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# Metropolitan Transit Commission

## 1976 annual report



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STATE OF MINNESOTA



## Chairman's Letter



# Metropolitan Transit Commission

801 American Center Building St. Paul, Minnesota 55101

612/221-0939

**TO: The Honorable Rudy Perpich, Governor of Minnesota; the Minnesota Legislature; Government Officials; Interested Citizens:**

Measured against the nation's 200 years which were celebrated in 1976, the nine-year-old Metropolitan Transit Commission was a mere babe. Yet the Twin Cities bus system, which has been owned and operated by the MTC since 1970, began to display a certain maturity and stability compared to previous years.

With the acquisition in 1976 of 338 new buses, the MTC had fulfilled the basic elements of the most aggressive transit improvement program in the United States. The fleet had been modernized and enlarged; service expansion had been made to take in the developed portions of the region; other service and equipment improvements which had been promises a few years ago were now accomplished realities.

One might consider 1976, then, as the year which saw completion of the rapid growth phase, and the beginning of the process of fine-tuning a stabilized system.

"Maturity" and "stability" are sometimes used, however, as euphemisms for stodginess. We plead not guilty: 1976 saw the initiation of "The OughtaMobile" marketing theme, and also the start of a dramatically improved approach to the transportation of handicapped people. It was the year transit discovered the computer in a big way, and the year that "paratransit" techniques of transportation began to get greater attention. And it was the year St. Paul was designated for a federally sponsored demonstration of a Downtown People Mover system.

So in 1976 the transit program in the Twin Cities did mature to the point of fulfillment of earlier commitments, but not to the point of excessive enamour with the status quo. There was enough maturity to prove that transit's role in community betterment is a big one; but not so much maturity to suggest that the role has been played out to its limit.

The region's transit system has come a long way, and, like the nation, has a long way to go.

**Sincerely,**

**Doug Kelm  
Chairman**



**More buses traveled more miles and carried more passengers in 1976, continuing the "more" trend which replaced the "less" trend when the bus system came under public ownership in 1970.**

Actually, 1976 **RIDERSHIP** of 62.4 million was down slightly from the 1975 figure of 63 million. But the 1975 total was inflated by some 3.8 million youths who rode free for five months that year under a program that was subsequently modified. Discounting even half of the free riders (on the assumption the other half of the trips would have been taken even with the regular fare in effect), more than a million more riders were carried in 1976, continuing the upward trend in patronage that has been built upon the 1970 low of 45 million riders.

One of the reasons more people rode buses in 1976 is because there were more of them. During the year the MTC received its largest single order of **NEW BUSES** as 338 vehicles arrived from the manufacturer and were put into service. That purchase brings to 977 the total number of new buses bought by the MTC since acquiring the transit system. These buses have been used for both service expansion and fleet replacement purposes.

Another reason for increasing ridership is **INCREASING SERVICE**. Though the rate of service expansion has slowed down from the early years of public ownership, the number of daily scheduled bus miles in 1976 increased from 95,000 to 98,000.

Providing more and better service is just part of what has to be done to increase ridership. The other side of the equation is **MARKETING**. The MTC's marketing program in 1976 was highlighted by the introduction of The OughtaMobile, an advertis-

ing theme borne out of findings that for many trips made by car, the bus can, and "oughta," be used. Included in the new marketing strategy was publication of the "OughtaMobile Owners' Manual," a user's guide to the bus system. It was distributed at, among other places, a new information booth which has been located in the IDS Crystal Court in Minneapolis. As another step to provide better user information, the MTC began a study which by 1977 will lead to the production of schedules in a new and more attractive format, and a new system map. Another marketing milestone was the conduct of a system-wide attitude survey, which demonstrated that the bus system is perceived far more favorably by users than by non-users. That finding will result in stepped-up efforts to lure "first time" riders onto the bus so they may experience improvements which have been made.

During 1976 the MTC went a step beyond providing conventional service for people with conventional needs, and became a national leader in providing **TRANSIT FOR THE DISABLED**. In November Project Mobility began, providing on-demand, origin-to-destination service to handicapped residents of a demonstration area in Minneapolis. Twelve specially-equipped small buses were acquired for the one-year demonstration project. For handicapped people who can use conventional buses, the MTC implemented a reduced-fare program whereby qualifying riders can travel for 15 cents during non-peak periods.

It's not strictly true that everybody talks about the weather, but nobody does anything about it: the MTC shelters people from it. In 1976 the MTC installed 98 **PASSENGER WAITING SHELTERS** throughout the metropolitan area,

# Transit Operations

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bringing to 343 the total number of shelters built since the transit system went public.

Besides greater likelihood of a bus shelter nearby, the odds improved in 1976 for people interested in parking their cars (or being dropped off) and catching a bus. Some 18 **PARK-RIDE** lots containing about 625 parking spaces were established at shopping centers, churches, and public facilities. There are now 61 park-ride lots with a total of 2,000 parking spaces.

Some big orders for equipment to improve transit operations were placed in 1976. One was the award of a \$3.4 million contract for purchase and installation of **TWO-WAY RADIOS** for the entire bus fleet. The radio system, which will be the largest in Minnesota, will improve operating efficiency by providing quicker response to schedule problems, detours, accidents, bus breakdowns, medical emergencies and disturbances.

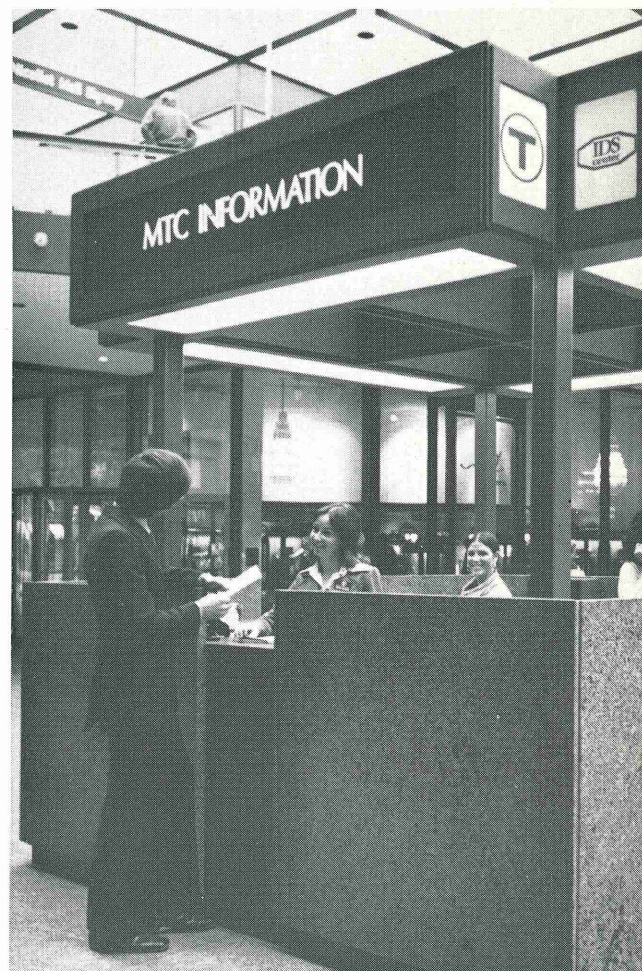
Another order placed in 1976 was for 20 **ARTICULATED BUSES** (that is, with an "accordion fold" in the middle, allowing them to carry about 65 seated passengers and still turn the corner). The \$3.6 million bus purchase will be complete in 1978.

