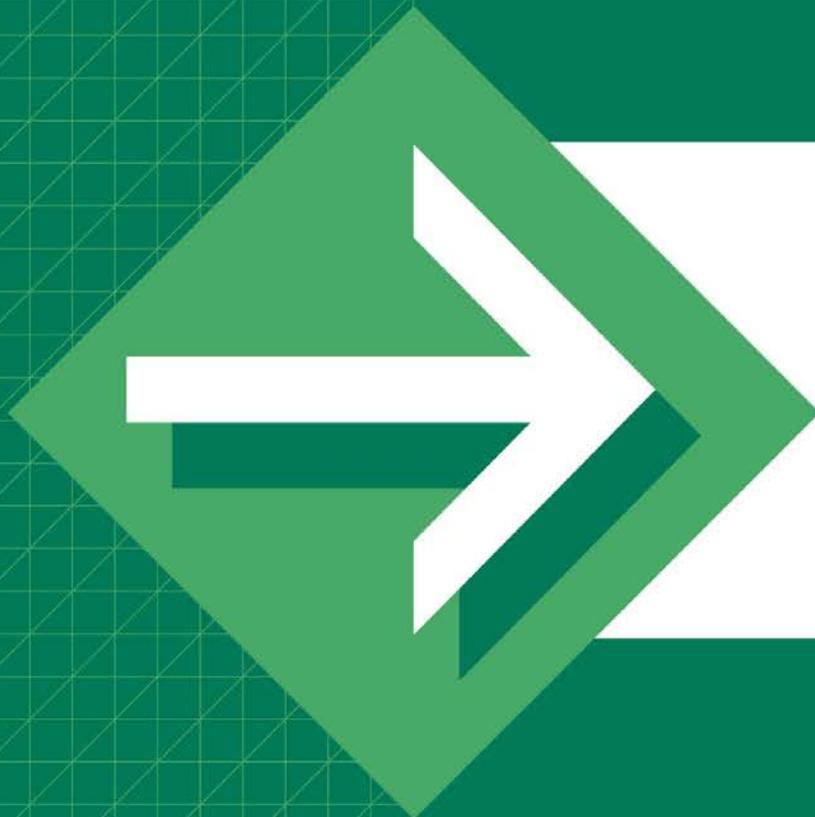


Financial Plan

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Prepared for:



Prepared by:



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Financial Plan

As part of this Transit Development Plan (TDP), a Financial Plan was prepared for Mankato that helps the agency forecast future revenue and costs. The plan is built around the system as it stands today, to allow Mankato to determine the resources available to implement the recommendations outlined in this TDP.

Assumptions

Operating

In 2017, Mankato completed a three-year financial plan which formed the starting point for the forecasts presented in this TDP. The system's operating costs are broken into two categories: bus and paratransit service. Non-modal costs such as administration are fully allocated to the modes and not present here as a separate line item. Operating costs are expected to grow by three percent a year during the life of the plan, the same assumptions used by Mankato to formulate the 2017 financial plan.

Operating revenue is expected to change substantially in 2018 due to new funding made available from the Minnesota Department of Transportation (MnDOT). Starting this year, MnDOT will provide Greater Mankato Transit System (GMTS) with new funding for expansion service; this funding covers 100 percent of the operating costs for half a year of service in 2018, and a full year of service in 2019. After 2019, the plan assumes the state contribution will drop to 80 percent of operation costs. MnDOT will also cover a greater share of existing operating costs, with the match rate increasing up to 80 percent of operating costs in 2018. The model assumes no additional state funding beyond the service expansion revenue and higher match rate for existing service.

The remainder of operating costs are covered by Federal 5307 funding as well as through local contributions paid by the Cities of Mankato, North Mankato, and Minnesota State University, Mankato (MSU-Mankato) contributions categorized as fare revenue). The City of Mankato is expected to provide \$160,000 of funding to the system in 2018, a figure that will track with the three percent operating cost growth rate moving forward. North Mankato and MSU-Mankato are forecasted to fund four percent of future operating costs for their routes (20 percent of local share), as state support will cover 80 percent of the local share. Finally, MnDOT requires that GMTS spend at least 50 percent of its Federal 5307 funding on operating in any given year. Federal funding is expected to grow at the nationwide average of two percent.

For the purposes of this plan, fare revenue is pegged at a cost recovery ratio of 15 percent for fixed route service and 8 percent for paratransit routes.

Capital

GMTS capital needs are assumed to be funded through a combination of state and federal funds. State funding will account for up to 80 percent of capital costs, with Federal 5307 funds covering the remainder. Due to MnDOT requirements, GMTS can only utilize up to 50 percent of its federal funding for capital projects; combined with the state match of up to 80 percent, this document assumes the agency will spend less than



the maximum allowable on capital. In addition, GMTS received \$1.72 million in capital funding from MnDOT in 2018 to fund the purchase of new vehicles and technology upgrades.

Baseline Projection

To forecast the revenue available for the capital and operating recommendations outlined in this TDP, a baseline forecast was prepared that illustrates the costs and revenue associated with the existing service, along with any remaining funding that can be applied to the TDP recommendations.

The baseline model forecasts that GMTS will have an additional \$1 million to \$1.25 million a year in funding available for service expansion and capital investments (excluding 2018, when GMTS benefits from a one-off increase in capital funding due to a MnDOT grant). The additional funding is largely the result of the nearly \$1 million in MnDOT funding made available to the agency for service expansion, along with higher matching rates for existing service. In addition to this annual revenue surplus, GMTS has an unspent balance of Federal 5307 funding from prior years available for use in 2018. Table 1 summarizes the cost of operating existing service as well as projected revenue. The bottom of the table provides the unspent balance of funding available for new service and capital improvements.

