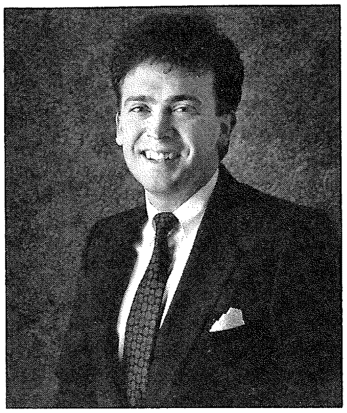
METROPOLITAN TRANSIT COMMISSION
1990 ANNUAL REPORT

Pursuant to Mn Stat 473.445, sd 1

OPERATING TRENDS	1990	1989
Total ridership	69,494,000	70,794,000
Peak buses	834	833
Total miles	28,393,000	27,984,000
Passengers per mile	2.45	2.53
Base fare	.75 peak/ .50 off peak	.75 peak/ .50 off peak
All You Can Ride monthly passes sold	308,240	315,952
Workforce	2,321	2,289
Carpool and vanpool applications	12,613	11,789
Total registered pools	2,927	2,348
Pool match lists processed	15,246	13,828

FINANCIAL TRENDS	1990	1989
Operating revenues	$ 33,288,000	$ 32,783,000
Operating expenses	111,550,000	105,540,000
Operating loss before depreciation	(78,262,000)	(72,757,000)
Percent operating revenues to operating expenses	29.8%	31.1%
Net gain (loss)	14,911,000	(9,117,000)
Cash and short term investment	8,879,000	8,467,000
Working capital	11,618,000	10,949,000
Current ratio	1.4	1.4
Property, plant and equipment	163,475,000	133,805,000
Total assets	230,619,000	196,171,000
Long term liabilities	8,825,000	10,031,000
Total equity	191,387,000	156,606,000
Retained earnings available for working capital	14,875,000	15,000,000



A *LETTER FROM THE CHAIR*

The 1990 Annual Report celebrates the 20th year for the Metropolitan Transit Commission (MTC).

During the last two decades, MTC has improved many aspects of the public transit system. This continues today on many fronts amidst an era of scarce resources and "same-level" budgets. The improvements include:

■ Updating facilities and equipment ■ Promoting customer service

■ Purchasing accessible buses ■ Improving communication

■ Highlighting bus safety ■ Continuing concern for the environment

This 1990 annual report will chart the progress on these fronts. It also will focus on dispelling commonly-held myths about the MTC.

1990 also marked an important era of change at the MTC. Under new management, MTC has been dedicated to raising its voice in the public arena, empowering employees and customers in transit decisions and involving local units of governments in transit decisions. Next year's report will detail our work in these areas.

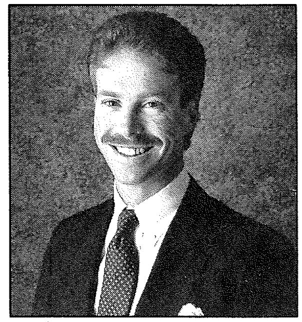
Finally, I would like to thank Carole Faricy who served as Chairperson of the Metropolitan Transit Commission from 1988 to 1991. Carole made many contributions to public transit both as a member of the Regional Transit Board and the Metropolitan Transit Commission. We are very grateful to have worked with her.

Sincerely,

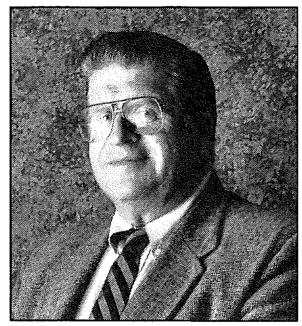
Todd Paulson

Todd Paulson

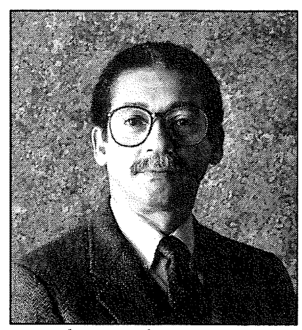
MTC Chair



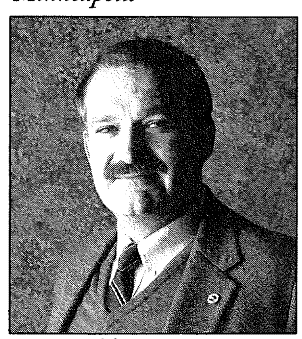
Robert Mairs
St. Paul



Bruce Nawrocki
Suburban



Frank Snowden
Minneapolis



Ray Waldron
Representative at large

WORKING TO IMPROVE

Equipment and facilities are the backbone of MTC's bus service. In 1990, MTC improved both. The average age of buses dropped in 1990, and a 20-year modernization plan was completed for all facilities.