**CONSTRUCTION** projects moved forward in 1976, mostly in small steps. The MTC purchased the Shingle Creek Garage in Brooklyn Center, and an environmental impact study was completed on a site in Bloomington for a proposed garage. Design and site selection for an overhaul facility got underway, along with a companion project to construct permanent offices,

which may be tied in with the overhaul base. An architect was selected to prepare preliminary designs for a bus layover facility in downtown Minneapolis. Various improvements were made in existing garage facilities and equipment.

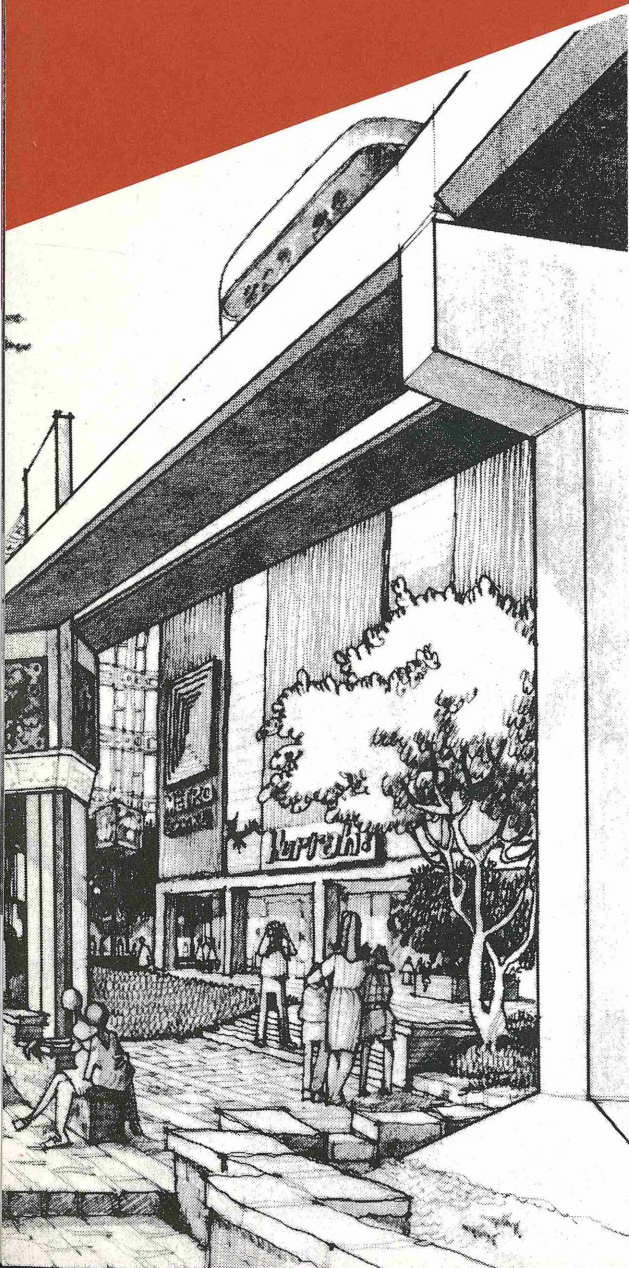
A consultant and computer equipment manufacturer were engaged to start up **RUCUS** (the acronym for RUn CUtting and Scheduling), which will computerize many functions of the schedule-making process. Another computerization project begun in 1976 will provide for improved management information and accounting systems.

Transit operations in the Twin Cities received significant **NATIONAL RECOGNITION** during 1976. In January the "Greater Metropolitan Car Pool," the MTC's most recent marketing campaign, was designated as a Horizons on Display project by the U.S. Department of Housing and Redevelopment and the American Revolution Bicentennial Commission. The Horizons program was to recognize 200 national examples of community programs and projects developed to improve present and future community life. In October the head of the Urban Mass Transportation Administration, U.S. Department of Transportation, presented to the MTC the Administrator's Award, for imaginative use of transportation system management opportunities. That same federal agency conducted a study of seven U.S. transit systems which are sustaining steady ridership increases, including the Twin Cities, and commented favorably on local service expansion and improvements, fares, capital improvements and marketing.





# Planning and Development



**1976 was the year the City of St. Paul was designated for a demonstration involving an entirely new approach to transit in a downtown area. It also saw increased emphasis on a whole range of flexibly-designed transportation services known collectively as "paratransit." Several studies for improved approaches to conventional bus service were also undertaken in 1976.**

The big news for St. Paul was the December announcement by the federal government that the Capitol City would be one of four sites for a **DOWNTOWN PEOPLE MOVER** demonstration. The system, often described as a "horizontal elevator," will connect major downtown activity centers, the Ramsey Hill neighborhood and the Capitol complex. The City of St. Paul and the MTC will be partners in the \$56 million project, which will receive 80 per cent federal funding and which is intended among other things to demonstrate the impact of such a system on new development and redevelopment.

The federal definition of **PARATransit** identifies flexible, collective transportation services, operated publicly or privately and using small or intermediate-sized vehicles. It's been put less formally by others: any effort (supplemental to buses) to get people to ride rather than drive, regardless of the type of vehicle and who owns it. A goal of the Minnesota Legislature is to have 50 per cent of peak hour travelers in the metropolitan area riding rather than driving by 1980. A number of paratransit projects are now underway or in advanced planning stages:

**Total Commuter Service** — A combination of commuter transportation services will be provided to three concentrations of employers in the South Hennepin County area.

