>Federal Contributed Capital:</b>							
Metropolitan Council							
Affordable Housing Program	-	11,016,070	9,451,930	6,000,000	-	-	26,468,000
Transit-Bus System	31,368,471	36,489,130	96,972,000	46,417,290	28,631,969	29,716,866	269,595,726
Transit-Hiawatha Light Rail	12,191,241	93,808,235	90,519,463	78,692,292	78,602,395	30,338,874	384,152,500
Transit-Designated Busway	-	-	-	-	-	22,117,000	22,117,000
Subtotal-Metropolitan Council	43,559,712	141,313,435	196,943,393	131,109,582	107,234,364	82,172,740	702,333,226
Metropolitan Airports Commission							
Airport Development	19,845,000	20,937,000	19,409,000	16,563,000	13,333,000	13,582,000	103,669,000
Part 150 Land Use	11,000,000	11,000,000	11,000,000	11,000,000	11,000,000	6,000,000	61,000,000
Subtotal-Airports Commission	30,845,000	31,937,000	30,409,000	27,563,000	24,333,000	19,582,000	164,669,000
Total	74,404,712	173,250,435	227,352,393	158,672,582	131,567,364	101,754,740	867,002,226
<b>State Contributed Capital:</b>							
Metropolitan Council							
Parks and Open Space	13,055,750	9,110,042	17,659,000	17,276,000	19,057,000	13,343,000	89,500,792
Transit-Bus System	-	-	5,162,980	6,308,409	-	-	11,471,389
Transit-Hiawatha Light Rail	7,836,856	23,521,286	35,240,787	24,791,342	8,398,233	211,496	100,000,000
Transit-Designated Busway	-	1,209,389	9,264,307	8,579,000	22,000,000	42,508,000	83,560,696
Subtotal-Metropolitan Council	20,892,606	33,840,717	67,327,074	56,954,751	49,455,233	56,062,496	284,532,877
Metropolitan Airports Commission	1,700,000	1,439,000	918,000	1,200,000	1,200,000	1,200,000	7,657,000
Total	22,592,606	35,279,717	68,245,074	58,154,751	50,655,233	57,262,496	292,189,877
<b>Passenger Facility Charges:</b>							
Metropolitan Airports Commission	43,261,000	54,902,000	55,393,000	59,988,000	61,488,000	63,027,000	338,059,000
<b>Internal Funding:</b>							
Metropolitan Council							
Parks and Open Space	842,053	507,931	498,000	200,000	200,000	200,000	2,447,984
Transit	-	-	-	-	-	-	-
Environmental Services	-	-	-	-	-	-	-
Subtotal-Metropolitan Council	842,053	507,931	498,000	200,000	200,000	200,000	2,447,984
Metropolitan Airports Commission	39,198,000	48,601,000	-	18,280,000	10,107,000	22,034,000	138,220,000
Metropolitan Sports Facilities Commission	885,000	4,351,000	5,575,000	7,138,000	3,357,000	1,500,000	22,806,000
Total	40,925,053	53,459,931	6,073,000	25,618,000	13,664,000	23,734,000	163,473,984
<b>Other Local and In-Kind Sources:</b>							
Transit-Hiawatha Light Rail	21,548,618	28,202,449	68,671,889	31,688,554	5,389,911	498,577	155,999,998
Transit-Designated Busway	-	-	-	-	-	21,904,000	21,904,000
Subtotal-Metropolitan Council	21,548,618	28,202,449	68,671,889	31,688,554	5,389,911	22,402,577	177,903,998
Total	21,548,618	28,202,449	68,671,889	31,688,554	5,389,911	22,402,577	177,903,998
<b>Sewer Availability Charges:</b>							
Metro. Council - Environmental Services	-	12,000,000	12,000,000	12,000,000	9,000,000	-	45,000,000
<b>Grant Anticipation Loan:</b>							
Metropolitan Council - Hiawatha Light Rail	-	-	8,400,000	43,100,000	(21,500,000)	(30,000,000)	-