MYTH *Customer fares pay for most of the cost of running the MTC.*

MTC's bus age has decreased from 10 years in 1983 to 3.5 years in 1990. The MTC has purchased more than 650 new buses since 1984. It also has reconditioned 140 buses to 1990 standards. Eighty-seven articulated buses also have been added to the fleet. These double buses have the capacity to seat 65 customers. Regular buses can seat 43 customers.

REALITY *Actually, in 1991, customer fares will pay for about one-third of MTC's $110.2 million operating costs. Most of the rest comes from property taxes levied in the metropolitan area, state appropriations, and federal grants, state appropriations are $10 million a year, federal grants are $7 million and the rest generally comes from property taxes.*

These steps have been coupled with MTC's plan to improve its facilities. The agency has rebuilt or renovated all garages and maintenance facilities since 1970. The last piece of the modernization effort was the completion of Nicollet Garage in 1990. The old garage was demolished and a new one built on the same site.

The new garage has nearly 211,000 square feet and houses up to 175 buses. The extra square footage has allowed all buses to be stored inside the facility. This reduces bus noise in the neighborhood and lowers energy costs.

ON THE LEADING EDGE

The MTC also has continued to be environmentally conscious. Funds were approved in 1990 for an alternative-fuel test, a demonstration program of 20 buses. They are equipped to run on natural gas, methane and other fuels.

The new Nicollet Garage houses 75 buses indoors, reducing energy costs and neighborhood noise.

The agency also has turned to a cleaner diesel engine, which meets new federal air-quality regulations. These engines reduce the emissions of particulates and nitrous oxides. All new buses have this type of engine.

This environmental focus was highlighted in 1990 in another way. A series of TV and newspaper ads focused on what one person can do to fight pollution. The message: They can take the bus or rideshare.

M_YTH Buses emit more pollutants than cars._

GIVING A PERSON A LIFT

The MTC has improved another aspect of the bus system. Persons with special needs now have the opportunity to ride a main-line bus. In 1990, the MTC bought 78 lift-equipped buses. These buses were introduced on a couple of Minneapolis routes.

In 1991, there are now seven routes with accessible service and 130 lift-equipped buses in operation. All buses will be lift-equipped within 10 years. This is part of MTC's compliance with the Americans with Disabilities Act.

In 1990, MTC continued to administer another option for persons with disabilities: Metro Mobility. Customers, in fact, took 1.6 million Metro Mobility rides in 1990.

R_EALITY In reality, one full bus can mean 50 fewer cars on the road. This translates to 540,000 pounds less annual emissions from these cars. These emissions include carbon monoxide and nitrogen oxides._

MTC has significantly reduced the amount of these particulates from its buses. The agency has turned to a cleaner diesel engine. All new buses have been fitted with this type of engine.

The agency also will be working on a demonstration of alternatively-fueled buses. Twenty specially-equipped buses will be run on natural gas, methane and other fuels.

THE TIME IS NOW

Customer service also was highlighted in 1990.

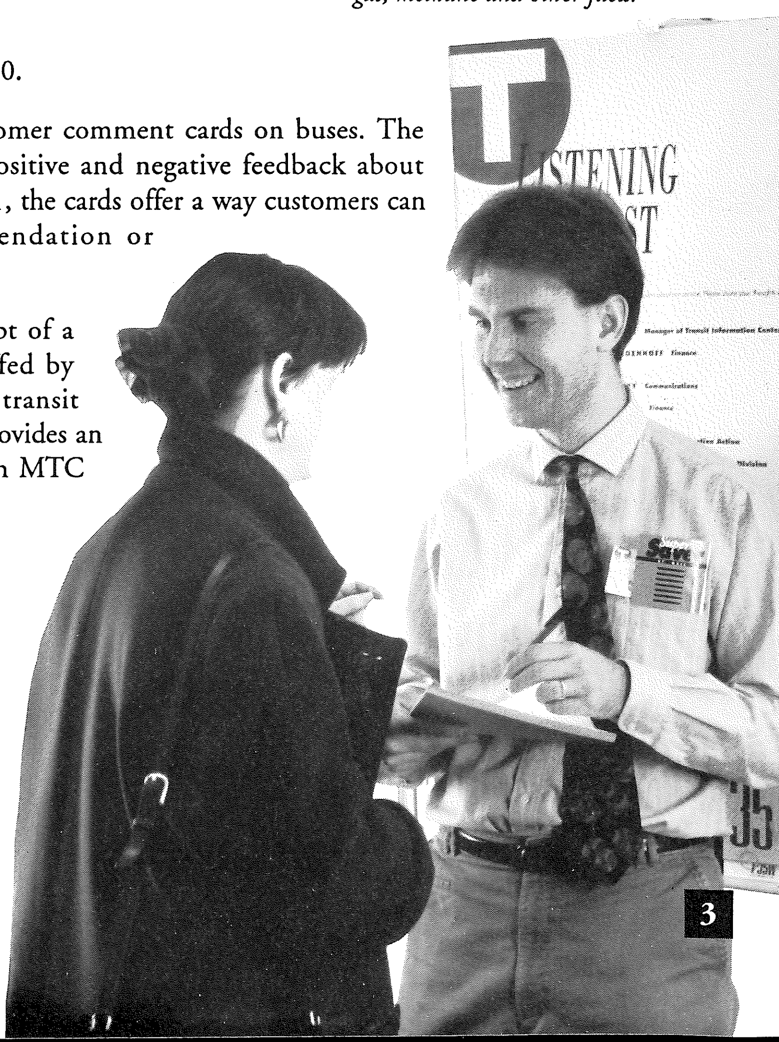
Plans were made in 1990 for placing customer comment cards on buses. The cards improve customers' ability to give positive and negative feedback about service, the driver, etc. Implemented in 1991, the cards offer a way customers can comment immediately about a commendation or problem.

