Citizens League Report

Getting From Here to There: Funding Transit in the Region

Prepared by
Citizens League Transit Study Committee, 2016-2017

Approved by
Citizens League Board of Directors
February 2, 2017

Citizens League
400 N Robert Street #1820
St. Paul, MN 55101

The Citizens League dedicates this report to the memory of
Verne C. Johnson
Executive Director of the Citizens League from 1958-1967.

This report was made possible by the generous support
from the Verne C. Johnson Family Foundation

All Transit Study Committee members contributed to the report, but the
Citizens League would like to extend a special thank you
to the following
members for their
additional contributions to this report:

Peter Bell
James Erkel
Peter McLaughlin
James Schreiber
Patty Thorsen
Nancy Tyra-Lukens

TABLE OF CONTENTS

INTRODUCTION

A conversation about transit and certainly transit financing, is a microcosm of the larger political and policy debates and dilemmas taking place on a wide range of issues. Anyone following this current discussion in Minnesota knows that the issue of financing the future of transportation in general and transit in particular has become so contentious that it has prevented resolution of other important policy topics at the legislature.

There is much to be learned and gained from asking tough questions about how the Greater Minneapolis-St. Paul region should fund the future of transit, as this Citizens League study committee has done.

- The need to define and redefine key concepts. For example, "transit" is not a specific mode of transportation (e.g. trains or buses). As a Citizens League report said in 1973, "'transit' is riding" – as simple as being a passenger, and takes many forms. This past definition is critical to understanding the future of transit. That said, "transit" should also consider first- and last-mile connections via biking or walking—the critical links from the initial doorstep to actual riding to the final destination.

- The impact of demographics on public policy. The aging of the baby boomers, with their departure from the workforce and the loss of driving capacity as people age, live longer and more independently, will impact all aspects of the economy and society. Mobility will become more important for economic and social reasons as our society goes through this unprecedented demographic change.

- The need to improve the connection between workers and jobs. Declines in workforce growth; increases in concentrations of poverty; and the dispersion of job centers from core 'downtown' locations has effects that must be addressed. Improved mobility between workers at all skill levels must occur. Secondly, employment opportunities will increase in coming years.

- The impact that rapid changes in technology will continue to have on our lives. Technology has already made possible new transit arrangements such as ride-sharing via Uber or Lyft or shared vehicles such Hourcar. With the arrival of autonomous "self-driving" vehicles of all types in the next five to fifteen years, transit as we know it will go through a transformation as dramatic as when the interstate system was developed in the mid-20th Century. This change might be as significant as the transition from horses to automobiles in the first part of the 20th Century.

- Transit capital and operating cost investments need to be balanced with other public priorities. Public sector investments need to be balanced with the payments made by those who use and benefit from the transit capital and operating cost investments.

Perhaps the most important questions relate not to the importance of transit as an issue, or even to the coming demographic and technological changes, but to two key questions that begin with *how*:

- How should the next phase of capital and operating expenses be paid for? What range of policy recommendations make progress possible on an issue critical to the future quality of life and economic health of the region, and of Minnesota?

- How can Minnesota overcome the geographic, ideological, and other differences that have imped policy change and implementation? Is progress possible? If so, how?

The Citizens League is pleased to enter this conversation, and excited to move it forward.

EXECUTIVE SUMMARY

Minnesota and other regions around the country are continuing to prepare for the incredible changes about to take place—including an aging population, a declining workforce, among other factors. These changes will impact our future economic health and quality of life dramatically. Resolving or at the very least moving on from past arguments about transit governance and finance is necessary to begin to meet some of these challenges. We have kicked the transit financing can down the road for far too long. Now is the time to take short-term steps in order to get ready for these long-term changes.

The current political and policy environment that must occur for these changes is dominated by five critical questions or issues. These will require decision-makers to make some difficult choices. Avoiding these immediate questions prevents Minnesota from preparing for the future challenges. These issues are:

1) It is likely that the County Transit Improvement Board (CTIB) will dissolve. This would have enormous political and fiscal implication for the role of three levels of government that manage mass transit: the State; counties in the metropolitan area; and the Metropolitan Council;
2) The role of the State of Minnesota: Should it play a greater role, or a lesser one? (This is influenced by, but not the same as, the first question.)
3) The growth and rising costs associated with Metro Mobility;
4) How to better align the costs of major capital infrastructure projects with who pays for these expenses and who stands to benefit.
5) The unknown priorities of the new Administration—priorities regarding support for infrastructure; and transit capital projects.

At the heart of these questions and the current disagreements around how to fund transit is the value of transit in the region. It is no wonder the issue of deciding on major capital expenses has become one of the most contentious political issues of our day. On the very first day the committee met, one assumption the group started with was that growing the transit system is important and positive. The question was *how*?

These are not just short-term financial and political questions with long-term consequences. They are also questions about long-term governance and planning capacity.

Additionally, these shorter term political and policy questions are complicated by larger, more global cultural and market trends that are taking shape and influencing mobility. The committee identified two larger-scale trends that have deep implications for transportation planning:

- <u>Demographic</u>: As baby boomers leave the workforce in the next 15 years, and as the number of people over age 85 skyrockets to unprecedented levels, two things will happen:
    - Workforce mobility and efficient connections between housing and employment will become critical to addressing anticipated workforce shortages;
    - Issues related to equity and economic opportunity will need to be addressed; and
    - The number of people needing additional assistance due to a disability will increase dramatically.

- <u>Technological</u>: Over the next 15 years, rapid advances in technology will make autonomous vehicles or "self-driving cars/trucks" a reality, perhaps on a significant scale. These changes, while unproven, have the potential to impact all aspects of our economy. They will certainly impact what we call "transit" and everything related to mobility.

Earlier this year, the Citizens League made recommendations about governance improvements for the Metropolitan Council. This past work also identified transit financing and governance as the next step in this larger issue.

The work of this Citizens League committee came to the conclusion that financing for transit has two immediate problems:

- There is a structural funding shortfall for transit system maintenance and expansion.
- There is unpredictability in the state level of transit finance.

In addition to the committee's recommendation on transit funding, two equity statements were discussed and passed through formal motions:

- Any package with significant new funding for metro-area transit should address racial and geographical equity and have a meaningful percentage of funding dedicated to bicycling and pedestrian projects.

- The committee recognizes that transit is an essential component in maintaining and advancing equity in the Twin Cities region.

Transit Finance Recommendations
As a result of taking in testimony from outside speakers and engaging in lengthy discussions, roughly half the committee viewed that the capital cost to expand the region's transit system should be borne by local government entities while the other half felt that planning and funding the transitway network was the Metropolitan Council's responsibility to plan for an integrated system. What has yet to be determined is who should be responsible for funding operations of the region's transit system. Should it be a state responsibility, a municipal or county responsibility, or what is the right mix of the two? This needs to be done with consideration for the rapid growth of Metro Mobility.

Two Sets of Recommendations
Since the committee's work started before and ended after the election, the committee agreed that some recommendations were unlikely to be advanced given the priorities of the current legislature. In the end, the committee felt it important to present both: recommendations that considered the current political realities and those that looked beyond them so that the public and formal policymakers could see how the group voted for the recommendations under each of the two scenarios.

Large and Small Dollar Options
In addition, the group delineated two sub-categories:

- Large dollar options: will substantially meet projected demand for capital and operating funds needed to implement and operate the regional transit system consistent with the Metropolitan Council's Transportation Policy Plan.

- Small dollar options: these accessory funding mechanisms have the potential to fall into large dollar options, but at this time, may not substantially address the overall structural funding shortfall.

In each of the scenarios below, the percentages represent the level of support by committee members. The percentages were calculated from anonymous online and in-person live voting. The committee wanted to present a menu of funding options so these recommendations were not intended for simultaneous adoption, although some could be packaged together.

Scenario #1: ***Given the possibility that CTIB may disband and the possibility that it may be difficult to pass a new state authorized/imposed sales tax, how should transit activities be funded?***

Larger Dollar Options

70-85% Support

1. Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Areas that want more, pay more, etc. (*See page 26 for more information about this option*.)

60-69% Support

2. State dedicates a portion of General Fund surplus to transit for operations.
3. State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.
4. Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes, and state imposes 1/4 cent sales tax to be dedicated to transit operations.

Smaller Dollar Options

All received at least 80% support.

1. State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.
2. Metropolitan Council to increase its fare box recovery.
3. Value Capture Mechanisms: Consider developer fees, transit-oriented development tax increment financing, special assessment, capture portion of increased property taxes, etc.
4. Increase the transit taxing district.

In each of the scenarios below, the percentages represent the level of support by committee members. The percentages were calculated from anonymous online and in-person live voting. The committee wanted to present a menu of funding options so these recommendations were not intended for simultaneous adoption, although some could be packaged together.

Scenario #2: ***Without having to consider the future of CTIB and other legislative activities, what is the best way to fund transit in the metropolitan region?***

Large Dollar Options

70-85% Support

1. Former CTIB counties maintain ability to impose up to a ½% sales tax for transportation purposes and state imposes a ¼% metro sales tax for transit operations.
2. State imposes a legislatively-determined metro sales tax (ranging from ¼ to 1 cent). Revenue to Metropolitan Council. County commissioners cannot deny tax.
3. State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.
4. State dedicates a portion of General Fund surplus to transit for operations.

60-69% Support

5. Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Cities that want more, pay more, etc. (*See page 26 for more information about this option*.)

Small Dollar Options

All received at least 80% support.

1. State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.
2. Value Capture Mechanisms: Consider developer fees, transit-oriented development tax increment financing, special assessment, capture portion of increased property taxes, etc.
3. Met Council to increase its fare box recovery.
4. Increase the transit taxing district.

WORK OF THE CITIZENS LEAGUE TRANSIT STUDY COMMITTEE

TRANSIT STUDY COMMITTEE AND PROCEDURES

BACKGROUND ON FORMATION OF THE TRANSIT STUDY COMMITTEE

In 2015, the Citizens League convened a 19-member task force to take on a six-month study of the Metropolitan Council at the urging of its members. Starting in September 2015, the task force completed its final report with recommendations by March 2016 in time to inform the 2016 legislative session. The task force made a total of five recommendations. Two recommendations were directed at the Governor and the Legislature: change in Met Council member terms; and improvements to the nominations process. One recommendation was directed at the Met Council to use its current authority and resources to address issues of equity in the region. The last two recommendations—to convene future studies on water and transportation governance—were directed at the Citizens League.

Of the two recommendations, the Citizens League made the decision to first study metro transportation funding, and governance. The decision was necessitated because of lawmakers' inability to pass a comprehensive transportation package in the 2016 legislative session.

CHARGE TO THE STUDY COMMITTEE

The Citizens League transit study committee held its first meeting on September 22, 2016. They agreed to the following charge and proposed goals for the committee's work:

- Understand the current transit capital and operating funding systems.
- Review and consider different funding and governance models, including current models.
- Make recommendations based on these findings and conclusions.

Key Objective of the Study Committee

Due to time constraints, a decision was made to narrow the focus of the committee's work from a broader definition of transportation—roads, bridges, and transit, to just transit. For purposes of our work, we understood "transit" to mean bus and rail travel, and the importance of first- and last-mile connections including walking and biking. Two key objectives were to review and discuss the current transit funding; and work to identify new funding scenario options. It was understood that while new transit funding scenarios might require potential governance changes, the main focus would be on mechanisms for transit funding.

Two Sets of Recommendations

In order to explore as many transit funding scenarios as possible, the committee agreed to review proposed transit funding scenarios through two lenses:

- <u>Scenario #1</u>: *Given the possibility that CTIB may disband and the possibility that there may not be any new state authorized/imposed sales tax, how should transit activities be funded?*

- <u>Scenario #2</u>: *Without having to consider the future of CTIB and other legislative activities, what is the best way to fund transit in the metropolitan region?*

MEMBERSHIP OF THE TRANSIT STUDY COMMITTEE

The study committee consisted of 21 members including a Chair and Vice-Chair. The Study Committee members represented a broad range of interests, ideologies, geographic locations, experiences and skills. Members were selected through referral and an open Citizens League member selection process. The Citizens League Board approved the final slate of committee members on September 12, 2016. *(See page 35 in Appendix for titles and bios for committee members.)*

1. Mr. Peter Bell, Chair
2. Ms. Ann Lenczewski, Vice-chair
3. Mr. Abou Amara
4. Mr. Michael Beard
5. Mr. Bill Blazar
6. Mr. Patrick Born
7. Mr. James Erkel
8. Mr. Ethan Fawley
9. Ms. Mary Giuliani Stephens
10. Ms. Elizabeth Glidden
11. Mr. Jason Grev
12. Ms. Mary Liz Holberg
13. Ms. Nancy Tyra-Lukens
14. Mr. Scott McBride
15. Mr. Jim McDonough
16. Mr. Peter McLaughlin
17. Ms. Kenya McKnight Ahad
18. Mr. Vayong Moua
19. Mr. Andrew Richter
20. Mr. William Schreiber
21. Ms. Patty Thorsen

The Study Committee was assisted by Citizens League Executive Director Sean Kershaw, Policy Director Pahoua Yang Hoffman, Citizens League Policy Fellow Matthew Byrne, interns Mallory Patrow (University of St. Thomas), Kelsea Kern (University of St. Thomas), Caroline da Silva Barbosa (St. Paul College), and Consultant Katie Hatt. Assistance was also provided by Minnesota House Research Staff: Legislative Analyst, Matthew Burress and Fiscal Analyst Mr. Andrew Lee.

ACTION BY THE CITIZENS LEAGUE BOARD OF DIRECTORS

The Citizens League Board approved the report on February 2, 2017 (*See page 41 for list of board members.*)

RESOURCE PERSONS WHO MET WITH THE STUDY COMMITTEE

(Listed in the order they appeared before the Study Committee.)

- Matt Burress, Legislative Analyst, Minnesota House Research Department
- Dave Van Hattum, Advocacy Director, Transit for Livable Communities
- Mary Richardson, Administrator, Counties Transit Improvement Board (CTIB)
- Nina Manzi, Legislative Analyst, MN House of Representatives Research Department
- Andy Lee, Fiscal Analyst, MN House of Representatives Fiscal Staff
- Dr. Yingling Fan, Center for Transportation Study, Humphrey School of Public Affairs, University of Minnesota
- Dr. Thomas Fisher, Professor, College of Design, University of Minnesota
- Adam Duininck, Chair, Metropolitan Council
- Peter Wagenius, Policy Director to Minneapolis Mayor Betsy Hodges

BACKGROUND AND CONTEXT: TRANSIT IN MINNESOTA

SIGNIFICANT TRANSIT CHANGES IN THE PAST 25 YEARS

Evolution of Transit in the Region

The metropolitan regional transit governance, funding, and operations have changed significantly over the past 25 years. During the 1960s, 70s and 80s, Metro Transit was governed by the Metropolitan Transit Commission whose appointments, authority, and numbers were periodically adjusted and changed by the legislature.

In 1994, at the urging of Governor Carlson, the legislature adopted the Metropolitan Council Reorganization Act, which eliminated the Metropolitan Transit Commission and the Regional Transit Board, and placed all transit policy and operations under the Metropolitan Council - creating for the first time not only a planning agency but also an operating agency. Governor Carlson believed accountability and coordination would be enhanced by having one agency responsible for wastewater treatment plant operations, interceptor sewer extensions, transit area extensions, and transit operations. Operational and planning activities that had been under the purview of two separate commissions now became the responsibility of Metropolitan Council committees, and the entire Metropolitan Council.

The financing of transit in the region remained consistent despite all the organizational changes in the 1970s, 80s and 90s. The legislature provided some general fund operating assistance, as they did to all transit operating agencies in the state. However, in the metro region, the largest source of funds for transit operations came from the property tax levied within the transit taxing area—a subset of municipalities within the Met Council's jurisdiction.[1]

In the 1960s, the legislature identified those communities that were receiving any level of direct transit service, and named the communities in statute as being subject to a transit tax levied by the transit authority. The tax rate was established by the legislature. In addition, bonds issued for transit capital improvements required prior authorization by the legislature.

The 2001 property tax reform measure adopted by the legislature significantly changed the funding mechanism for bus transit in the metropolitan area. The property tax could no longer be used for transit operations. The property tax could continue to pay the debt service for transit capital improvements like bus replacement, park & ride lots, and maintenance facilities. But, the legislature did not change the requirement that Metro Transit must receive authorization from the legislature to issue new debt.

In place of the property tax used for transit operations, the legislature designated a fixed percentage of the proceeds from the Motor Vehicle Sales Tax (MVST)—the transaction tax buyers pay when they purchase a new or used automobile or truck.

The legislative intent was a revenue-neutral swap of funding sources for Metro Transit and the suburban opt-outs (*See page 15 for explanation on suburban opt-out providers*). Metro homeowners and businesses did receive a property tax reduction. But the primary funding for transit moved from the most reliable and stable tax—the property tax, to a very volatile source dependent upon the strength of the economy and the car-buying whims of the public.

In the succeeding years after the 2001 property tax reform, the state experienced an economic downturn resulting in fewer MVST dollars than had been projected, and budget shortfalls for Metro Transit as well as for the suburban opt-out service providers. The legislature responded by adjusting MVST percentages or other funding formulas in an attempt to keep Metro Transit whole.

[1] https://www.revisor.mn.gov/statutes/?id=473.446#stat.473.446

In the meantime, support was growing to construct the region's first light rail line—the Hiawatha line, which would connect downtown Minneapolis, the MSP Airport, and terminate at the Mall of America. The effort was led by Hennepin County with the local source of funding coming from the Hennepin County Regional Rail Authority.

Regional Rail Authorities

Regional Rail Authorities were authorized by the legislature in 1980. This was a time of huge change in the railroad industry. Railroad bankruptcies, mergers, and acquisitions were negatively impacting rural Minnesota. Rail lines were being abandoned forcing grain elevators to use less efficient and more costly trucks to move grain to market. The goal of the legislation was to preserve and improve local freight service and to acquire abandoned rail lines for transportation service.

Many rural Minnesota counties quickly created Regional Rail Authorities in an effort to preserve rail service for grain elevators, and other businesses. In the metro area, counties primarily used the authority to acquire abandoned rail corridors that later could be used as recreational trails for walking and biking.

The legislation referenced "rail," with no distinction as to type or uses. Therefore, the metro counties were able to fund light rail projects under the authority granted in the Regional Rail Authority Act.

Transit and highway advocates were able to come together in 2006 to support voter approval of a constitutional amendment dedicating 100% of the proceeds from the Motor Vehicle Sales Tax to transportation. The amendment language said not more than 60% of the MVST proceeds could be used for highways, and not less than 40% for transit. The voters in the 2006 general election approved the amendment with over 57% voting in favor.

In 2007, the legislature adopted a phased allocation shifting MVST proceeds from the state general fund to 60% for highways, 36% for metro transit, and 4% for rural transit by 2012. Additional efforts to increase highway and transit funding were not successful. The Governor was opposed to any tax increases.

In August of 2007, the Interstate 35W bridge collapsed in downtown Minneapolis, killing 13 and disrupting travel in the region for tens of thousands of motorists and businesses. A new sense of awareness and urgency faced the legislature. It was obvious that additional MVST dollars would help in maintaining and operating existing highway and transit systems, but the dollars were not sufficient to accelerate bridge replacement or add additional light rail lines.

The 2008 Legislative Session and the Override Vote on HF2800

The legislature started the 2008 session committed to adopting a comprehensive funding package for highways and transit. Minnesota State House File 2800 (HF2800) was introduced on February 12 of that year. It was heard and passed by four separate House committees. Then it was debated and passed by the full House on February 21. The Senate took action the same day, and the bill was forwarded to the Governor for signature.

The Governor vetoed the bill on February 22. On February 25, the House voted 91-41 to override the Governor's veto, surpassing the 2/3 majority override vote required in the State Constitution. The Senate override action also occurred on February 25 by a vote of 47-20, resulting in HF2800 becoming law without the Governor's signature. It was the only veto by Governor Pawlenty that was overridden in his two terms as Governor. HF2800 became known as Chapter 152 session laws.

In the bill, individual counties in the seven-county metro area were authorized to levy a 1/4% sales tax for transit, providing the counties entered into a joint powers agreement governing the process for utilizing the proceeds from the sales tax. Carver and Scott Counties chose not to enter into the joint powers agreement. The other five counties—Anoka, Dakota, Hennepin, Ramsey, and Washington, worked vigorously for four weeks to draft, debate and adjust a joint powers agreement to satisfy the needs and concerns of the five counties. By March 31, each of the five counties took the following three actions: they adopted the joint powers agreement; voted to impose the 1/4% sales tax; and notified the Minnesota Department of Revenue to begin collecting the tax on July 1, 2008. This formed the Counties Transit Improvement Board (CTIB).

The stated mission of CTIB included six components, as follows: to build a system of transitways—either bus or rail; maximize available federal transit funds; reduce congestion; provide expanded access to jobs or educational institutions; promote economic development; and enhance mobility within the metro region. It should be noted that state statute requires that CTIB funds must supplement and not supplant, operating and capital assistance provided by the state.[2]

The focus was also to build rather than to plan. Individual counties were expected to fund their own corridor analyses to determine whether projects could qualify for federal funding. Corridors selected for analysis had to be consistent with the Metropolitan Council Transportation Policy Plan. If the alternatives analysis for a particular corridor demonstrated the project could qualify for federal funding, the county or group of counties could apply to CTIB for additional planning and engineering dollars.

From the outset, CTIB did not want to build a bureaucracy. Administrative costs were held to less than 3/4 of 1% of tax proceeds. Financial staff from each of the member counties monitored fiscal items and consultants were utilized for administrative, legal, and engineering oversight activities. At the outset, proceeds from the sales tax were projected to yield over $90 million per year. Finally, the region had a reliable source of funding to build out a regional transitway system.

Allocation of construction costs for the Hiawatha Light Rail line and Northstar Commuter Rail line had been approximately 50% federal, 33% state, and 17% from the host counties' regional rail authorities. With the authority granted CTIB, the new allocation is 50% federal, 30% CTIB, 10% state, and 10% host regional railroad authorities. The result was more than two-thirds fewer state dollars needed from very competitive state bonding allocations and a property tax saving for host counties.

