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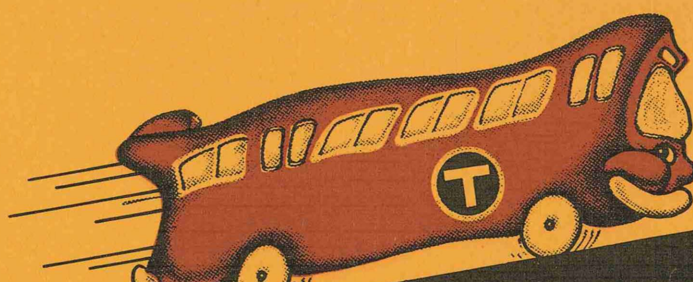
1975 annual report



METROPOLITAN TRANSIT COMMISSION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D419

Chairman's Letter

TO: The Honorable Wendell Anderson, Governor of Minnesota; the Minnesota Legislature; Government Officials; interested citizens:

With continuing concern about long-term petroleum supply it is worth reporting this year that the revival of interest — and ridership — in public transit saved the Twin Cities metropolitan area more than a million gallons of gasoline during the fiscal year ended June 30, 1975.

This is solid evidence that transit in the Twin Cities area is beginning to mature, to make a significant contribution to the region. Improvements over five years of public ownership have been gradual, but cumulatively, they have been substantial. I am aware of no bus system in the United States that has completed the cycle of "bad-to fair-to good" as quickly as ours, here in the Twin Cities.

The MTC's original, five-year improvement program is essentially complete. In many respects we've exceeded goals established at the initiation of the program. The Twin Cities area can now be proud of its bus system. It does not follow, however, that the job of revitalizing transit is done; on the contrary, it is just beginning. The community response to initial improvements — complete reversal of the previous downward trend in ridership — is proof enough that public transportation will be accepted as a major component of a healthy urban area. It is well and good that our bus system is maturing, but that simply provides greater reason for continuing improvements so that transit achieves its full potential.

Sincerely,

Doug Kelm

Doug Kelm
Chairman

Reports to Legislature

A number of reports on key issues were prepared and forwarded to the Minnesota Legislature as the 1975 session convened. These reports tended to cover major transportation policy issues, and also reflected many of the MTC's major programs and activities during the previous year. These reports are summarized here as an index of these activities.

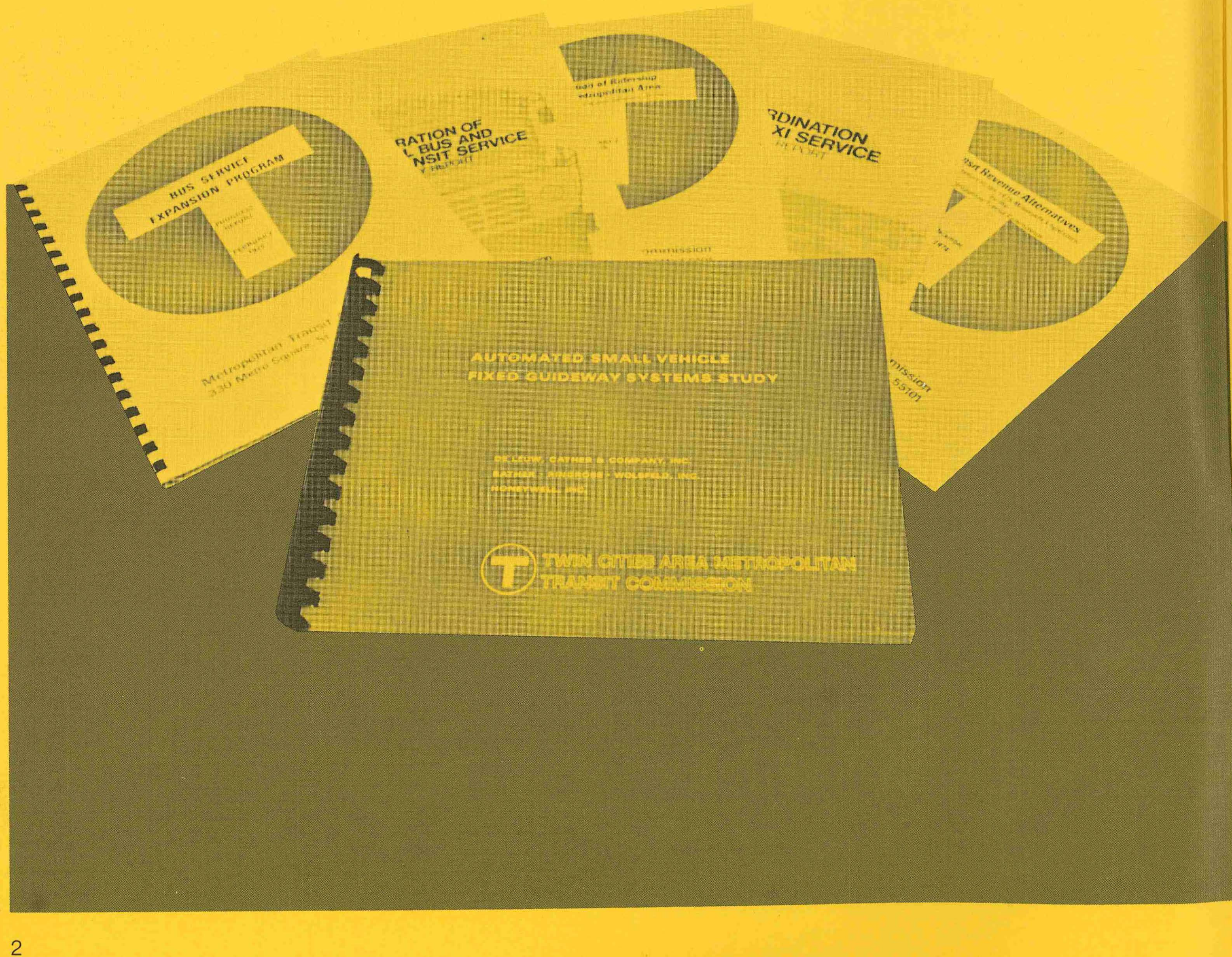
Bus Service Expansion Program

Legislation passed in 1974 authorized the MTC to implement an accelerated bus service improvement program over a period concluding at the end of 1977. A progress report was to be submitted annually.

The report issued last January noted that 1974 (calendar year) was characterized by ridership increasing 8.3 per cent over 1973. Service expansion included a 22 per cent increase in weekday regularly scheduled bus miles, including the addition of 4,830 daily express bus miles. Capital improvements made during the previous year included purchase of 296 new air-conditioned buses, installation of 78 passenger waiting shelters, and establishment of 12 park-and-ride facilities.