**Table 4**  
**METROPOLITAN AGENCIES**  
**Capital Project Funding**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Total
<b>Total Capital Funding:</b>							
Metropolitan Council							
Parks and Open Space	19,001,730	13,729,137	23,457,000	21,476,000	27,057,000	22,443,000	127,163,867
Transit-Bus System	65,368,471	80,489,130	151,134,980	94,010,699	47,056,969	52,606,866	490,667,115
Transit-Hiawatha Light Rail	41,576,715	145,531,970	202,832,139	178,272,188	70,890,539	1,048,947	640,152,498
Transit-Designated Busway	-	1,209,389	9,264,307	8,579,000	22,000,000	86,529,000	127,581,696
Environmental Services	56,084,780	83,926,399	114,751,000	185,600,000	148,140,000	109,530,000	698,032,179
Affordable Housing	-	11,016,070	9,451,930	6,000,000	-	-	26,468,000
Subtotal-Metropolitan Council	182,031,696	335,902,095	510,891,356	493,937,887	315,144,508	272,157,813	2,110,065,355
Metropolitan Airports Commission	394,074,000	587,694,000	142,720,000	524,366,000	307,298,000	105,843,000	2,061,995,000
Metropolitan Sports Facilities Commission	885,000	4,351,000	5,575,000	7,138,000	3,357,000	1,500,000	22,806,000
<b>Total</b>	<b>576,990,696</b>	<b>927,947,095</b>	<b>659,186,356</b>	<b>1,025,441,887</b>	<b>625,799,508</b>	<b>379,500,813</b>	<b>4,194,866,355</b>
Long-Term Debt	374,258,707	570,852,563	213,051,000	636,220,000	375,535,000	141,320,000	2,311,237,270
Federal Contributed Capital	74,404,712	173,250,435	227,352,393	158,672,582	131,567,364	101,754,740	867,002,226
State Contributed Capital	22,592,606	35,279,717	68,245,074	58,154,751	50,655,233	57,262,496	292,189,877
Passenger Facility Charges	43,261,000	54,902,000	55,393,000	59,988,000	61,488,000	63,027,000	338,059,000
Internal Funding	40,925,053	53,459,931	6,073,000	25,618,000	13,664,000	23,734,000	163,473,984
Other Local and In-Kind	21,548,618	28,202,449	68,671,889	31,688,554	5,389,911	22,402,577	177,903,998
Environmental Service Sewer Availability Ch	-	12,000,000	12,000,000	12,000,000	9,000,000	-	45,000,000
Grant Anticipation Loan - Hiawatha Light Ra	-	-	8,400,000	43,100,000	(21,500,000)	(30,000,000)	-
<b>Total</b>	<b>576,990,696</b>	<b>927,947,095</b>	<b>659,186,356</b>	<b>1,025,441,887</b>	<b>625,799,508</b>	<b>379,500,813</b>	<b>4,194,866,355</b>
<b>Percent of Total Capital Funding:</b>							
Metropolitan Council							
Parks and Open Space	3.3%	1.5%	3.6%	2.1%	4.3%	5.9%	3.0%
Transit	11.3%	24.5%	55.1%	27.4%	22.4%	36.9%	30.0%
Environmental Services	9.7%	9.0%	17.4%	18.1%	23.7%	28.9%	16.6%
Affordable Housing	0.0%	1.2%	1.4%	0.6%	0.0%	0.0%	0.6%
Subtotal-Metropolitan Council	24.3%	36.2%	77.5%	48.2%	50.4%	71.7%	50.3%
Metropolitan Airports Commission	68.3%	63.3%	21.7%	51.1%	49.1%	27.9%	49.2%
Metropolitan Sports Facilities Commission	0.2%	0.5%	0.8%	0.7%	0.5%	0.4%	0.5%
<b>Total</b>	<b>92.8%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Long-Term Debt	64.9%	61.5%	32.3%	62.0%	60.0%	37.2%	55.1%
Federal Contributed Capital	12.9%	18.7%	34.5%	15.5%	21.0%	26.8%	20.7%
State Contributed Capital	3.9%	3.8%	10.4%	5.7%	8.1%	15.1%	7.0%
Passenger Facility Charges	7.5%	5.9%	8.4%	5.8%	9.8%	16.6%	8.1%
Internal Funding	7.1%	5.8%	0.9%	2.5%	2.2%	6.3%	3.9%
Other Local and In-Kind	3.7%	3.0%	10.4%	3.1%	0.9%	5.9%	4.2%
Other Environmental Services Sources	0.0%	1.3%	1.8%	1.2%	1.4%	0.0%	1.1%
Other Transit Sources	0.0%	0.0%	1.3%	4.2%	-3.4%	-7.9%	0.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>Total Capital Expenditures:</b>							
Metropolitan Council							
Parks and Open Space	19,001,730	13,729,137	25,289,000	21,476,000	27,068,000	22,438,000	129,001,867
Transit-Bus System	65,898,159	82,510,727	154,891,000	87,704,476	47,088,085	52,586,036	490,678,483
Transit-Hiawatha Light Rail	41,576,714	145,531,971	202,821,875	178,224,000	70,850,122	2,168,000	641,172,682
Transit-Designated Busway	-	1,209,389	9,264,307	8,579,000	22,000,000	86,520,800	127,573,496
Environmental Services	56,084,780	83,926,399	141,059,000	199,200,000	148,140,000	109,530,000	737,940,179
Affordable Housing	-	11,016,070	9,451,930	6,000,000	-	-	26,468,000
Subtotal-Metropolitan Council	182,561,383	337,923,693	542,777,112	501,183,476	315,146,207	273,242,836	2,152,834,707
Metropolitan Airports Commission							
Airport Development	320,793,026	354,616,000	468,067,000	375,779,000	448,390,000	263,118,000	2,230,763,026
Part 150 Land Use	37,617,974	32,963,000	8,196,765	19,200,000	25,500,000	23,700,000	147,177,739
Subtotal-Airports Commission	358,411,000	387,579,000	476,263,765	394,979,000	473,890,000	286,818,000	2,377,940,765
Metropolitan Sports Facilities Commission	885,000	4,351,000	5,575,000	7,138,000	3,357,000	1,500,000	22,806,000
<b>Total</b>	<b>541,857,383</b>	<b>729,853,693</b>	<b>1,024,615,877</b>	<b>903,300,476</b>	<b>792,393,207</b>	<b>561,560,836</b>	<b>4,553,581,472</b>