[2] https://www.revisor.mn.gov/statutes/?id=297A.992

Transit's Role in the Region

As with other forms of transportation, transit allows individuals to access the social and economic interactions available in a region: economic and educational opportunities, social and cultural amenities, and the enjoyment of environmental assets. In economic terms, transit serves three functions. First, it provides mobility for individuals who do not or cannot use other forms of transportation. Second, it provides travel options for individuals who do not wish to bear the economic, social, and environmental costs of operating a car, often in traffic congestion. Third, it supports more compact and mixed-use forms of development that reduce household costs and the regional costs of growth. A region earns its highest rate of return from transit through its influence on urban form. A 2012 study by the Itasca Project, a group of Twin Cities area business leaders, found that investing $4.4 billion to build out a system of regional transitways by 2030 would yield a return on investment of $6.6 to $10 billion.[3]

Regions function as agglomeration economies. By concentrating factors of production, a region provides economies of scale and reduces transportation-related transaction costs. In the past, it was natural resources and manufacturing that were concentrated. Now, it is human capital—the people and the knowledge they possess—that represents the key to a region's economic growth. Transit plays a critical role in economic competition by reinforcing a region's agglomeration effects and attracting the human capital that will allow it to succeed.

Despite the critical role of transit, many—if not all—regions would agree that the process of transit planning and funding is complex. Like other regions, the Twin Cities' regional process of transit planning is complicated, fragmented, and at times difficult for the public to understand. Some may even argue that the Twin Cities region is under-performing when compared to other regions like Denver, Dallas, San Diego, Seattle, and Phoenix. While our region's planning process provides opportunities for collaboration, it also provides opportunities to air points of contention. The current mechanisms used to fund transit depend upon unstable factors that weaken the transit system. First, transit relies on relatively unstable taxes. Second, transit funding is subject to the approval of decision-making bodies that may oppose transit as a whole, or specific elements of the region's plans for transit capital and operations. In the last few years, getting the state to come to agreement to commit its 10% share of funding has been cited as the biggest funding obstacle.

While the current architecture for planning and funding transit in the region functions, it may not be what one would design from a blank slate. It is the result of almost 50 years of improvisations by the legislature on issues of regional governance. In 1967, the legislature established the Metropolitan Council and the Metropolitan Transit Commission (MTC) in different bills that passed on the last day of the session without much coordination. From that time, the legislature has been called upon to be a mediator. Disagreements have arisen between regional entities, and between regional entities and local interests. The disputes center on the extent and character of local governance. The changing political control of legislature has meant that its improvisations have resulted in a series of back-and-forth decisions.

MTC's operations were moved under the auspices of the Metropolitan Council in 1994, prompting a name change to Metropolitan Council Transit Operations and then, in 1998, to Metro Transit.

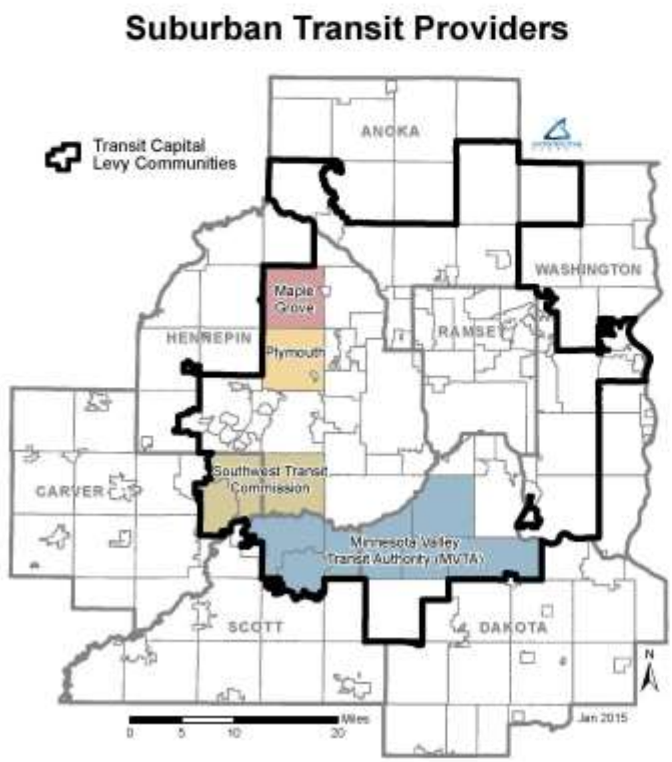
[3] https://www.theitascaproject.com/documents/Transit%20ROI%20exec%20summary%20Nov%202012_FINAL.pdf

It is remarkable then that transit in this region works as well as it does. The Twin Cities regularly beats many of its regional peers on measures for transit performance. The region can claim a number of operational innovations, such as bus use of highway shoulders and arterial bus rapid transit (A-BRT). It may take the region more than 10 years to add a transitway. However, when it does, the transitway often meets and sometimes exceeds projections for ridership and transit-oriented development.
This regional record of achievement has been recognized by the American Public Transportation Association. This regional record of achievement was recognized in 2016 when Metro Transit was named the outstanding large-system public transportation system by the American Public Transportation Association. This acknowledgment added Metro Transit to the list of previously recognized transit agencies from regional peers such as Denver, Dallas, Sacramento, and Houston.

Regional Transit Service

Transit Services Provided by Metro Transit
In the region, transit is provided by a number of different agencies using a number of different modes that are designed to meet the needs of specific segments of the transit market. In all, regional transit provides almost 100 million annual rides. More than 85% of the rides are provided by Metro Transit. It runs 132 routes: 58 urban local bus routes, 64 express bus routes, seven suburban local bus routes, two light rail lines, and one commuter rail line. Slightly more than 70% of its rides are taken by bus, but almost all of the growth in Metro Transit's ridership comes from the light rail lines. In addition to the light rail and commuter rail lines, Metro Transit is expanding its transitways network with bus rapid transit (BRT), which mimics some of the characteristics of light rail and a form of bus rapid transit which significantly reduce travel times of regular routes on the region's more heavily traveled roads.

Suburban Opt-Out Providers
In the past, some suburban communities were not being served adequately by Metro Transit commensurate with the property taxes levied for that service. For a time, the legislature allowed suburban communities to withdraw from Metro Transit's operations, retain most of the property taxes that would have been paid to Metro Transit, and provide transit that met their local needs. In all, 12 suburban communities elected to opt out of Metro Transit and ultimately formed four organizations—Maple Grove Transit; Minnesota Valley Transit Authority (MVTA); Plymouth Metrolink; and SouthWest Transit—to provide their locally-preferred transit operations. Although some local routes exist, most of the rides provided by the suburban opt-outs result from express bus routes that connect residents of the communities to the region's major employment clusters. The suburban opt-outs represent 6% of region's ridership total and all of the rides are provided by bus.[4] Like Metro Transit, some suburban opt-out providers, such as SouthWest Transit, have been recognized with awards by the American Public Transportation Association.[5]



Source: Metropolitan Council

Biking, Walking, and First- and Last-Mile Connections

[4] https://metrocouncil.org/Council-Meetings/Committees/Equity-Advisory-Committee/2016/July-12-2016-Orientation-Meeting/MTS-Equity-Presentation.aspx

[5] https://www.swtransit.org/about/awards/

Biking and walking provide important connections to public transit. The first- and last-mile connection to transit is crucial. When people commute from their home to transit, or vice versa, they must decide how they will get there. Transit systems usually involve some multi-modal connection in order to get a person from point to point. This difference is sometimes referred to as the “first- and last-mile” problem. In order to encourage more ridership, transit needs to provide safe, accessible, and convenient options that enable point-to-point connections. Biking and walking can be a simple solution to encourage access to transit because active transportation can be more convenient than other modes. About 7.5% of St. Paul and Minneapolis commuters reported walking in 2015.[6] That number has been rising in the last decade.

Metro Mobility and Other Transit Services
Most of the remaining ridership in the region is provided or funded by Metropolitan Transportation Services through Metro Mobility, Transit Link, and certain contracted fixed route operations including the bus rapid transit line between Apple Valley and the Mall of America, and the University of Minnesota Campus Connector, which runs shuttle buses between its campuses in Minneapolis and Saint Paul. Of particular note is that ridership via Metro Mobility—a service of the Metropolitan Council for certified riders who are unable to use regular fixed-route bus service due to a disability or health condition, is growing more rapidly. The rides on Metro Mobility are also the region’s most costly to provide and are already creating budget concerns for other elements of regional transit. Decisions about how to reconcile this cost disparity need to be made considering factors beyond just cost of the service. While the expense of providing Metro Mobility services cannot be denied, the need for the service—to enable seniors not able to drive and/or use mainline transit, as well as individuals with disabilities who are certified to use Metro Mobility, must not be overlooked. If there were no need for Metro Mobility services, then reconciling the expense of providing the service would be a moot point. Decisions about how to reconcile the costs of providing Metro Mobility service must include the following factors: the value of ensuring that certified Metro Mobility riders are contributing members of society; the capacity of certified users to pay for the service; and the money necessary to provide robust paratransit services.

Planning Regional Transit

Metropolitan Planning Organization
The planning for regional transit is governed by policies and requirements established at the federal, state, regional, and local levels. To begin with, the federal government requires the designation of a metropolitan planning organization (MPO) to undertake a continuing, cooperative, and comprehensive planning process that will then govern a region’s use of federal funds for transportation. Federal regulation and state law designate the Metropolitan Council as the MPO for the Twin Cities metropolitan area. State law authorized the Metropolitan Council to establish the Transportation Advisory Board (TAB) to fulfill two federal and state requirements: all modes of transportation be represented; and a majority of the members be elected. TAB consists of state, county, and city officials, as well as individuals from the public representing specific geographic areas and transportation-related interests.

Further, TAB is advised on accessibility issues related to transit by the Transportation Accessibility Advisory Committee (TAAC). The TAAC consists of representatives from several state agencies, and consumer organizations, as well as individuals representing specific geographic areas within the metropolitan area—at least half of whom are individuals who are certified to use Metro Mobility. The TAAC addresses long-range planning issues related to the design, operation, and maintenance of an accessible mass transit and paratransit system—Metro Transit and Metro Mobility. Minnesota statute requires the TAAC to review the light rail transit vehicle design standards before the Metropolitan Council approves them. The in-person meetings with engineers ensure that designs that are implemented are usable, rather than just compliant with specifications of what is “accessible” in statutory terms. Achieving meaningful usability of our Metro Transit and Metro Mobility services is a goal TAAC strives

[6] http://www.mprnews.org/story/2016/09/16/bicycle-commuters-on-the-rise-in-twin-cities

to achieve in all of its deliberations. Achieving meaningful usability ensures that the investment made in Metro Mobility and Metro Transit is maximized.

The Transportation Policy Plan (TPP) is the Metropolitan Council's policies and long range plan for transportation development in the metropolitan area.

The Transportation Policy Plan

The process of regional planning culminates in a Transportation Policy Plan (TPP), which is the Metropolitan Council's long-range plan for multi-modal transportation development in the metropolitan area. The TPP must conform to the policies and goals the Metropolitan Council has established in its main regional plan. *Thrive MSP 2040* is a document written to guide the orderly economic development of the region. Regarding transit, the TPP advances five Metropolitan Council long-term goals: to build out a transitway network; to maintain the network; to expand bus operations; and to integrate bus operations with the transitway network. The integration will maximize the high capacity that bus operations afford, and the service frequency the transitway network provides to all riders.

The TPP is significant in terms of regional governance. It directs the transportation activities of the Metropolitan Council. Through coordinated planning activities, the TPP is integrated into project programming of the Minnesota Department of Transportation (MnDOT) and the plans of the Department's Metro District. In addition, the transitway projects funded by the Counties Transit Improvement Board (CTIB) must be consistent with the transit element of the TPP. Regional railroad authorities (RRA)--county-level political subdivisions of the state that preserves rail corridors and develops transitways, may identify and evaluate proposed transit corridors, but the corridors will not be funded and proceed to construction unless they are included in the TPP. Lastly, the comprehensive plans of the region's cities and counties may not substantially impact or substantially depart from the TPP. If they do, the Metropolitan Council may reject them and require changes.

Funding Regional Transit

Federal Funding

The funding of regional transit is also governed by policies and programs established at the federal, state, regional, and local levels. The mix of funding mechanisms differs by mode of transit. It also differs between transit capital and operations. At the federal level, funds are provided mostly for transit capital. The Federal Transit Administration (FTA) provides two forms of funding: grants for bus capital; and formula-based programs that provide a small amount for bus operations. The grants are fairly reliable because the programs are funded by the Transit Account of the Highway Trust Fund, which receives a small portion of the federal gas tax of 18.4 cents/gallon. Capital grants needed for the construction of fixed guideway systems, such as light rail come from a competition-based program administered by the FTA with monies from the general fund. These grants are less reliable because projects must compete against similar projects from across the nation. The demand for these grants is high. Program funding is subject to all of the budget challenges confronting the federal government. That said, with an estimated 40% of buses and 25% of U.S. rail transit assets considered to be in marginal or poor condition, helping transit agencies maintain bus and rail systems remains an FTA priority. There has been approximately $2 billion in grants awarded annually, despite political and economic changes at the federal level.[7]

[7] https://www.transit.dot.gov/

*A **wheelage tax** is a tax that is levied by the county board of commissioners on vehicles kept in their county when not in operation and that are subject to annual registration and taxation.*

State Funding

At the state level, the mix of funding mechanisms has changed over time because of the legislature's history of improvisation. In late 1969, the Governor and the MTC helped to settle the bus operators' strike against Twin City Lines - in part, by agreeing to seek to acquire the bus company through condemnation. When this acquisition took place in 1970, the legislature authorized the use of a wheelage tax to find capital and operations. In addition, the legislature authorized the use of a property tax, if the wheelage tax was found to be a breach of the limitation of such a tax to be used for 'highway purposes' as set out in Minnesota's constitution. The wheelage tax was quickly challenged and held unconstitutional. Rather than appeal, MTC agreed to proceed with its property tax option. Over time, MTC found the property tax levy was inadequate to fund its transit needs. In 1982, the legislature began making a contribution each biennium out of the general fund to MTC.

From Property Taxes to Motor Vehicle Sales Tax

The MTC could use the contribution from the general fund for both transit capital and operations. However, in 2001, the legislature eliminated the property tax levy to transit operations in exchange for 20.5% of the proceeds from the state's motor vehicle sales tax (MVST). (The 2003 Legislature increased the amount of MVST revenue allocated to transit from 20.5% to 21.5% in 2004.) Metro Transit, which by then had succeeded the MTC, could still use property tax proceeds to pay off regional bonds for transit capital. It was estimated that MVST would be an adequate substitute for the property tax over time. However, MVST began to under-perform budget projections. In reaction, the legislature began a series of additions to the general fund contribution in order to backfill the budget shortfalls experienced by Metro Transit and suburban opt-out providers. The general fund contributions to Metro Transit and suburban opt-out providers was subsequently reduced in order to balance the budget at the state level. As a result, the legislature shifted from a mechanism that was rather stable—property taxes, to one that was much less so - MVST. The shift resulted in reduced funding levels for Metro Transit and suburban opt-out providers.

As part of a broad package to fund transportation in 2005, the legislature proposed a constitutional amendment that would dedicate no less than 40% of MVST to transit. As proposed, the 40% would be split three ways: 36% would go to Metro Transit and to the suburban opt-outs; and 4% for transit agencies in Greater Minnesota. The 36% of the MVST split between Metro Transit and suburban opt-outs would serve as a substitute for their local property tax levies for transit that were eliminated in 2001. The package was vetoed by the Governor, but by law the veto did not extend to the proposed constitutional amendment. In 2006, the public ratified the amendment. MVST is now the largest source of funding for Metro Transit and the suburban opt-out providers. It can be used for both transit capital and operations. The use of property tax is authorized for county regional railroad authorities to identify and evaluate transit corridors and counties to provide some of the local match required by grants issued through FTA's competition-based program for major fixed guideway systems.

Since the switch from property tax to MVST in 2001, some suburban opt-out transit providers have made the case that they have not been able to expand operations due to Metropolitan Council controlling a major portion of operating and capital funds, restricting growth to 3%, the rate of inflation. A reason is that prior to this date, when transit was funded through the property tax, suburban opt-out systems were able to use 90% of the transit tax collected in their communities. This assured that the suburban growth in residents and employment was matched by a commensurate increase in property tax/transit tax revenues to pay for service to meet the growth. On the other hand, the Legislative Auditor has noted the complexity and potential for duplication that the opt-out providers add to the regional transit system. Although it did not ultimately recommend the opt-out providers be eliminated, the Legislative Auditor did encourage consolidation.

Counties Transit Improvement Board

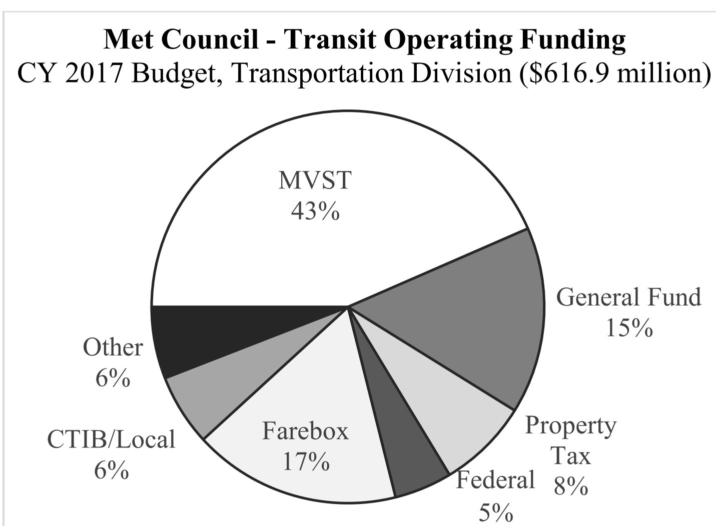
The most recent funding mechanism established in support of regional transit was authorized by the legislature in 2008. It allows counties in the Twin Cities region to impose a quarter-cent sales tax and participate in a joint powers arrangement known as the Counties Transit Improvement Board (CTIB). At the moment, five of the seven counties--Anoka, Dakota, Hennepin, Ramsey and Washington Counties, in the Twin Cities region impose the sales tax. It raises about $120 million annually. The proceeds can be used to fund certain costs of planning, constructing, and operating transitway projects that are identified by CTIB, and found by the Metropolitan Council to be consistent with the TPP. In general, the sales tax proceeds can be used to cover 30% of the costs of construction, and 50% of the costs of operation for an element of the region's transitway network. The sales tax raised by CTIB has helped construct and operate three transitways: light rail service between downtown Minneapolis and downtown Saint Paul; light rail service from the Mall of America to downtown Minneapolis; and commuter rail service from Big Lake to Minneapolis. In addition, CTIB has also funded the Red Line BRT in Dakota County and the express bus service on 35W that will convert to the Orange Light Rail Transit (LRT) line. (*Also see page 25 for more information on possible CTIB disbandment.)*

The Transit Funding Pie

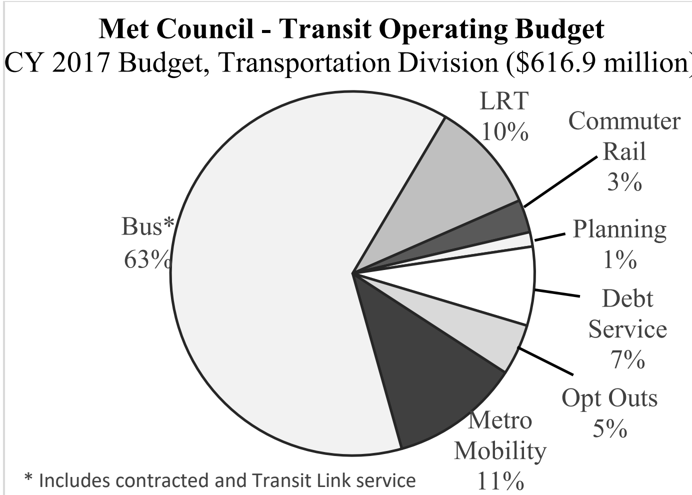
The complexity of funding regional transit is illustrated in the following charts. As a rule, the remaining 50% of construction costs is funded as follows: 30% comes from CTIB; 10% from the State of Minnesota; and 10% from the affected county rail authority(ies). The CTIB share is paid from sales tax proceeds or bonds backed by the general fund. The State of Minnesota's share is paid from general obligation bonds that are backed by the general fund. Property tax proceeds provide the money paid by county rail authorities. The costs of operation for an element of the region's transitway network is split out 50% to the State of Minnesota to be paid through an appropriation from the general fund and 50% to CTIB to be paid with sales tax proceeds.

The set of charts below show the sources and uses of funds used for transit operations in the Metropolitan Council's calendar year 2017 budget and the sources and uses of funds for transit capital from the Metropolitan Council's calendar year 2017-2022 capital spending plan.

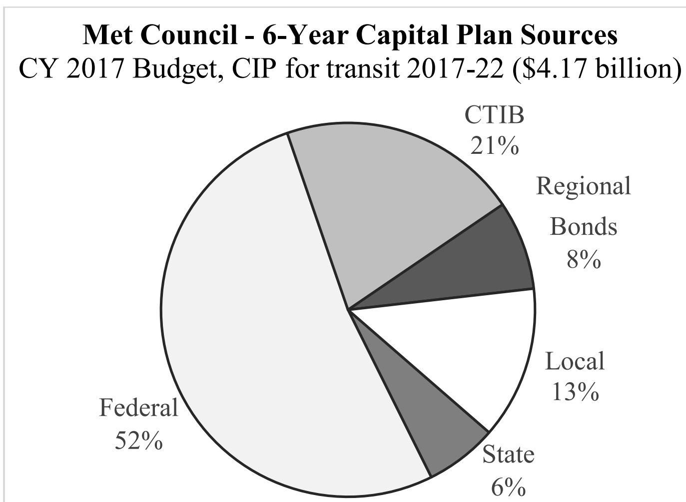
Sources of Funds for Transit Operations



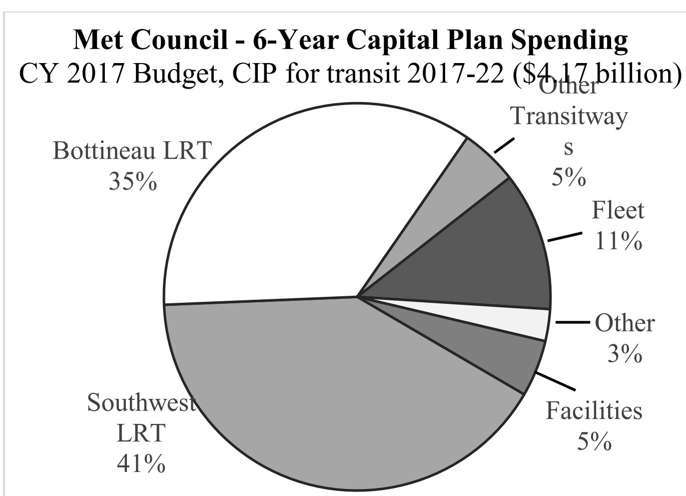
Uses of Funds for Transit Operations



Sources of Funds for Capital Improvement Program (CIP)



Uses of Funds for Capital Improvement Program (CIP)



Charts provided by Mr. Matt Burress, Minnesota House Research Department and Mr. Andy Lee, House Fiscal Analysis Department.