Conventional bus service, subscription bus service, commuter vans and car pool coordination are among the services offered.

**Community-Centered Transit** — A comprehensive system of paratransit services focused on two local communities, White Bear Lake and Hopkins, will be provided. Services will include car pools, employer van programs, subscription bus service, and internal circulation service with vans operating on fixed routes and schedules.

**Volunteer Transportation Services** — The MTC and the Minneapolis Area Chapter of American Red Cross are jointly coordinating transportation services for the disadvantaged provided by numerous non-profit agencies in Hennepin and Anoka Counties. The MTC initiated a similar project late in 1976 in Ramsey County.

**Car Pooling** — The Minnesota Department of Transportation and other agencies have organized five formal car pooling programs. In 1976 some previously bus-only ramps on I-35W in Minneapolis were opened to car pools.

**Van Pooling** — By the end of 1976, 11 metropolitan area employers were using 136 vehicles for van pool operations, primarily in suburban work locations.

**Subscription Bus Service** — Specially-tailored bus service designed around the needs of employees of participating firms, is being provided to four major employment locations.

**Demand-Responsive Transit** — In 1976 the MTC was sponsoring several services with demand-responsive characteristics (vehicles respond to advance calls by users), including its own Project Mobility demonstration for handicapped people. Additionally, the MTC pro-



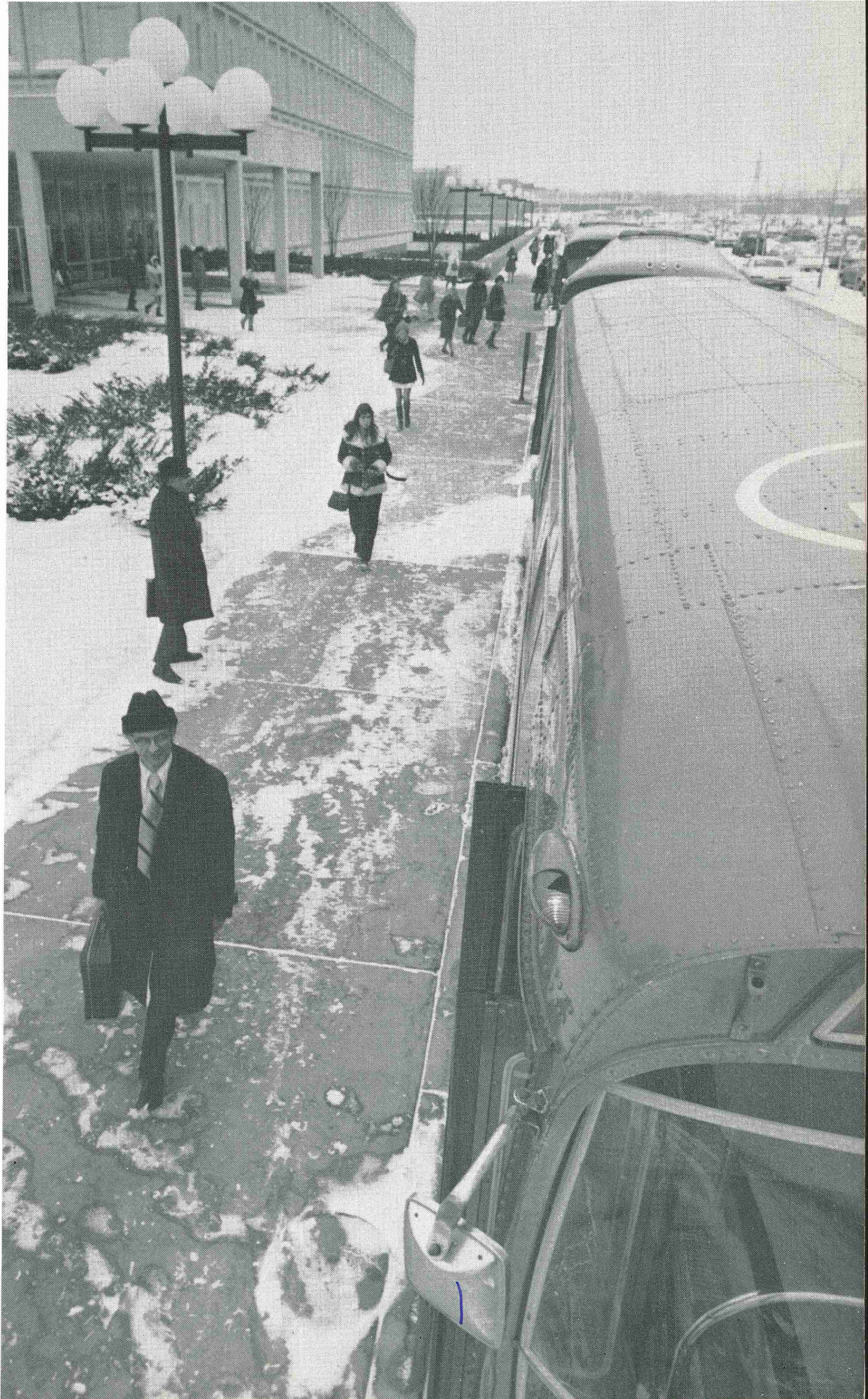
vided financial support to demand-responsive services for senior citizens in Carver, Scott, Dakota, and Anoka Counties.

In early 1977 the MTC approved a report on paratransit which indicated that based on early efforts these supplementary services can play a significant role in a total transportation system. The report also expressed the need to provide "ear-marked" funding for paratransit, and to develop better approaches to measurement of ridership.

In addition to paratransit, MTC planning and development efforts in 1976 included completion of three **ROUTE RIDERSHIP STUDIES**, in which comprehensive transit needs of subregions are identified and recommendations for meeting them are made. Studies were completed for Western St. Paul, Northern Dakota and Southern Washington Counties, and North Hennepin County. Eight of the 11 studies originally undertaken are now complete, with the remainder scheduled for completion in early 1977.

A **REGIONAL EXPRESS BUS STUDY** was also completed in 1976, which recommended a ten-year program of service and capital improvements for a regional express bus network. Recommendations included an increase in express bus miles, addition of 34 park-ride facilities, construction of five bus stations at major freeway intersections, and construction of eight additional exclusive bus ramps on freeways.