## LONG-TERM DEBT ISSUANCE AND OUTSTANDING DEBT

Under existing statute, only the Metropolitan Council and the Metropolitan Airports Commission are authorized to issue regional long-term debt. The Council issues debt for the Metropolitan Sports Facilities Commission, the Metropolitan Parks and Open Space Commission and the Metropolitan Radio Board.

In most instances, the Legislature has placed limits on the authority of the Council and the MAC to issue bonds. In most cases, the Legislature provides a specific amount of bonding authority that lapses when issued. For parks and the 800 megahertz radio general obligation (GO) bonds, the Legislature as provided a bonding limit that the Council can reutilize as it retires outstanding debt.

The currently available bonding authorizations as of December 31, 2002 are:

<u>Agency/Function</u>	<u>Debt Type</u>	<u>Available Authority</u>
MAC	GO Revenue	\$ 55,050,000
MAC	Revenue	unlimited
MC-Transit	General Obligation	\$ 51,375,000
MC-Wastewater	GO Revenue	unlimited
MC-Parks	General Obligation	\$ 12,330,000
MC-Radio	General Obligation	\$ 0
MC-Radio	Revenue	\$ 0

Long-term debt issuance by function between 2000 and 2005 is summarized in Figures 17 and Table 5. A total of \$2.710 billion in regional debt is forecast for the six-year period. The MAC will issue \$1.826 billion for airport development, or 67 percent of the total. The Council will issue \$629 million for wastewater facilities and \$219 million for transit equipment and facilities. Over the same six-year period, metropolitan agencies will retire \$1.090 billion in outstanding debt.

Outstanding debt by function is summarized in Figure 18 and Table 5. Net outstanding debt (gross debt minus appropriated debt service reserves) is forecast to increase from \$1.7 billion at the end of 2000 to \$2.9 billion at the end of 2005, an annual percentage increase of 11 percent. Net outstanding debt for airports is forecast to increase 12 percent with implementation of the MAC 2010 Plan. Net outstanding debt for the Council will increase by 9 percent between 2000 and 2005.