Fare Box Recovery
Fare box recovery is the ratio of passenger fare revenue to a public transit line's overall operating budget. This varies widely by transit type and by region. Some transit officials estimate the industry standard in the U.S. to be about 20%, but others say price structures for public transit are so diverse that no real standard actually exists. Substantial public subsidy is the one norm.

According to information we received from Metro Transit for calendar year 2015 that compared Metro Transit to peer agencies using data from the National Transit Database (NTD), it was reported that fare-box revenue covered 24% of the total operating costs for the region's urban, suburban and express bus lines. The rest was largely made up through a public subsidy of $3.43 per rider.

DEMOGRAPHICS, ECONOMICS, AND MAXIMIZING MOBILITY

Economic Mobility and Workforce Gap

A Workforce Shortage as Minnesota Ages
Minnesota and the Twin Cities region face an imminent workforce shortage due to demographic shifts as Minnesotans get older and retire. According to Minnesota Compass, a project that tracks trends in the state, workforce growth will plummet to 2% in our current decade and is estimated to decline by 2% in the subsequent decade. This follows double-digit percentage increases in the share of the state's working-age population (18-64) in every decade since the 1960s. [8]

According to data shared with the transit study committee by Dr. Yingling Fan at the University of Minnesota, the top seven sectors for job placement in the Twin Cities region are retail trade; manufacturing; health care and social assistance; education services; accommodation and food services; professional, scientific, and technical services; as well as financial and insurance services. Job vacancies vary in their educational requirements; across all sectors, approximately one-fifth of vacancies have no educational requirements, and roughly one-third require at least a high-school diploma or GED.

Can Workers Get to Where The Jobs are?
While there is estimated to be one job opening per job seeker in the metro area, there is a significant spatial mismatch between the location of workers and the location of jobs.[9]

In a July 2016 research report, Dr. Fan noted that "spatial mismatch is a serious problem in the Twin Cities region, and it appears to have worsened since the turn of the millennium. The biggest concentrations of unemployed workers lack frequent transit service to some of the richest concentrations of job vacancies, particularly jobs in the south and southwest metro."[10] See Figure 1 from Dr. Fan's Report. [11]

---

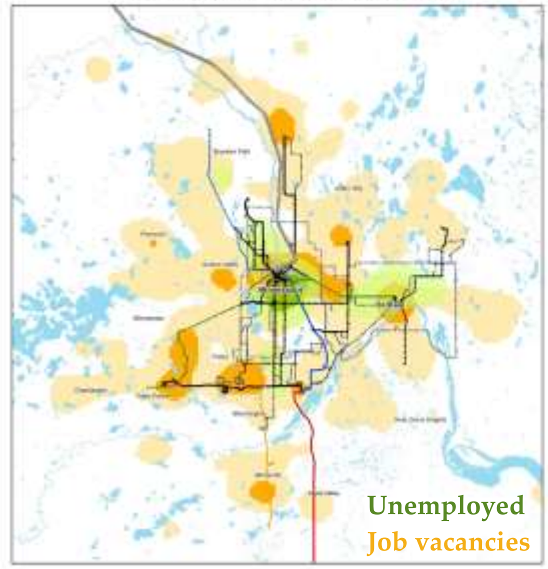
[8] http://www.mncompass.org/about/compass-annual-meeting-2015#workforceshortage

[9] http://www.startribune.com/job-vacancies-in-minnesota-rise-to-highest-level-since-2001/298156101/

[10] http://www.cts.umn.edu/publications/catalyst/2016/july/workforce

[11] http://www.cts.umn.edu/publications/catalyst/2016/july/workforce

Figure 1 Concentration of Job Vacancies and Unemployment in the Context of Planned Transit Corridors



Racial and Geographic Disparities in Employment
Racial and geographic disparities in employment rates in the Twin Cities region are stark. The Twin Cities regional unemployment rate is estimated at 3.8%. The unemployment rate in North Minneapolis is 22.3%, and for African-American men, the rate is 52%. Additionally, while many transit routes serve North Minneapolis, residents have limited accessibility to jobs. The jobs they do have access to within a 45-minute transit commute are limited by the location of the jobs and the number of transfers required to get to those jobs. (*Also see Minutes from Dr. Yingling Fan's presentation on page 95 in the Appendix.*)

Expanding transit is one strategy to address these challenges. Analysis by Metropolitan Transit Services division of Metropolitan Council indicate that a buildout of the current network of transit lines will expand the number of jobs accessible by a 30-minute transit commute by 500,000.

Demographic Changes and Trends

Two factors need to be understood in order to address future transit needs and investments fully. First, both the Twin Cities metropolitan region and the State of Minnesota are experiencing significant demographic shifts. Second, public sector budgets will face pressures in coming decades.

Statewide, the number of adults age 65 and older will increase sharply between 2010 and 2030. The net gains each decade will range between 285,000 and 335,000 people. This compares with an increase of 91,000 adults over the previous decade. For the first time in Minnesota history, by 2020 the number of adults over age 65 will exceed the number of school-aged children ages 5-17. An older Minnesotan will be reflected in demographic projections to 2070.[12] *(Also see Minutes from Sean Kershaw's presentation on page 58 of the Appendix.)*

Older adults will also increase their numbers in the metro area's population. The population of seniors is estimated to double between 2010 and 2030. Overall, the population will rise from 307,000 in 2010—11% of the region's population, to 781,000 in 2040—21% of the region's population.[13]

Growth in Metro Mobility Service
The trends of an aging metro area and state suggest that demand for paratransit services will grow as older people choose not to drive or are unable to do so due to health difficulties or disabilities. Metro Mobility, a service of the Metropolitan Council, is public transportation in the Twin Cities metro area for certified riders who are unable to use regular fixed-route bus service due to a disability or health condition. In 2015, the program provided a total of 2.1 million rides to 19,983 active users certified for Metro Mobility service. The Metropolitan Council is projecting an 8% annual increase in Metro Mobility ridership for the

---

[12] http://mn.gov/admin/demography/data-by-topic/population-data/our-projections/

[13] https://metrocouncil.org/METC/files/6a/6a8c417a-4a85-4216-99e1-43016bef725c.pdf

foreseeable future.[14] Already in 2017, the Metropolitan Council projects a $24 million shortfall in its budget due to increased demand for Metro Mobility.[15]

Overall Population Growth in the Region
The Metropolitan Council's regional forecast shows the Twin Cities region will gain 802,000 residents over the next three decades, bringing the region's population to 3,652,000 by 2040. About two-thirds of this population increase is anticipated to be natural growth: the number of people born will be greater than the number of people who die.[16]

A More Racially Diverse Region
The metro region's population will also become more racially diverse as a result of migration and higher birth rates among Latino, Black and Asian populations, with people of color rising from 24% of regional population in 2010 to 41% in 2040. The overall population of people of color will grow from 676,000 to nearly 1.5 million over the same period. [9] The changing diversity of the state is important as we consider who is currently using transit and who will likely be using transit in the future.

Future Job Growth
During the 2010-2040 period, the metro area is anticipated to add nearly a half-million new jobs—489,000. The Metropolitan Council estimates that over a quarter of these jobs will be in suburban communities with good transportation access, noting "many of the cities are located along freeway corridors and future transitways."[9]

Other Developments and Trends

Impact of Emerging Technologies on the Development of the Region's Transit Systems

The only trend to impact the future of transit more than demographics will be the impact of technological changes on transit and driving as we currently experience them. These changes will be profound, some say as profound as the switch from horses to automobiles.

While the timing of these changes and their specific scope remains hard to predict, their potential impact is critical to any discussion about transit and infrastructure financing and governance.

What are 'Autonomous Vehicles'?
Autonomous vehicles or 'driverless cars' use a wide range of new technologies to eliminate the need for human operators – which the primary cause of error, delay and fatalities and injuries while driving. Autonomous vehicles, which includes all types of vehicles from small cars to large trucks, can take individuals and goods literally 'door-to-door' without the need for a human to do anything except determine the starting point and the destination.

Impact on Vehicle Ownership and the Cost of NOT Owning a Car
Already the region is seeing the increased use of alternatives to car-sharing services, such as Zipcar and Hourcar, as well as ride-sharing service, including Lyft and Uber. By providing transportation access "on-demand" for individuals, these services lessen the need for single-car ownership as individuals can pay for access when they need it without having to own a car.

Autonomous vehicles make on-demand service even more affordable. It is anticipated that the ability to "subscribe" to car service will eventually replace a significant amount of car ownership because it will be must less costly—perhaps just 1/3 the cost of owning a car right now.

---

14 http://www.metrocitiesmn.org/index.asp?Type=B_BASIC&SEC=%7BA3043F26-D195-41FA-BB1B-62803FC25834%7D&DE=%7B1F9223F9-0398-4480-87D9-BAF4C4927A8D%7D

15 http://finance-commerce.com/2016/12/met-council-expects-89m-transit-deficit/

16 https://metrocouncil.org/Data-and-Maps/Publications-And-Resources/MetroStats/Census-and-Population/Steady-Growth-and-Big-Changes-Ahead-The-Regional-F.aspx

Impact on Mobility and Access to Transit
Whether due to age or disability, a quarter of the population lacks mobility. Autonomous vehicles have the potential to provide mobility to everyone—increasing their ability to get to employment and services.

Impact on Access to Employment/Housing for Low Income People
By reducing the cost of transit and increasing the efficiency of moving large numbers of people, autonomous vehicles have the potential to either complement or compete against transit service—improving access to employment to for low income people who may face a barrier because low-cost housing is often not easily accessible to areas with high concentrations of entry level jobs.

At the same time, "truck driver" is the most common profession in Minnesota, and this is predicted to go away almost entirely once autonomous vehicles are fully integrated and deployed. The impact on other employment fields—positively and negatively—is hard to predict.

Impact on Transportation Infrastructure
In general, autonomous vehicles will reduce the need for, or change the use of, parts of our current physical transportation infrastructure.

- Because they require less distance between vehicles, autonomous vehicles will reduce congestion and the need for additional highway lane miles – even if total trip miles increase.
- Because they are able to drive more safely than human drivers, they reduce the need for wide lane widths and even entire lanes of traffic.
- The need for metered street parking, parking lots and structured parking facilities, which consumes a significant amount of downtown and other urban land use, goes down as autonomous vehicles do not require the parking that current single-occupancy vehicles require.
- Maintenance of existing roadways will continue to be a major priority, as these autonomous vehicles depend on roads that are free of hazards caused by deferred maintenance.
- Some new technologies will be incorporated over time into signage, lane markers, and other needs for cars to 'talk' to each other and the roadways.

Impact on Public Revenues/Expenses
Autonomous vehicles will impact public spending and revenues:

- Cities in Minnesota derive a significant portion of their total revenue from parking meters and various forms of traffic violation penalties. This revenue is projected to decline substantially.
- By dramatically reducing injury and death resulting from traffic accidents, autonomous vehicles could reduce current healthcare costs.

The Bottom Line: The Impact on Finance/Governance of Roads and Transit
Because these changes will take place over the next 20 to 25 years, Minnesota will be in a state of transition between the old and new transit systems for the foreseeable future.

- For significant capital investments, it may be important to consider the future needs and demands of a more autonomous system.
- Demand-based systems will almost certainly replace many low-volume fixed-route systems.
- High-volume routes will still play critical 'arterial' roles.
- Entirely new forms of transit ownership and business models will emerge.
- While the market will provide for people and organization with financial resources, special attention must be paid to the opportunities and barriers created by autonomous vehicles on low income, disabled, and other people who currently lack sufficient mobility.

While the future technological state of autonomous vehicles can be anticipated as almost certainly likely to occur, the specific outcomes cannot necessarily be predicted. Good governance, planning, and wise investments are more important than ever.

ANALYSIS OF TRANSIT FUNDING ISSUES

SUMMARY OF TRANSIT STUDY COMMITTEE DISCUSSIONS

To inform the recommendations, the transit study committee heard from a number of content experts and outside speakers who presented on topics relevant to the committee's charge.

From the speaker presentations and committee discussions detailed in meeting minutes (*See page 46 of the Appendix for detailed meeting minutes*), the issues below played a critical role in the committee's recommendations.

1. *Possible CTIB Disbandment*

Minnesota Statutes §297A.992 identifies the eligible counties: Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, or Washington, who can impose a transportation sales tax at a rate of one-quarter (1/4) of one percent if they participate in the joint powers arrangement known as the Counties Transit Improvement Board (CTIB). As of this report, the participating counties in CTIB include: Anoka, Dakota, Hennepin, Ramsey, and Washington Counties. Carver and Scott Counties do not to participate in CTIB, but are ex-officio members. The CTIB 1/4 cent transit tax is for transit purposes only. The Dakota County Board of Commissioners voted in June 2016 to leave CTIB, which will take effect in 2019.

Minnesota Statutes §297A.993 articulates that counties <u>not</u> participating under a joint powers arrangement (CTIB) may impose a transportation sales tax at a rate of one-half (1/2) of one percent. This general transportation tax up to 1/2 cent can be used for transit and transportation purposes and permits a joint powers board.

Given these related but separate statutes, if CTIB dissolves, it is possible that some of the counties in the region may exercise the authorization permitted under Minnesota Statutes §297A.993 to impose up to a half-cent sales tax and an excise tax of $20 per vehicle to be used for transportation purposes, which could be used to fund transitway construction and operations. In presentations by CTIB representatives, it was stated that CTIB will not dissolve unless there is a full and seamless transition from CTIB to a new system based on taxes by individual counties. It was explained to the committee that the goal of the dissolution is not to introduce more uncertainty, but to lessen it. (However, some believe replacing it with a to-be-determined joint powers arrangement may add to the complexity and fragmentation already in the regional transit system.) Because it is likely that this change would make more money available for transit in the region—even if some counties used 100% of their sales tax proceeds for roads—projects may be able to get funded without the state's 10% share, a major contributor to the uncertainty of transit funding.

2. *More State-level Involvement or Less State-level Involvement?*

It was mentioned in discussions that if existing bus systems serving St. Cloud, Rochester, and Duluth are substantially funded by state dollars versus local dollars, it was unclear why the metropolitan area has not been more successful making the case for additional transit funding in the metropolitan region—especially since the metropolitan area provides the majority of state aids to Greater Minnesota. If transit is a public good and if transit is a necessary to the economic engine of the region, why is the state not contributing more?

Conversely, some members expressed the high "transactional cost" in getting the state's 10% share of transit funding. In the last several years, it has been more and more difficult for the legislature to come together to agree to and release the state's 10% share – putting some transit projects in danger of losing federal funds.

3. The Growth and Rising Cost of Metro Mobility

The committee heard from Metropolitan Council Chair Adam Duininck who presented that a key cost driver in transit services is Metro Mobility, which is experiencing ridership increases at a rate of 8 to 10% per year so far. It is likely that demand for Metro Mobility may increase further as Minnesota's population ages. The expense related to maintaining this federally-mandated service is a financial burden on the rest of the transit systems.

Source: Metro Mobility

4. Those Who Want More Should Pay More?

The "Two Tiers of Sales Tax" funding scenario was presented to the committee and was later voted on. The scenario was another version of a sales tax proposal. It was explained that rather than following the seven-county boundaries, the taxing lines could follow density of service. The Metropolitan Council already uses a planning tool that shows where the service is the densest. There are areas of the region that do not have a lot of service. With this proposal, one would tax more where the majority of the use is and less from those areas where there is not as much transit.

This proposal asks the question: Is it possible to have taxpayers in cities with heavy transit demand (and where there might be a willingness to pay the higher cost of rail) pay more, and taxpayers in cities with lower transit demand (and where there may not be a willingness to pay the higher cost of rail) pay less. Different tiers of taxation could be used for different tiers of service.

Two possible impediments were identified. First, people may need to be persuaded that sales tax is more of a local tax than people recognize - that is, the majority of taxes collected are from those who live/work within the area as opposed to those who visit. Second, people may assume that drawing lines between tiers would be difficult. It was explained that the federal government already requires the Metropolitan Council to delineate which areas get more and less transit service, which the Council does through Transit Market Areas in the Transportation Policy Plan. This tool could be used to draw the border of an inner tier where some cities would pay more. The border of an outer tier could be based on the Council's existing transit taxing district. Taxpayers in cities within this outer tier would pay something, but not as much as the inner tier cities with greater levels of service. Taxpayers in cities and townships entirely outside the transit taxing district would pay nothing. It was argued that if one were to shrink the outer tier from the seven counties to those cities in the transit taxing district using more services, it would reduce geography by 50% but reduce the revenue by only 5%. The political implications of this approach could be very positive.

In addition to the specific funding recommendation above, there were discussions about different ways to structure transit fares: by ability to pay or a by-the-distance model. Those who benefit from owning property by transit presence should also perhaps pay more.

5. Trump Administration

It is unknown at this time what the new Trump Administration will have as priorities in transportation and infrastructure, and how this will affect federal funding for transit. Throughout his presidential campaign

President Trump advocated for an 'America First' Infrastructure plan[17] that includes the privatization of some infrastructure components funded by tax credits.[18] There has been widespread worry about the future of less appealing aspects of infrastructure, such as sewage and water treatment facilities.[19] He was often quoted praising the advanced rail lines of Asia, while expressing displeasure with the United States' systems in comparison. His positions pose an interesting dilemma for Republicans because while the GOP's stance is to cut funding for public transit including first- and last-mile connections, President Trump has said that the public transit in the United States is third world and needs to be improved.[20] There is predicted to be bipartisan support for infrastructure bills that increase the budget—both for highways, roads, bridges and public transportation. The United States Senate confirmed Elaine Chao as President Trump's transportation secretary by a vote of 93-6 on January 31, 2017. The new administration has not yet released specific plans or priorities regarding infrastructure projects, but Senate Democrats have offered a plan to spend $1 trillion on transportation and other infrastructure projects over 10 years.

[17] https://www.donaldjtrump.com/policies/an-americas-infrastructure-first-plan

[18] http://www.artba.org/wp-content/uploads/2016/03/PresidentialCampaignReport.pdf

[19] http://www.pbs.org/newshour/bb/trump-promises-make-infrastructure-major-focus/

[20] https://www.washingtonpost.com/news/dr-gridlock/wp/2016/07/20/the-irony-of-the-gops-new-promise-to-cut-mass-transit-funding-donald-trump-loves-trains/?utm_term=.95c62a6ce129

TRANSIT FUNDING PROBLEM STATEMENTS AND RECOMMENDATIONS

Transit Finance Problem Statements
The work of this committee came to the conclusion that financing for transit has two immediate problems:

- There is a structural funding shortfall for transit system maintenance and expansion.
- There is unpredictability in the state level of transit finance.

Transit Study Committee Equity Statements
In addition, the committee also agreed to these two equity statements, which were discussed and passed through formal motions:

- Any package with significant new funding for metro-area transit should address racial and geographical equity and have a meaningful percentage of funding dedicated to bicycling and pedestrian projects.

- The committee recognizes that transit is an essential component in maintaining and advancing equity in the Twin Cities region.

Transit Finance Recommendations
As a result of taking in testimony from outside speakers and engaging in lengthy discussions, roughly half the committee viewed that the capital cost to expand the region's transit system should be borne by local government entities while the other half felt that planning and funding the transitway network was the Metropolitan Council's responsibility to plan for an integrated system. What has yet to be determined is who should be responsible for funding *operations* of the region's transit system. Should it be a state responsibility, a municipal or county responsibility, or what is the right mix of the two? This needs to be done with consideration for the rapid growth of Metro Mobility.

Two Sets of Recommendations
Since the committee's work started before and ended after the election, the committee agreed that some recommendations were unlikely to get advanced given the priorities of the current legislature. In the end, the committee felt it important to present both: recommendations that considered the current political realities and those that looked beyond them, so that the public and formal policymakers could see how the group voted for the recommendations under each of the two scenarios.

Large and Small Dollar Options
In addition, the group delineated two sub-categories:

- Large dollar options: will substantially meet projected demand for capital and operating funds needed to implement and operate the regional transit system consistent with the Metropolitan Council's Transportation Policy Plan.

- Small dollar options: those accessory funding mechanisms that have the potential to fall into large dollar options, but at this time, may not substantially address the overall structural funding shortfall.

In each of the scenarios below, the percentages represent the level of support by committee members. The percentages were calculated from anonymous online and in-person live voting. The committee wanted to present a menu of funding options so these recommendations were not intended for simultaneous adoption, although some could be packaged together.

Scenario #1: ***Given the possibility that CTIB may disband and the possibility that it may be difficult to pass a new state authorized/imposed sales tax, how should transit activities be funded?***

Larger Dollar Options

70-85% Support

1. Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Areas that want more, pay more, etc. (*See page 26 for more information about this option*.)

60-69% Support

2. State dedicates a portion of General Fund surplus to transit for operations.

3. State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.

4. Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes and state imposes 1/4 cent sales tax to be dedicated to transit operations.

Smaller Dollar Options

All received at least 80% support.

5. State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.

6. Metropolitan Council to increase its fare box recovery.

7. Value Capture Mechanisms: Consider developer fees, transit-oriented development tax increment financing, special assessment, capture portion of increased property taxes, etc.

8. Increase the transit taxing district.

In each of the scenarios below, the percentages represent the level of support by committee members. The percentages were calculated from anonymous online and in-person live voting. The committee wanted to present a menu of funding options so these recommendations were not intended for simultaneous adoption, although some could be packaged together.

Scenario #2: ***Without having to consider the future of CTIB and other legislative activities, what is the best way to fund transit in the metropolitan region?***

Large Dollar Options

70-85% Support

1. Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes and state imposes 1/4% metro sales tax for transit operations.

2. State imposes a legislatively-determined metro sales tax (ranging from ¼ to 1 cent). Revenue to Metropolitan Council. County commissioners cannot deny tax.

3. State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.

4. State dedicates a portion of General Fund surplus to transit for operations.

60-69% Support

5. Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Cities that want more, pay more, etc. (*See page 26 for more information about this option*.)