Another idea born in 1990 was the concept of a Listening Post. This involves booths, staffed by administrative employees, in MTC's two transit stores. The concept, began in early 1991, provides an improved way for customers to comment on MTC services.

INFORMATION, PLEASE

MTC also has improved its ability to give information to customers.

In 1990, MTC installed a new computer



MTC administrative employee Todd Melby interviewing a customer at the Listening Post, Minneapolis Transit Store.

system in the Transit Information Center (TIC). The system makes more information available to the customer. It also has allowed integration of route and schedule information with other departments serving the public. The TIC number is 827-7733.

Additionally, plans were made to bring MTC automated phone system in-house in 1990. Using a touch-tone phone, customers now can call 341-4BUS for same-day schedule information. Customers must know their bus route. Running the system in-house saves the agency at least $100,000 annually.

MYTH *MTC is only concerned about bus transportation.*

REALITY *Since 1978, Minnesota Rideshare has been a part of MTC. This carpooling/vanpooling service is an important component of MTC's overall transit plan. More than 7,000 people participated in registered pools in 1990.*

The MTC also is working with counties and metro agencies for Light Rail Transit (LRT) planning. Such involvement will help ensure that the bus service and LRT are fully integrated.

Bus shelters are another way customers can find out information. Improved schedule and SuperSaver fare information is now posted in more than 900 shelters. These are owned by MTC and other companies. These are updated approximately every three months, coinciding with service changes on each route.

There also are more than 80 MTC information/outlet locations at stores, businesses and governmental agencies throughout the Twin Cities. These locations sell SuperSaver monthly passes, commuter tickets and tokens.

The SuperSaver program was part of a plan undertaken to implement a fare change in early 1991. The basic fare was increased substantially. But discounts of 30 cents per ride were made available to individuals purchasing the SuperSaver options.

Besides outlet locations, customers also can call MTC's SuperSaver Hotline (349-7681). A postage-free order form will be sent out to customers.

MTC police work closely with drivers to help keep buses safe.

SECURITY FIRST

In 1990, the MTC expanded its commitment to keep buses safe.

The Commission expanded the visibility of MTC police. In addition to undercover police who ride on buses, the MTC has added uniformed officers. These officers now patrol various routes in highly visible marked MTC squad cars. They periodically board and check buses at bus stops. These officers can check up to 105 buses per shift.

MYTH Mass transit cannot compete with cars anyway.

These officers, from more than 20 metro-area police departments, work part-time as MTC police officers.

REALITY Some people said that recycling would not be popular either. The MTC is working on initiatives that will help make transit faster, more convenient and easier to use.

Improvements could include reorienting bus routes, reserving highway shoulders for buses/carpools and new Park & Ride locations. This also may mean building new by-pass lanes at freeway ramp meters.

FASTER THAN DRIVING ALONE

Along with a safer ride, bus service is now more convenient and faster. For example, a customer riding the bus from County Road 73 in Minnetonka to downtown Minneapolis on I-394 arrives downtown six to ten minutes faster than a person driving alone.

This is because I-394 has a special lane for car/vanpools and buses. Such transit advantages are being looked at for other major roadways in the future. Many, like I-35W, already have bypass ramps for those taking the bus.

MTC, however, is more than a bus company. It also offers another important transit alternative - Minnesota Rideshare. Car/vanpools have the same special-lane advantages on freeways and ramps as buses. Minnesota Rideshare, in fact, placed more than 7,000 people in car/vanpools in 1990.