Two studies, one each for Minneapolis and St. Paul, made recommendations for needed **DOWNTOWN BUS FACILITIES**. The studies recommended route realignments and physical facilities, and emphasized passenger amenities such as shelters, improved signing and better information systems.





# Community Affairs

**As an agency which affects many dimensions of community life, the Metropolitan Transit Commission in 1976 maintained its involvement in community affairs.**

One method of assuring citizen access to transit decision making has been the functioning of the MTC's **ADVISORY COMMITTEE ON TRANSIT**. The Committee (most often known as ACT), created in 1970, includes citizens from throughout the metropolitan area appointed by Commission members. In 1976 Glenn G.C. Olson, a former MTC Commissioner and Metropolitan Council member and former president of the Minneapolis City Council, became ACT Chairman. Under his leadership ACT made recommendations for a monthly pass and weekend family pass, proposals which were accepted by the MTC and will be implemented in 1977. It also made recommendations to the MTC on fare policy, downtown transportation facilities, and visual information tools such as schedules and route maps.

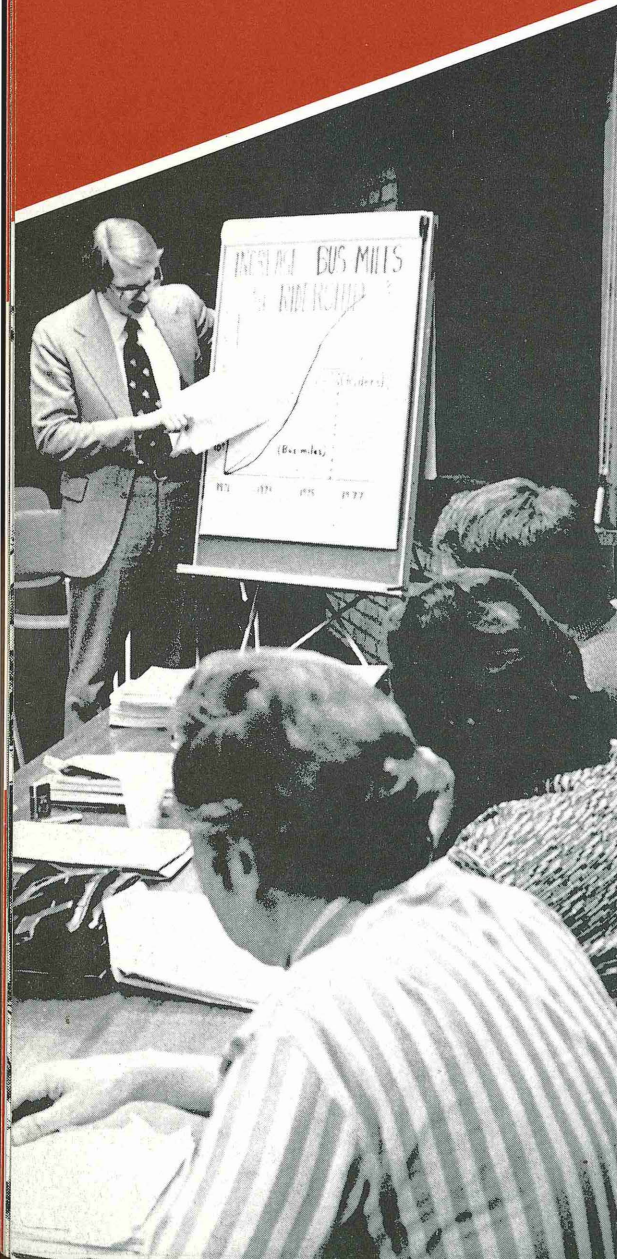
Chairman Doug Kelm and other members of the **MTC SPEAKERS BUREAU** met with 101 community groups in 1976 to discuss Commission programs and policies.

In 1976 the MTC created a **MINORITY OWNED BUSINESS ENTERPRISES** program and provided staffing to increase the share of Commission purchasing and contracts available to minority entrepreneurs.

A program begun in 1975 by the MTC to give recognition to the skills of its drivers became national in scope in 1976. Dave Stahl, winner of the second annual Twin Cities **BUS DRIVER ROADEO**, competed in the first annual United States Rodeo in San Francisco. The event involves elaborate tests of skill and safety habits.

In parts of the metropolitan area where transit service is provided by private operators, the MTC spent \$300,000 in **SUBURBAN OPERATOR SUPPORTS**, primarily to reduce fares, and another \$68,000 as reimbursement to private operators for accepting MTC transfers and honoring the free or reduced fares programs for persons 65 and over and under 18. The MTC also contributed \$64,000 to subsidies of special transportation programs for senior citizens in Carver and Scott Counties and Dakota County. In 1976 the MTC purchased the transit operating rights and one bus from Valley Transit in Stillwater, and a new manager continues to provide regularly scheduled service under a short-term contract with MTC.

As new buses were acquired in 1976, **OLD BUSES** were retired. As required by federal regulation, most were sold at public auction. But the MTC arranged for federal approval for the donation of 33 buses as gifts to public agencies and non-profit institutions. In addition, three cities in Minnesota and North Dakota lease buses from MTC to provide inexpensive capital investment in improved transit service.





**A bond sale and reorganization of accounting systems were financial highlights of 1976.**

In February, 1976, **BONDS** worth \$7 million were sold to a group of buyers headed by the First National Bank of St. Paul, at a net interest rate of 4.77 per cent. Proceeds from the bond sale were used to fund various capital improvements, primarily new buses.