Small Vehicle Study

Much discussion has taken place in recent years about whether to build some type of a fixed guideway rapid



transit system within the metropolitan area, and if so, what form such a system would take. Because of interest in small vehicle automated systems, the Legislature directed conduct of the Small Vehicle Study, comparing several such systems with one another and with an intermediate-scale system previously advocated by the MTC. The study produced nine recommendations adopted by the MTC:

1. Implement a fixed guideway type system as the basic element of a transit system in the metropolitan area.
2. Plan alternative transportation modes to aid decision-makers in petroleum conservation techniques.
3. Delineate the routing and space needed for the fixed guideway system in joint venture with the affected municipalities and agencies.
4. Complete required alternatives analysis and pursue procurement of federal funds.
5. Recommend a base fixed guideway system for the central areas of Minneapolis, St. Paul, and the south Hennepin County commercial area.
6. Identify additional transit extensions to be implemented as needed and as funding permits.
7. Include light rail transit (LRT) in alternatives analysis.
8. Eliminate private party (PRT) service as a candidate for a regional fixed guideway system.
9. Proceed with an alternatives analysis that includes LRT, Group Rapid Transit (GRT), and Intermediate Capacity Rapid Transit (ICRT), or combinations thereof that best meet the regional transportation needs.

Coordination of Taxi Service

In hopes of obtaining more efficient use of all existing transportation facilities, legislation was passed directing a study to determine the feasibility of integrating taxi service with conventional public transit. The principal finding was that, in comparison with traditional transit services, taxis, operated in a shared-ride, demand-responsive method, may be able to provide more efficient service in some cases. In particular, use of taxis appears promising in sparsely developed areas, either as feeders to MTC buses or for the complete trip; and during off-peak periods both in central cities and in sparsely developed areas. Further study was recommended to refine the optimum uses of taxi service and to determine an appropriate regulatory and coordinating structure.

Integration of School Bus and Public Transit Service

The study determined that, under normal economic and fuel availability situations, there was little potential to integrate these two types of services. It was recommended that, in the event of seriously limited fuel availability, school hours be staggered or school bus transportation policies be changed, making a substantial portion of the school bus fleet available for public transportation purposes.

Transit Revenue Alternatives

Expanding service, rising costs, and relatively stable or decreasing fares mean that continuing efforts must be made to analyze various public transportation alternatives and determine which are best for this area. Due to these cost factors, the bus system operating deficit rose from $10.5 million in FY 1974 to $18.2 million in FY 1975, and will increase to an estimated $27.6 million in 1976. Continued inflation, continuing implementation of the Bus Service Expansion Program, and continued fare stabilization will likely produce further subsidy increases, especially since an all-bus system is particularly sensitive to rising cost factors.

The Legislature requested that the MTC report to the 1975 session on anticipated future costs of the bus system, and suggest and analyze various revenue-producing methods.

As an immediate step to ease the local tax burden for transit operations, and in consideration of the fact that fares have been constant for nearly six years, the MTC in its report suggested possible repeal of the 50-cent fare ceiling and the free ride for minors program, an increase of five cents in the base fare, and an increase of five cents in the express bus surcharge. The free fare program for persons under 18 was replaced by a dime-fare program, but no other fare changes were made by the MTC or Legislature during FY 1975. The express bus surcharge was enacted later, for implementation as of Jan. 1, 1976.

The report also analyzed alternative tax sources, including a sales tax, electric tax, income tax surtax, and payroll tax, each of which showed a potential to raise between $8 and $9 million annually.

Promotion of Ridership in the Metropolitan Area

The objective of this study, which is to be done annually, is to determine ways to increase occupancy of vehicles of all types, as a way to ease transportation problems without extensive capital investment. The goal expressed by the Legislature is to increase to 50 per cent by 1980 the proportion of persons riding rather than driving in motor vehicles. That compares with 37 per cent in 1970.

The first year's report was primarily an inventory of trends and programs to increase multi-occupancy of vehicles. It indicated that, in October, 1974, trips made during the morning peak hour broke down like this: Auto driver, 51.8 per cent; auto passenger, 16.6 per cent, public bus passenger, 6.8 per cent; school bus passenger, 21.7 per cent; and other (truck, taxi, motorcycle, etc.), 3.1 per cent.

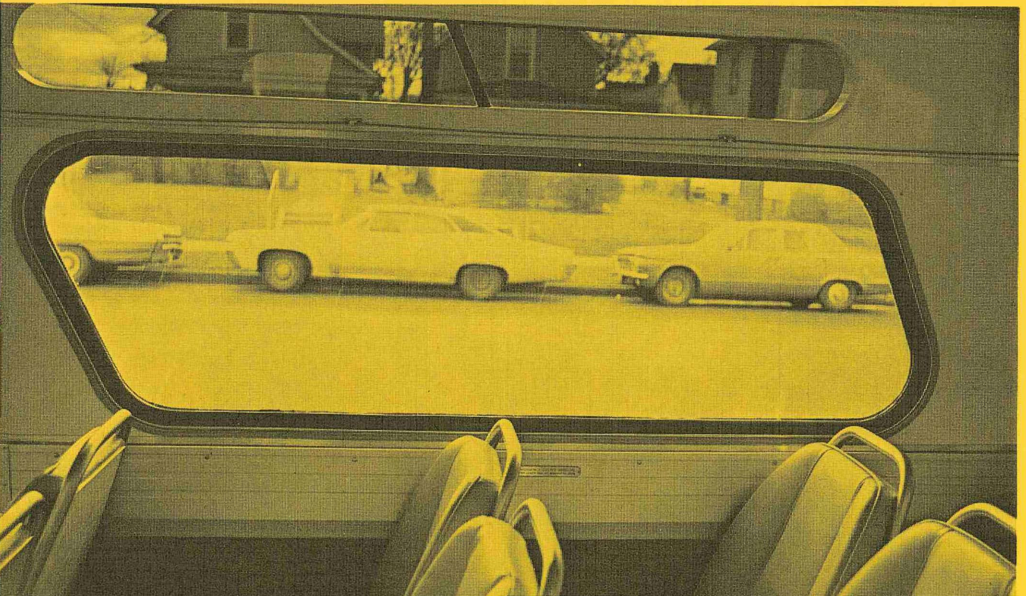
The report also noted trends in ridership, and described several new and continuing programs aimed at increasing the percentage of ridership. These include the MTC Bus Service Expansion Program, development of a regional express bus network, subscription bus service, and promotion of employer van programs and computer car pools.

Year in Review

Operations

The bus service expansion program authorized and funded by the Minnesota Legislature continued during the 1975 fiscal year. By the end of the year bus route miles totaled 1,157. This compares with just over 500 at the time the Metropolitan Transit Commission acquired the former Twin City Lines about five years ago.

The operating fleet grew to 872 large buses and 16 small buses. Some 627 of these buses are new since public ownership began. The MTC has awarded a contract for manufacture of 309 additional buses, which will complete the agency's fleet renewal program.