# Metropolitan Agencies 2000-2005 Debt Issuance by Function

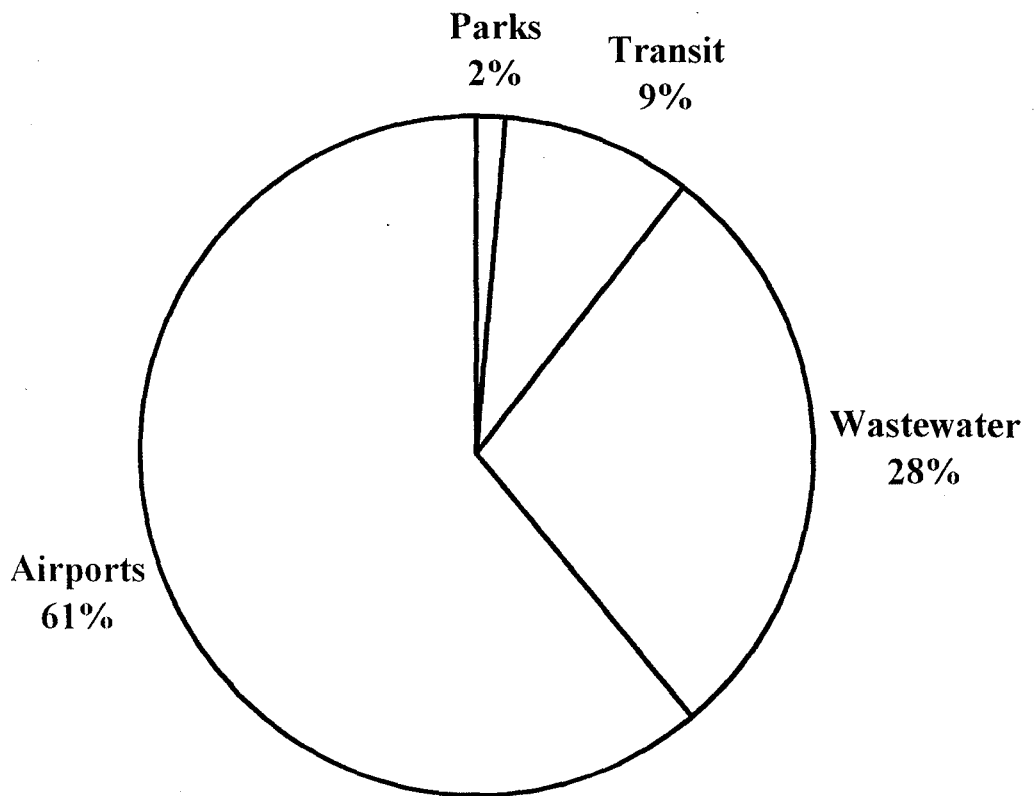


Figure 17

# Metropolitan Agencies Year End Net Outstanding Debt

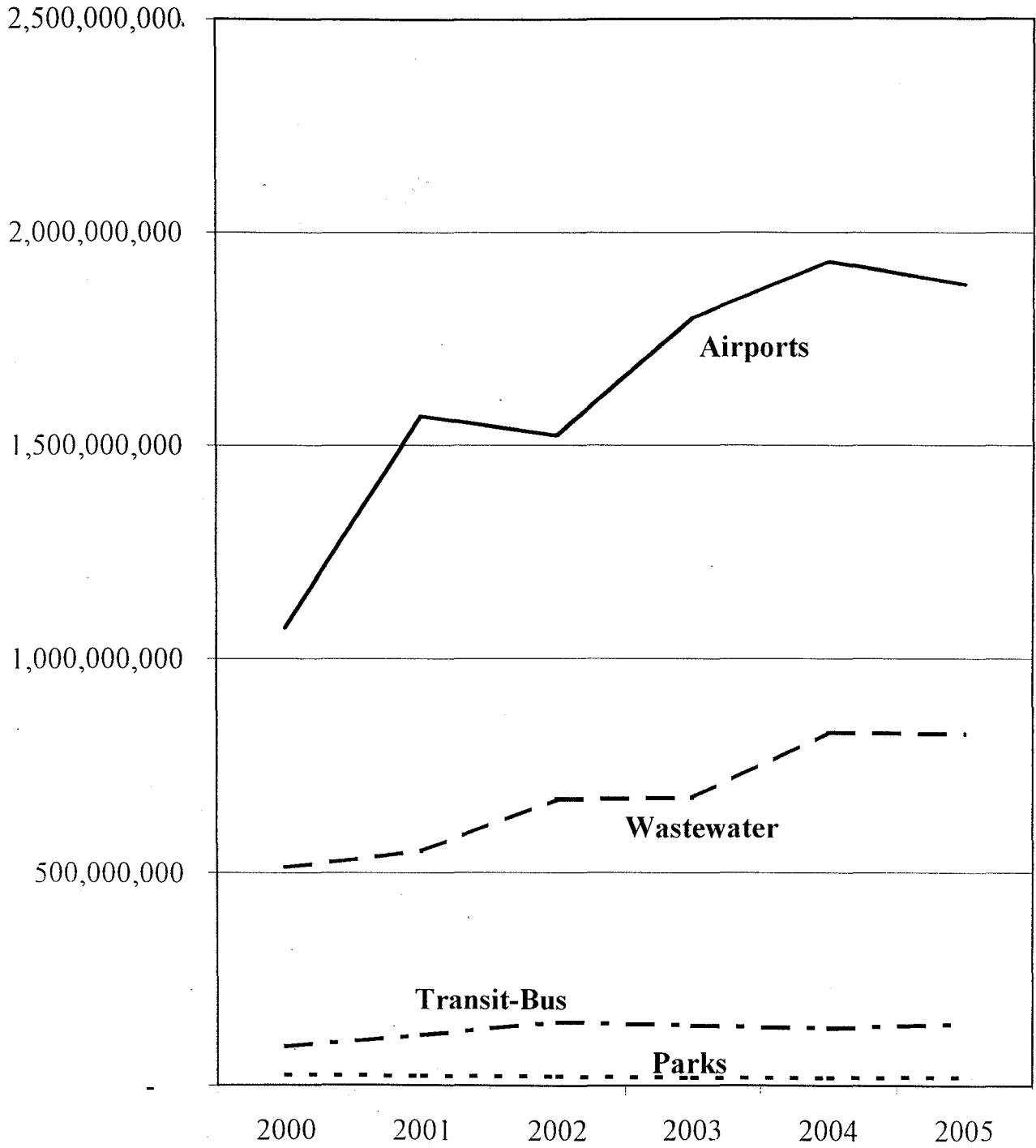


Figure 18

**Table 5**  
**METROPOLITAN AGENCIES**  
**Debt Issuance, Debt Retirement and Outstanding Debt**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Total
<b>New Long-Term Debt Issued:</b>							
Metropolitan Council							
Parks and Open Space	5,300,000	3,600,000	6,500,000	4,000,000	7,800,000	8,900,000	36,100,000
Transit	42,000,000	44,000,000	50,000,000	18,500,000	23,000,000	41,100,000	218,600,000
Environmental Services	48,388,031	114,926,536	164,585,000	50,000,000	200,985,000	50,000,000	628,884,567
800 Megahertz Radio	-	-	-	-	-	-	-
Solid Waste	-	-	-	-	-	-	-
Subtotal-Metropolitan Council	95,688,031	162,526,536	221,085,000	72,500,000	231,785,000	100,000,000	883,584,567
Metropolitan Airports Commission	279,070,000	575,815,000	343,825,000	417,335,000	210,170,000	-	1,826,215,000
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	-
<b>Total</b>	<b>374,758,031</b>	<b>738,341,536</b>	<b>564,910,000</b>	<b>489,835,000</b>	<b>441,955,000</b>	<b>100,000,000</b>	<b>2,709,799,567</b>
<b>Long-Term Debt Retired:</b>							
Metropolitan Council							
Parks and Open Space	2,825,000	4,240,000	5,535,000	5,505,000	6,795,000	6,885,000	31,785,000
Transit	14,355,000	14,440,000	16,775,000	18,930,000	24,880,000	25,215,000	114,595,000
Environmental Services	73,065,000	76,965,000	42,615,000	50,234,000	49,266,000	55,172,000	347,317,000
800 Megahertz Radio	265,000	275,000	285,000	300,000	315,000	325,000	1,765,000
Solid Waste	325,000	335,000	345,000	360,000	380,000	390,000	2,135,000
Subtotal-Metropolitan Council	90,835,000	96,255,000	65,555,000	75,329,000	81,636,000	87,987,000	497,597,000
Metropolitan Airports Commission	9,520,000	18,950,000	411,260,000	86,650,000	32,320,000	33,990,000	592,690,000