Minnesota Rideshare, 349-RIDE, offers other advantages. Poolers have free or reduced-rate parking in both downtowns and the U of M. Many employers give preferential parking to ridesharers. Poolers also share the cost of gas, parking and even insurance.

THE FUTURE

Despite such advantages, the MTC realizes it must continue to improve transit options for customers. It is working closely with local and state agencies to achieve this goal.

The MTC, for example, is working with many public agencies on a new initiative called Team Transit. This is a collaboration designed to build advantages for the bus into our roadways. Team Transit initiatives will allow the bus to meet or beat the car by letting buses move around traffic snarls and giving them special considerations.

Another priority is to help plan for Light Rail Transit (LRT) in the years to come. Such involvement will ensure that bus service and LRT are fully integrated. This will provide improved, cost-effective transit services for customers. It is particularly important since the Legislature has designated MTC as principal operator of both.

With these efforts, the MTC sees a bright future for transit. In 1990, improvements continued to be made to help serve current and future customers. The improvements have been especially geared to attract those still driving alone.

These new customers are key in making transit an attractive alternative in the future. This alternative will will relieve congestion, reduce pollution and offer convenient transportation to customers.

M*YTH MTC does not offer transit options for persons with disabilities.*

R*EALITY MTC has two options: Metro Mobility and accessible service on regular buses. Metro Mobility is a door-through-door transportation service. For a fare, persons are transported in vans and taxis to their destination.*

There was more than 1.6 million rides on Metro Mobility in 1991.

This year, accessible bus service expanded. there are now seven routes that offer lift-equipped service. Customers are picked up at regular bus stops. Most trips are accessible on these routes.

The MTC expects all buses to be accessible in 10 years.

Tony King dreams about about being a "real" MTC bus driver one day.

BALANCE SHEETS
At December 31

ASSETS	1990	1989
Current Assets		
Cash (Notes 2 and 3)	$ 239,000	$ 295,000
Short-term investments (Note 3)	8,640,000	8,172,000
Accounts receivable, less allowance for doubtful accounts of $266,000 and $35,000 at December 31, 1990 and 1989,respectively	2,539,000	2,317,000
Due from the Regional Transit Board (Note 4)	17,883,000	17,453,000
Due from federal government (Note 5)	7,336,000	7,420,000
Materials and supplies	5,197,000	4,539,000
Prepaid expenses and other current assets	191,000	287,000
Total current assets	42,025,000	40,483,000
Restricted Assets		
Debt service:		
Short-term investments (Note 3)	3,512,000	6,006,000
Receivables	368,000	2,000
Capital acquisitions:		
Cash (Notes 2 and 3)		29,000
Short-term investments (Note 3)	20,242,000	14,549,000
Receivables	997,000	1,297,000
Total restricted assets	25,119,000	21,883,000
Property, Plant and Equipment (Note 6)	163,475,000	133,805,000
Total Assets	$230,619,000	$196,171,000

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable	$ 3,690,000	$ 4,481,000
Accrued payroll liabilities	7,920,000	7,295,000
Accrued interest	254,000	299,000
Accrued injury, damage and health claims (Note 9)	15,572,000	14,731,000
Other liabilities	1,271,000	1,028,000
Current maturities of long-term debt	1,700,000	1,700,000
Total current liabilities	30,407,000	29,534,000
Long Term Debt (Note 7)	7,550,000	9,250,000
Other Long-Term Liabilities	1,275,000	781,000
Equity		
Contributed capital	109,980,000	100,289,000
Retained earnings:		
Restricted for debt service	3,630,000	5,365,000
Invested in or committed to property, plant and equipment	62,902,000	35,952,000
Available for working capital	14,875,000	15,000,000
Total equity	191,387,000	156,606,000
Total Liabilities and Equity	$230,619,000	$196,171,000

See notes to financial statements.

STATEMENTS OF OPERATIONS

Years ended December 31

	1990	1989
Operating Revenues		
Passenger fares	$30,210,000	$30,749,000
Contract fares	2,252,000	1,316,000
Advertising and auxiliary	826,000	718,000
Total operating revenues	33,288,000	32,783,000
Operating Expenses		
Labor	59,493,000	57,511,000
Fringe benefits	25,193,000	23,696,000
Materials and supplies	12,505,000	11,314,000
Workers' compensation, claims and insurance	7,264,000	6,390,000
Professional and technical services	3,092,000	2,733,000
Utilities	1,646,000	1,710,000
Leases and rentals	427,000	441,000
Purchased transportation services	415,000	177,000
Advertising and promotion	647,000	911,000
Miscellaneous	868,000	657,000
Total operating expenses	111,550,000	105,540,000
Operating Loss Before Depreciation	(78,262,000)	(72,757,000)
Depreciation	14,628,000	12,640,000
Operating Loss	(92,890,000)	(85,397,000)
Non-Operating Revenues (Expenses)		
Regional Transit Board allocation:		
Transit operating subsidies (Note 4)	69,223,000	63,214,000
Debt service (Note 7)	2,351,000	2,531,000
Local bonding (Note 7)	25,945,000	
Federal grants (Note 5)	7,326,000	7,434,000
Interest income	3,246,000	3,014,000
Interest expense	(1,085,000)	(1,221,000)
Other	795,000	1,308,000
Total non-operating revenues	107,801,000	76,280,000
Revenues in Excess of (Less Than) Expenses	$14,911,000	($ 9,117,000)

See notes to financial statements.