Ridership hit the 60 million mark in 1975 — 60,149,642 to be exact, an increase of 10 per cent over the previous fiscal year. (Transit ridership was up nationally, too, but less than one per cent.) Annual patronage in the Twin Cities has now increased a total of 37 per cent over the 43.8 million level during the last year before MTC acquisition.

During FY 1975 — on Aug. 5, 1974 to be exact — a service milestone was reached. During the afternoon peak hour that day 713 buses were put into service. It had been 28 years since that many public transit vehicles were on the street at one time.

The number climbed as the year went along, to a high of 807 buses.

New service came in non-traditional shapes and sizes. An experimental Dial-a-Ride program in the Model Cities area of Minneapolis provided on-demand, door-to-door convenience within its service area. More crosstown service was added, including a link between two major suburban shopping centers. Buses even began running the "wrong way" on one-way streets — with official blessings — on Marquette and Second Avenues in downtown Minneapolis, as an experiment to test faster transit service operations.

Some major employers are located beyond the reach of existing bus service. To enable their employees to have transit access, the MTC began a subscription bus service program with a full-time coordinator to assist individual companies. Under policy adopted by the MTC, the firms and the transit commission can share the cost of specially-tailored service.

In both downtowns, the MTC found a new way of moving people around quickly, conveniently, and inexpensively: Dime fare zones. People can travel on any bus within the zones for ten cents. Previously, a more limited minibus service was provided in downtown Minneapolis and St. Paul, with the dime rides available just on certain streets. The Nicollet Mall minibus was retained with continuing financial assistance from the City of Minneapolis, because of its ridership and special attractiveness and to link downtown and the convention center.

A fare innovation during 1975 was imposition of a maximum fare of 50 cents (plus a surcharge for freeway express buses). Riders who travel long distances save as much as 35 cents over the old fare zone system on each trip under this program sponsored by the state legislature.

Another fare change enables persons under 18 to ride for 10 cents except during weekday rush hours.

One suburban bus operation was acquired during FY 1975, and another shortly thereafter. They were, respectively, Bloomington Bus Company, and South and West St. Paul Transit Co. Public ownership discussions are now under way with the remaining suburban operators to create a well-integrated regional transit system, and to provide uniformly higher levels of service, and lower fares.

The MTC's program of constructing heated passenger shelters at locations with heavy passenger loadings continued in 1975. By the end of the year there were 166 shelters throughout the metropolitan area, with another 116 under contract for completion this fall.

The year ended with some 36 park-and-ride sites throughout the area, containing a total of 1,245 parking spaces, making auto access to the transit system convenient.

The Commission awarded a contract to the Office of Electronic Communications of the Minnesota Highway Department to prepare specifications for the purchase of a two-way radio system, which will provide instantaneous communication with bus drivers at any location along the MTC's broad network of bus routes. This will permit better supervision and coordination of the fleet, superior response to unforeseen conditions, and increased safety for drivers and passengers.

A vigorous service expansion program means more buses on the street, and more buses on the street require increased storage capacity when they finally come in for the night.

A temporary garage housing 175 buses is opening in Brooklyn Center in December, 1975. It may be enlarged at a later date to accommodate 300 buses for north suburban area service.

Design for a new garage, to be constructed in 1976 in Bloomington, began in 1975. When its 300-bus storage becomes available, present-day storage needs will be eased.

Planning

One of the MTC's primary approaches to comprehensive planning of short- and intermediate-range service improvements is through a series of subregional evaluations of needs, known as Route Ridership Improvement Projects. These studies produce recommendations on routes and schedules for conventional service; opportunities for non-traditional service concepts; amenities such as shelters and park-and-ride sites; road improvement needs; type and number of vehicles needed; and a marketing program.

Four such studies were completed by the end of fiscal year 1975, with approximately 60 per cent of their recommendations implemented. Studies were made for Southern Anoka County, Northern Ramsey County, Central Hennepin County and Carver and Scott Counties. Two other studies have since been completed, for the Northeast suburban area, and in Northern Dakota and Southern Washington Counties.

Five additional studies, covering the rest of the metropolitan area, are

now underway.

Related to these studies are two pilot demonstration studies of community-based transit needs, being done jointly by the MTC and the Cities of Hopkins and White Bear Lake. Both the recommendations and the cooperative planning process may prove applicable to other municipalities.

Though implementation was delayed because of equipment availability problems, plans took shape during 1975 for an experimental program offering special service to persons with handicaps that prevent them from using the regular bus system. The MTC commissioned a special advisory committee made up primarily of disabled persons to assist with developing plans. Up to 10 small vehicles will be available for handicapped people within a demonstration area in Minneapolis. They will be specially-equipped with such features as hydraulic lifts and wheelchair hold-downs.

Additionally, a special fare of 15 cents on all MTC buses during non-peak hours was adopted in the fall of 1975 for persons with physical handicaps.

A study to determine a regional express bus network neared completion in 1975. The inter-agency I-35W bus-on-metered-freeway demonstration program was completed, showing that preferential access for buses could attract riders and reduce congestion. Some of the most significant results were increasing average speeds of 32 per cent; transit ridership making up 40 per cent of the travel within the corridor during peak hours; reduction in accidents by 29 per cent; and a high degree of "choice" transit ridership, with 80 per cent of the express bus patrons having a car available to them.

A contract was let for a study on improving transit operations and facilities in downtown areas.