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	-
<b>Total</b>	<b>100,355,000</b>	<b>115,205,000</b>	<b>476,815,000</b>	<b>161,979,000</b>	<b>113,956,000</b>	<b>121,977,000</b>	<b>1,090,287,000</b>
<b>Gross Outstanding Debt, Year End:</b>							
Metropolitan Council							
Parks and Open Space	27,345,000	26,705,000	27,670,000	26,165,000	27,170,000	29,185,000	1.3%
Transit	116,235,000	145,795,000	179,020,000	178,590,000	176,710,000	192,595,000	10.6%
Environmental Services	524,842,651	562,804,187	684,774,187	684,540,187	836,259,187	831,087,187	9.6%
800 Megahertz Radio	2,575,000	2,300,000	2,015,000	1,715,000	1,400,000	1,075,000	
Solid Waste	1,810,000	1,475,000	1,130,000	770,000	390,000	-	-100.0%
Subtotal-Metropolitan Council	672,807,651	739,079,187	894,609,187	891,780,187	1,041,929,187	1,053,942,187	9.4%
Metropolitan Airports Commission	1,253,680,000	1,810,545,000	1,743,110,000	2,073,795,000	2,251,645,000	2,217,655,000	12.1%
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	
<b>Total</b>	<b>1,926,487,651</b>	<b>2,549,624,187</b>	<b>2,637,719,187</b>	<b>2,965,575,187</b>	<b>3,293,574,187</b>	<b>3,271,597,187</b>	<b>11.2%</b>
<b>Appropriated Reserves:</b>							
Metropolitan Council							
Parks and Open Space	6,140,572	7,498,362	7,628,000	9,210,000	9,524,000	10,426,000	
Transit	25,550,324	27,971,629	30,900,000	39,000,000	43,300,000	48,900,000	
Environmental Services	10,946,000	10,484,000	11,076,000	8,103,000	7,019,000	5,359,000	
800 Megahertz Radio	401,813	351,027	389,000	427,000	461,000	501,000	
Solid Waste	163,051	149,560	176,000	208,000	229,000	-	
Subtotal-Metropolitan Council	43,201,760	46,454,578	50,169,000	56,948,000	60,533,000	65,186,000	
Metropolitan Airports Commission	180,828,000	243,577,000	221,009,000	275,250,000	320,667,000	340,998,000	
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	