Small Dollar Options

All received at least 80% support.

9. State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.

10. Value Capture Mechanisms: Consider developer fees, transit-oriented development tax increment financing, special assessment, capture portion of increased property taxes, etc.

11. Met Council to increase its fare box recovery.

12. Increase the transit taxing district.

APPENDIX

BACKGROUND: STUDY COMMITTEE MEMBER COMMENTS, STUDY COMMITTEE MEMBER BIOS, CITIZENS LEAGUE BOARD MEMBERS, TRANSPORTATION GLOSSARY OF TERMS, AND MEETING MINUTES

STUDY COMMITTEE MEMBER COMMENTS

Members of the Citizens League transit study committee were provided this space to submit additional thoughts in their own words on the study committee process, the discussions, and/or the final recommendations. Below are the statements that were submitted for inclusion in the final report. (In alpha order.)

1. **Joint Statement by Mr. Bill Blazer and Mr. Jason Grev, Transit Study Committee Member**

Our report does a good job of recasting established proposals for transit funding. Generally, we take what has been on the table for the last few years; do some mixing and matching; and, then report on the level of consensus for various mixes and matches. We should have tried harder to break out of established patterns. Rapidly developing transit technology and our state's current political landscape say that doing so would likely have been productive…far more so than the report we produced. Let us explain.

There are now almost weekly reports on the development and deployment of autonomous vehicles. The technology is being perfected much more rapidly than anyone anticipated a year or two ago. Vehicles capable of taking passengers and freight from "door to door" are likely within the next 15 years. Our transit investments should be shaped by this coming and known change, especially since they frequently use a 20 or 30 year horizon. For example, dedicated bus ways can be adapted far more easily to autonomous vehicles than right-of-ways that are filled with rails or any type of fixed guide-way. Given what we know, shouldn't we move past light rail transit and focus on dedicated bus ways? They are not only compatible with the rail that we've already built and operate, but dedicated bus ways also make developing and maintaining a state-of-the-art system more affordable and less disruptive. Our report's conclusions and recommendations miss this entirely. As a result, the Citizens League does not do nearly as much as it should to suggest alternatives which could not only lead to a better transit system, but also one that's more affordable and acceptable in today's policy environment.

The majority of today's state policy makers are, at best, reluctant transit investors. The important and major exception being Governor Dayton. So, the challenge is to find financing opportunities that work for the hesitant and the enthusiastic. Of all the ideas on the table, the two that are most likely to meet this test are increasing the fare box and creating some type of developer fee.

Transit systems elsewhere in the world (e.g. Hong Kong, Singapore) are raising a far more significant share of their budgets through the fare box. We should consider doing the same, recognizing that lower income riders will need assistance and that that can be provided by adjusting electronically the cost of their transit passes. We can make transit fares work on the basis of ability-to-pay, similar to what we've done with many parts of our tax system. This costs less than subsidizing all riders equally and is more progressive. It should appeal to both the Legislature and Governor.

The Metropolitan Council reports that our light rail lines (operating and planned) have triggered almost $7 billion in new development. If we captured, say, 5% of that and applied it to transit development, we'd have about $350 million over time for additional capital improvements. Those who benefit disproportionately from investment in transit infrastructure will be paying a larger share of the cost. Again, something that should appeal to both the Legislature and Governor.

Our report characterizes both the fare box and developer fees as "smaller" sources of financing. Like technology, the League is missing an opportunity to expand the discussion of both topics and to do so at a time when they might be more politically possible than most of the ideas that have been discussed in the last few years and are now the focus of our report.

Our hope going into the study was that our committee would add something new to the current discussion. Instead, we mostly reviewed what's been on the table and tried to reach consensus within those boundaries. Fine, but we missed an opportunity to suggest new paths that might sustain a transit system that's affordable, evolving and growing and do so with broader support.

2. Statement by Mr. Andrew Richter, Transit Study Committee Member

My statement regarding the report:

I want to say that I strongly object to any tax increase, especially in regards to a regressive sales tax. According to the Tax Foundation, Minnesota already has the 6th highest sales tax rate and it would be an undue burden to push that any higher. https://taxfoundation.org/state-and-local-sales-tax-rates-in-2017/

I also believe that the Met Council and the Counties Transit Improvement Board are unelected and undemocratic and should not unilaterally have the power to increase taxes since neither is accountable to the voters. Any tax increase therefore should be by referendum only.

I also vehemently object to surplus state dollars going to transit. We are a very high taxed state and I believe that 100% of that money should be returned to taxpayers. There is no government surplus; we overpaid our tax bill.

Also with Minnesota using baseline budgeting we all know what will happen with surplus $$. Government bodies will get the money one biennium and not the next and then they will complain that their money is being "cut" when they know full well this is one time money. Throwing a budget "surplus" at a problem isn't a solution especially for the long term.

I was one of the few who did not support the first equity statement that stipulated that any significant funding package should address racial and geographic equity and have meaningful percentage dedicated to bicycling and pedestrian projects. I did vote to support the second statement that recognizes transit as an essential component in maintaining and advancing equity in the region.

Finally, I'd like to point out that nearly all of our guests and presenters—apart from nonpartisan Minnesota House Research staff—were from groups that have a vested interest in Transit's expansion. Groups like the Met Council, the CTIB, and Transit for Livable Communities are hardly objective. Their numbers and statistics about jobs, riders, population growth, and investment were never challenged. We should have heard from groups and citizens who oppose transit as well even though we had individuals who had this point-of-view on the committee.

When I was on the Planning Commission in Crystal I saw first-hand how bad the Met Council was at predicting the future and you can view that here on pages 13-15;

http://www.crystalmn.gov/docs/plan_and_zoning/complete_packet.pdf

Why didn't challenge this organization?

I also want to say that I DO see the need for transit in this area but we need to recognize the cost/benefit of every project. We should have learned from the Northstar failure that people who just come because you build it. I support our bus service and perhaps its expansion. This would be more flexible and cheaper than light rail.

I want to thank the Citizens League and members of the committee for the chance to serve. I do respect everyone on the committee despite my dissenting opinion. I enjoyed the discussion and I look forward to serving again in the future.

Andrew Richter

3. Statement by Ms. Patty Thorsen, Transit Study Committee Member

My service on the Citizens League Transit Study Committee would not have been possible without the availability of the Same-Day Premium Service that is a part of the Metro Mobility program. Disabled at birth by cerebral palsy and epilepsy, I have been a lifelong customer of mass transit. My choice of housing was made based upon proximity of mass transit to me. I used the reverse rush hour service of Minnesota Valley Transit Authority (MVTA) to transport me to work each day—to enable me to be a taxpayer. Route 74A was my vehicle to earning a master in library and information science degree from St. Catherine's. I have used both the Green Line and Route 16A to remain active in my Catholic worship community—St. Frances Cabrini. My diagnosis of osteoarthritis, and diminished stamina changed how I use our mass transit system. Now certified to use Metro Mobility, I use the service to seek out medical care to mitigate the impact of my disabilities on my life. My full participation as vice-chair of the Transportation Accessibility Advisory Committee is feasible to me by virtue of my access to Metro Mobility services. My choices of future volunteer opportunities will depend upon mass transit access to those opportunities. Quantifying the value of my service—the service offered by other Metro Mobility customers, may be difficult. However, any organizations that employ volunteer service rendered by mass transit customers can attest to that value in fulfilling their goals and objectives. The service I and other mass transit customers render would go undone if we did not perform it.

Legislators, I implore you: Use mass transit for one day to meet your daily needs. Remember. Your transit funding dilemma would be a moot point without the human need that exists for that service. Remember. Each of us will age. Remember. No one is guaranteed they will wake up tomorrow morning with the same capacities they have when they go to bed tonight. Anticipating this need is difficult, if not impossible. Incorporate into your deliberations, and the decisions you make these inescapable factors.

4. Statement by Kelsea Kern, Citizens League Intern from St. Thomas

Since beginning my internship with the Citizens League my time has been heavily invested in following the work completed by the Transit Study Committee. I assisted in administrative tasks such as reviewing meeting minutes and presentations and also attended a committee meeting. As a young college intern the policy and legislative process was brand new to me. This type of citizen level task force was a perfect example of how citizens can make a real impact on public policy. The opportunity to see the very beginning of the policy process in action is unparalleled for me in terms of my education. While observing this committee I was able to see their success and understand their struggles. This experience exposed me to the intricacies of policy formation and the sometimes-difficult decision making that occurs within. Not only was this experience educational, but it was inspiring. My time at the Citizens League has solidified my interest in pursuing a career in public policy. The members of this committee and the staff worked diligently to provide a comprehensive report and a starting point for new transit legislation. I am excited to see what will come next.

5. Statement by Mallory Patrow, Citizens League Intern from St. Thomas

We are often taught throughout our academic lives how a bill becomes law but as students, we rarely get to experience the background work that goes into inspiring those bills. I am very grateful to have had the opportunity to be a part of this task force process through my internship with the Citizens League. Due to my classes I wasn't able to attend all meetings but kept up on the progress through reading meeting minutes and presentations from guests. I was able to follow along as ideas started as a comment or suggestion and then through discussion became the final recommendations provided by the committee in this report. This whole process has opened my eyes to another side of policy work; and it is inspiring.

For each task force, the crucial element for the Citizens League is to have stakeholders represented. The members on this particular task force are not only knowledgeable about transit but also are affected by transit. Witnessing the work that's been done has been personally influential and it does show that there are not simply two sides to an issue; there are 19, or 8, or 25. There are many different stakeholders with each and every public policy issue and that is a lesson I will continue to carry with me. I would really like to thank Pahoua and Sean for including me in this process; I will be forever grateful for the experience.

Study Committee Member Bios
(In alpha order)

CHAIR

1. **Mr. Peter Bell**, Former Met Council Chair (2003-2011)

   Peter Bell is the former Chair of the Metropolitan Council. Prior to the Metropolitan Council, Peter was executive vice president of Publishing & Educational Services (PES) at the Hazelden Foundation in Center City, Minnesota. Before coming to Hazelden, Peter was the cofounder and served as executive director of the Institute on Black Chemical Abuse for 15 years. He was appointed to serve on a commission to the White House Conference on a Drug-Free America, and to a congressionally-created national commission on drug-free schools.

   In addition to his work in chemical dependency, Peter served for five years as executive vice president of corporate community relations of TCF Financial Corporation. Peter has or currently serves on the board of directors of numerous local and national social, civic and business organizations, including TCF Bank, The Citizens League, Center of the American Experiment, CommonBond, TCRISE!, He was a founding member and chair of the Center for New Black Leadership, based in Washington, D.C.

VICE-CHAIR

2. **Ms. Ann Lenczewski**, State Government Relations, Lockridge Grindal Nauen and former Minnesota House of Representative, Chair of Tax Committee

   A highly-regarded leader in Minnesota politics for more than twenty years, Ms. Lenczewski has earned a reputation as a smart, deeply knowledgeable, and effective leader in her many roles in state and local government. Ms. Lenczewski has served in the Minnesota House of Representatives since 1999 and became known for her moderate, practical voice as chair of the Tax Committee. Prior to her service in state government, Ms. Lenczewski was twice elected to the Bloomington City Council and also served on the Bloomington Chamber of Commerce Board.

   Ms. Lenczewski is a graduate of the College of St. Benedict and completed graduate work at Humphrey Institute of Public Affairs at the University of Minnesota.

3. **Ms. Kenya McKnight Ahad**, President, Black Women's Wealth Alliance and member of the Transportation Advisory Board

   Ms. McKnight Ahad is the Founder and President the Black Women’s Wealth Alliance (BWWA), formerly known as the Black Women’s Business Alliance. The alliance is focused on generational wealth building through active skill & strategy building and collective economics.

   She is also an executive member of the Transportation Advisory Board of the Metropolitan Council and has served in this role since 2011. Ms. McKnight was a Policy Fellow with the Humphrey School of Public Policy and a Bush Fellow with the Bush Foundation. She attended Metropolitan State University and Minneapolis Community and Technical College.

4. **Mr. Abou Amara**, Director of Public Policy, Neighborhoods Organizing for Change

   Mr. Amara, the son of immigrants from Sierra Leone, joined Neighborhoods Organizing for Change (NOC) after serving as an adviser to House Minority Leader Rep. Paul Thissen. One of his first projects for NOC was working with other civil rights groups to create the United Black Legislative Agenda to address the state's racial disparities.

   He is a graduate of the University of Minnesota's Hubert H. Humphrey School of Public Affairs and holds a bachelor's degrees in Economics and Political Science from the University of Wisconsin-Eau Claire.

5. **Mr. Michael Beard**, Scott County Commissioner, District 3 and former legislator

   Mr. Beard currently serves as Scott County Commissioner for District 3. In 2014, he retired as a member of the Minnesota House of Representatives. He represented District 55A, which includes portions of Scott County in the southwestern part of the Twin Cities metropolitan area. He was on the House Transportation committee for 12 years, was GOP lead for six of those years, and chairman of the transportation finance committee for two (2011 and 2012). In addition, he was on the Center for Transportation Studies (CTS) board of directors, and is the 2017 recipient of CTS's Distinguished Public Service award.

   He is also a local businessman and newspaper publisher. He is now also co-chair of a coal energy advocacy group, Coalition for a Secure Energy Future. Mr. Beard graduated from Bethany College of Missions in Bloomington, earning his B.A. in Bible Missions.

6. **Mr. Bill Blazar**, Senior Vice President of Public Affairs and Business Development, Minnesota Chamber of Commerce

   Bill Blazar is Senior Vice President of Public Affairs and Business Development. Blazar directs Grow Minnesota!, the Chamber's statewide business retention and expansion program. He currently serves on the Board of Directors of the Metropolitan Economic Development Association (MEDA) and the Loppet Foundation.

   Prior to joining the Chamber, he was Manager of Government Affairs for Target Corporation from 1987-1992. Before working for Target, Blazar was a freelance public policy analyst, specializing in state and local fiscal policy, economic development and telecommunications. Blazar has a B.A. (Political Science) from Northwestern University and an M.A. (Public Affairs) from the Humphrey Institute of Public Affairs, University of Minnesota.

7. **Mr. Pat Born**, former Regional Administrator, Metropolitan Council and current Citizens League Board Member

   Mr. Born is a former public administrator and financial advisor to state and local governments. He retired in 2015. From 2011 to 2015, Mr. Born was the Regional Administrator for the Metropolitan Council of Minneapolis-Saint Paul, Minnesota.

   Prior to joining the Council in 2011, Mr. Born was the chief financial officer for the City of Minneapolis from 2001 to 2011; a senior vice president and principal with Evensen Dodge (financial advisor to state and local governments) from 1981 to 2001; and held various positions with the State of Minnesota from 1974 to 1980. He has an A.B. from Miami University (Ohio) and an M.B.A. from the University of Minnesota.

8. **Mr. James Erkel**, Attorney and Director of the Land Use and Transportation Program, Minnesota Center for Environmental Advocacy

   Jim is an attorney with the Minnesota Center for Environmental Advocacy and directs MCEA's Land Use and Transportation Program. His work is directed at establishing the public policy platforms and funding mechanisms that support livable, healthy and prosperous communities, make more efficient use of land, broaden transit options to support more choices in how residents live, work, and get around, protect the region's remaining natural areas, and improve the air residents breathe and the water they drink.

   Before coming to MCEA, he served as the Director of Land Protection for the Minnesota Chapter of The Nature Conservancy. Prior to that, he was a senior attorney practicing energy and environmental law for a natural resource-based corporation in Los Angeles, California. Jim's professional affiliations include the American Bar Association, the Minnesota State Bar Association, the Urban Land Institute, and the American Planning Association. He earned his J.D. from Loyola Law School, Los Angeles, and his B.A. from UCLA.

9. **Mr. Ethan Fawley**, Executive Director, Minneapolis Bicycle Coalition

   He also serves on the Transportation Advisory Board, which allocates about $80 mil/year in federal transportation funding in the Twin Cities. Before joining the Coalition, he was the Transportation and Built Environment Director at Fresh Energy. He holds a Masters of Urban and Regional Planning from the University of Minnesota's Humphrey Institute of Public Affairs and a B.A. in Geography, with a minor in Urban Studies from the University of Minnesota.

10. **Ms. Elizabeth Glidden**, Vice President and Council Member (Ward 8), Minneapolis City Council

    Elizabeth Glidden is Vice President of the Minneapolis City Council, where she chairs the Intergovernmental Relations Committee, and the Committee of the Whole. First elected in 2005, Elizabeth has focused on neighborhood development and wealth building, the arts, race equity structural change, workplace policies and energy and environment. Prior to her service on the City Council, Elizabeth practiced employment law for over ten years, representing individuals as a workers' rights and civil rights lawyer at Hedin, Goldberg & Glidden P.A. Elizabeth is proud to be a 2013 Bush Fellow, using her fellowship to help elevate race-conscious leadership development for local elected officials. Elizabeth holds a B.A. from Augustana College, a J.D. from the University of Iowa College of Law, and an MPA from the Humphrey School of Public Affairs.

11. **Mr. Jason Grev**, Director, Government Relations, Ecolab Inc.

    As a public policy executive with Ecolab, he manages policy issues in the industry including food safety, chemical regulation, corporate taxation, workforce development, and supply chain management. Prior to Ecolab, Mr. Grev was Senior Government Relations Specialist with Best Buy, and Director of Government Affairs with the Associated Builders and Contractors. He holds a B.A. in Political Science from Minnesota State University, Mankato.

12. **Ms. Mary Liz Holberg**, Dakota County Commissioner, District 6 and former legislator

    Ms. Holberg has served as a county commissioner for Dakota County since 2015. First elected to the Minnesota House of Representatives in 1998, she represented District 58A, which encompasses most of the City of Lakeville. During her time at the legislature, she served on the House Civil Justice, State Government Finance, Transportation Finance and Policy, Transportation and Transit Policy and Oversight, and the Ways and Means committees. She served as chair of the Transportation Finance Committee during years 2005-2006. She holds a B.A. in Elementary Education from Saint Cloud State University.

13. **Mr. Scott McBride**, Metro District Engineer, Minnesota Department pf Transportation

    Scott McBride received his Civil Engineering degree from the University of Illinois. He has served 13 years in the private sector at two separate consulting firms and 23 years in the public sector working for the IL and MN Departments of Transportation. He currently serves as the District Engineer for MnDOT's Metro District, responsible for operating and maintaining the Metro area state highway system. He is a member of the Transportation Advisory Board and currently sits on the corridor committees for Green Line Extension and Blue Line Extension Light Rail lines and the Riverview Corridor.

14. **Mr. Jim McDonough**, Ramsey County Commissioner, District 6

    Commissioner McDonough was born and raised on the East Side of St. Paul and continues to live there today. District 6 includes Saint Paul neighborhoods of Upper East Side, Payne-Phalen and Conway-Battle Creek. Being a lifelong resident, Jim brings "East Side Pride" to all of the boards and committees he serves on.

    Jim served as Chair of the Board of Commissioners from 2014 to 2016. Prior to that, he served as Chair of the Regional Rail Authority beginning in 2008, and worked tirelessly to bring more efficient and accessible transit to Ramsey County. Jim is also dedicated to the prevention of sexual violence. In 2008, he was presented with an AWARE Award from the Minnesota Coalition Against Sexual Assault for "his outstanding dedication to raising awareness about sexual violence."

15. **Mr. Peter McLaughlin**, Hennepin County Commissioner, District 4 and Chair, Counties Transit Improvement Board

    Mr. McLaughlin joined the Hennepin County Board in 1991. He presently serves as chair of the Counties Transit Improvement Board (CTIB), which invests revenues from the five-county metro sales tax for transitways, and advocates for expansion of the transit system.

    Prior to joining the County Board, McLaughlin served three terms in the Minnesota Legislature, rising to the post of Assistant House Majority Leader. He was the chief author on several key pieces of legislation, including the Parental Leave law, and legislation establishing the State Jobs Program (MEED), and State Dislocated Worker Program.

    Mr. McLaughlin received his bachelor's degree from Princeton University in 1971 and his Masters degree from the Graduate School of Public Affairs at the University of Minnesota in 1977.

16. **Mr. Vayong Moua**, Director, Health Equity Advocacy, Blue Cross and Blue Shield of Minnesota

    As the Director of Health Equity Advocacy with the Center for Prevention at Blue Cross and Blue Shield of Minnesota, Mr. Moua is responsible for developing strategy and action for Blue Cross' prevention policy initiatives to reduce tobacco use, obesity, and health inequities among all Minnesotans. Mr. Moua co-founded the Minnesota Complete Streets Coalition that led passage of Minnesota's state Complete Streets law.

    Mr. Moua received his bachelors of arts with a triple major in Philosophy, Sociology/Anthropology, and Asian Studies from St. Olaf College. He received his MPA with a concentration in political theory from the Robert M. La Follette School of Public Affairs at the University of Wisconsin-Madison. He was also a Woodrow Wilson Public Policy Fellow, LAAMPP Fellow, and Humphrey Policy Fellow. Mr. Moua also currently serves on the board of directors for Transit for Livable Communities (TLC) and Asian Pacific Partners for Empowerment, Advocacy, and Leadership (APPEAL).

17. **Mr. Andrew Richter**, organizer for Community Solutions MN, former planning commission member for City of Crystal and former chair of the Crystal City Code Task Force

    Born and raised in Crystal, Minnesota, Richter is a graduate of Cooper High School Class of 1995. Civic participation has been a big part of his life. He has served as a caucus convener, an election judge, and as a delegate and state central delegate. He also served as an executive committee member, a member of the Crystal Planning Commission, and as chair of the Crystal City Code Task Force. He currently lives in Champlin, and is the executive director of Community Solutions Minnesota, which focuses mainly on local government issues.

18. **Ms. Mary Giuliani Stephens**, Mayor of Woodbury

    Mary Giuliani Stephens was elected Woodbury's fifth mayor in 2010, and has served on the City Council since 2007. She leads Woodbury's Economic Development Authority and Housing and Redevelopment Authority. Stephens also co-chairs the Regional Council of Mayors, and serves on the Municipal Legislative Commission, Gateway Corridor Commission, and other metro area transit groups. In addition, Stephens is on the board of the Woodbury Chamber of Commerce and Woodbury Community Foundation. Stephens earned her B.A. in Political Science and Speech Communications from the University of Michigan and her Juris Doctorate, Cum Laude, from William Mitchell College of Law.