Communication

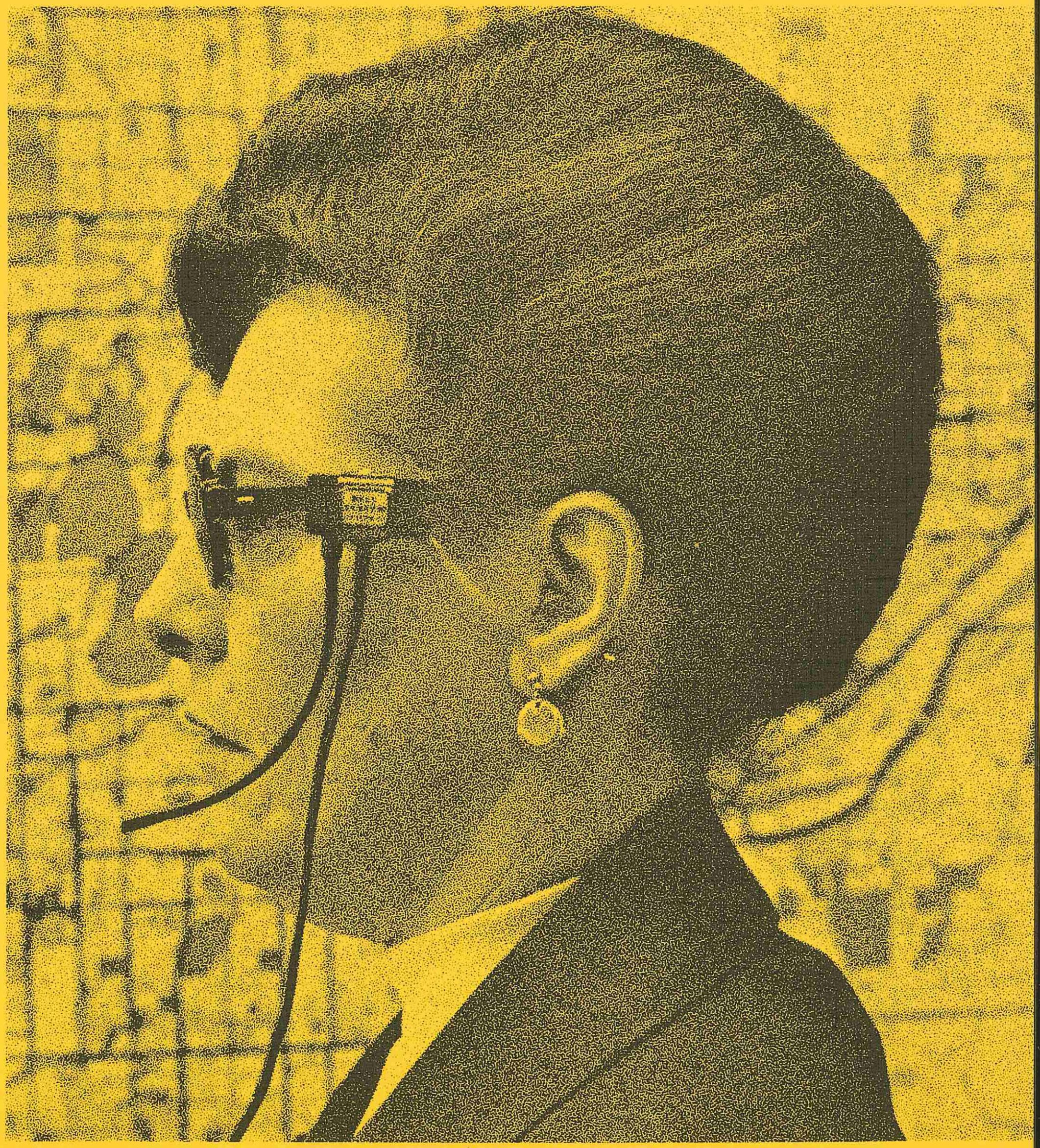
During fiscal year 1975 the MTC continued its efforts to facilitate communication with its various constituencies, including bus riders, public officials, and public and private organizations interested in community transportation policy-making.

Chairman Doug Kelm and half a dozen other members of a speakers bureau spoke to 117 community groups during the year soliciting questions and comments.

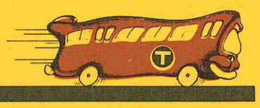
The MTC's bus information booth and its knowledgeable attendant were in greater demand than ever before. Besides appearing in high-traffic locations such as skyways, many Twin Cities firms scheduled it for the benefit of their employees, as part of their efforts to promote bus ridership. The MTC is working with about 50 major employers on this and other joint efforts to promote bus ridership.

Through its advertising program, its publications and by working with local news media, the MTC kept the community up to date on new developments in its operating and planning areas. Newspapers began carrying stories describing service improvements.

The MTC's citizens' Advisory Com-



mittee on Transit, now in its fifth year, met at least monthly to consider transit matters and make recommendations to its appointing body, the Commission. Much of the year was devoted to critiquing the MTC's study of small-vehicle fixed guideway systems, and the transportation policy plan of the Metropolitan Council.



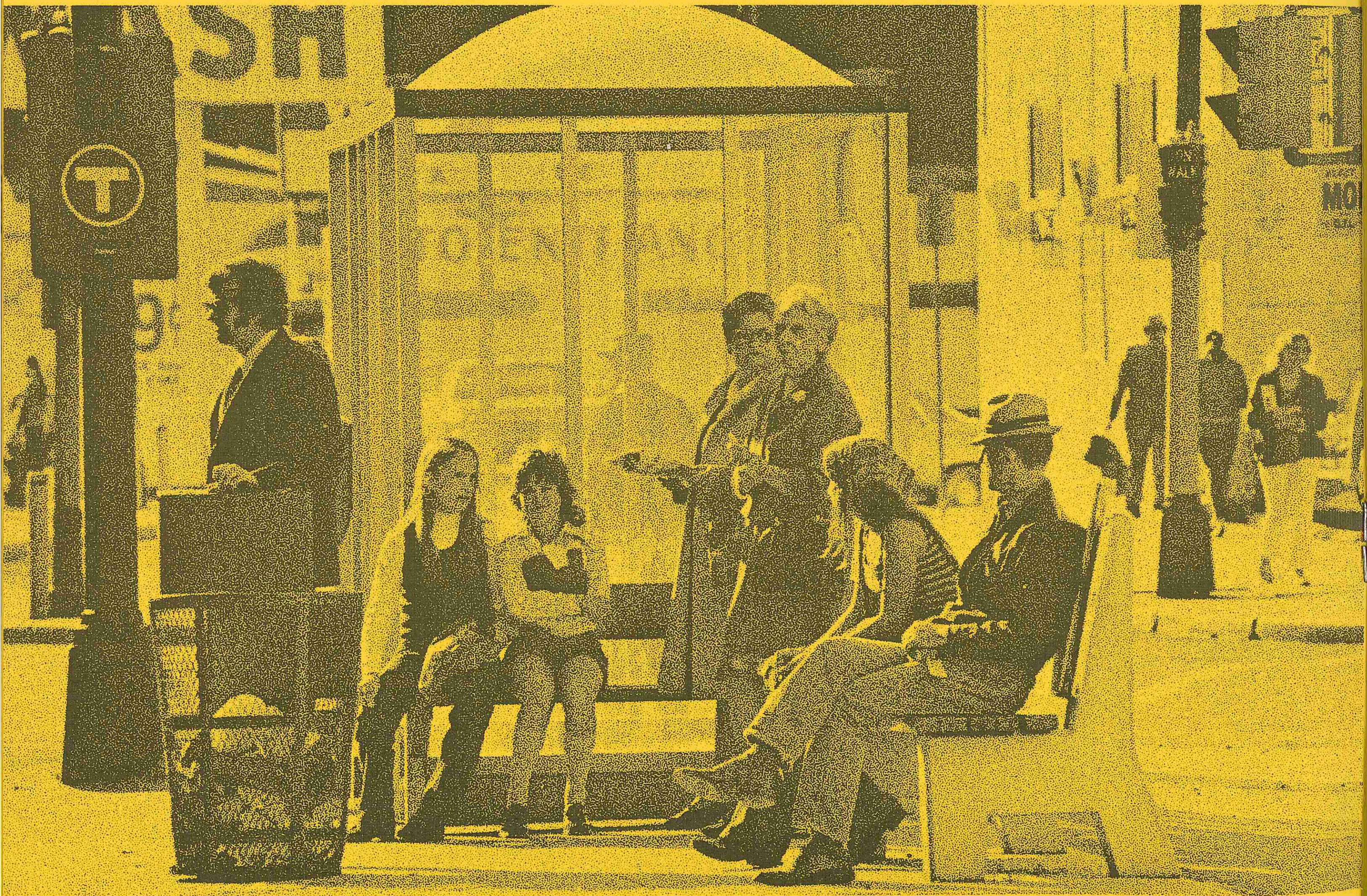
Legal and Legislative

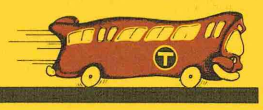
Several organizational changes affecting the MTC and other metropolitan agencies took effect in January. The most significant changes altered the method of appointing Commissioners to serve on the MTC and changed the boundaries of MTC precincts. Previously, elected officials within the respective precincts made the appointments. Under the new system, precinct boundaries were realigned to relate to Metropolitan Council districts, and the Council will now make the appointments of MTC members.