<b>Total</b>	<b>224,029,760</b>	<b>290,031,578</b>	<b>271,178,000</b>	<b>332,198,000</b>	<b>381,200,000</b>	<b>406,184,000</b>	
<b>Net Outstanding Debt, Year End:</b>							
Metropolitan Council							
Parks and Open Space	21,204,428	19,206,638	20,042,000	16,955,000	17,646,000	18,759,000	-2.4%
Transit	90,684,676	117,823,371	148,120,000	139,590,000	133,410,000	143,695,000	9.6%
Environmental Services	513,896,651	552,320,187	673,698,187	676,437,187	829,240,187	825,728,187	9.9%
800 Megahertz Radio	2,173,187	1,948,973	1,626,000	1,288,000	939,000	574,000	
Solid Waste	1,646,949	1,325,440	954,000	562,000	161,000	-	-100.0%
Subtotal-Metropolitan Council	629,605,891	692,624,609	844,440,187	834,832,187	981,396,187	988,756,187	9.4%
Metropolitan Airports Commission	1,072,852,000	1,566,968,000	1,522,101,000	1,798,545,000	1,930,978,000	1,876,657,000	11.8%
Metropolitan Sports Facilities Commission	-	-	-	-	-	-	
<b>Total</b>	<b>1,702,457,891</b>	<b>2,259,592,609</b>	<b>2,366,541,187</b>	<b>2,633,377,187</b>	<b>2,912,374,187</b>	<b>2,865,413,187</b>	<b>11.0%</b>

**Table 5**  
**METROPOLITAN AGENCIES**  
**Debt Issuance, Debt Retirement and Outstanding Debt**

	2000 Actual	2001 Actual	2002 Revised	2003 Proposed	2004 Projected	2005 Projected	2000-2005 Total
<b>Percent of Total Net Outstanding Debt:</b>							
Metropolitan Council							
Parks and Open Space	1.2%	0.9%	0.8%	0.6%	0.6%	0.7%	
Transit	5.3%	5.2%	6.3%	5.3%	4.6%	5.0%	
Environmental Services	30.2%	24.4%	28.5%	25.7%	28.5%	28.8%	
800 Megahertz Radio	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	
Solid Waste	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	
Subtotal-Metropolitan Council	37.0%	30.7%	35.7%	31.7%	33.7%	34.5%	
Metropolitan Airports Commission	63.0%	69.3%	64.3%	68.3%	66.3%	65.5%	
Metropolitan Sports Facilities Commission	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	

This page left blank intentionally