STATEMENTS OF RETAINED EARNINGS AND CONTRIBUTED CAPITAL

	Retained earnings	Contributed capital
Balances at December 31, 1988	$ 55,893,000	$ 92,890,000
Revenues less than expenses	(9,117,000)	
Capital grants		16,940,000
Depreciation on contributed improvements	9,541,000	(9,541,000)
Balances at December 31, 1989	56,317,000	100,289,000
Revenues in excess of expenses	14,911,000	
Capital grants		19,870,000
Depreciation on contributed improvements	10,179,000	(10,179,000)
Balances at December 31, 1990	$ 81,407,000	$109,980,000

See notes to financial statements.

STATEMENTS OF CASH FLOWS

Years ended December 31

	1990	1989
Cash Flows From Operating Activities		
Operating loss	($92,890,000)	($85,397,000)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation	14,628,000	12,640,000
Other	665,000	1,073,000
Amortization of bond discount		(10,000)
Change in assets and liabilities:		
Accounts receivable, net of allowance for doubtful accounts	(222,000)	(432,000)
Materials and supplies	(658,000)	(398,000)
Prepaid expenses and other current assets	96,000	(133,000)
Accounts payable	(791,000)	1,968,000
Accrued payroll liabilities	625,000	669,000
Accrued injury, damage and health claims	841,000	510,000
Other liabilities	243,000	110,000
Other long-term liabilities	29,000	(264,000)
Cash used in operating activities	(77,434,000)	(69,664,000)
Cash Flows From Noncapital Financing Activities		
Regional Transit Board subsidies	68,793,000	62,506,000
Federal grants	7,410,000	7,510,000
Cash provided by noncapital financing activities	76,203,000	70,016,000
Cash Flows From Capital and Related Financing Activities		
Purchase of property, plant and equipment	(44,298,000)	(25,868,000)
Proceeds from the sale of property, plant and equipment	129,000	235,000
Proceeds from Metropolitan Council bond issue	25,945,000	
Interest paid	(664,000)	(1,051,000)
Proceeds from the Regional Transit Board for debt service	1,985,000	2,690,000
Federal grant capital contributions	20,170,000	16,291,000
Payments on long-term debt	(1,700,000)	(2,690,000)
Cash provided by (used in) capital and related financing activities	1,567,000	(10,393,000)

Investing Activities		
(Increase) decrease in unrestricted short-term investments	(468,000)	208,000
(Increase) decrease in restricted short-term investments	(3,199,000)	7,102,000
Interest received	3,246,000	3,014,000
Cash provided by (used in) investing activities	(421,000)	10,324,000
Net Increase (Decrease) in Cash	(85,000)	283,000
Cash, beginning of period	324,000	41,000
Cash, end of period	$ 239,000	$ 324,000

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 1990 and 1989

1. Summary of significant accounting policies

Organization - The Metropolitan Transit Commission (the Commission) was established in 1967 to develop, maintain and operate a public mass transit transportation system for the benefit of the inhabitants of the Minneapolis - Saint Paul metropolitan area. In 1984, the Minnesota Legislature created a Regional Transit Board (RTB) to coordinate the provision of essential transportation services within the metropolitan area. The RTB assumed most of the planning and policy-making functions of the Commission as well as the ability to levy taxes.

The Commission contracted with ATE Management and Service Co., Inc. (ATE), a Delaware corporation, for the management and supervision of the conduct and operation of all the Commission public transportation systems, as permitted by Section 473.405, subdivision 2, Minnesota Statutes. The contract with ATE expired on December 31, 1990 and was not renewed.

Capital Grants - The Commission receives grant funds from the Urban Mass Transportation Administration (UMTA) for some of its capital acquisitions. The receivable for these capital grants and the related contributed capital are recorded when eligible expenditures are incurred on projects funded by such grants. Assets acquired in connection with capital grants are included in property, plant and equipment costs. These grants require a local funding match by the Commission at a stipulated percentage of total project costs.

Debt Service - Property taxes relating to debt service are recorded as revenue in the year in which the taxes constitute a lien on the property.