Another change altered the MTC fiscal year, which, up until now, has been July 1-June 30. Beginning in January, 1976, the reporting period will be on a calendar year basis. The six months between the end of fiscal year 1975 (June 30) and the beginning of 1976 will be a short fiscal period in order to make the transition.

During the 1975 legislative session other significant measures affecting the MTC's financial structure were passed. The major one adjusted sources of MTC revenue by reducing by about one-third the MTC's maximum property tax levy and making up much of the difference through an appropriation from state revenues. Even with a reduced property tax levy, the combination of state aid and newly-authorized federal operating assistance will enable the MTC to continue to expand bus service. (See financial section.)

The metropolitan primary transit taxing district, the area upon which the basic metropolitan transit tax is levied, was redefined by the Legislature to encompass a reduced geographical area. On the other hand, the Legislature required for the first time that a minimal transit tax, equal to 10 per cent of the basic transit tax rate, be levied on the remainder of the seven-county area outside of the transit taxing district.





Financial

The primary source of outside revenue for the MTC has been an ad valorem property tax levied upon the Metropolitan Transit Taxing District, generally the urbanized portion of the seven-county metropolitan area. For FY 1975, the mill levy for the Transit Commission was 3.41 mills, consisting of 2.97 mills ($18,096,562) for general operations and .44 mills ($2,649,239) for debt service on outstanding obligations.

During FY 1975 the Commission received $1,774,991 in federal grant funds to assist its activities, consisting of $1,424,608 for capital expenditures and $350,383 for technical studies and the I-35W express service demonstration. The Commission received $3.1 million from the State of Minnesota in grants-in-aid to subsidize bus operations. Revenue from operation of the bus system amounted to $15,550,447. Miscellaneous revenue, primarily from investment income and sale of nonexpendable equipment, was $1,092,318.

In March 1975 the Commission needed to sell $9 million of tax anticipation certificates of indebtedness secured by a pledge of the tax receipts for general purposes, to provide necessary cash in the MTC general fund during the first half of 1975, in advance of receiving collections from the property tax levy. The certificates, due March 1, 1976, were sold at a net average interest cost of 6.9 per cent.

The MTC will receive approximately $12.5 million in federal operating assistance and $24 million in grants-in-aid from the State of Minnesota during the current biennium. This reduces the reliance of MTC upon property taxes for outside revenue, allowing for a reduced mill levy (from 3.39 in 1975 to an estimated 2.06 mills in 1976), and possible elimination of short-term borrowing in anticipation of tax receipts.

Total expenditures of the Commission during FY 1975 were $41,102,166, consisting of $33,700,752 for operating expenses of the bus system (including $3,264,861 depreciation on capital equipment and facilities), $762,066 for administrative costs of the commission and the governmental division, $522,666 for technical consultants and other agency costs, $407,325 for interest expense on short-term borrowing, $2,694,833 for debt redemption and financing costs on long-term indebtedness, $2,700,823 for capital improvements and expenditures, and $313,701 for supported programs and operations, including assistance to privately-owned suburban carriers.

At the end of FY 1975 the Commission had 31 employees in the Governmental Division and 1,639 employees in the Transit Operating Division.

Fund Balance Sheets

**Year Ended
June 30, 1975**

ASSETS

Cash
United States Government securities and certificates of deposit,
at cost (approximates market)
Accounts receivable, less allowance for doubtful accounts of $22,164
Property tax receivable
Allowance for uncollectible property tax
Due from federal government
Due from other funds
Accrued interest receivable
Materials and supplies, at cost (first-in, first-out method)
Prepaid expenses
Property, plant and equipment — on the basis of cost (less accumulated
deprecation for Transit Operating Division Fund) — Notes A and E
Capital projects in progress — Note F
Assets restricted for payment of tax anticipation certificates of indebtedness — Note C:
Cash
United States Government securities and certificates of deposit,
at cost (approximates market)
Accrued interest receivable
Property tax receivable
Assets held by fiscal agents or in escrow — Note B:
Cash
United States Government securities and certificates of deposit, at cost (approximates market)
Accrued interest receivable
Amount to be provided for retirement of debt

LIABILITIES, RESERVES AND FUND BALANCES

General obligation certificates of indebtedness payable
Tax anticipation certificates of indebtedness payable — Note C
Accounts payable
Due to other funds
Accrued expenses
Due to Twin City Lines, Inc. — Note B
Reserve for injury and damage claims
Fund balances:
Invested in capital projects in progress
Invested in general fixed assets
Appropriated for debt service
Appropriated for general operations for the six month period ending December 31, 1975
Federal grants and commission contributions to Transit
Operating Division Fund, less applicable amortization
Appropriated for capital expenditures
Unappropriated fund balances

See notes to financial statements.

General Fund	Debt Service Fund	Capital Fund	Transit Operating Division Fund	Group of Accounts: General Fixed Assets	Group of Accounts: General Long-Term Debt	Total - Memorandum Only
$ 14,985	$ 459	$ 44,021	$ 257,187			$ 316,652
750,000	362,000	3,120,000				4,232,000
872			226,833			227,705
8,455,574	2,640,504					11,096,078
(361,931)	(52,985)					(414,916)
317,199		4,689,285				5,006,484
6,100		435	1,995,494			2,002,029
292	8,022	14,874				23,188
			506,607			506,607
5,855			102,229			108,084
			26,607,516	$75,505		26,683,021
		2,001,783				2,001,783
4,522						4,522
35,000						35,000
700						700
9,581,325						9,581,325
		2,398				2,398
		1,622,031				1,622,031
		33,764				33,764
					$9,950,000	9,950,000
$18,810,493	$2,958,000	$11,528,591	$29,695,866	$75,505	$9,950,000	$73,018,455