19. **Mr. William Schreiber**, former legislator and retired lobbyist with Messerli and Kramer

    His 46-year career in public affairs includes the Brooklyn Park Planning Commission, Brooklyn Park City Council, Minnesota House of Representatives, Metropolitan Council, and Minnesota Department of Transportation. During his 13 years with Messerli and Kramer, his clients included Hennepin County, Counties Transit Improvement Board, Anoka County Regional Rail Authority, Northstar Corridor Development Authority, and Municipal Legislative Commission.

20. **Ms. Patty Thorsen**, Member of the Transportation Accessibility Advisory Committee, Metropolitan Council

    Ms. Thorsen has been a member of the Transportation Accessibility Advisory Committee (TAAC) since 2013. Now as vice-chair, she helps to address accessibility issues involved in the Twin Cities mass transit system. After a 24-year career at West Publishing (now Thomson Reuters), now she serves as a nonprofit volunteer, copy editor, and community advocate. Some of her community work includes advocating for transit design that is accessible to and usable by individuals with disabilities--transit design that enables individuals with disabilities to be fully engaged in the community.

    Ms. Thorsen is a graduate of St. Catherine's. She earned a B.A. in Political Science, and Library Science, as well as a Master of Library and Information Science degree. She participated in the Master of Arts in Organizational Leadership program at St. Catherine's.

21. **Ms. Nancy Tyra-Lukens**, Mayor of Eden Prairie

    Tyra-Lukens is in her twelfth year as Mayor of Eden Prairie, and served on the City Council seven years prior to that. She has served on the Southwest Transit Commission since 1994, and the Suburban Transit Association since 1996. In addition, she has worked on Southwest Light Rail for more than a dozen years, serving on the Policy Advisory Committee, and the Community Management Committee. Recently, she began working on the 169 Mobility Study Policy Advisory Committee. After graduating from Northwestern University, Nancy received an MS from the University of Michigan and an MBA in Finance from the University of Minnesota.

CITIZENS LEAGUE BOARD MEMBERS (2016-17)
(In alpha order)

Board Member	**Affiliation**
Rotulo Adebiyi	Thrivent Financial, Brightpeak Financial division
Athena Adkins	Consultant
Patrick Born	Retired
Andrew Brehm	Jack Link's Beef Jerky
Robert Butterbrodt	
Elizabeth Campbell	Ryan Companies
Nadia Elnagdy	Hennepin County Attorney's Office
Susan Hammel, *Chair*	Consultant
Scott Hietpas	Ecolab
Thad Hellman	Target
Heidi Larson	Goff Public
Cynthia Lesher	Retired, Xcel Energy
Robert Longendyke	Medica
Laura Monn Ginsburg	Apparatus Public Affairs
James Nikolai	U.S. Bancorp
Paula Prahl	Varde Partners
Aaron Pearson	Weber Shandwick
Cullen Sheehan	Lockridge Grindal Nauen
Lisa Wagor	Blue Cross Blue Shield of Minnesota

TRANSPORTATION GLOSSARY OF TERMS

Adapted from Minnesota House Research (Jan. 2017)

Term	**Acronym**	**Summary**
5% set-aside		A constitutionally established 5% portion of funds from the HUTD fund that can be allocated under state statutes; the remaining 95% is constitutionally allocated; *see Highway User Tax Distribution fund*
Americans with Disabilities Act	ADA	Federal law requiring various accommodations for persons with disabilities, including access to transportation service
Areas of Concentrated Poverty	ACP	Concentrated poverty refers to a spatial density of socio-economic deprivation. 'Extreme' or 'High' poverty levels are defined as areas with 40% or greater of the population living below the poverty threshold.
Area transportation partnership	ATP	Regional decision-making body that performs stakeholder involvement and project planning roles in transportation; the state is divided into eight ATPs
Arterial bus rapid transit	A-BRT	A form of bus rapid transit (BRT) mainly operated on urban arterial (major local) streets; *see Bus rapid transit*
Average daily traffic	ADT	A measure of the volume of traffic passing a particular point on a road, expressed as an average per day
Bonds		Funds borrowed from investors for capital projects, in return for later repayment with interest; there are two distinct forms of bonding for transportation; *see General obligation bonds, also see Trunk highway bonds*
Bus rapid transit	BRT	Form of mass transit utilizing buses that generally provides an express service and includes some characteristics of rail service
Center for Transportation Studies	CTS	A center in the University of Minnesota that supports multidisciplinary transportation research
Certificates of Participation	COP	A financial instrument, form of financing, used by municipal or government entities which allows an individual to buy a share of the lease revenue of an agreement made by these entities
Chapter 152	152; Ch. 152	2008 law that made various changes to transportation finance and funding
Commuter rail		Form of passenger railroad transit service, usually connecting suburban or rural areas to a metropolitan area
Council of Governments	CoG	Regional governing and/or coordinating bodies that exist throughout the United States
Counties Transit Improvement Board	CTIB	A joint powers board in the Twin Cities metropolitan area; imposes and allocates revenue from a 0.25% sales tax, for transitway capital and operating purposes
Debt service		The sum of principal and interest owed on bonds; *see Bonds, also see General obligation bonds*
Direct appropriation		An authorization to spend a specific amount of money during a specified time period (such as a biennium), made in session law (rather than in state statute); *see also Statutory appropriation*
District		Regional unit in MnDOT's organizational structure that handles roadway operations, construction projects, and project planning; the state is divided into eight districts
Draft environmental impact statement	DEIS	Draft version of an EIS; *see Environmental impact statement*

Environmental assessment	EA	A document as well as a process for a transportation project that evaluates environmental impacts of the project; smaller than an EIS
Environmental impact statement	EIS	A document as well as a process for a transportation project that evaluates environmental impacts of that project; federally required for certain projects
Express bus		Form of mass transit service utilizing transit buses that generally travel on longer fixed routes with fewer stops
Federal Transit Administration	FTA	A federal agency within the U.S. Dept. of Transportation that administers transit-related funding and programs
Final design		A formal phase in the federally-funded transit project development process, for preparing construction plans and specifications; the last phase before construction
Final environmental impact statement	FEIS	Final version of an EIS; *see Environmental impact statement*
General fund	GF	The largest and primary accounting fund of the state
General obligation bonds	GO Bond	Bonds in which debt service is paid by the state through revenues generated with a tax of statewide application; *see Bonds, also see Trunk highway bonds*
Grant evaluation and ranking system	GEARS	A committee of the Counties Transit Improvement Board (CTIB) responsible for evaluating grant applications
Greater Minnesota transit account		An account in the Transit Assistance fund for state aid to transit providers in greater Minnesota
Hennepin County Rail Road Authority	HCRRA	A political subdivision and local government unit of Minnesota established to plan, design and implement light rail transit in Hennepin County
Highway bus rapid transit		A form of BRT mainly operated on highways; *see Bus rapid transit*
Highway User Tax Distribution fund	HUTD	A constitutionally-created fund that receives revenue from user taxes (gas tax, registration tax, and MVST), and from which funds are allocated to state and local road systems via constitutional and statutory formulas
Joint Powers Agreement	JPA	is an entity permitted under the Minnesota State Laws, whereby two or more public authorities may jointly exercise any power common to all of them
Locally preferred alternative	LPA	Formally selected route for a federally-funded transit project, specifying the type of service and basic route
Light rail transit	LRT	Form of passenger rail transit service, usually within a metropolitan area
Metro Mobility		Metropolitan Council program that provides door-to-door special needs transit service
Metro Transit		Division of the Metropolitan Council that provides transit service in the Twin Cities metropolitan area
Metropolitan area transit account		An account in the Transit Assistance fund for state aid to transit in the Twin Cities metropolitan area
Metropolitan Council		A regional agency that administers planning and programs in the Twin Cities metropolitan area, including operating transit service
Metropolitan Council Certificates of Participation	MCOP	*See Certification of Participation*
Metropolitan planning organization	MPO	A local or regional governmental agency that provides some transportation planning and decision making for larger metropolitan areas
Metropolitan Transportation Services	MTS	A division of the Metropolitan Council that administers transit planning, funding, and service contracting
Mileage-based user fee	MBUF	Transportation taxation mechanism primarily based on vehicle distance traveled; often identified as an alternative to motor fuels taxes

Minnesota Department of Public Safety	DPS	A state agency that administers public safety issues; its divisions include the State Patrol, Driver and Vehicle Services, and the Office of Traffic Safety
Minnesota Department of Transportation	MnDOT	A state agency that administers the state's trunk highway system, transportation planning, and aid for local highways, aeronautics, and transit
MnPASS	MnPASS	MnDOT system of Twin Cities metropolitan area higher occupancy and tolled express lanes on trunk highways
Minnesota rail service improvement program	MRSI	A program for providing state aid for rail system improvement
Motor vehicle registration tax		A constitutionally-dedicated tax on motor vehicle registration (commonly referred to as tab fees)
Motor vehicle lease sales tax	MVLST	A tax on lease of motor vehicles
Motor vehicle sales tax	MVST	A constitutionally-dedicated tax on the sale of motor vehicles; set at a rate of 6.5%
Opt-out		*See Suburban transit provider*
Regional railroad authority	RRA	A county-level political subdivision of the state that preserves rail corridors and develops transitways
Regional Traffic Management Center	RTMC	A MnDOT office that provides coordinated traffic management, dispatch, and communications services in the Twin Cities metropolitan area
Regional transit capital bonds	RTC	A form of financing for transit facilities, from proceeds of bonds issued by the Metropolitan Council and backed by a property tax levy; *see Transit taxing district*
Regular route transit		Transit service operating on fixed routes on a set schedule
Southwest Light Rail Transit Line	SWLRT	The extension of the METRO Green Line that will operate a route from downtown Minneapolis through St. Louis Park, Hopkins, Minnetonka, and Eden Prairie.
Special transportation service	STS	Nonemergency transportation provided to eligible persons who are elderly or disabled
Statewide multimodal transportation plan	SMTP	MnDOT's 20-year multimodal plan of transportation policy objectives and priorities
Statutory (or standing) appropriation		An authorization to spend money made in state statute (rather than in session law), so that spending authority does not need to be renewed as part of the biennial budget process; *see also Direct appropriation*
State transportation bonds		A form of general obligation bonds of the state used for transportation purposes; *see General obligation bonds*
Suburban transit provider	STP	A transit provider in the Twin Cities metropolitan area that generally operates independently of Metro Transit
Thrive MSP 2040		The Met Council's legislatively mandated long-range plan for the Twin Cities area; includes transportation, water resources, regional parks and housing plans
Transit Assistance fund	TA; TAF	An accounting fund for state aid to fund transit
Transit taxing district	TTD	A geographic area within the Twin Cities metropolitan area where the Metropolitan Council can levy a property tax for transit capital purposes
Transitway		General category for a transportation corridor utilized by certain modes of transit service; usually includes BRT, commuter rail, express bus, and LRT
Transportation Accessibility Advisory Committee	TAAC	Includes riders and advocates for older people, the disability community as well as representatives for service providers. Consists of 16 members with the chair appointed by the Met Council.
Transportation advisory board	TAB	An advisory body in the Metropolitan Council that addresses transportation planning and project selection
Transportation Alternatives program	TA; TAP	One of the categories of federal aid primarily for various pedestrian, bicycle, and trail projects
Transportation Economic Development program	TED	A joint MnDOT/DEED program for transportation infrastructure projects to support economic development

Transportation improvement program	TIP	Metropolitan Council's four-year schedule of highway and transit projects (which matches the Twin Cities metropolitan highway portion of MnDOT's STIP)
Transportation for Livable Communities	TLC	A Nonpartisan non-profit transportation stakeholder nearly 10,000 advocates in Minnesota
Transportation policy plan	TPP	Metropolitan Council's policies and long range plan for transportation development in the metropolitan area

**All referenced attachments in the meeting minutes including handouts and PowerPoint presentations can be found online: https://citizensleague.org/transit-study-committee/ **

Approved Minutes
Citizens League Transit Study Committee
Thursday September 22nd 7:30am-10:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice-chair Ms. Ann Lenczewski, Mr. Abou Amara, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Mr. Jason Grev, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Vayong Moua, Mr. Andrew Richter, Mr. William Schreiber, and Ms. Patty Thorsen
Members not present: Ms. Nancy Tyra-Lukens (excused)

Staff & staff support present: Pahoua Hoffman, Sean Kershaw, Consultant Katie Hatt, Policy Fellow Matt Byrne, Intern Caroline da Silva Barbosa

Citizens League members: Bill Dooley, Bob "bobagain" Carney, and Peter Wagenius

Proposed outcomes for this meeting
- State study committee charge and proposed goals
- Introduce members, presenters, staff, and other participants
- Receive Citizens League principles and process
- Hear from presenter on transit funding overview
- Discuss information received and confirm additional information needed
- Agree on next steps

<u>Minutes</u>

Chair Peter Bell called the meeting to order at 7:32 a.m.

Welcome
Chair Bell welcomed committee members and announced that at every meeting, he would aim to start and end on time. He also asked members to silence phones and refrain from using them during the meetings including tweeting. Calls should be taken outside the meeting room. Chair Bell explained how the scope of work was narrowed to focus on transit. One assumption the group will be starting from is that growing the transit system is important and positive – but how is an open question. He also asked members to assume that while the current system has problems, it is not necessarily unworkable and that it may be retained. The group should not try to change it for change sake.

He also explained that every meeting would end with the Citizen League practice of evaluating whether we stayed on task with the day's proposed outcomes and objectives. Chair Bell highlighted three main objectives for the overall project:

1. Understand current transit capital and operating funding structures

We have different knowledge levels in the room. We want to bring everyone to the same level of understanding. We will have presentations on current structures, as well as deep dives into systems that counties, Counties Transit Improvement Board (CTIB), Federal Transit Administration, cities, and Met Council use. This is very complex.

2. Review and consider different funding scenarios.

The committee will review and discuss the current transit funding, and perhaps work to consider two to three others. This may be the only work committee members do outside meetings. Members may be encouraged to get together and study particular scenarios.

3. Make recommendations.

This will likely include pieces of various scenarios proposed. Chair Bell asked if there were any questions.

A committee member asked about the assumption that the buildout of transit system is good. He wanted to know where that assumption came from and what it meant. What is the definition of that goal?

Chair Bell said that there are a whole host of reasons we should not rely solely on single-occupancy vehicles. That said, he was unsure what exactly that looks like. He added that he would like the committee to focus less on modes and more on a system that ought to be funded. Is the current funding system optimal? Chair Bell added that future impacts of things like federal infrastructure spending, driverless cars, etc. will likely be discussed but at this time, he is not sure they'll be a major focus of the committee's work.

A different member raised a point concerning highways vs. transit. It was their opinion that both need to be considered for either to work optimally. The member wanted to make sure that the committee pays attention to how its recommendations would be integrated with roads too and not focus exclusively on transit.

Chair Bell responded that while the committee's focus will be more on transit, it does not mean the group will ignore the intersection between transit and roads. The focus will be on funding and optimized decision making. As a starting place, the committee will focus on whatever dollars come in and ask whether they are being maximized. Is the current decision-making structure a good process? This will already be a huge task.

Staff member Sean Kershaw added that the Citizens League policy focus areas are in regional governance, aging, and workforce. This effort falls under regional governance. In his mind, there is no question that work on aging and transportation is related and important. Demographically, this is a very big deal. Transit for the workforce is also huge. His definition of transit comes from a Citizens League 1971 report: *Transit is Riding*.

A committee member asked about the connections between funding and governance structures. Chair Bell responded that the group will talk about governance structure in current funding levels, but will not be making specific dollar amount recommendations. He explained that that would take a much deeper level of analysis regarding growth and demographics. The group will talk about current funding levels and how decisions are made now and ask whether they are the best ways we can make decisions.

A committee member added to the staff's point raised earlier that they were also interested in the definition of transit. They have heard various definitions in the last few months and now they're not clear what it is.

A committee member mentioned driverless cars and while they understand how hard it will be to anticipate technological advances, the member asked whether this should at least be acknowledged in the committee's work as it talks about funding and as it moves forward towards recommendations with an eye toward creating a system that is more nimble and flexible to prepare for future technologies.

A committee member referred to the Chair's comment about not getting into modes. She was unsure how to not talk about modes. It seemed to her that modes will overlap with governance issues. Chair Bell responded that while he would rather the committee not get into huge discussions over which modes he agreed that from a governance perspective, these things might need to be discussed.

A committee member commented that they hoped committee members would be able to a step back from their respective areas. Part of the reason for the current fractured system is that there are a lot of people—some in this room—involved in what gets built and how. It was his hope that the committee members would take this opportunity to step back from their day-to-day negotiating and from what they do when they're outside this room. The committee member hopes we can come together to talk about a better decision-making process. What kind of governance will give people confidence that the process of decision-making is good?

A committee member added that this is just a means to an end. Transit is just a means to an end. The point is not simply just to move people around. It has to serve the goal of getting people from where they are to where they need to be.

A committee member commented regarding the question of different modes, the current charge of the committee, and looking at where the funding is coming from, he hoped the committee would review the current transit plan that has been in place for many years. He believed the plan includes a doubling of ridership. Chair Bell confirmed that looking at the current plan was important.

A committee member commented that they'd like some information about customers. Customer behavior is important to consider. It is easy to miss who we are serving. Chair Bell responded that he and staff would make sure there would be a presentation on who the customer is.

Introduction of Members
With no further questions, Chair Bell asked each committee member to introduce themselves and to provide their thoughts on or their concerns with the three goals he mentioned.

Vice-chair Lenczewski thanked the Citizens League for taking on the project. Since many of the people in the room know each other, Vice-chair Lenczewski said it is not hard to know what they may disagree on. Many people here are good at "going to war." She stated that many people here have become good at it. That said, she felt that it is rare to have such a diverse a group that consists so many high quality thinkers and decision-makers. She did not want to stop individuals from fighting for what they believe outside the room, but challenged the group not waste the opportunity here to get something done. She encouraged members to put the "weapons" away in this space to see how far the group could move forward together on transit. She mentioned she was honored to serve on the committee.

The member from Lakeville introduced herself as a county commissioner but clarified that she was here representing herself and not in her formal role. She thought the goals were fine. She noted the people in the room and that it reflected just the metropolitan area. At the very least, she thought there should be a presentation of the funding going to the bus systems serving St. Cloud, Rochester, Duluth, etc. – looking at how much comes from state/federal versus how much comes from local funding sources. People may be surprised at the difference. She noted that her bias is that she believes transit is a state responsibility and we are one state. She added that we [the metro area] send money out to Greater Minnesota for all kinds of things they need and she was never able to understand why the metro area could not make the same case that transit is a need in the metropolitan region. We need to understand how funding governance works elsewhere in the state. When Greater Minnesota looks for funding to support the Northern Lights train or the zip line, they are not looking for authority for a local sales tax to pay for it.

A member introduced himself as a Citizens League board member and the former regional administrator for the Met Council having retired.

A member spoke specifically to the goals stated by Chair Bell. His thinking was about the inputs: the humans interacting with the system. Thinking through the funding is important because he thought certain parts of the region are overburdened financially in relation to where transit investments are being made. He would like to see how the group could make sure there is a balance of who is getting served and where the money is coming from.

A member introduced himself as having served on a local city council, in the legislature, and most recently before his retirement, he worked in a law firm representing cities, counties, and the Counties Transit Improvement Board (CTIB). He has been deeply involved in transportation issues and well as public finance.

In his introduction, a member mentioned that in order to understand current funding structures, we have to look at the history of how we got here. We ought to be looking at what our regional economic competitors are doing from Seattle to Dallas to Sacramento. Many are doing funding ballot measures in November, and it's interesting to look at them and compare them to what we are doing. Of the ballot measures he's reviewed, one of the more interesting ones is from Medicino County where they plan to use funding from a new tax on marijuana businesses.

A member introduced himself and let the group know that his bias is towards the east side of metro transit but he is looking forward to understanding the history of the system and how we got here.

A committee member introduced himself as from the Shakopee, Scott County area. He mentioned his city was one of the original opt-outs and helped to carry the original legislative to create the opt-outs because of disagreements on funding and service. He mentioned he was good with the goals Chair Bell mentioned. When he was in the legislature, he did not feel it was his role to play referee between the modes. Instead, he wanted to focus on how to maximize funding for mobility effectiveness. He wondered if this could be a useful definition of success.

A member introduced herself as a member of the Transportation Accessibility Advisory committee. While not here to officially represent the Transportation Accessibility Advisory Committee, the member informed the group that she does sit on that committee. She explained that she has been a long time user of transit since she has cerebral palsy, epilepsy, arthritis, and tremors. She was employed full-time for 27 years before she had to stop work due to her disabilities. Because of her disabilities, she became certified for Metro Mobility, which is how she arrived at the meeting this morning. She recalled her time working for West Publishing (now Thomson Reuters) who, at the time, were planning to move to their new Eagan location. Getting to this new location was problematic for her but her employer at that time was not transit savvy. While she understands that disability is only one aspect of transit, she wanted the group to know that because of available transit including Metro Mobility, she is able to volunteer and contribute what she knows to the organizations that need her.

The county commissioner for Hennepin County introduced himself as the current chair of CTIB (Counties Transit Improvement Board) and tax committee in House when he served in the legislature. His bias is building out a transit system so that it supports economic growth and equity in region. He added that there has been a history of good decision-making in transit investment but that in recent days, we have been faltering a bit. As far as governance, he would like to see a structure that can get things done.

The council member of Minneapolis introduced herself. She has been the city's lead on a number of regional governance issues and experience with some of the city's transit projects. One perspective she interested in is how a city perspective is reflected in governance. Cities are significant in making transit work. The other piece is how we are thinking through who are current and future users are and how the system is matching up to their needs.

A member introduced himself as the metro district engineer with MnDOT. He explained that the metro district coincides with the Met Council's seven-district area, but they also have Chisago County. He imagines he will be the "road" guy on the committee but wants the committee to know that transit is a huge focus area at MnDOT. With every project MnDOT takes on, the process includes looking for transit advantages. He mentioned the variety of experiences on transit management including the first bus-on-shoulder projects. He also mentioned the various advisory committees that he serves on.

A member introduced himself as the director of health equity advocacy at BlueCross BlueShield of Minnesota. He explained that this department was created as a result of the landmark tobacco settlement. He added that health disparities remain a huge equity issue and the physical built environment is a large determining factor on health. He also serves on the board of Transit for Livable Communities.

The county commissioner for Ramsey County introduced himself as a member of CTIB. Looking around the room, he noted that there are members he has advocated alongside and times when they've been on opposite of the issues. He is looking forward to see where the group will go between now and the end of the year.