Property - Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight line method over estimated useful lives as follows: buildings - 35 to 45 years; buses - 7 to 12 years and other equipment - 3 to 14 years.

Depreciation and amortization of assets acquired under federal capital grants are expensed in the statements of operations and then recorded to contributed capital in accordance with the provisions of the Governmental Accounting Standards Board Statement 1.

Gains on the sale of depreciation through tax leases are deferred and amortized over the useful lives of the related assets using the straight-line method.

Material and Supplies - Material and supplies are stated at cost using the weighted average costing method.

Reclassifications - Certain reclassifications have been made to the December 31, 1989 financial statements to conform to the classifications used in the December 31, 1990 financial statements. These reclassifications had no effect on revenues less than expenses or retained earnings and contributed capital previously reported.

2. Statement of Cash Flows

The Commission has adopted Governmental Accounting Standards Board Statement No. 9 (GASB 9), "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting", during the year ended December 31, 1990. The Commission has restated the cash flow statement for the year ended December 31, 1989 under GASB 9.

The Commission considers all non-interest bearing funds to be cash.

3. Cash and Short-Term Investments

Deposits - In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks authorized by resolution of the Commission, all of which are members of the Federal Reserve System.

Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged).

At December 31, 1990, the carrying amount of the Commission's combined demand deposits was $206,000. The combined bank statement balances were $1,507,000. Of the bank statement balances, $159,000 was covered by federal depository insurance and $1,761,000 was covered by collateral held in the Commission's name at the Federal Reserve Bank of Minneapolis.

Short-term Investments - Minnesota Statutes permit the Commission to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, prime commercial paper, bankers' acceptances, money market funds, state and local bonds, futures contracts and repurchase agreements.

The Commission's investments at December 31, 1990, are categorized to give an indication of the level of risk assumed by the Commission at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Commission, or its agent in the Commission's name. All of the Commission's investments are held in a custodial account, in the Commission's name, by the trust department of the Commission's primary bank. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Commission's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Commission's name.

Investments at December 31, 1990 (all Category 1) consist of:

	Carrying amount	Market value
U.S. Government Obligations	$ 5,429,000	$ 5,455,000
Bankers' Acceptance	10,336,000	10,336,000
Commercial paper	13,391,000	13,391,000
Money market funds	3,238,000	3,238,000
Total investments	$ 32,394,000	$ 32,420,000

4. RTB Transit Operating Subsidies

The RTB levies taxes for transit operations in the metropolitan area and receives state operating subsidies. The RTB contracts with the Commission for the operation of several non-traditional transit programs (Minnesota Rideshare and the Metro Mobility Administrative Center). Allocations from the RTB, regardless of origin, have been recorded as RTB "transit operating subsidies" in the period when earned.

For 1990 and 1989, the RTB subsidized the Commission's operations to the extent required to reach a December 31 retained earnings available for working capital balance of $15,000,000, subject to a maximum subsidy of $69,223,000 and $63,652,000 for 1990 and 1989, respectively. To the extent that the Commission's remaining revenues less expenses for the year ended December 31, 1990 exceeded the maximum subsidy, the working capital balance fell below $15,000,000.

5. Federal Operating Assitance Grants

Operating assistance grants have been made available to the Commission under Section 9 of the Urban Mass Transportation Act of 1964, as amended. These grants are recorded as non-operating revenue in the year in which the grant is applicable and the related reimbursable expenditure is incurred. Funds are apportioned on an annual basis.

On March 29, 1991, the Commission received notification from UMTA of a Section 9 grant award relating to operations for the fiscal year ended December 31, 1990. Grant awards of $7,326,000 and $7,406,000 are included in federal grant revenues for the years ended December 31, 1990 and 1989, respectively.

6. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	December 31 1990	December 31 1989
Land and buildings	$ 83,926,000	$ 71,861,000
Buses	142,774,000	114,392,000
Other equipment, furniture and fixtures	19,399,000	18,657,000
Capital projects in progress	478,000	4,315,000
	246,577,000	209,225,000
Less accumulated depreciation	83,102,000	75,420,000
	$163,475,000	$133,805,000

At December 31, 1990, the Commission had commitments of $7,747,000 for the purchase of 25 articulated buses, $90,000 for the Nicollet Garage construction and $946,000 for the purchase of other assets. Some of these assets will be funded through UMTA's capital grant program.