General Fund	Debt Service Fund	Capital Fund	Transit Operating Division Fund	Group of Accounts: General Fixed Assets	Group of Accounts: General Long-Term Debt	Total - Memorandum Only
	$2,150,000				$9,950,000	$12,100,000
$ 9,000,000						9,000,000
64,048		$ 345	$ 811,114			875,507
414,985		1,580,554	6,490			2,002,029
279,836	207,083	480,929	1,212,601			2,180,449
		4,708,314				4,708,314
			812,622			812,622
		2,001,783				2,001,783
				$75,505		75,505
	600,917					600,917
3,126,900						3,126,900
			26,853,039			26,853,039
		2,756,666				2,756,666
5,924,724						5,924,724
$18,810,493	$2,958,000	$11,528,591	$29,695,866	$75,505	$9,950,000	$73,018,455

General Fund

Statement of Revenues, Expenditures, Transfers and Changes in Fund Balance

Year Ended June 30, 1975

		Actual	Budgeted
Revenues:			
Property tax		$18,096,562	$18,084,284
Less provision for uncollectible taxes		372,524	354,594
		$17,724,038	$17,729,690
Interest income		480,800	473,000
Federal grants		350,383	886,142
State of Minnesota grants-in-aid		3,100,000	3,100,000
Miscellaneous revenue		746	2,000
TOTAL REVENUES		$21,655,967	$22,190,832
Expenditures:			
Personal services		$ 521,686	$ 648,800
Administrative overhead		134,936	156,940
Travel and expenses		45,828	48,680
Professional services — general		59,616	84,900
Professional services — projects		522,666	1,382,026
Supported programs		313,701	860,490
Interest expense		407,325	521,105
TOTAL EXPENDITURES		$ 2,005,758	$ 3,702,941
Transfers to Transit Operating Division Fund		14,885,444	17,533,200
TOTAL EXPENDITURES AND TRANSFERS		$16,891,202	$21,236,141
Excess (deficiency) of revenues over expenditures and transfers		$ 4,764,765	$ 954,691
Fund balance at beginning of year as previously reported	$3,023,067		3,023,067
Adjustment for condemnation settlement — Note B	1,263,792		
Fund balance at beginning of year as restated		4,286,859	
Fund balance at end of year		$ 9,051,624	$ 3,977,758
Appropriated for general operations for the six month period ending December 31, 1975		3,126,900	3,126,900
Unappropriated fund balance at end of year		$ 5,924,724	$ 850,858

Statement of Changes in Cash

Balance July 1, 1974		$ 3,066
Sources of cash:		
Revenues	$21,655,967	
Adjustments to reflect revenues on a cash basis (deduction):		
Decrease in accounts receivable	872,141	
Increase in property tax receivable	(7,801,883)	
Increase in due from federal government	(65,848)	
Decrease in due from other funds	895	
Decrease in accrued interest receivable	19,364	14,680,636
Decrease in investments		1,994,969
Sale of 1975 tax anticipation certificates of indebtedness		9,000,000
TOTAL AVAILABLE		$25,678,671
Uses of cash:		
Expenditures and transfers	$16,891,202	
Adjustments to reflect expenditures and transfers on a cash basis (deduction):		
Increase in prepaid expenses	2,432	
Decrease in accounts payable	105,672	
Increase in due to other funds	(465,801)	
Increase in accrued expenses	(126,549)	$16,406,956
Increase in restricted assets for payment of tax anticipation certificates of indebtedness		1,256,730
Retirement of 1974 tax anticipation certificates of indebtedness		8,000,000
TOTAL USES		$25,663,686
Balance June 30, 1975		$ 14,985

See notes to financial statements.

Debt Service Fund

Statement of Revenues, Expenditures, Transfers and Changes in Fund Balance

Year Ended June 30, 1975

Revenues:		
Property tax		$2,649,239
Less provision for uncollectible taxes		56,508
		$2,592,731
Interest income		91,031
	TOTAL REVENUES	$2,683,762
Expenditures:		
Principal payments — general obligations certificates		$2,150,000
Interest expense		544,833
	TOTAL EXPENDITURES	$2,694,833
Excess (deficiency) of revenues over expenditures		($ 11,071)
Fund balance at beginning of year		611,988
Fund balance at end of year		$ 600,917

Capital Fund

Statement of Revenues, Expenditures, Transfers and Changes in Fund Balance

Year Ended June 30, 1975

Revenues:		
Interest income		$ 512,656
Federal grants		1,424,608
Disposition of buses and automobiles		1,028
Leasing of transit equipment		6,057
	TOTAL REVENUES	$1,944,349
Expenditures:		
Purchase of transit buses		$ 308
Purchase and installation of support equipment		338,547
Purchase and installation of service and maintenance equipment		35,138
Additional costs of acquisition of Twin City Lines, Inc. — Note B		597,715
Acquisition of South-West St. Paul Transit, Inc.		111,630
Real estate acquisition		1,350,288
Professional services		193,600
Purchase and installation of passenger facilities		39,588
Renovation of facilities		18,798
Miscellaneous		15,211
	TOTAL EXPENDITURES	$2,700,823
Excess (deficiency) of revenues over expenditures		($ 756,474)
Fund balance at beginning of year as previously reported	$4,681,055	
Adjustment for condemnation settlement — Note B	1,167,915	
Fund balance at beginning of year as restated		3,513,140
Fund balance at end of year		$2,756,666

See notes to financial statements.

Transit Operating Division Fund

Statement of Revenues, Expenditures, Transfers and Changes in Retained Earnings

Year Ended June 30, 1975

	Period of Nine and One-Half Months Ended June 30, 1971	Year Ended June 30 1972	1973	1974	1975
	(	Restated - See Note B		)	
Operating revenues:					
Passenger revenues	$10,948,115	$13,276,582	$13,070,862	$13,792,992	$14,214,567
Charter and contract revenue	527,941	708,131	717,163	932,782	1,070,367
Advertising and other revenues	165,613	201,395	220,525	211,140	265,513
TOTAL OPERATING REVENUES	$11,641,669	$14,186,108	$14,008,550	$14,936,914	$15,550,447
Operating expenses:					
Transportation	$ 6,873,729	$ 9,609,021	$11,215,696	$13,680,356	$17,802,616
Equipment maintenance and garage	2,258,938	3,009,133	3,132,072	3,736,811	4,923,477
Traffic and advertising	313,578	429,035	513,951	733,516	955,039
Insurance and safety	313,059	445,898	469,084	792,832	1,179,030
Administrative and general	1,629,160	2,464,188	2,979,046	3,470,719	4,263,530
Operating taxes	382,489	504,860	688,129	895,368	1,312,199
TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	$11,770,953	$16,462,135	$18,997,978	$23,309,602	$30,435,891
OPERATING DEFICIT BEFORE DEPRECATION	$ 129,284	$ 2,276,027	$ 4,989,428	$ 8,372,688	$14,885,444
Depreciation	667,940	1,084,547	1,716,020	2,125,419	3,264,861
OPERATING DEFICIT	$ 797,224	$ 3,360,574	$ 6,705,448	$10,498,107	$18,150,305
Fare stabilizaton and other subsidies from General Fund	129,284	2,276,027	4,989,428	8,372,688	14,885,444
Amortization of federal capital grants and commission capital contributions	667,940	1,084,547	1,716,020	2,125,419	3,264,861
Excess (deficiency) of revenues and transfers over expenditures	$ -	$ -	$ -	$ -	$ -
Retained earnings at beginning of year	-	-	-	-	-
Retained earnings at end of year	$ -	$ -	$ -	$ -	$ -