A member introduced himself as a member from the group called Community Solutions. The group's primary focus is on local elections. He grew up in Crystal and has opinions on the Blue Line extension (Bottineau) near his childhood home. He sees transit as something we have to have but he disclosed his bias that he did not think transit needs to be everywhere. He thought why transit is expanding is an important question. It should be there for those who need it not be imposed on those who do not want it. He noted that he might change his mind.

The member from the Minnesota Chamber of Commerce introduced himself. The Minnesota Chamber represents about 2000 companies – 60 percent in the Twin Cities and 40 percent in Greater MN. Most of the members have fewer than 100 employees. The Chamber looks at issues from a statewide perspective. In the last ten years, a lot of focus has been on transportation. Even if one has a bias towards roads, you have to have an interest in transit. It has become a roadblock for a transportation system statewide. He hopes to make progress towards a statewide transportation policy that is credible.

The mayor of Woodbury introduced herself. Since the mayor of Eden Prairie could not attend the meeting today, she made a plug for both cities since they were recently recognized at top places to live in the nation by Money magazine. Bias-wise, she cannot understand why people distinguish between transit and transportation. She identifies as conservative but believes transit is one of government's core functions. She mentioned a variety of transportation committees she serves on. She not only represents the east side of Saint Paul voice, but a general voice for transit would like the committee to get towards a governance model that is effective and a funding system that is sustainable.

The member from the Minneapolis Bicycle Coalition introduced himself. He mentioned that the coalition will have a new name soon to reflect an additional focus on pedestrian issues. His perspective is that people walk and bike to transit and that needs to be seen as important since everyone walks to get transit. How bicycles and walking fits into transit is important. It's not just about mobility, but about access. It is also not just how fast and how far but where one can actually get to. He and his wife who lives at the intersection of the two busiest bus routes in the region. They do not own a car by choice and he hopes to bring this perspective and this voice to the committee.

A member introduced herself as a member of the Transportation Advisory Board. She mentioned a transportation conference she attended that revealed to her how unprepared some communities might be. She later researched the Met Council and was later appointed to advisory board and has been learning ever since. As a racial equity advocate, it is important to know how people use these systems and how it affects their lives.

Chair Bell noted the varied and impressive committee and expressed his excitement to move forward. He mentioned that the rest of the time this morning would be spent on the first objective: understanding current funding structures. In future weeks, the group will be doing deeper dives into various topics. He introduced Matt Burress from House Research, who is knowledgeable on transit funding. Chair Bell let the group know that Mr. Buress is open to take questions throughout presentation.

Presentation: Transit Funding Overview by Matt Burress, Legislative Analyst, Minnesota House Research Department [see PowerPoint presentation]

Mr. Burress explained that he was asked to prepare a general "101" high-level overview of transit funding. Because of this, it may not be as comprehensive.

Mr. Burress began his presentation by going over PowerPoint slides that covered the governance structure and history of the Met Council. On slide 5, he provided background information on the motor vehicle sales tax (MVST). In setting up an understanding of public finances, Mr. Buress underscored the importance of the motor vehicle sales tax. The 6.5% sales tax is on new and used motor vehicles and is imposed instead of the state's sales tax. It is statewide. Over time, but on again and off again, it has been partially allocated for transportation with the rest going into the state's general fund.

<u>Question:</u> Do local sales taxes tax for things like the stadium go in to the 6.5% motor vehicle sales tax as well or is it separate? Mr. Burress responded that it is separate. He added that other local taxes like the legacy tax is over and above the 6.5% motor vehicle sales tax. It creates a separate revenue stream.

<u>Question:</u> If there was a rate change for the general sales tax, would it affect the motor vehicle sales tax? Mr. Buress responded that it would not. A change in the motor vehicle sales tax rate would require a law change.

<u>Question:</u> How much does the motor vehicle sales tax generate? On slide page 15, Mr. Buress showed the estimated amount generated in FY 2015: $697.1 million. The slide also showed the allocation formula:

Recipient	**%**
Highways (HUTD)	60%
Twin Cities metropolitan area transit	36%
Greater Minnesota transit	4%

He shared few a more details on MVST. There was an on again, off again allocation to transportation, but a constitutional amendment led to a 100% dedication of revenues to transportation. It also created a ceiling for highways and a floor for transit. The actual split is determined by the state.

<u>Question</u>: Can you disaggregate what the highway percentage to show metro and Greater Minnesota split? The member added that he thought some of these decisions are at an agency level while some are done through the state. He thought it important to get a full picture. Mr. Burress did not recall seeing that break out but he thought it could be assembled in a straight forward way. Mr. Burress advised not to put cart before the horse as it relates to the full picture comment. If we are only looking at one funding stream as we are now, there are considerations that need to be made. It would be different if we were looking at something more comprehensive such as the state general fund.

<u>Question</u>: Is that decision on split made by MnDOT? Mr. Buress responded that the highway is a constitutionally established fund. There is an allocation fund formula between state and local units of governments.

A member commented that Mr. Buress is correct. You cannot take from one source and make an analysis based on that. But in order to provide an answer to the highway split, if one were to take all of the money, and look statewide as to how we are spending it, the portion going to the metro area is somewhere within the range of 35-40%, trending towards 35%.

A member commented that she would personally love to see a study of what the breakdown of metro vs Greater Minnesota, as well as how it is getting broken down locally so that we can use a racial equity lens in our work.

Vice-chair Lenczewski informed the group that she made a request to House Research for a presentation that would take a deeper look as to where things are coming from and where they are going. Some of us in the metro area feel like we get rolled, and that Greater Minnesota is getting a great deal. All of the ways we tax to fund transportation including the gas tax, the MVST, are all regressive taxes. So a more detailed analysis of that breakdown is planned for this committee.

Question: On the transit end which agency receives the funding and determines the allocation? Mr. Burress responded that Greater Minnesota transit side through to MnDOT and allocated out as grants. Metro funding goes through Met council.

Question: Can Met Council money be spent on capital, operating, and bonding? And by bonding, they mean building a bus garage for example, and paying back on those bonds for the bus garage. A member responded that they believed this was possible but that historically, it has not been done. He added that of that 36% that goes to the Met Council, the Met Council has a side agreement with the opt-out servicing communities, and allocate a percentage of the 36%.

A member commented that the history of the first chunk of MVST funding to the Met Council was to buy out the property tax levies for transit operations. It was supposed to be a 1 for 1 switch. Everyone thought MVST and property tax levies would run at the same pace, but immediately did the opposite. By the fifth year, we were

Mr. Burress covered additional background topics including the regional transit capital (RTC) levy authority. The transit district is where the Met Council has authority to levy taxes. The transit district does not cover the entire Met Council area. It is a subset of the area that the Met Council has regional governance over. The structure of this is that there's a property tax levy which is used as debt service which covers bonds that the Met Council issues which are primarily for the capital maintenance side of the Met Council transit operations. This includes maintaining light rail, replacing buses, etc. The issuance of the bonds are based on legislative authorizations. Essentially, the amounts are legislatively determined. The rate has been mostly flat over the last few years is my recollection.

Question: That is also used for the opt-outs maintenance as well? Mr. Burress responded yes.

Chair Bell could not remember whether those regional transit bonds are used for the ongoing maintenance of the systems that the CTIB and the Met Council funds. His recollection is that CTIB pays for its portion of the maintenance dollars and the Met Council pays for its portion of the maintenance dollars – usually 50/50. He questioned where the Met Council's portion comes from. He would like some more information on this.

A member said sometimes things get put into operating budget although it might be a major rehabilitation project. There sometimes is a line there that is debatable.

A member commented that there is a legislative definition of the communities that are subject to the levy. You are either in or you're out. However, some communities are not subject to the debt service but are using the park and rides in a community that is. Another question is what the Met Council is levying or bonding for. Some people would argue that it doesn't make a difference because the interest rate is so low. In his judgment they are bonding for a lot of things. At times, they may be bonding for things that ought to be on the operating side. In a recession they start bonding for things more loosely.

Chair Bell agreed that this issue isn't a game changer, but as the committee thinks about recommendations regarding how funds flow, it would be something to think about.

A member added that it's important to understand why some of these decisions are made. Because some decisions are out of their control for funding, people get creative with the tools they do have access to in order to get the outcomes they need. This doesn't mean it's the best decision-making structure.

Question: What does the legislation actually say regarding bonding? How specific is it? A member responded that the language is vague. Another member added that the other thing that's unique is that it's cumulative. Every year they come in to get a hunk of authority but they might have a lot of money in the bank because it builds up if they don't use. It is an authorized levy for capital and cannot be used for operating. It was the product of the 2001 tax reform when they took operating off of the property tax. It was taken off because Greater Minnesota got a lot of local government aid. The tax chair at the time said the metro area has to get something. This is why they took operating off the property tax and made it so that the state would fund it as a part of the deal. If one were to look at how much our share of the deal has grown in dollars versus how much the local government aid has gone up in Greater Minnesota, you'd be surprised.

A member agreed. Many of us in the metro have forgotten that deal. Outstate thinks we are getting a free ride but the deal has eroded.

For metro versus the local government aid that went to Greater Minnesota and the amount of operating funds that are being generated in the metropolitan area to supplement the system, a member said she would be surprised if it wasn't more local than state at this point going into that pot.

Mr. Burress continued to present slide 7. He explained that the way the language is structured is setting a cap as to how much the Council can bond for capital expenditures. These have to be expenditures that are reflected in the Council's capital improvement program. The Council has sought authorizations annually but perhaps has not issued the debt right away but has the commitment from a multi-year capital program. So, from a Council perspective, the dollars are expected and will be spoken for once long-term contracts come due.

To connect the dots, a member explained that the state gives them the authority to bond. They levy the tax to pay the debt service but they keep some bonding authority in their pocket since they don't always levy to the maximum that they can to do the capital pieces that they have in the plan.

Mr. Burress began to talk about the Counties Transit Improvement Board on slide 8. Created as part of a broader transportation plan in 2008, it was probably one of the biggest changes in transportation funding that has occurred in recent times. What it did was authorize counties to join under a joint powers agreement. They could already do this, but what made this special was the sales tax. This was set up as a seven-countywide optional arrangement. Five counties originally entered in. The legislation set up a number of requirements and expectations and as it moved through the legislative process, both roads and transit were originally envisioned. What eventually was enacted included just transit with park and rides. Because transitways was not defined, this has been one area of disagreement.

Question: The park and rides that CTIB is authorized to fund, do they have to be connected to a transit line? In other words, the Met Council has all kinds of park and rides, could they build park and rides that are for regular bus routes? Mr. Burress responded that the legislation doesn't say much more than just park and rides. He would argue that this is at the discretion of CTIB.

A member commented that it is important as we are starting to identify funding, and especially when a new funding piece comes into play. It is not always new and more dollars. The 15% operating funding used to be on property taxes and it used to be 17% of the capital share was on county property taxes, It went down to 10%. He wants to make sure everyone here at the table understands that when money comes into play at certain points, it is not always growth. It might just be a different way of paying for it. For example, how there isn't a definition for transitways, there are differences in definition of priorities - where CTIB spends versus where Met Council spends. He also recalled that legislation stated funding could not supplant current dollars other than what they changed on the property tax. CTIB was created with the goal to get results not have more studies, which was what was happening.

Another member added that when CTIB legislation passed, non-CTIB counties received authorization to impose a local option half cent sales tax for roads. This provides for inequities since some counties have the tax base while others do not. It doesn't always get us the best policies.

A member said it was difficult selling even the quarter cent to businesses. Transit generally received support but businesses at the time did not support LRT.

A member commented that the legislation does allow counties, by resolution, to pass a half cent sales tax for a specific set of projects with a begin and end date – except for the transit component. That might have been an amendment that came in later years.

Mr. Burress added that when CTIB was first enacted it was narrow and needed referendum. This language has since been removed. He further explained that once a CTIB members leaves, it will have the authorization of a non-CTIB county and can impose a half cent sales tax.

Chair Bell asked whether a county—once they leave CTIB and can impose the half cent sales tax—could enter a joint powers agreement with CTIB to fund to any agreed-upon project. Mr. Burress responded that he could not think of a legal reason this could not happen but was not sure.

A member thought in this hypothetical situation, they didn't know why a county couldn't enter into an agreement with the Met Council that operates transit. Members agreed they would like to find out for sure, but Vice-chair Lenczewski reminded the group that one can't levy more than allowed but one should be able to make agreements with whomever they want. She also commented that CTIB created out of a legislative deal. It should not be viewed as the right way.

Question: Are non-CTIB counties who can impose the half cent sales tax, are they limited to only roads? The response from the group was that they could do either roads or transit.

Mr. Burress went through the slides on the opt-out transit providers. He added that there is a formula minimum the Met Council provides to suburban providers, but traditionally, the Met Council has provided more than that minimum in allocations.

Question: Where do RTC dollars show up?
Mr. Burress responded RTC dollars show up on the capital side over and above but he would have to check.

A member commented that members should be aware that the service for disability community is run through Met Council. The opt-out cities do not run these services. However, there may be some service in opt-out cities referred to as dial-a-ride services. A member added that some opt-out cities contract with the Met Council.

Until just last October, Scott and Carver Counties, the two non-CTIB counties, had an agreement to provide dial-a-ride services through a few providers, mostly staffed by Scott County employees. They did this in a cost effective way. It was unclear whether funding was pulled due to the federal government or Met Council, but it is now under Metro Mobility.

A member added that it is the Met Council who makes that decisions about what the service areas are and was can be competitively procured.

A different member added that Metro Mobility has divided the service are among three contractors who provide this service. Their mandate is to provide a parallel service to what is available by regular mass transit. The federal stand is half-mile on either side of regular bus route.

Mr. Burress continued discussion on general fund versus MVST and state funding streams. History of property tax changes and where and how to count CTIB dollars. Met Council's capital improvement plan is a 6-year plan where funding sources are identified but not yet secured.

A member commented that one thing that does not show up in the analysis is MnDOT's work such as widening shoulders for the purpose of transit advantages.

Mr. Burress wrapped up his presentation by commenting that there are many entities one can look at with transportation, from federal, state, metro, counties, cities. And there are many ways of looking at the decision-making process, transparency being a common concern, as well as seeing the variety of funding sources.

Chair Bell thanked Mr. Burress for his presentation.

Staff explained the Citizens League evaluation process. She explained that staff would like to know how well the meetings are going. It is on a 1-5 scale, 5 being we met or exceeded objectives, 1 being it was not productive at all. The members evaluated the meeting as follows: 4, 3.5, 4, 5.5, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4, 4, 5, 4, 4, 4, and 4 for an average 4.1.

Chair Bell adjourned the meeting at 10:41 a.m.

Approved Minutes
Citizens League Transit Study Committee
Thursday September 29th 7:30am-10:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice-chair Ms. Ann Lenczewski, Mr. Abou Amara, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Mr. Jason Grev, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, and Ms. Patty Thorsen
Members not present: Mr. Vayong Moua

Staff & staff support present: Pahoua Hoffman, Sean Kershaw, Consultant Katie Hatt, Policy Fellow Matt Byrne, Intern Caroline da Silva Barbosa.

Citizens League members and special guests: Bill Dooley, Bob Carney, Peter Wagenius, Matt Burress, and Andy Lee.

Proposed outcomes for this meeting
- State study committee charge and proposed goals.
- Introduce members, presenters, staff, and other participants.
- Approve minutes from previous meeting.
- Receive Citizens League principles and process.
- Hear from presenters on Aging & Workforce and the Met Council Transit Policy Plan.
- Agree on next steps.

Chair Peter Bell called the meeting to order at 7:33 a.m.

Chair Bell mentioned the previous productive meeting with Matt Buress from Minnesota House of Representatives House Research Department (House Research), who presented a high-level view of transit funding. He explained that the group would continue building their base of knowledge by learning about the Met Council's Transportation Policy Plan (TPP) at today's meeting. David Van Hattum from Transit for Livable Communities will present the TPP. He indicated that the staff did try to get someone from the Met Council to present it, but it was not possible to do so. Chair Bell commented that the member from Eden Prairie was out of town at the last meeting but has joined the meeting today. He asked her to introduce herself and offer feedback on the project goals as others had done at the last meeting.

The member said that she went through the minutes from the last meeting and it was interesting because she did not think members would be nameless. She introduced herself as having been mayor and on the city council and having worked with SouthWest Transit as well as various committees for Southwest Light Rail. She stated that it is very important to businesses and communities. She commented that she is delighted to serve on this committee. She stated that the governance issue is challenging. She reported she has no specific questions, and that she hopes to stay on task as opposed to getting lost in tangents.

Chair Bell announced that he would begin every meeting by reviewing goals to ensure the group remained on task. Chair Bell highlighted the three main objectives for the overall project:

1. <u>Understand current transit capital and operating funding system.</u>

Chair Bell indicated that the group would be doing this for the next couple weeks. Matt Burress from House Research was the first effort to that end. Mr. Van Hattum's presentation on the TPP will be second, and next week, the group will hear from Mary Richardson from Counties Transit Improvement Board (CTIB) who will be presenting on the funding that comes through CTIB.

2. <u>Review and consider different funding and governance models, including current models.</u>

Although the current transit funding system is complicated and strained, Chair Bell reminded members that he does not want to recommend changes for change sake. Instead, he wants to help the group think about the current model as well as think through other possible scenarios. To that end, the group will use a scenario based modeling and members may be asked to come up with one or two scenarios in addition to staff. The group will discuss these scenarios - what are the pluses and minuses of those scenarios.

3. <u>Make recommendations based on that scenario work.</u>

Chair Bell hoped to finish this work by the end of the year and then make presentations to interested bodies including the Legislature on the Citizen League Transit Study Committee's recommendations. He reiterated that this was his understanding of our charge and the process the group would move forward unless others had issues.

Approval of Minutes

Chair Bell referenced the minutes that were sent in advance. Chair Bell informed the group that he and Vice-chair Ann Lenczewski reviewed them. He asked if there were any questions or feedback on the minutes. A member offered an amendment to the ninth paragraph on page 6. Instead of 35% it was suggested to use a range: "*35-40%, trending towards 35%.*" (This paragraph referred to road funding.) With this change, Chair Bell entertained a motion to approve. Member Pat Born moved the motion and it was seconded by member Elizabeth Glidden. A unanimous verbal aye vote passed the motion to approve the minutes with the suggested change on page 6.

Citizens League Principles and Process

Chair Bell commented that since the committee did not get hear the Citizens League presentation on principles and processes that was planned for the first meeting, Kershaw would be starting the meeting with this information.

Citizens League executive director Sean Kershaw commented that it was, in fact, better to do this presentation having gone through one meeting. He stated that he would like members to trust the process, although at times it will seem ambiguous. That said, he wanted members to be comfortable with the process and raise concerns and questions, if there are any. He referenced the back of the agenda which includes the Citizens League governing document that lists the League's principles and standards. He mentioned the organization's mission is to champion the role of all Minnesotans to govern for the common good and to promote democracy; its mission is about involving citizens in its policy work. He commented that the organization defines citizen as a member of the community and that everyone has a governing role and an obligation to contribute to the community. He stated that it is more than a legal definition. After establishing the role everyone has in making policy, he mentioned that the operating guidelines sets the League's work apart from others. Throughout the project, he will make reference to them so they are not just for show. The first guideline is to bring broad perspectives together, which he indicated had been done with the 21 member study committee. He stressed the importance of having those most affected to be part of defining the problem and coming up with the solution. For example high school students are often left out of discussions about high school education reform. For those who are familiar with old work, this may be a departure. For example, previously, the Citizens League would not bring in county commissioners, onto a committee like this. There has been some tension about this change, but Kershaw stressed that if the committee cannot get buy-in from those around the table, it is likely there would not be buy-in outside of the committee. This is why it is important to involve key stakeholders to come up with politically plausible recommendations.

A committee member provided a counterpoint that he thought stakeholders have become too involved and that not the customer has been left out pf the process. The same member asked whether customers were considered stakeholders. The response was that customers absolutely are stakeholders.

A committee member noted that they consider customers THE stakeholder. According to the member, customers are often not included in these discussions. Stakeholders have more often than not included just professional advocates – people who earn a living off of what they are advocating for. The member indicated a personal preference to put the customer ahead of everybody else.

Kershaw said that the Citizens League has expanded the definition of stakeholder to include customers because he agreed that they are essential.

Kershaw explained the second operating guideline: advancing public policy solutions with a broad base of support. He explained that the key standard is transparency and good governance. He elaborated that if people do not trust the process, it is likely they will not trust the outcome. Kershaw stated that the third guideline is to make sure that data is being used to reframe the conversation. Can the work be backed up by data? Finally, he talked about how to balance policy idealism with political pragmatism. He explained the Citizens League has done its best work when it focuses on what would be best long term *and* what can be accomplished in the near term.

Then, Kershaw referred members to tab four of the committee binder--the study committee handbook. He mentioned that the study committee handbook outlines a member's role along with the role of chairs and staff. Then he referenced the three main categories the group will go through: findings, conclusions, and recommendations. Since many of the Citizens League founders were lawyers, they created a process where the findings include questioning what the relevant facts are. As the committee moves forward, it will need to figure out what the most important facts are, come to some consensus on these and then overlay value judgments based on collective input. Finally, the group will advance a set of recommendations.

While the group will try to get as much buy-in as possible, the process does not demand consensus. If there are people who wish to advance a minority report, it is included with the final set of recommendations. Kershaw explained that in the last study, the individual who advanced a minority report said that the process worked, they trusted it, but they just did not think the recommendations adopted by the committee went far enough. There was trust that the committee was not hiding a different set of recommendations or that their voices were not heard. Ideally, it would be great to get the full committee to agree on a set of recommendations, but if it is not possible and people feel strongly about a different set, those will be included in the final report that goes to the Citizens League board.

Kershaw added that the final set of outcomes depends on what happens in each of the meetings. Later, when members look back, they will see that the final outcome worked because the individual meetings worked. Staff works hard on detailed minutes and the Citizens League sees these as a way to document the process. A comment was made earlier about how the Citizens League does not assign names in the minutes. Kershaw explained that by design, names are left out to encourage full participation and that the Citizens League believes the points made by members stands regardless of the person who said it; it should not matter who said something but that it was shared.

In addition, Kershaw stressed the importance of the meeting outcomes and the end-of-meeting evaluations. The worst case scenario is if people evaluate the meeting afterwards on the phone or in the car. This prevents staff from improving the meetings. Some of the best moments in previous committees were when people said the committee was off course and let the staff and chairs know. Kershaw covered some additional points: no tweeting during the meeting and the committee's ability to reframe the charge.