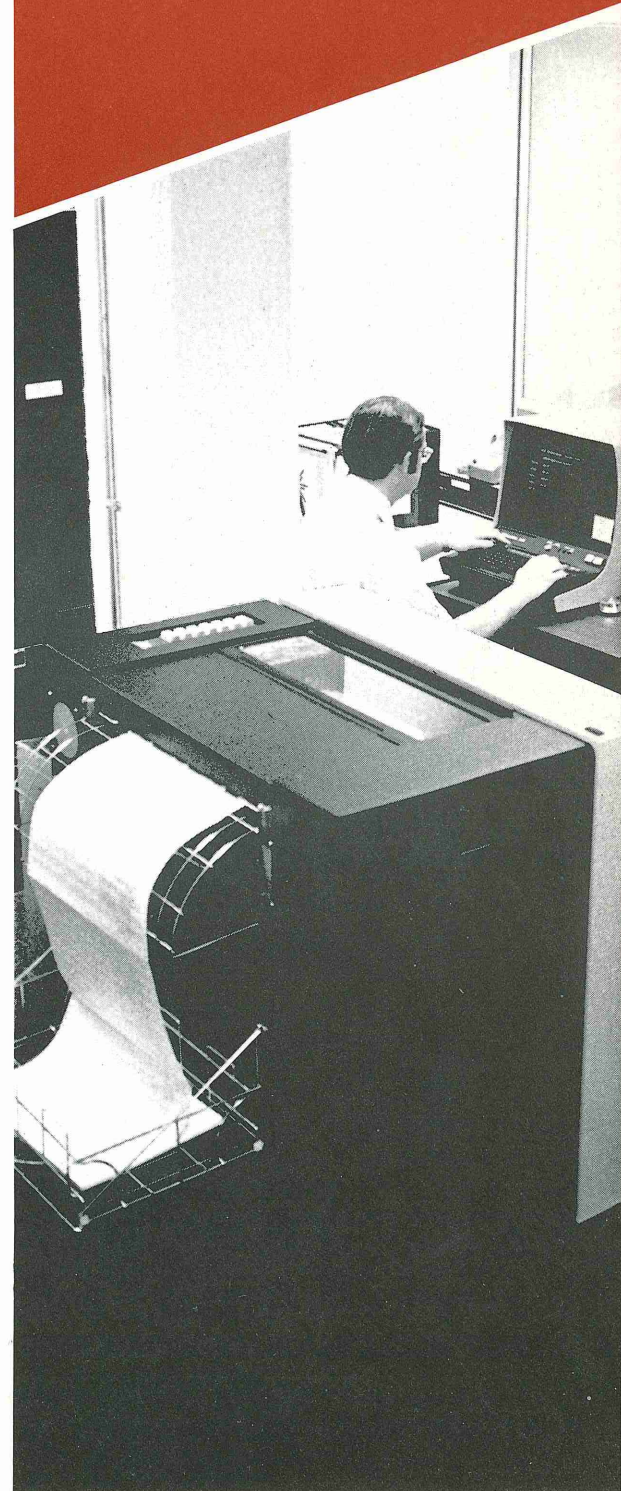
Like many other governmental bodies, the MTC is switching from a traditional "line item" budget to a **PROGRAM BUDGETING**

approach, whereby costs and benefits of programs are highlighted and related to agency objectives, rather than emphasizing organizational structure and categories of purchases. 1976 was the main transitional period for the new system.

Many MTC accounting, bookkeeping, payroll and other functions were converted to the **LOGIS** (Local Government Information System) system in 1976. LOGIS is a shared-time computer system sponsored jointly by 15 units of government, primarily municipalities.