7. Debt

Long-term debt consists of general obligation bonds and certificates of indebtedness as follows:

Issue date	Final maturity date	Net interest rate	December 31 1990	December 31 1989
9/1/79	2/1/98	5.58%	$ 3,200,000	$ 3,700,000
6/1/85	2/1/95	7.34%	6,050,000	7,250,000
			9,250,000	10,950,000
Less current portion			1,700,000	1,700,000
			$ 7,550,000	$ 9,250,000

Paying agents for the bonds and certificates are as follows:

Issue date	Paying agent
9/1/79	First Bank Saint Paul
6/1/85	The First Bank Trust Corporation

All bonds and certificates mature serially. The 1985 issue may be prepaid beginning in 1991 for bonds maturing in 1992 and thereafter. The 1979 issue cannot be redeemed prior to maturity. All long-term debt is payable, both as to principal and interest, from the proceeds of taxes levied by the RTB on all taxable property within the Metropolitan Transit Taxing District.

In 1986, Minnesota Statutes transferred the Commission's bonding authority to the Metropolitan Council (the Council). The Council may, at the request of the RTB and subject to state legislative bonding authority limits, issue debt (new or refunding) on behalf of the Commission and such debt is the legal obligation of the Council only.

Long-term debt maturities will be as follows:

Years ending December 31:	
1991	$1,700,000
1992	1,700,000
1993	1,600,000
1994	1,600,000
1995	1,650,000
Thereafter	1,000,000

On May 10, 1988 the Council sold $17,000,000 of general obligation certificates of indebtedness. The proceeds of this issue were turned over to the Commission for the purpose of funding the 1988-1989 capital program of the Commission. On March 22, 1990, the Council sold $26,000,000 of general obligation certificates of indebtedness. The proceeds of this issue were turned over to the Commission for the purpose of funding the 1990-1991 capital program. The certificates are subject to the 1986 Tax Reform Act regulations relating to arbitrage reporting and rebate. The 1988 and 1990 certificates have a permitted yield cap under the provisions of this act of 6.605% and 6.40%, respectively. Any earnings in excess of these yields are arbitrage and subject to rebate. At December 31, 1990 the excess earnings were $651,000 on the 1988 certificates and $371,000 on the 1990 certificates. These amounts are included in other long-term liabilities. According to the Internal Revenue Code, the excess earnings are to be remitted to the United States Government at the Internal Revenue Service Center not more than five years following the "Issue Date". The "Issue Dates" for this purpose are June 14, 1988 and March 22, 1990, which were the settlement dates of the bonds.

8. Post Employment Benefits

Pension Plan Description - Substantially all full-time and part-time employees and all Amalgamated Transit Union (ATU) officials are covered by a defined benefit plan administered by the Minnesota State Retirement System (MSRS). The MSRS administers the General Employee Plan (the Plan) which is a cost-sharing, multiple employer public employee retirement system. The payroll for Commission employees and ATU officials covered by the MSRS plan for the years ended December 31, 1990 and 1989 was $67,876,000 and $65,616,000, respectively. The Commission's total payroll was $68,187,000 and $65,871,000 for the years ended December 31, 1990 and 1989, respectively.

Substantially all full-time and part-time employees and all ATU officials are required to participate in the Plan. The Plan provides pension benefits, deferred annuity and death and disability benefits. Benefits are established by state statute.

Plan member retirement benefits are computed in two different ways and a plan member will receive the higher of the computed amounts. Both methods utilize the average of the five highest successive years of covered salary multiplied by a percentage factor based on length of service.

A plan member first employed before July 1, 1989 is eligible to use the Step Formula method. This method uses the "Rule of 90" which allows early retirement without benefit reduction if a member's age and length of service totals at least 90. The length of service percentage factor for this method is 1% per year for the first ten years of allowable service and 1.5% per year (or 0.125% per month) thereafter. If a member does not qualify for the "Rule of 90" an early retirement reduction factor of 3% per year (or 0.25% per month) for each year of retirement age under 65, or age 62 if a member has at least 30 years of service, is applied to their annuity. The "normal retirement age" for a plan member in this group is age 65.

A plan member first employed after June 30, 1989 will receive benefits using a level formula length of service percentage factor of 1.5% for each year of service (or 0.125% per month). The early retirement reduction factor under this method is an actuarial reduction. The normal retirement age under this method is the same as under Social Security. If a plan member was born before 1938 it is age 65, if a plan member was born after 1937, normal retirement age gradually increases to age 67 (for those born after 1960).

A reduced retirement annuity may begin as early as age 55 with at least three years of allowable service credit, or at any age with at least 30 years of service credit.

Pension provisions include a deferred annuity. A member who terminates public service with three or more years of allowable service credit may leave this amount in the fund to qualify for an annuity at retirement age. The annuity as determined by the formula will increase at the rate of 3% compounded annually from the member termination date until age 55, and thereafter at 5% compounded annually until payment starts.

Pension provisions include various death and disability benefits, whereby the disabled employee or surviving spouse is entitled to receive amounts determined as defined by the plan.