Staff explained that meetings are semi-formal; they are not as formal as legislative meetings are, but it is necessary that people raise their hands for questions.

Lastly, Kershaw mentioned that the Citizens League is not bound to previously held positons on transit. In its history--it has taken a variety of positions. This group is free to make recommendations based on the current situation and the information it has access to. Kershaw thanked the members for serving.

A committee member commented that he appreciated not having names in the meeting minutes. He said it stifled discussions in other meetings he was a part of.

Aging and Workforce Overview

Chair Bell asked Kershaw to begin his presentation on aging and workforce. Kershaw mentioned that Minnesota is in the midst of demographic changes that are unprecedented and significant. He opined that it was impossible to have a conversation about the future of transit without a sense of what is changing because what is coming is so different from what the State has experienced in its past. He explained that he would walk the committee through a presentation by State Demographer Susan Brower. It was originally given in July to the Board on Aging, but it has been shortened. Kershaw explained that Brower deputized him to give this presentations because they have done similar presentations together so many times.

Kershaw began his presentation [*see Attachment A*] by asking members to guess the net increase of adults age 65+ for the current period and by 2020. A committee member guessed that the number would double from the current 91,000. Kershaw revealed that the number would actually triple to 285,000 in 2010s and then grow to 335,000 by the 2020s. He reminded members that these figures were the net increases. This has never happened before in Minnesota, nor in the United States.

Chair Bell requested that Kershaw make connections to transit as he shares demographic information. Kershaw provided an example of how the growth in aging will affect Metro Mobility services. As he walked members through slides 4, 5, and 6, Kershaw mentioned that as the State gets older, there are implications for transit ridership as well as for funding. He added that when people stop working, this will affect the State's income. At around age 85, many people are likely to have a disability. These are important things to be aware of to understand the impact on the public sector and the state's budget.

Slide 8 showed that for the first time in Minnesota's history, there will be more people age 65+ than school-aged children by 2020. This has never happened before. Kershaw mentioned that at exactly the point when the first wave of baby boomers start to turn 80, Minnesota hits the lowest labor force growth in a generation. The number of people in the workforce is going to decline on current trends between 2019 and 2028. So as one thinks about the implications of an aging society on public sector budgets, realize that that's going to be happening at a time when fewer people working in order to pay for that. The data shows that Minnesotans will live longer. On average, a 65-year-old Minnesotan will live an additional 20 years and 15 of those years will be disability-free on average. How does this matter? The surplus of free time, population and housing shifts, volunteering, and changes in labor force growth all impact transit trips.

A different committee member requested clarification on the definition of transportation time. Kershaw responded that as people leave the workforce, trips at peak hours may change.

Kershaw referred to slide 15, which illustrates state general fund expenditures. Kershaw explained that as the need for health and human services expands, it will put pressure on everything else including K-12 education and other areas.

A committee member asked about a previous slide and wondered why tax expenditures were not including as a component of spending. Kershaw responded that he loves tax expenditures and that this could be figured in, but this is just looking at cash. The point here Kershaw stated is that the cost of long-term care will have a huge impact on the state budget.

Slide 17 showed that Minnesota's older adults are remaining in the labor force longer than before. Chair Bell asked whether there was a distinction between income and wealth. Someone could have a declining income but still have wealth.

Kershaw commented that the statistics on baby boomer wealth is equally depressing. He stated that over half of baby boomers have no more than $500 in net wealth; some have much more, but over half of the baby boomers have no assets to speak of.

A committee member requested a racial context. Kershaw presented slides 20-21 that illustrated the diversity among the states older adults and the large, growing younger population of color.
Kershaw presented slide 22 showing older adults with income below 200 percent of the Federal Poverty Level that also compared different racial groups. A committee member clarified that what she meant was a racial context in regard to median income. Kershaw stated that one can infer this from the information but he could try to get those numbers.

A committee member had a few observations about the slides in the presentation since the information covered touched only on general fund but that most of transit funding comes from dedicated funding streams. The member also noted differences between metro and rest of state on aging. One can easily see rest of state is older than the metro.

A committee member asked if the data reflected an influx of 800,000 people in the metro. Kershaw replied that the demographer makes assumptions on both metro growth and immigration and that these are built in to the model.

A committee member asked whether that would make the population younger. Kershaw replied yes, that the population would be younger.

A committee member agreed with previous point. They said that aging and racial diversity of population of the seven-county area is growing quickly percentage and numbers-wise. The committee member requested that information be brought back to the committee. They noted that the numbers they recalled was that the percentage of people over 65 will double over 30 years in the metro area. They said that this aging trend is expected to occur in the metro area as well, and also that the percentage of people of color will double in the next 30 years. The member requested that information be brought back because they are important markers about who the customers are.

A committee member commented that in regard to a previous point, natural increase versus migration models show that the population increase is from roughly 2/3 natural and 1/3 migration and that most of that migration is not from other places in the U.S, but is from international migration. This information is available at the Met Council.

A committee member dovetailed on the point that migration is overwhelmingly foreign-born and that has implication for the transit system because the background and expectations of those moving here may be different. They also pointed out that transit is also the principal source of travel for younger people. The committee member continued that in regard to the reference to the general fund, although the general fund is not primarily funding transportation currently, there is nothing to say that it could not be in the future. The member thought it was interesting to consider how a good transportation system might contribute to better health outcomes than the dollars spent on the health and human services.

A committee member made a pitch for more place-based mapping - something the Met Council has done. She was also curious if there has been any demonstration of the aging trend regarding where older adults will live and how that overlays with the future of the transit in the metro. She explained that it goes to questions of funding and who the system will be serving.

Kershaw continued his presentation showing that statewide, Minnesota would shrink if it were dependent upon just natural growth and migration from other states. Immigration is what allows labor force to grow at all. In addition, he mentioned that Hennepin County has done modeling on aging on a community-to-community basis and that staff can try to get that information to the committee.

A committee member asked that as the committee thinks about the aging population to remember that people of color, according to the state demographer, are aging and retiring with disability at high rates. She added that this is true in the African-Americans and that it is concerning. She commented that she did not know about barriers to Metro Mobility and wondered if there might be a connection.

Kershaw responded that it would be great to find that data, and that he is sure there's a connection. He argued that the disability factor will be as much of a change as aging. Kershaw said that there will be a mix of "Tom Swains" who are still driving at age 90, as well as people who are 65+ who need assistance.

A committee member asked a question regarding slides where people over 65 shot up and wondered what the average age of the transit rider is and does that number go up in the projection? Another committee member responded that the committee could get that information from rider surveys but that they did not remember that specific information.

A committee member stated that in terms of disability, that while it may be possible to project statistics regarding aging and race in a given year, disability needs to be a variable that may require flexibility and adjustment. While some individuals are born with pre-existing conditions, many other individuals develop disabilities or pre-existing conditions which accelerate during a lifetime. Disabilities may change or happen to anyone in a minute without warning. That said, they are more likely to happen to those with pre-existing conditions where that condition would require them to use mass transit versus Metro Mobility.

Chair Bell commented that he was going to switch to a transportation presentation. He commented on questions asked and that staff have taken notes on the various requests for additional information. One example is who the riders are demographically and where are they coming from and where are they going. A committee member asked if Chair Bell was referring to Metro Transit riders or metropolitan transit riders. Chair Bell replied metropolitan transit riders.

Met Council Transportation Policy Plan

Chair Bell introduced and welcomed David Van Hattum, Advocacy Director, Transit for Livable Communities (TLC). Chair Bell mentioned that he has worked with Van Hattum and his organization, Transit for Livable Communities (TLC). TLC is a known advocacy group on transit. Chair Bell noted that staff was unable to get someone from Met Council, but that Dave agreed to provide information on the Transit Policy Plan (TPP).

A committee member asked why the Met Council was not present. The Met Council has a lot of people who would be ideal to provide answers to the committee's questions. They asked if the Met Council was refusing to participate. They didn't understand why the committee would be getting this message from an advocacy group as opposed to the entity that the committee is interested in hearing from.

Chair Bell replied that the Met Council is, in fact, refusing to participate.

Mr. Van Hattum began his presentation [*see Attachment B*], explaining that the slides in blue are direct from Met Council. When speaking to the blue slide, he would not editorialize as an advocate. He recognized many around the table, and wanted to confirm that he has been an advocate for TLC, Transportation Forward, the business community, CTIB, and many others.

Mr. Van Hattum described the policy plan as an attempt at planning on orderly growth. He explained that transportation is one of four Met Council system plans (water, parks, open space, and transit).

Mr. Van Hattum's slide 5 mentioned the *ThriveMSP 2040* TPP. The 30-year plan looks at all modes. The plan is inclusive of all Metro transit, CTIB, and suburban transit providers. Mr. Van Hattum noted that with suburban transit providers and CTIB, everything they do has to be a part of the TPP. Mr. Van Hattum outlined the desired outcomes: stewardship, prosperity, equity, feasibility, and sustainability. Mr. Van Hattum pointed out that this TPP is the first time equity and climate change are called out, which will have ramifications on how we think about transportation. As part of the TPP, Mr. Van Hattum mentioned performance measures which he thought were worth noting as they related to the different *ThriveMSP* outcomes.

Mr. Van Hattum continued that another piece that is important to the TPP is the direction about how to collaborate with local government. The TPP says that transit will drive and shape future regional development, which implies local government collaboration.

A committee member asked whether or how Uber and other ride sharing is included in this list of modes. Mr. Van Hattum replied that it was a good question and that while these are mentioned in the TPP, they are a new innovations that the Council is not providing publicly, so they are not listed among the modes. Mr. Van Hattum commented that he knows the TPP makes some reference to these and makes some attempt to look at context of the changing environment. He added that the TPP is always looking at new things. For example, the Council has a study underway to look at "the last mile" which, for those who use transit, sometimes that last mile is the hardest and critical. Uber and other ride sharing could help fill this need. [NOTE: "Last mile" does not necessarily mean an actual mile, but rather the distance one has to travel from their location to the nearest transit stop.]

Mr. Van Hattum's slide 7 showed existing transitways. He noted the difference in defining transitways. The CTIB definition does not include arterial bus rapid transit, but the TPP plan does include arterial bus rapid transit as a transitway. Mr. Van Hattum explained that the region has a designed system, and that there has been a lot of activity for a number of years including the studying of transit routes. He mentioned that when Chair Duininck speaks to the map on slide 8, he mentions 17 new transitways, three of which are light rail: the green line extension, the blue line extension, and a third.

Mr. Van Hattum noted that with increased revenue, the plan will look at significant expansion to the bus system in ten years. The plan put together by Metro Transit is called the Service Improvement Plan. The plan identified 122 projects that are either high or medium score. The plan mentions increasing coverage, going places that buses do not go to today. It will also look at frequency of service. The plan also outlines where bus expansions would happen: 50 routes in the urban core, 33 commuter express routes, 27 suburban local routes, and 14 urban support routes. This area of the plan has not been prioritized to the degree that the transitways have been.

A committee member commented that he was not familiar with the last category of urban support.

Mr. Van Hattum replied that he was not familiar with that category. He recommended bringing in someone at Metro Transit who does the transit planning 101 presentation.

A committee member commented that they did not understand if what was being presented was growth percentage or existing percentage.

Mr. Van Hattum responded that this is a plan to grow by 30 percent, noting that everything in blue was existing bus service and everything in green would be an expansion [slide 9]. The big takeaway, according to Van Hattum, was that unless revenue is increased none of the significant planned expansions will happen, which is what we have seen in the last decade. The quarter cent tax that CTIB created has gone to transitways and light rail, but not the core bus system expansion. It has not happened in the past ten years, and it likely will not happen without increased revenue.

A committee member asked a follow-up for a demographic breakdown of the growth percentage.

Mr. Van Hattum asked whether the member wanted to know who these routes would serve. The committee member replied yes. Mr. Van Hattum said he didn't know.

A committee member commented that it looked as if the plan is using the term suburban transit provider as a substitute for opt-outs in the dark grey area [slide 9]. The member did not think the lines drawn on this map would support the term "suburban" as most people would think of it. She added that all of the white area in the suburbs is also a Metro Transit service area. Only that dark grey area is the opt-out area. The committee member commented that we should be careful about using suburbs when talking about opt-out areas. Mr. Van Hattum replied that this was a really good point. He explained that the grey area on the map is Minnesota Valley Transit, Plymouth, SouthWest Transit, and Maple Grove. These are sometimes called the opt-outs.

Understanding that Mr. Van Hattum is presenting the plan instead of someone at the Met Council, they wanted to clarification on the 30 percent growth. What is the 30 percent referring to?
Mr. Van Hattum replied that in this example the 30 percent increase refers to service, but he was not sure exactly how they define service. However, it is not ridership.

A committee member commented on the term "suburban transit provider", and that Mr. Van Hattum is correct that it is the 13 opt-out cities. When Metro Transit did this they wanted to make sure that nobody thought that Metro Transit was doing any local route planning work in those 13 cities, so it wanted to show on this map that it is up to those 13 cities to decide what their service improvement plan ought to be. They were respecting those cities' right to determine those plans.

Chair Bell asked about questions he receives often. When the system is fully built out? What is the projected impact on congestion?

Mr. Van Hattum replied that he does not believe the TPP talks about impact on congestion. It mentioned as an important variable but he didn't believe it spoke to the specific impact on congestion. He mentioned a project by the Itasca group. It looked at the impact of transitways, not the whole plan, but the transitways portion, and found three dollars of direct economic benefit for every dollar invested. The key piece there is to look at what those three dollars are, and what you find is that the majority of the three dollars is reduced delay on drivers. Because the state mostly has drivers in the region, when we reduce delay on the system, the biggest beneficiaries are the drivers. Mr. Van Hattum mentioned that this report by the Itasca Project group was viewed as credible because it was peer reviewed, done by the business community not the advocacy community.

A committee member commented that the Itasca Project is civic group. It is not a business group. Mr. Van Hattum replied that the point was fair, but that the main point is that the Itasca Project hired an independent consultant to conduct the report.

Chair Bell asked whether the plan speaks to the percentage of assumed transit use in population and will this plan increase it.

Mr. Van Hattum responded yes. He said they expect aggregate ridership to go up. He believes the percentage will go up as well, but not as dramatically as one would see it go up in aggregate ridership. Mr. Van Hattum will try to find how much the share of trips in the region by transit goes up.

A committee member commented that the congestion impact is complicated. When space is created on the roads, drivers fill it. The committee member suggested another measure which would be helpful: connectivity to jobs. The University of Minnesota has looked at what the transit improvements would do to people's access to jobs in the metropolitan area. It's very impressive, and it's another measure of how we want this system to work.

Mr. Van Hattum continued by zeroing in on the arterial bus rapid transit system routes on slide 10. He noted that it was important to recognize that in this part of the investment plan how the lines overlap with poverty concentrated areas. Mr. Van Hattum touched on projected ridership. He reported that there were 100 million rides last year reflecting a 30 percent increase in the last 10 years. He added that 27 percent of that ridership is on the two light rail transit lines. The TPP transit build out, assuming the increased revenue, will have 500,000 more people within a 30 minute transit commute from work and nearly doubling ride projected in 2040. He clarified that the number is based on land use, demographics, and a number of factors, but that there was a pretty good sense of the impact on ridership.

Mr. Van Hattum explained that current revenue scenario. He reminded the committee that the plan is a 30-year scenario. Many lines on a previous map are not on this projection. It is difficult to look to future under any financial scenario when there are a number of variables including how many counties will be in CTIB, since Dakota County is exiting. Other variables include the state's share and federal dollars. The plan assumes business as usual with current revenue. For this reason, there is little growth in service.

A committee member commented regarding congestion impacts. They mentioned the concept of a latent demand. People change behavior due to congestion. People may drive on other roads to avoid congestion, but if a line is added, a temporary reduction may be experienced, but it will eventually get filled. In Minnesota, we are more or less done building lanes, certainly within the urban core. There are some MNPass projects if there is new revenue, and possibly some transit building, but he did not see building additional lanes because there is no money and because they do not ultimately help the system. MnDOT sees a robust transit system a part of their plan.

A committee member commented that if one were to think of traffic congestion as a network design problem, the best example he thought was the Southwest Light Rail line in Denver. It runs along highway I-25, a major corridor in Denver. If you have both you can reach an equilibrium. To the extent that there is a time advantage for light rail, you may see people use light rail more. Even if you do not see a reduction in congestion on that highway, you are moving twice as many people. Once you start costing out what it is going to take to replace that light rail capacity with new lanes on roads, you begin to see that it is more economical to invest in light rail.

A committee member mentioned that while the TPP may not talk about the impact of transit on congestion, it is clear just from the short discussion that there is one. It is important to have some discussion on that, as well as the previous comment on connectivity to jobs.

A committee member commented that the Southwest Light Rail funding model was not the optimal solution and it will put pressure on Met Council operations. CTIB can handle its 30 percent share but it does not do arterial bus transit per the legislation. He thought the revenue prediction on the slide was a little misleading.

Mr. Van Hattum responded that it is important to remember it is a 30-year scenario, so the understanding is that the quarter cent over 30 years allows for some growth, but if there is not a match from the state, it radically changes the bottom line.

Chair Bell commented that as he understands it, the situation that allowed Southwest Light Rail to move forward was taken from transit operations. So now, the question is how transit operations will be handled legislatively moving forward. This reflects one of the main questions that this group should be asking and wrestling with. First, is that what happened? And what are the implications?

A committee member replied that Chair Bell was exactly right. If we do not get the 10 percent of the state's share, which was the assumption all along, to get a meager 6.5 percent will come out of the operations will be a $45 million.

Vice-chair Lenczewski commented that where she lives has one of the busiest transit station the system: the Mall of America. Her community is experiencing what others have mentioned. The idea that congestion is measurable and that we can and should build these things to see a reduction in congestion was a false paradigm according to her. Her community wants all these things built, but they do not expect a decrease in congestion. The better measure is what the congestion would be without transit. She hesitated to consider transit a failure if congestion does not go down.

A committee member commented that it was not really accurate the only funding gap was with Southwest Light Rail. How do you fund everything? Bus service, light rail lines, how do you move everything forward?

Mr. Van Hattum continued to slide 13 to share the Governor's funding plan – the ½ cent sales tax in metro. He then mentioned the Senate proposal, which was passed in 2015, that calls for a ¾ cent increase in metro sales tax but it had provisions that could eat up some of the revenue. He mentioned the 1/10 cent to bikes and pedestrian and the 1/8 cent to be used at the county discretion on transportation.

Mr. Van Hattum continued to his challenges and opportunities slide [slide 19]. He mentioned that when looking at a 30-year plan for the seven-county region, there will be tensions in competing priorities. For example, the plan he said explicitly says it will look at regional balance when considering projects. It also says that equity will be increasingly considered—both income and racial equity—as a part of criteria for prioritizing funding. In addition, land use is an area with challenges. The plan speaks to bikes and pedestrian but it is vague on how the plan will fund them. In the Governor's ½ cent proposal in 2015, it mentioned $7.5 million of the half cent would go to bike paths which is something to watch. Street cars are referenced briefly in the plan because there was interest in the Saint Paul and Minneapolis for feasibility studies. Minneapolis has raised $60 million and hope to leverage other funding for street cars. It's not clear where the operating dollars would come from.

Mr. Van Hattum finished by commenting that only about 15 percent of jobs have convenient transit access. He mentioned that his organization did a study five years ago that looked at this.

Mr. Van Hattum concluded by saying that it is important to think about the global economy going forward. Millennials are looking to live in transit-heavy places. Consistently, around the world there are highly developed rail systems. He thanked the committee. [*See Addendum A and B for follow-up material by Mr. Van Hattum*.]

Chair Bell thanked Mr. Van Hattum for his presentation.

A committee member thanked Mr. Van Hattum for stepping in and commented that it was unfortunate that the Met Council decided not to participate because they could have been a great stakeholder. Reflecting on the committee's charge to look at current funding, there is a validity to challenge the assumption that the TPP makes in regard to funding. Southwest Light Rail didn't get the 10 percent state share. Further, Dakota County is deciding to leave CTIB. So there are major challenges to current funding and one could say these assumptions are out of date.

A committee member commented on a previous slide showing current revenue scenarios and mentioned that some of the information is mislabeled. Could this mislabeling be a problem statement to look at?

Given the challenges that may affect the current list of projects that may or may not get done, what might be the problems associated with that and how does the group help to address it. While the committee may not agree on everything that is listed, it might be able to come to agreement that expanding the transit system to meet the population needs and the travel behavior is necessary.

A committee member commented that they take issue with the Met Council not being present. It puts us at a disadvantage because their questions can only be answered by the Council. The committee member wanted more context about why the Council is choosing not to participate. She felt they are a government body and in their opinion it should not be an option for them to not participate. She did not feel today's presentation on the TPP was an appropriate substitute, though the committee member appreciated the presentation by Mr. Van Hattum.

Chair Bell replied that he did not feel comfortable speculating why the Met Council is choosing not to get involved, but that he and staff would continue to reach out to them.

A committee member mentioned that equity is coming up a lot. He hoped that equity discussion would also consider the taxpayer's point of view as well. The member mentioned sales tax is a regressive tax and that the middle class will be hit by it. He hoped the group would like at equity not just from a rider perspective but also from a funding source as well. In regard to the biking and pedestrian issues, the committee member lives in the Three Rivers Park district with many trails. Most seem to be for recreation. He asked about what the right balance for recreation and biking for work and school is.

A committee member responded that everyone is a taxpayer– even those who fall within the equity spectrum and that we should keep that in mind because we all pay taxes in one way or another.

Another committee member mentioned that both the opt-outs as well as the Met Council or Metro Transit have criteria as it relates to ridership to justify routes, and that they analyze these routes on a regular basis. As things change, their recommendations can change. It might be helpful if we had a little understanding how that evaluation occurs. They do make data-driven decisions. The member added that if we are going to be a viable and strong region, we have to be attractive for others in the country to want to come into this region. If we are going to have international presence, it is critically important to keep in mind what it is going to take to be competitive region in an international economy. Doing nothing does not get us there.

Chair Bell thanked Mr. Van Hattum again for the presentation. He mentioned that Mary Richardson would be at the next meeting to present on CTIB. Her presentation would meet the first objective to understand the current system for capital and operating funding. He hoped to move into some scenario planning.