# Financial



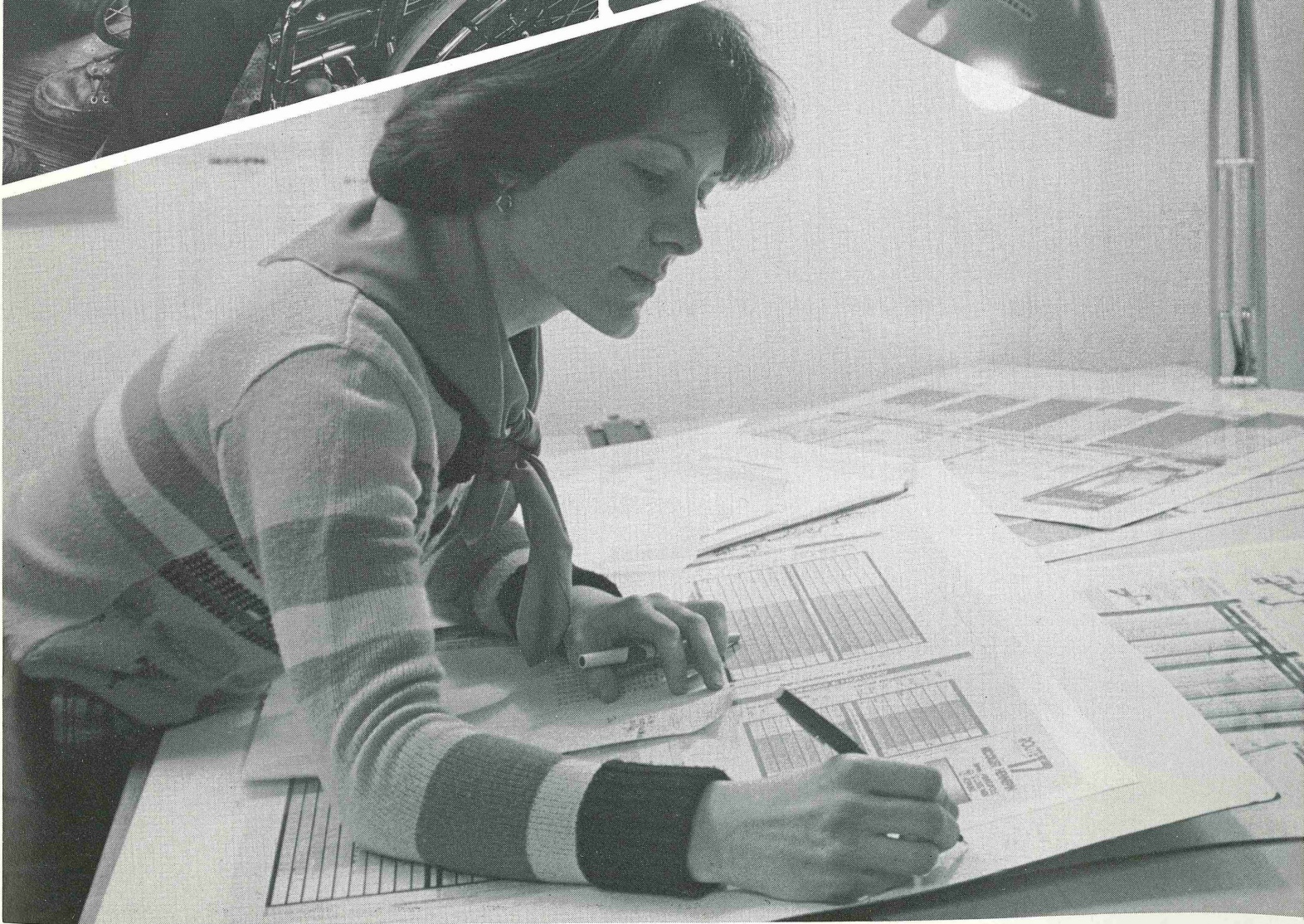




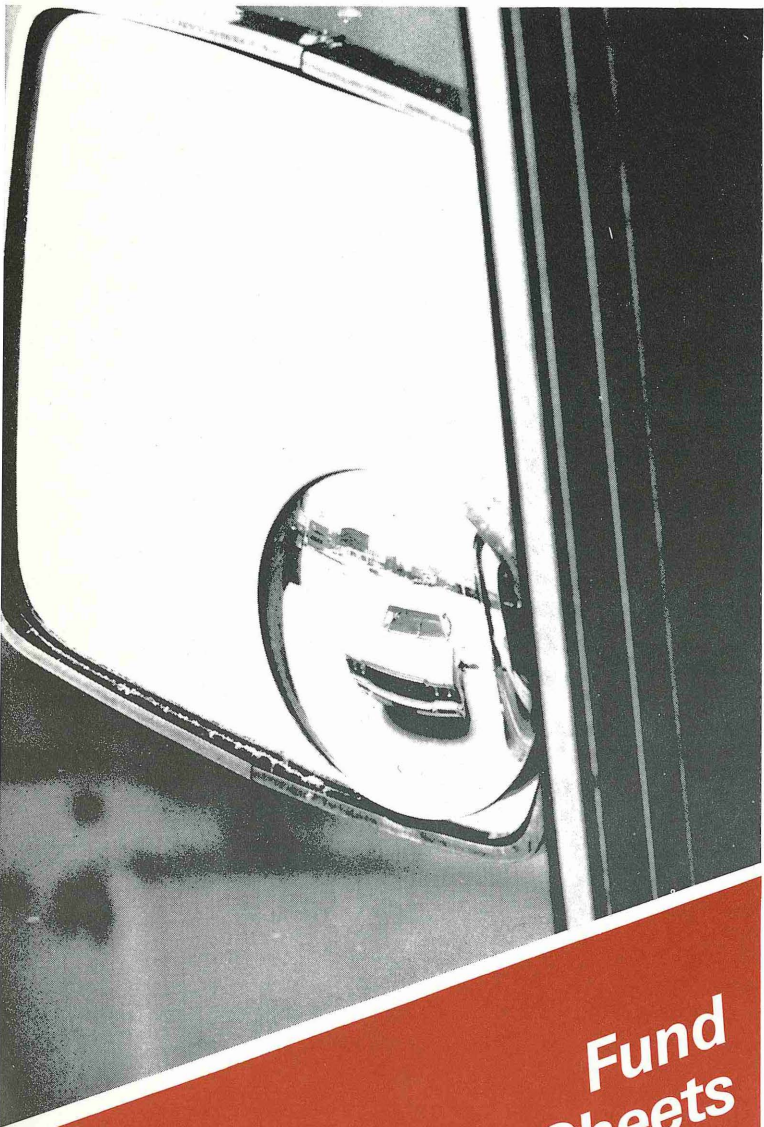
Even as it matured and stabilized, the Twin Cities transit system in 1976 reflected the growth and innovation which characterized previous years.











# Fund Balance Sheets

December 31, 1976

	General Fund	Transit Operating Division Fund
<b>ASSETS</b>		
Cash	\$ 23,431	\$ 11,468
United States Government securities and certificates of deposit, at cost — approximates market	7,845,000	
Accounts receivable	850	434,939
Property tax receivable — net of allowances	851,802	
Due from federal government	265,979	
Due from state of Minnesota	4,078,000	
Due from other funds	141,535	2,536,314
Accrued interest receivable	14,898	
Materials and supplies, at cost		843,634
Prepaid expenses	7,835	30,590
Property, plant and equipment — on the basis of cost — Notes A and D		43,028,195
Capital projects in progress		
Amount to be provided for retirement of debt		
	<u>\$13,229,330</u>	<u>\$46,885,140</u>

## LIABILITIES, RESERVES AND FUND BALANCES

General obligation certificates of indebtedness payable — Note C		
Accounts payable	\$ 124,604	\$ 1,261,238
Contracts payable		
Due to other funds	2,522,431	598
Accrued expenses	31,041	1,047,229
Reserve for injury and damage claims		1,207,850
Fund balances invested in fixed assets:		
Invested in capital projects in progress		
Invested in general fixed assets		
Federal capital grants and commission capital contributions to Transit Operating Division Fund — Notes A and E		43,368,225
Other fund balances:		
Appropriated for debt service (deficit)		
Appropriated for cash and investments reserve — Note B	6,151,450	
Appropriated for fiscal year 1977 operations — Note B	1,271,210	
Appropriated for capital expenditures		
Unappropriated	<u>3,128,594</u>	
	<u>\$13,229,330</u>	<u>\$46,885,140</u>

See notes to financial statements



<b>Debt Service Fund</b>	<b>Capital Fund</b>	<b>Capital Grant Projects Fund</b>	<b>General Fixed Assets</b>	<b>General Long-Term Debt</b>	<b>Total – Memorandum Only</b>
\$ 5,440	\$ 22,709	\$ 6,991			\$ 70,039
2,170,000	2,875,000				12,890,000
150,744		7,627,342			435,789
	189,477	837,980			1,002,546
32,121	8,888				7,893,321
					4,078,000
					3,705,306
					55,907
					843,634
					38,425
	370,764	13,573,249	\$95,363		43,123,558
				\$14,950,000	13,944,013
					14,950,000
<u>\$2,358,305</u>	<u>\$ 3,466,838</u>	<u>\$22,045,562</u>	<u>\$95,363</u>	<u>\$14,950,000</u>	<u>\$103,030,538</u>

\$2,000,000				\$14,950,000	\$ 16,950,000
	\$ 4,190	\$ 118,070			1,508,102
	216,786	8,040,885			8,257,671
	888,409	293,868			3,705,306
429,708	500	19,490			1,527,968
					1,207,850
	370,764	13,573,249			13,944,013
			\$95,363		95,363
					43,368,225
(71,403)					(71,403)
					6,151,450
	1,986,189				1,271,210
					1,986,189
					3,128,594
<u>\$2,358,305</u>	<u>\$3,466,838</u>	<u>\$22,045,562</u>	<u>\$95,363</u>	<u>\$14,950,000</u>	<u>\$103,030,538</u>