Statement of Changes in Cash

Balance July 1, 1974			$ 211,032
Sources of cash:			
Operating revenue		$15,550,447	
Add decrease in accounts receivable		28,844	
Operating income — cash basis		$15,579,291	
Fare stabilization subsidy from General Fund	$14,885,444		
Less increase in due from other funds	525,573		
Fare stabilization — cash basis		14,359,871	
Decrease in due from other funds with respect to project expenditures		286,537	
Decrease in due from other funds with respect to property expenditures		30,145	30,255,844
TOTAL AVAILABLE			$30,466,876
Uses of cash:			
Operating expenses		$30,435,891	
Adjustments to reflect operating expenses on a cash basis (deduction):			
Increase in inventory, less $17,710 contributed		145,393	
Decrease in prepaid expenses		(34,079)	
Increase in accounts payable		(60,078)	
Increase in due to other funds		(6,206)	
Increase in accrued expenses		(136,774)	
Increase in reserve for injury and damage claims		(134,458)	
TOTAL USES — Operating expenses — cash basis			30,209,689
Balance June 30, 1975			$ 257,187

See notes to financial statements.

Notes to Financial Statements

Note A — Statement of Significant Accounting Policies

Financial Structure

The activities of the Metropolitan Transit Commission (MTC) are accounted for in the various funds as outlined below. The accrual basis of accounting is used by all funds. The General Fund is used to account for activities not accounted for in other funds. The Debt Service Fund is used to account for debt service on long-term borrowings. The Capital Fund is used to account for capital program expenditures. The Transit Operating Division Fund is an enterprise fund which is used to account for operations of the bus system. The General Long-Term Debt Group of Accounts is used to record outstanding long-term indebtedness. The General Fixed Assets Group of Accounts is used to record nonoperating capital assets held at cost.

Federal Grants

The MTC receives concurrence from the Urban Mass Transportation Administration (UMTA), United States Department of Transportation, for all federal government grants. UMTA requires support for all expenditures before release of funds. It is the MTC's policy to accrue revenue receivable from UMTA's portion of the expenditures when final commitment is made for specific expenditures.

Capital Projects in Progress

Until completion, projects are recorded in the Capital Fund as capital projects in progress and as investments in capital projects in progress. Upon completion such expenditures are transferred to the Transit Operating Division Fund where they are capitalized in transportation property accounts, or they are capitalized in the General Fixed Assets Group of Accounts.

Property, Plant and Equipment

It is the policy of the Transit Operating Division Fund (TOD) to provide for depreciation and amortization of property on a straight line basis at rates calculated to amortize the cost over their estimated useful lives. Major additions and betterments are charged to the property accounts while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Federal Capital Grants and Commission Contributions to TOD

The terms of the Urban Mass Transportation Administration grants to the MTC for making capital improvements to its transit system prohibit the MTC from recovering the cost of such improvements from passenger revenues. Accordingly, depreciation is not being funded from TOD operating revenues. However, depreciation is provided on the transit operating properties in determining the operating expenses of TOD, but it is subsequently reversed and charged against federal capital grants and commission contributions.

Operating Subsidies

The Commissioners of the MTC authorize the transfer of funds from the General Fund to the Transit Operating Division Fund (TOD) in the amount necessary to offset operating losses incurred by TOD.

Note B — Transit Operation Acquired and Restatement of Prior Year Financial Statements

On September 18, 1970 the Metropolitan Transit Commission (MTC) acquired the assets and assumed certain business related obligations of Twin City Lines, Inc. by condemnation. Twin City Lines, Inc. and the MTC appealed the amount of the award of $6,510,000. Three-fourths of the award was paid to Twin City Lines, Inc. and one-fourth ($1,627,500) was placed in escrow pending settlement of the award. On July 24, 1975, after the appeal had been heard by the district court and the Minnesota Supreme Court, the parties reached an agreement in settlement of the condemnation action. The settlement was approved by a judge of the district court on August 12, 1975. According to the terms of the agreement, MTC will pay Twin City Lines, Inc. $9,519,740 for the tangible assets and Twin City Lines, Inc. will pay MTC $1,579,740 for the business related obligations assumed. The terms of the settlement did not change the total valuation of the tangible assets acquired by the MTC but changes were made to the amount of business related obligations as previously recorded in the Transit Operating Division Fund. These changes increased the cost of the net assets recorded in the books of the Transit Operating Division Fund (TOD) by $3,731,815. The operating expenses of the TOD for the period of three years and nine and one-half months ended June 30, 1974, have been restated as a result of these changes. The accumulated adjustment for that period, representing a reduction in operating expenses, was $1,263,792. This in turn reduced the fare stabilization contributed by the General Fund and the final effect is an increase in the General Fund balance of $1,263,792 at June 30, 1974.

In addition to the increase in the final settlement the MTC was assessed interest ($1,362,967) on the unpaid portion of the final settlement amount and the MTC also was required to reimburse Twin City Lines, Inc. for legal fees and costs of $319,481. These additional costs and the partial reimbursement to be received by MTC from the Urban Mass Transportation Administration (UMTA) are shown in the Capital Fund as follows:

Reduction in Capital Fund fund balance at June 30, 1974:		
Increase in amount paid for tangible assets acquired		$3,009,740
Interest applicable to the three years and nine and one-half months ended June 30, 1974		1,053,099
		$4,062,839
Less amount to be reimbursed by UMTA		2,894,924
	TOTAL	$1,167,915
Reflected in 1975 Capital Fund revenues and expenditures:		
Reimbursement of legal costs		$ 319,481
Interest for the year		278,234
		$ 597,715
Less amount to be reimbursed by UMTA		6,269
	TOTAL	$ 591,446

The balance of interest, $31,634, will be charged to expenditures in July and August 1975.

The amount payable to MEI Corporation (successor to Twin City Lines, Inc.) at June 30, 1975 is computed as follows:

Increase in amount paid for tangible asset acquired		$3,009,740
Interest for the three years and nine and one-half months ended June 30, 1974		1,053,099
Interest for the year ended June 30, 1975		278,234
Reimbursement of legal cost		319,481
Unpaid balance of original award		1,627,500
		$6,288,054
Less credit for business related obligations assumed		1,579,740
	TOTAL	$4,708,314

Note C — Financing of General Fund Operations

Minnesota statutes provide that the MTC may levy upon all taxable property within the metropolitan transit taxing district as defined therein, a property tax for general purposes of the transit commission. The MTC levied a direct ad valorem tax of $18,096,562 (2.97 mills) collectible in 1975 to finance its general operations through December 31, 1975. Cash receipts from the property tax levy are received primarily in July and December. Therefore, operations during the period from January to July 1975 required short-term borrowing to provide operating cash in anticipation of cash receipts from the levy.