Contributions Required and Made - Covered employees are required by state statute to contribute fixed percentages of their gross earnings to the pension plan. The Commission makes contributions to the pension plan equal to the amount required by state statutes. Current contribution rates for the plan are as follows:

	Employee	Employer
General Employee Plan of MSRS	4.15%	4.29%

Total contributions made during 1990 amounted to $5,880,000, of which $2,993,000 was made by the Commission and $2,887,000 was made by the employees. Total contributions made during 1989 amounted to $5,379,000, of which $2,745,000 was made by the Commission and $2,634,000 was made by the employees.

Funding Status and Progress - The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the Plan's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among Public Employee Retirement Systems (PERS) and employers. The MSRS does not make separate measurements of assets and pension benefit obligations for individual employers like the Commission.

The pension benefit obligations of the Plan as of June 30, 1990 were as follows:

Total pension benefit obligations	$2,328,167,000
Net assets available for benefits, at market	2,189,254,000
Unfunded pension benefit obligation	$ 138,913,000

The actuarial calculations of annual contributions include amounts that would be required to achieve full (100%) funding by July 1, 2020.

The measurement of the pension benefit obligation is based on an actuarial valuation as of June 30, 1990. Net assets available to pay pension benefits were valued as of June 30, 1990.

The Commission's contribution to the Plan for the years ended June 30, 1990 and 1989 represented about 5.2% and 6.0%, respectively, of total contributions required of all participating entities.

Ten year historical information is presented in MSRS's State PERS Comprehensive Annual Financial Report for the year ended June 30, 1990. This information is useful in assessing the Plan's accumulation of sufficient assets to pay pension benefits as they become due.

In addition to providing pension benefits, the Commission provides certain health care and life insurance benefits for retired employees in accordance with Minnesota Statutes, Chapter 471. Substantially all of the Commission's employees become eligible for those benefits if they reach normal retirement age while working for the Commission. The Commission recognizes the cost of providing those benefits by expensing the annual insurance premiums, which were $813,000 and $598,000 for 1990 and 1989, respectively, when due. The number of retirees covered by the plan was 518 and 471 for 1990 and 1989, respectively.

9. Contingent Liabilities

Federal and State Grants - Expenditures financed by grants received from UMTA are subject to audit by UMTA, and grants received from the State of Minnesota are subject to audit by the State for compliance with conditions of the grants. The grantors retain their interest in assets acquired with grant funds should they be disposed of prior to the end of their economic lives or not be used for mass transit.

Letters of Credit - At December 31, 1990, the Commission had standby bank letters of credit outstanding of $1,005,000 to guarantee its performance on certain contract transit services.

Insurance Claims - The Commission is self-insured for workers' compensation claims. There is a Self Insurance Retention (SIR) limit with the Workers' Compensation Reinsurance Association, which in 1990 was $400,000 per loss occurrence. Workers' compensation expense was $5,063,000 and $4,313,000 in 1990 and 1989, respectively, and is included in workers' compensation, claims and insurance expense. A reserve has been established for workers' compensation claims and represents the Commission's estimated liability at December 31, 1990 and 1989. The reserve has been discounted at December 31, 1990 and 1989 using a rate of 7%.

At December 31, 1990 the Commission has a receivable of $700,000 relating to the workers compensation second injury fund. These claims were previously reimbursed in full by the Minnesota State Special Compensation Fund (SCF). Recent law changes could make some of these and future claims subject to employer apportionment, causing only a portion to be reimbursed from the SCF. The amount of liability is contingent upon pending litigation at the State Supreme Court which will resolve the effective date of this law. While there is a reasonable possibility of liability for these and future claims it is not currently possible to reasonably estimate the amount, therefore no accrual for loss has been made.

The Commission is fully self-insured for personal injury and property damage claims. The Commission qualifies as a "municipality", subject to the liability limits established in Chapter 466 of the Minnesota Statutes which provides that the Commission's liability shall not exceed $200,000 per claim or $600,000 per occurrence. A reserve has been established for personal injury and property damage claims and represents the Commission's estimated liability at December 31, 1990 and 1989.

INEDEPENDENT AUDITORS' REPORT

Metropolitan Transit Commission
Minneapolis, Minnesota

We have audited the accompanying financial statements of Metropolitan Transit Commission as of December 31, 1990 and 1989, and for the years then ended, as listed in the foregoing table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Metropolitan Transit Commission as of December 31, 1990 and 1989, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Metropolitan Transit Commission taken as a whole. The accompanying supplemental schedules of federal financial assistance for the year ended December 31, 1990 are presented for purposes of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the Commission's management. Such supplemental schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte & Touche

April 12, 1991

Metropolitan Transit Commission
560-6th Avenue North
Minneapolis, Minnesota 55411-4398