# General Fund

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

Year Ended December 31, 1976

	<u>Actual</u>	<u>Budgeted</u>
Revenues:		
Property tax	\$10,908,642	\$10,966,605
Interest income	313,465	400,000
Federal grants	415,898	832,912
State of Minnesota grants-in-aid	16,309,000	16,473,937
Sundry	127	21,000
TOTAL REVENUES	<u>27,947,132</u>	<u>28,694,454</u>
Expenditures:		
Transit support	545,917	795,550
Transit planning, engineering and construction management	793,650	1,198,329
Administration	418,269	481,650
Community affairs	79,396	117,200
TOTAL EXPENDITURES	<u>1,837,232</u>	<u>2,592,729</u>
Transfers to Transit Operating Division Fund	<u>25,380,960</u>	<u>29,000,000</u>
TOTAL EXPENDITURES AND TRANSFERS	<u>27,218,192</u>	<u>31,592,729</u>
Excess (deficiency) of revenues and transfers over expenditures and transfers	728,940	(2,898,275)
Fund balance at beginning of year	<u>9,822,314</u>	<u>9,822,314</u>
Fund balance at end of year	<u>\$10,551,254</u>	<u>\$ 6,924,039</u>
Fund balance at end of year consists of:		
Appropriated for cash and investments reserve — Note B	\$ 6,151,450	
Appropriated for fiscal year 1977 operations — Note B	1,271,210	
Unappropriated	<u>3,128,594</u>	
TOTAL	<u>\$10,551,254</u>	

# General Fund

## Statement of Changes in Cash

Year Ended December 31, 1976

Balance January 1, 1976		\$ 158,787
Sources of cash:		
Revenues	\$27,947,132	
Adjustments to reflect revenues on a cash basis (deduction):		
Decrease in accounts receivable	672,550	
Increase in property tax receivable	(757,273)	
Increase in due from federal government	(54,633)	
Increase in due from State of Minnesota	(4,078,000)	
Increase in due from other funds	(129,723)	
Decrease in accrued interest receivable	46,535	
	<u>23,646,588</u>	
Decrease in investments	2,664,406	
Decrease in restricted assets	<u>9,670,815</u>	<u>35,981,809</u>
TOTAL AVAILABLE		<u>36,140,596</u>
Uses of cash:		
Expenditures and transfers	27,218,192	
Adjustments to reflect expenditures and transfers on a cash basis (deduction):		
Increase in prepaid expenses	1,169	
Increase in accounts payable	(35,974)	
Increase in due to other funds	(591,079)	
Decrease in accrued expenses	<u>524,857</u>	<u>27,117,165</u>
Payment of tax anticipation certificates		<u>9,000,000</u>
TOTAL USES		<u>36,117,165</u>
Balance December 31, 1976		<u>\$ 23,431</u>

See notes to financial statements



Year Ended December 31, 1976

Operating revenues:		
Regular passenger service		\$15,136,664
Charter and contract		1,223,676
Advertising and other		<u>377,918</u>
	TOTAL OPERATING REVENUES	16,738,258
Operating expenses:		
Transportation		24,182,606
Equipment maintenance and garage		7,130,254
Advertising and promotion		1,253,190
Claims, insurance and safety		2,358,993
Administrative and general		5,523,592
Operating taxes		<u>1,670,583</u>
	TOTAL OPERATING EXPENSES EXCLUDING DEPRECIATION	42,119,218
	OPERATING DEFICIT BEFORE DEPRECIATION	25,380,960
Depreciation		<u>4,954,808</u>
	OPERATING DEFICIT	30,335,768
Fare stabilization and other subsidies from General Fund		25,380,960
Amortization of federal capital grants and commission capital contributions		<u>4,954,808</u>
Excess (deficiency) of revenues and transfers over expenditures		—
Fund balance at beginning of year		—
Fund balance at end of year		<u>\$ —</u>

# Transit Operating Division Fund

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

Year Ended December 31, 1976

Balance January 1, 1976		\$ 251,072
Sources of cash:		
Operating revenue	\$16,738,258	
Adjustments to reflect operating revenues on a cash basis (deduction):		
Decrease in due from other funds	1,900	
Increase in accounts receivable	<u>(43,812)</u>	
Operating income — cash basis	16,696,346	
Fare stabilization subsidy from General Fund	\$25,380,960	
Less increase in due from other funds	<u>665,960</u>	
Fare stabilization — cash basis	24,715,000	
Decrease in due from other funds — condemnation settlement	<u>693,740</u>	
	TOTAL AVAILABLE	42,105,086
		<u>42,356,158</u>
Uses of cash:		
Operating expenses	42,119,218	
Adjustments to reflect operating expenses on a cash basis (deduction):		
Increase in materials and supplies, less \$80,406 contributed	137,677	
Decrease in prepaid expenses	(8,911)	
Increase in accounts payable	(79,733)	
Decrease in due to other funds	10,582	
Decrease in accrued expenses	433,688	
Increase in reserve for injury and damage claims	<u>(291,994)</u>	
Operating expenses — cash basis	42,320,527	
Increase in due from other funds:		
Project expenditures	20,419	
Equipment purchases	<u>3,744</u>	
	TOTAL USES	42,344,690
		<u>\$ 11,468</u>
Balance December 31, 1976		\$ 11,468

# Transit Operating Division Fund

Statement of Changes in Cash

See notes to financial statements



# Debt Service Fund

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

Year Ended December 31, 1976

Revenues:		
Property tax		2,144,331
Interest income		<u>52,982</u>
	TOTAL REVENUES	2,197,313
Expenditures:		
Current maturities of general long-term debt		2,000,000
Interest expense		<u>666,382</u>
	TOTAL EXPENDITURES	<u>2,666,382</u>
Excess (deficiency) of revenues over expenditures		(469,069)
Fund balance at beginning of year		<u>397,666</u>
Fund balance (deficit) at end of year		<u>\$ (71,403)</u>