On March 5, 1975, the Commission sold $9,000,000 of 6.9% tax anticipation certificates of indebtedness maturing on March 1, 1976 and callable on or after January 1, 1976. The certificates are secured by anticipated receipts from general purpose property taxes levied for collection in 1975. A restricted group of accounts has been established for the collection and investment of pledged funds and the payment of principal and interest of the certificates therefrom.

Note D — Financing of Transit Capital Program

Since January 1970 the MTC has received approval of six federal capital grants from the Urban Mass Transportation Administration. The six grants are for a total of $41,686,155 over the period 1970-1978. These grants provide up to eighty percent of a capital program during that period with a total estimated cost of $59,102,765. The balance of this amount, $17,416,610 is to be financed over the eight year period from general obligation certificates of indebtedness but not from revenues obtained from the use of the transportation properties.

Notes (con't.)

General obligation certificates of indebtedness outstanding at June 30, 1975 consist of the following:

Date	Average Annual Interest	Principal Amount: Debt Service Fund	Principal Amount: General Long-Term Debt	Total
October 1, 1971	4.16%	$ 550,000	$3,650,000	$ 4,200,000
September 1, 1972	3.88	700,000	2,400,000	3,100,000
October 1, 1973	4.20	900,000	3,900,000	4,800,000
		$2,150,000	$9,950,000	$12,100,000

These certificates mature serially through February 1, 1985. The 1971 certificates maturing after 1981 are subject to prior redemption by the Commission on February 1, 1981, or any interest payment date thereafter at redemption prices ranging from 101.5 to par.

The MTC levied upon all taxable property in the metropolitan transit taxing district as of January 1, 1975 a direct ad valorem tax of $2,649,239 (.44 mills) for current interest and principal payments on bonded debt.

Note E — Property, Plant and Equipment

Property, plant and equipment consisted of the following at June 30, 1975:

	Transit Operating Division	General Fixed Assets
Land and buildings used in transit operation	$ 4,131,988	
Buses	29,250,487	
Other equipment, furniture and fixtures	1,874,730	$70,991
Leasehold improvements		4,514
	$35,257,205	$75,505
Accumulated depreciation	8,649,689	
TOTAL	$26,607,516	$75,505

Note F — Capital Projects in Progress

Capital projects in progress consisted of the following at June 30, 1975:

Purchase of transit buses	$ 14,840
Purchase and installation of support equipment	291,723
Purchase of transit system	111,630
Real estate acquisition	1,350,000
Professional services	189,095
Purchase and installation of passenger facilities	26,844
Renovation of facilities	17,651
TOTAL	$2,001,783

Note G — Federal Capital Grants and Commission Capital Contributions to Transit Operating Division Fund

Reconciliation of federal capital grants and commission capital contribution to the Transit Operating Division Fund less applicable amortization is as follows — (see Note B):

	Period of Nine and One-Half Months Ended June 30, 1971	Year Ended June 30 1972	1973	1974	1975
Balance at beginning of year	$ -	$ 8,221,172	$10,700,534	$18,243,086	$28,127,956
At time of acquisition of Twin City Lines, Inc. - as previously reported	$5,133,652				
Adjustment for condemnation settlement	3,731,815				
At time of acquisition as restated	$8,865,467				
Add contributions for period	23,645	3,622,678	9,279,699	12,027,521	1,990,388
Deduct transfers to Capital Fund for sale		(58,769)	(21,127)	(17,232)	(444)
	$8,889,112	$11,785,081	$19,959,106	$30,253,375	$30,117,900
Less amortization for period	667,940	1,084,547	1,716,020	2,125,419	3,264,861
Balance at end of year	$8,221,172	$10,700,534	$18,243,086	$28,127,956	$26,853,039

Note H — Pension Plans

The Metropolitan Transit Commission maintains a retirement plan covering substantially all of the employees of the MTC Transit Operating Division. As of January 1, 1975, the date of the most recent actuarial study, the unfunded liability of the plan for services prior to that date approximated $10,877,234. The unfunded liability increased $1,084,407 compared to January 1, 1974 as a result of changes in actuarial assumptions for interest rates, retirement rates and future salary increases. Pension expense as restated (see Note B) charged to operations for the nine and one-half months ended June 30, 1971 and for the years ended June 30, 1972 through 1975 were $850,715, $1,179,717, $1,361,622, $1,604,964 and $2,025,714, respectively. Contributions provide for the payment of the normal cost and amortization of the unfunded liability over a period of approximately 15 years. Employees of the MTC Governmental Division are required by state law to belong to the Public Employee Retirement Association (PERA) or the Minnesota State Retirement System (MSRS).

ACCOUNTANTS' REPORT

Metropolitan Transit Commission
Saint Paul, Minnesota

We have examined the balance sheets of the various funds and account groups of the Metropolitan Transit Commission (formerly Twin Cities Area Metropolitan Transit Commission) as of June 30, 1975, and the related statements of revenues, expenditures, transfers and changes in fund balance, and statement of revenues, expenditures, transfers and changes in retained earnings — Transit Operating Division Fund and statements of changes in cash — General Fund and Transit Operating Division Fund for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The statement of revenues, expenditures, transfers and changes in retained earnings of the Transit Operating Division Fund for the three years and nine and one-half months ended June 30, 1974, was examined by other independent accountants. Their reports thereon were issued subject to the settlement which is discussed in Note B to the financial statements herewith. This statement has been restated as discussed in Note B.

In our opinion, the financial statements referred to in the first paragraph above present fairly the financial position of the various funds and account groups of the Metropolitan Transit Commission at June 30, 1975, and their revenues, expenditures, transfers and changes in fund balance and the revenues, expenditures, transfers and changes in retained earnings — Transit Operating Division Fund and changes in cash — General Fund and Transit Operating Division Fund for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with the prior year.

Ernst & Ernst

Saint Paul, Minnesota
September 4, 1975

Commissioners

Alice Rainville
North Minneapolis, Robbinsdale and St. Anthony

Bruce G. Nawrocki
Northern Ramsey County, Central Anoka County

Leonard Levine
Western St. Paul, Roseville, Falcon Heights

Leonard Thiel
Northern and Central Hennepin County

Doug Kelm, Chairman

Walter Saxum
South Minneapolis

Edward Hjermstad
Scott and Carver Counties, and parts of Dakota and Hennepin Counties

Karl Neid, Jr.
Eastern St. Paul, Washington County, Eastern Anoka County, Northeast Dakota County

Loring M. Staples, Jr.
South Central Suburban Hennepin County

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