► Table 1 | Baseline Operating Cost and Net Revenue (\$ thousands)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Expenses (Baseline)										
Existing Fixed-Route Service	\$2,886	\$2,973	\$3,062	\$3,154	\$3,248	\$3,346	\$3,446	\$3,550	\$3,656	\$3,766
Paratransit	\$320	\$330	\$340	\$350	\$360	\$371	\$382	\$394	\$406	\$418
Expenses Total	\$3,206	\$3,303	\$3,402	\$3,504	\$3,609	\$3,717	\$3,829	\$3,944	\$4,062	\$4,184
Operating Revenue (Baseline)										
FTA Funding	Carryover Balance	\$676	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	New Funding (Operations)	\$871	\$889	\$907	\$925	\$943	\$962	\$981	\$1,001	\$1,021
MnDOT	Fixed Route - Existing	\$1,700	\$1,751	\$1,874	\$1,930	\$1,988	\$2,048	\$2,109	\$2,172	\$2,238
	Fixed Route - Expansion		\$498	\$970	\$800	\$824	\$848	\$874	\$900	\$927
	Paratransit	\$222	\$228	\$239	\$246	\$254	\$261	\$269	\$277	\$286
Local Funding	City of Mankato	\$160	\$165	\$170	\$175	\$180	\$185	\$191	\$197	\$203
	City of North Mankato	\$9	\$9	\$9	\$10	\$10	\$10	\$11	\$11	\$12
Fare and MSU-Mankato Contributions	MSU-Mankato	\$45	\$46	\$48	\$49	\$51	\$52	\$54	\$55	\$57
	Farebox Revenue	\$556	\$573	\$486	\$501	\$516	\$532	\$548	\$564	\$581
Non-Farebox Revenue	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33	\$33
Revenue Total	\$4,769	\$4,664	\$4,565	\$4,692	\$4,823	\$4,957	\$5,095	\$5,237	\$5,384	\$5,534
Capital (Baseline)										
State of Good Repair Expenses	\$223	\$554	\$646	\$312	\$1,027	\$384	\$1,155	\$1,074	\$1,167	\$883
MNDOT Capital Funding	\$1,801	\$443	\$517	\$249	\$821	\$307	\$924	\$859	\$934	\$706
Baseline Surplus Available for Capital and New Service Expansion	\$3,141	\$1,251	\$1,035	\$1,126	\$1,009	\$1,163	\$1,036	\$1,079	\$1,088	\$1,174



Constrained Operating and Capital Improvements

The TDP presents two scenarios: an **Expansion Scenario** and an **Illustrative Scenario**. Table 2 shows the *net* capital and operating costs associated with each scenario.

The Expansion Scenario is fiscally constrained and is largely funded by the revenue surplus forecasted in the baseline budget. Any new capital projects not included in the baseline also are assumed to receive an 80% matching grant from MnDOT. Not all funding will be expended in any given year; due to inflation and growing capital needs in future years, the budget preserves surplus revenue to cover future-year projected deficits.

The Illustrative Scenario is fiscally unconstrained and includes the cost of all recommendations presented in this TDP. Implementing this scenario will require between \$2.7 and \$3.4 million in new funding per year.

► Table 2 | Costs and Revenue Balance for Expansion and Illustrative Scenario (\$ thousands)

Expansion Scenario		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
New Expenses	Net Capital	\$1,006	\$352	\$0	\$157	\$0	\$0	\$0	\$0	\$135	\$305
	Net Operating	\$906	\$933	\$961	\$990	\$1,020	\$1,051	\$1,082	\$1,115	\$1,148	\$1,182
Revenue	Baseline Surplus	\$3,141	\$1,251	\$1,035	\$1,126	\$1,009	\$1,163	\$1,036	\$1,079	\$1,088	\$1,174
	MnDOT Capital Match	\$0	\$282	\$0	\$125	\$0	\$0	\$0	\$0	\$108	\$244
Expansion Scenario Balance*											
<i>*Positive balance may be subject to repayment to MnDOT</i>		\$1,229	\$247	\$73	\$105	-\$11	\$113	-\$47	-\$35	-\$87	-\$70
Illustrative Scenario		2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
New Expenses	Net Capital	\$2,353	\$681	\$0	\$157	\$82	\$0	\$26	\$1,251	\$493	\$305
	Net Operating	\$3,466	\$3,570	\$3,677	\$3,787	\$3,901	\$4,018	\$4,139	\$4,263	\$4,391	\$4,522
Revenue	Baseline Surplus	\$3,141	\$1,251	\$1,035	\$1,126	\$1,009	\$1,163	\$1,036	\$1,079	\$1,088	\$1,174
	MnDOT Capital Match	\$0	\$545	\$0	\$126	\$65	\$0	\$21	\$1,001	\$395	\$244
Illustrative Balance		-\$2,679	-\$2,456	-\$2,643	-\$2,693	-\$2,909	-\$2,855	-\$3,108	-\$3,434	-\$3,401	-\$3,410

Conclusion

The increase in state funding for Mankato Transit System will allow the agency to implement several service improvements while reducing the funding burden on the system’s local funding partners. A greater reliance on state funding makes the agency more susceptible to changes in MnDOT funding. Decreases in the state contribution would force GMTS to roll-back service improvements and delay capital investments.