Year Ended December 31, 1976

	Capital Fund	Capital Grant Projects Fund	Total — Memorandum Only
Revenues:			
Proceeds from sales of bonds — net	\$6,932,788		\$ 6,932,788
Interest income	116,874	\$ 90,096	206,970
Federal grants		10,434,913	10,434,913
Disposition of equipment		<u>67,292</u>	<u>67,292</u>
	TOTAL REVENUES	10,592,301	17,641,963
Expenditures:			
Purchase of transit buses	212,219	3,869,905	4,082,124
Purchase and installation of support equipment	60,100	4,041,928	4,102,028
Purchase and installation of service and maintenance equipment	23,565	35,628	59,193
Renovation of equipment		<u>77,840</u>	<u>77,840</u>
Purchase of transit systems (deduction)	7,224	(1,301)	5,923
Real estate acquisition		2,344,189	2,344,189
Professional services	17,585	307,320	324,905
Purchase and installation of passenger facilities	1,022	262,149	263,171
Construction of facilities	37,848	255,219	293,067
Renovation of facilities	15,795	71,483	87,278
Administration	<u>155,399</u>	<u>147,940</u>	<u>303,339</u>
	TOTAL EXPENDITURES	11,412,300	11,943,057
Transfers:			
Local contribution to Capital Grant Projects Fund	1,135,910	(1,135,910)	—
Arising from final determination of recoverable cost (deduction)	<u>(315,911)</u>	<u>315,911</u>	<u>—</u>
	TOTAL EXPENDITURES AND TRANSFERS	10,592,301	11,943,057
Excess of revenues over expenditures and transfers	5,698,906	—	5,698,906
Fund balance (deficit) at beginning of year	<u>(3,712,717)</u>	<u>—</u>	<u>(3,712,717)</u>
Fund balance at end of year	<u>\$1,986,189</u>	<u>\$ —</u>	<u>\$ 1,986,189</u>

See notes to financial statements

# Capital Fund and Capital Grant Projects Fund

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



# Notes to Financial Statements

December 31, 1976

## NOTE A — STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

**Financial Structure:** The activities of the Metropolitan Transit Commission (MTC) are accounted for in the various funds and account groups 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 Transit Operating Division Fund is used to account for operations of the bus system. The Debt Service Fund is used to account for debt service on long-term borrowings. The Capital Fund is used to account for local capital expenditures and local contributions to capital grant projects. The Capital Grant Projects Fund is used to account for federal grant revenue and cumulative costs incurred on capital improvements using federal grant assistance and local contributions. 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 or Capital Grant Projects 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 Capital 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 capital 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.

**General Obligation Indebtedness:** New issues of general obligation indebtedness are recorded in the General Long-Term Debt Group of Accounts as amount to be provided for retirement of debt and as general obligation certificates of indebtedness payable. Annual levies of property taxes for retirement of general obligation debt are recorded in the Debt Service Fund, and the corresponding debt is transferred from the General Long-Term Debt group of accounts to the Debt Service Fund.

## NOTE B — FINANCING OF GENERAL FUND OPERATIONS

Property taxes levied by the Commission for general operations collectible during the first six months of the year are substantially received from the counties in July and taxes collectible during the last six months are substantially received in December. In recognition of this delay the Commission has established a reserve of cash and investments equal to one-half (50%) of the general tax levy to provide sufficient operating cash during the year. This eliminates the need for tax anticipation borrowing. The reserve is adjusted annually based upon the latest tax levy. At December 31, 1976 the Commission reserved \$6,151,450 in cash and investments and this reserve is reflected in the General Fund financial statements as an appropriation of the fund balance.

In addition, at December 31, 1976, \$1,271,210 has been appropriated in the General Fund balance to recognize the budgeted excess of General Fund expenditures over revenues in 1977.

## NOTE C — FINANCING OF TRANSIT CAPITAL PROGRAM

The MTC receives federal capital grants from the Urban Mass Transportation Administration. These grants provide up to eighty percent of the MTC's capital program costs. The remainder, the local share, is financed by general obligation certificates of indebtedness issued by the MTC.

In 1976 the MTC sold \$7,000,000 of general obligation certificates of indebtedness. General obligation certificates of



indebtedness outstanding at December 31, 1976 consist of the following:

Date	Net Interest Rate	Coupon Interest Rate	Principal Amount		Total
			Debt Service Fund	General Long-Term Debt	
10/1/71	4.28%	3.80 to 4.50%	\$ 500,000	\$ 3,150,000	\$ 3,650,000
9/1/72	3.84%	3.20 to 4.10	600,000	1,800,000	2,400,000
10/1/73	4.35%	4.20 to 4.25	900,000	3,000,000	3,900,000
3/1/76	4.77%	3.65 to 5.20		7,000,000	7,000,000
			<u>\$2,000,000</u>	<u>\$14,950,000</u>	<u>\$16,950,000</u>

These certificates mature serially through 1986. 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 levies upon all taxable property in the Metropolitan Transit taxing district a direct ad valorem tax for current interest and principal payments on bonded debt.

#### NOTE D — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consisted of the following at December 31, 1976:

	Transit Operating Division	General Fixed Assets
Land and buildings used in transit operation	\$ 4,142,261	
Buses	51,450,621	
Other equipment, furniture and fixtures	2,427,605	\$90,849
Leasehold improvements		4,514
	58,020,487	95,363
Accumulated depreciation	14,992,292	
TOTAL	<u>\$43,028,195</u>	<u>\$95,363</u>

#### NOTE E — 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:

Balance at beginning of year	\$25,565,210
Add contributions — improvements capitalized	<u>22,757,823</u>
	48,323,033
Less amortization — depreciation on contributed properties	<u>4,954,808</u>
Balance at end of year	<u>\$43,368,225</u>

#### NOTE F — 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, 1976, the date of the most recent actuarial study, the actuarially computed value of vested benefits in the plan exceeded plan assets by approximately \$11,000,000. Pension expense charged to operations for the year ended December 31, 1976 was \$2,722,269. Contributions provide for the payment of the normal cost and amortization of past service cost 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).

#### Report of Ernst and Ernst, Independent Auditors

#### Metropolitan Transit Commission Saint Paul, Minnesota

We have examined the balance sheets of the various funds and account groups of the Metropolitan Transit Commission as of December 31, 1976, and the related statements of revenues, expenditures, transfers and changes in fund balance, 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.

In our opinion, the financial statements referred to above present fairly the financial position of the various funds and account groups of the Metropolitan Transit Commission at December 31, 1976, and their revenues, expenditures, transfers and changes in fund balance 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.

Saint Paul, Minnesota  
March 11, 1977

*Ernst & Ernst*





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Doug Kelm, Chairman

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MTC Chairman Doug Kelm on transit in 1976:

“One might consider 1976 as the year which saw completion of the rapid growth phase, and the beginning of the process of fine-tuning a stabilized system.”

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