Vice-chair Lenczewski reminded those present that meetings are evaluated on a scale of 1-5, 1 being not productive at all, 5 being met or exceeded objectives. Members evaluated the meeting as follows: 4, 4.5, 2, 3, 4, 4.5, 4, 3, 4, 3, 4.5, 3.5, 4, 3.5, 4, 3, 4, 4, and 4 for an average of 3.7.
Chair Bell adjourned the meeting at 9:37 a.m.

Approved Minutes
Citizens League Transit Study Committee
Thursday October 6th 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Bell Peter Bell, Vice-Chair Ms. Ann Lenczewski, Mr. Michael Beard, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Mr. Jason Grev, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, Mr. Vayong Moua, and Ms. Patty Thorsen
Members not present: Mr. Bill Blazar, Ms. Kenya McKnight Ahad, and Mr. Abou Amara,

Staff & staff support present: Pahoua Hoffman, Sean Kershaw, Consultant Katie Hatt, Policy Fellow Matt Byrne, Intern Caroline da Silva Barbosa.

Citizens League members: Bill Dooley, Bob Carney, Peter Wagenius, Matt Burress, Patty Nauman, and Dave Van Hattum.

Proposed outcomes for this meeting

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Hear from presenter on Counties Transit Improvement Board (CTIB).
- Begin scenario planning discussion by reviewing draft funding scenarios.
- Agree on next steps

Chair Bell called the meeting to order at 7:34am

Chair Bell welcomed the committee. He announced that the agenda begins by reviewing the goals. Chair Bell highlighted the three main objectives of the project.

1. Understand the current transit capital and operating funding system.

Chair Bell indicated that the committee has had a number of presentations to date on that first goal, and that they will continue that in the first hour with a CTIB presentation looking at the CTIB funding and governance structure.

2. Review and consider different funding and governance models, including current models.

Chair Bell mentioned that this is important because after we understand what currently exists, we will move to exploring various possibilities that exist.

3. Make recommendations based on these findings and conclusions.

Chair Bell relayed that there were a number of processes being considering for how to have those recommendations come forward that will be shared in the not too distant future.

Chair Bell explained that after the presentation, a preliminary list of about 20 transit funding options will be provided. The task today is not to prioritize, or argue for one or another, but just to understand them. The hope is that understanding these possibilities will inform future conversation. This is not a final list, elements of each possibility can be combined. This came in part due to a question from last week's meeting about what the arc of this committee was. This list represents what the sandbox of possibilities are to consider. The committee will come back to the list from time to time.

Chair Bell announced that the first order of business is to approve the minutes of last week's meeting.

Chair Bell asked for a motion. A motion was moved by Mary Giuliani Stephens and seconded by Peter McLaughlin. Chair Bell asked if there was any discussion. With no discussion, a unanimous aye vote passed the motion to approve the minutes with no changes.

Chair Bell referred to last meeting's presentation from Dave Van Hattum from Transit for Livable Communities reviewing the Met Council's Transportation Policy Plan. Chair Bell asked that the minutes reflect the committee's appreciation of Dave for his presentation.

Chair Bell mentioned that there were questions from last meeting about whether the Met Council is coming to present or not and why they were not present. Chair Bell relayed that, in fact, the committee will be having a presentation from Met Council in the not too distant future.

Chair Bell turned it over to Vice-Chair Lenczewski to review the meeting's proposed outcomes.

Vice-Chair Lenczewski reviewed the agenda noting that there would be a presentation from CTIB and that the committee would start scenario planning as Chair Bell laid out. She pointed out that the scenario planning list is not exhaustive and that there will be some scenarios that people will flinch at and others that people may love. After the last meeting, there was some desire to start working on scenarios. Vice-Chair Lenczewski reminded the committee that the Citizens League procedure is fact-finding first, and that there are still folks to hear from. However, they wanted to get scenarios out there, if only to understand them, and perhaps add more. She emphasized that the committee is not yet taking any options away.

Chair Bell introduced today's guest presenter Mary Richardson, noting that he has worked with Richardson for many years. He said that Richardson was instrumental in establishing and forming the structure of CTIB and drafting legislation. Chair Bell said that he worked with her when he was Chair of Met Council and is delighted she is here.

Presentation on Counties Transit Improvement Board (CTIB)

Richardson explained that she acts as the administrator for CTIB and that her presentation has legal, financial, and process details of CTIB. She began by making three observations about CTIB that will be key themes throughout the presentation. The first observation was that counties individually and collectively have been leaders in the development of transitways since the 1980s. They began the planning, they used property tax dollars, and they worked on the development of transitways, and not just because counties see that it is important to have transportation choices for its residents and businesses, but because transitway development is linked to economic development and can have a transformative effect on communities, counties, and the region.

The second observation Richardson pointed out was that the 2008 funding legislation was successful. Five of the seven metro counties stepped up and enforced a quarter cent sales tax. Since that time if you count the grants awarded this year, CTIB will have invested over a billion dollars in transitway development in the region. Each of the investments in the first six years of CTIB, were made by a unanimous vote by the board, and all of the investments have been consistent with Transportation Policy Plan (TPP). Furthermore, the Met Council has used CTIB funding to design, construct, and operate transitways that are consistent with CTIB's vision. Richardson mentioned that there has been tension between the Met Council and CTIB from time to time, and that Chair Bell and the Commissioners anticipated the tension when the legislation was passed. Richardson stressed that CTIB has achieved results, accomplished what it has set out to do, and was accountable.

The last observation Richardson made was that while the quarter-cent sales tax has resulted in significant funding, it is not enough. Richardson commented that the state has continued to be an unreliable funding partner in transitway development and that a dedicated source of funding is going to be required to complete the system as planned.

Richardson then provided an overview of the presentation [*see Attachment A*] beginning with the context of what the region was like before CTIB, the shared vision between Met Council and CTIB, CTIB's governance and organizational structure, how CTIB funds its regional vision, and finally some of CTIB's current projects.

Richardson explained that the County Regional Railroad Authorities were formed in the mid-1980s and have been collaborating in a joint powers agreement since 1992 to advocate for transit funding at both the state and federal levels and to share information across counties about transitway development. She mentioned that these transitways were developed by cobbling together funding from a variety of sources. There was no dedicated funding, no system-wide transitway development plan, and no clear governance structure. There was success in securing earmarks, but it was difficult to compete for full funding because there was no dedicated funding source.

Richardson said that the Hiawatha Light Rail Transit (LRT) emerged from that funding context. The Hennepin County Regional Railroad Authority started the planning process for the Hiawatha LRT. Hiawatha LRT advanced with initial funding approved by Governor Carlson in 1998 and was opened in 2004. MnDOT and the Met Council was responsible for its construction. Richardson emphasizes that the funding was cobbled together and the planning and development took a very long time.

Richardson commented that there was concern that each transitway was being developed one at a time, and that it took too long to finish. In 2008, the transportation legislation passed and counties were authorized to tax one-quarter of a cent sales tax. Five of the seven counties--Anoka, Dakota, Hennepin, Ramsey, and Washington, imposed that tax. The legislature authorized a portion of the Leased Motor Vehicle Sales Tax to be distributed to Anoka, Carver, Dakota, Scott and Washington Counties for county highway purposes.

Richardson discussed the legislative authority for CTIB. The legislation gave counties the authority to impose by resolution a quarter-cent sales tax. Richardson commented that what was unique in the legislation is that it required four items: the formation of a Joint Powers Board, the pooling of sales tax resources, the board to use revenue for grants, and that it be consistent with the TPP.

Richardson described CTIB's vision as a network of connected transitways that acts as a catalyst for economic development, increased ridership for economic development, and further transit expansion.

A committee member asked about Slide 5 regarding CTIB's vision. They wondered if there is something beyond the vision statement that informs its work. The committee member asked, for example, whether CTIB has criteria or a framework for selecting transitways to invest in. The committee member noted that

Richardson said selection is consistent with TPP. They asked if there is back and forth between the Transportation Advisory Board (TAB) or Met Council and CTIB, and wondered if that communication was formal or informal. Richardson responded that she would discuss board decision making later in the presentation. Richardson mentioned that the Chair of the Met Council sits on CTIB as a member, and the Chair has 5 votes. Additionally, all of CTIB's investments are made consultation with Met Council and Met Council staff sits on CTIB committees. While CTIB's board makes the final decisions, the development of grants annually comes from conversations with Met Council needs.

Chair Bell stressed that the coordination is important in part because Met Council is often asked to fund part of ongoing operating expenses and it would be difficult for the Met Council to fund projects outside of the TPP.

Richardson showed Slide 5 CTIB's Regional Vision for Transitway – demonstrating operational transitways, planned expansions, and future transitways. Richardson also showed slides which display the Met Council's Vision for Regional Transitway Development, emphasizing how similar they are. She explained that CTIB's map is a subset of Met Council map and that Met Council's definition of transit is broader than CTIB's in that they include arterial Bus Rapid Transit (BRT) in their map.

A committee member asked for the history of why Met Council and CTIB have different transit definitions. Richardson responded that it was partly because CTIB does not have money to fund the entire system as defined by Met Council. CTIB programs funding and bonding authority is for 30 years. The projects in CTIB's plan can be funded by CTIB, however, there is not enough funding for expanding beyond the corridors that are in its plan.

A committee member commented that while maximizing the driving efficiency is important, given the limited money available, counties have to make focusing on economic development their highest priority. The committee member argued that this strategy allows us to compete for economic investment in the region. The member further argued that the economic development impact is greater for transit investments such as Hiawatha LRT as compared to arterial BRT. The member noted that if there was more money available, as the original 2008 proposal called for, CTIB could be more flexible for a broader array of investments. The member mentioned that the old post office building in downtown Saint Paul received a 250 million dollar private investment due to the central corridor moving forward as an example of the economic development impact of transitway developments. The member stressed that the investor has admitted that they would not have made the investment without the public infrastructure investments. This kind of private investment is central to CTIB's funding strategy.

Another committee member commented that legislation also directed CTIB to maximize federal dollars. The argument at the time was that if Met Council was on their own trying to maximize federal dollars they ran the risk of cannibalizing regular route service. The member noted that it was a controversial decision and that CTIB doesn't cannibalizing regular route service.

Another committee member added that the concept of arterial BRT did not exist in 2008, when CTIB was created. When CTIB did initial planning for these regional pieces of infrastructure, it distinguished between infrastructure and local service. The member reiterated that CTIB does not oppose arterial BRT, it is simply an issue of scarce resources as the sales tax only generates 117 million dollars per year.

Chair Bell announced that there was only 30 minutes left for presentation.

Richardson indicated that in light of time constraints, she wanted to emphasize how important economic development is to transitway development at CTIB. Richardson showed a number of slides demonstrating how CTIB's vision is being played out in the region today. Slide 7 displays economic growth along lines and overall ridership with the two LRT lines carrying 28 percent of all transit riders.

Richardson showed Slides 8, 9, and 10 displaying a maps of concentrations of job vacancies and unemployment along transitways as well as fortune 500 companies, and key destinations along transitways demonstrating transit support of economic activity in the region.

Richardson discussed the governance and organizational structure of CTIB. She noted that the statute asked for the creation of a Joint Powers Board including five member counties, two Commissioners from each counties, and the Chair of the Met Council. CTIB decided that the Commissioners from Scott and Carver County could sit ex officio so that communication stays intact. The statute also required a Grant Evaluation And Ranking System (GEARS) Committee, which is a committee of cities and counties including elected officials (eight from the city, six from the county), that develops recommendations on grant applications.

Richardson stressed that the real challenge was how to make decisions as an organization. She commented that Chair McLaughlin often talks about the Constitutional Convention and the 13 original colonies to demonstrate the difficulty in getting different counties with significant differences and forming them into a decision making body.

Richardson referred to Slide 12 which shows differences in sales tax generation and population within Anoka, Dakota, Hennepin, Ramsey, and Washington counties. The task was how to make an organization including these differences equitably allocate grants for the region. She commented that the resolution to that particular issue was resolved by developing a weighted voting structure. One hundred total votes are allocated to the counties, split 50/50 based on sales tax and population. At least three counties and 63 votes are required to pass anything, and at least 75 votes from at least three counties are required to approve issuance of debt. Richardson reiterated that the Met Council Chair gets five votes.

Richardson presented the administrative expenses of CTIB, describing CTIB as a lean organization. The statute limits CTIB's cost to ¾ of 1 percent of the net sales tax proceeds. She added that CTIB has: no buildings, property, land, or employees. CTIB uses county legal, financial, and communication staff, and contracts for services as needed. Hennepin County acts as a financial manager and the board's funds are held in trust at Wells Fargo Bank.

Richardson noted that the board's focus is on transitway expansion. CTIB invests in engineering, construction, and operations of BRT, commuter rail, and LRT. She emphasized that the board's funds are meant to supplement not supplant Met Council budget allocations. Richardson added that from the very beginning, CTIB's funding was meant to be over and above the Met Council's spending. CTIB does not invest in studies, passenger rail, regular route buses, or arterial BRT.

Richardson used Slide 15 to discuss the share of CTIB's funding as it compares to federal, state, and county funding for capital and operating expenses. She noted that 80 percent of all transit funding comes from county organizations. For capital expenses, CTIB hopes for 50 percent to come from federal funding and that 10 percent comes from the state. Richardson showed Slide 16 to talk about the role of the state in transit funding before and after the creation of CTIB. She noted that before CTIB the state funded a much larger percentage of capital and operating expenses.

Richardson explained that CTIB funds 30 percent or more of total transitway capital costs before federal funding arrives because of the long process for applying and receiving federal funds. Once a transitway is built, CTIB pays for 50 percent of the net operating costs. Richardson reiterated that CTIB maximizes the availability of federal funding and also that CTIB does not own, operate, construct, or design transitways.

A committee member commented that the slide shows that the Federal Government funds 50 percent of capital costs. The member asked if they have in fact been funding at 50 percent because they recall that the funding has gone down. Richardson responded that they have been contributing at 50 percent, and that currently the Federal Transit Authority (FTA) gives a project a higher rating if their percentage comes down below 50. She added that CTIB tries to get FTA to 49 percent at most because that results in a more competitive application.

Staff asked a clarifying question referring to Richardson' comment that CTIB's funding is meant to supplement and not supplant funding whether that funding is referring to Met Council funds or state funds. A committee member responded that the intention was Met Council funds. The legislature wanted to make the distinction that CTIB funding was for new projects and not for bailing out the Met Council.

Chair Bell commented that the first funding that was provided was in fact to bail out Met Council. A committee member responded that they considered that the cost of doing business but not the long term expectation. The committee went on to describe the original legislative deal making regarding CTIB's funding.

A committee member commented that federal funding needs to be a part of the conversation. The member said that they looked at regions around country regarding how they fund transit. The member argued that most of the regions are farther along because they will fund a corridor or two without federal funding. The member added that FTA process is onerous, and it adds substantial costs to the projects. The member remarked that one of the goals has always been to get to the point where corridors can be advanced without federal funding. The member stressed that as the committee talks about governance and funding, they should include that issue.

A committee member asked whether the system rider statistics and funding statistics include Metro Mobility funding. Chair Bell replied that he does not believe they are reflected here and that it is funded separately, because there are federal mandates for Metro Mobility.

A committee member echoed a previous comment about federal funding, and that it was very concerning and should be included in the funding scenarios work.

Richardson noted that CTIB acts not only as investor providing grants, but also participates in advocacy and policy development at both the federal and state levels. She showed Side 17 displaying CTIB's investments to date and mentioned that CTIB anticipates 252 million dollars in grants next year and has secured 1.5 billion dollars in federal funding.

A committee member commented that when the sales tax was passed, CTIB was perceived as a better partner for federal dollars because funding was secured from a reliable revenue source. The member added that while there are costs associated with the FTA process the dedicated revenue results in much more competitive FTA applications.

Richardson discussed how CTIB makes its funding decisions. She explained that CTIB has a network of policy documents that guides its investments, starting with the authorizing legislation and the joint powers agreement negotiated among the five counties. There is also the Transit Investment Framework, which is CTIB's overall guiding policy document and includes CTIB's vision, guiding principles, eligibility criteria, and how it makes grant decisions.

Richardson added that each year the board does an update on its Program Investment Strategy. The document was originally adopted in 2014 after a study conducted with Met Council on how to accelerate the development of transit ways. Richardson explained that CTIB looks at: regional balance; Met Council needs; which corridors fit within the budget; and funding partners. Based on information in the document, as required by statute, the board annually adopts a resolution authorizing annual grant solicitation that identifies corridors eligible for grants, and how much money will be made available for operating and capital funding. The board awards grants following an application process, and enters into grant agreements that give terms and conditions.

Richardson explained that there are key fiscal policies throughout the governing documents. The goals of the policies include: achieving regional balance and connectivity; maximizing availability and use of federal funding; significant fiscal discipline and good stewardship of tax dollars; responsible planning and execution of financial commitments; and being a reliable funding partner.

Richardson described the Program of Projects Investment Strategy for CTIB as a financial planning tool to inform board decisions. It monitors: sales tax resources; CTIB needs bonding to fulfill funding commitments; and what the board can afford. It also indicates when CTIB meets its financial commitments, the timing of commitments, and how the commitment was made whether it was a cash grant or bonding. Richardson added that it also identifies specific projects and how much money they need in the subsequent year.

Richardson showed Slide 20, which maps phase one programs, which are what CTIB has programmed for the next 30 years. The following slide lists CTIB transitways that are programmed, as well as transitway improvements.

Richardson showed Slide 21, which illustrates CTIB's cash receipts since 2012.
Chair Bell asked whether transitway improvements have the same criteria as transitway development. Richardson responded that the criteria is the same.

A committee member commented that transitway improvements is based on limited modeling. The member noted that CTIB invested to bring the Red Line, online for example, and that that is not reflected by the transitway improvements listed using the model. The member added that it is important to know that when you look at the funding scenarios on transitways, CTIB may put much more money on improvements than the 30 percent done on transitways.

Richardson added that the Cedar Grove Station is an example where CTIB is paying 80 percent of cost.

A committee member noted another example where CTIB forwarded money to the Met Council so that they could buy Blue Line vehicles. This money will be repaid over time; it saved about a million dollars.

Chair Bell clarified that there is not a formula for improvements, instead it is negotiated on a case-by-case basis. A committee member responded that normal transit investments are not really formulaic either. For example, CTIB increased the funding to 31 percent on the Bottineau Line to be more competitive for FTA funding. Instead, investments are made along a basic guideline. Chair Bell followed up commenting that transit improvement projects have fewer guidelines. The committee member agreed that the projects are more opportunistic.

A committee member commented that there is a state statute that 10 years of operating funding must be identified before transitway development can move forward. The committee member wondered if that applies to Met Council exclusively, or if that applies to CTIB as well. Richardson responded that that CTIB statute requires that grantees identify the source for operating funding, but it does not have a mandatory timeline or percentage required.

A committee member said that when CTIB plans out its 10-year or 30-year strategy, they plug in a 50 percent of operating subsidy immediately. A committee member asked if the projections assume that the state will fund 50 percent of the operating funds. The committee member responded that CTIB assumes it will be taken care of.

A committee member commented that if there is a project moving forward with CTIB funding, they will point to the statute that says that CTIB will pay 50 percent of operating funds, and the other statute that refers to the state's funding responsibility. The committee member noted that whether or not the state comes through with its funding is another question. Richardson responded that she thinks that that is true, but clarified that there is no statute mandating CTIB to 50 percent, although they choose to do so.

Richardson showed Slide 21 demonstrating CTIB's resources when the sales tax was imposed in 2008. While revenue shows significant increases in early years, Richardson notes that, in 2015, for the first time there were erratic collections due to changes in the tax code that caused differences in how the sales tax was collected. Richardson showed the next slide demonstrating sales tax assumptions for the coming years. Richardson notes that the department of revenue has agreed with CTIB's analysis.

Richardson described CTIB's funding priorities beginning with debt service on bonds, funding capital and operating commitments. In addition, she described grants for the completion of phase one transitways, transitway improvement projects, and operating subsidies.

Richardson showed Slide 23 noting Hennepin County's involvement on behalf of CTIB due to its superior credit rating, as well as the overall outstanding debt, and annual debt service amounts for CTIB. Richardson emphasized that an important feature of CTIB is bringing in money to projects, which helps with federal applications because projects can rely on CTIB commitments. The next slide showed capital funding commitments for CTIB. Richardson pointed out that that slide shows thousands of dollars, but meant millions. There is a total of 891 million dollars in funding commitments for the next 30 years.

Richardson showed Slide 24 describing planned funding shares for the transitways, as well as lists of corridors that CTIB has committed 50 percent of operating funds for. Richardson described details on a number of its planned funding shares for transitways.

Richardson discussed the current funding challenges of CTIB. She showed Slide 25 illustrating the growth rate of sales tax slowing for the last six years. She said that it was difficult to sort out funding in

2016, due to the slowed tax revenue. She mentioned that Dakota County had filed its withdraw from CTIB in June of 2016, although it takes two and a half years to withdraw. CTIB will stop sales tax in Dakota County on March 21, 2018. The loss of overall revenues due to the Dakota County withdrawal is about $18 million dollars in 2020.

Richardson emphasized that CTIB has faced significant challenges due to the lack of state share of Southwest corridor funding. In this last session when the legislature did not act there was a delay costing 19 million dollars according to the Met Council. She explained that funding was running out from all sources, including the funding provided by CTIB. She stressed that this required action, since layoffs were pending and the project was at risk of falling out of the federal funding queue. She explains that a bridge financing package was put together. Hennepin County Rail Road Authority (HCRRA) increased its share by $20.5 million dollars, CTIB increased its share by $20.5 million dollars, and the Met Council, with the Governor's approval, issued up to $103.5 million dollars in Certificates of Participation (COP). She explained that COPs are a form of financing that is not a bond. It is a mechanism that the Met Council has available based on pledging annual appropriations. CTIB agreed to pay the financing cost of 11.75 million dollars, which has an annual cost of about $600,000.

Chair Bell asked if the $11.75 million is a debt service for the COPs from Met Council. Richardson responded that CTIB's obligation is to pay the debt service for the $103 million. Chair Bell followed up commenting that Met Council is then paying the debt service on the rest of the debt.

A committee member commented that the Met Council felt confident they could get it through the FTA process without the FTA saying that they were jeopardizing existing service, but CTIB, having already made a commitment would assume another $11.75 million of debt as a solution if the FTA kicked the project out of the queue for this reason. Chair Bell asked to clarify whether this point relates to FTA requirement that a new system cannot result in degrading existing services, and that the FTA wants to make sure that the Met Council payment for the finances does not come out of regular route bus service funding that that would be reduced. Another committee member agreed with Chair Bell's interpretation and followed up that the bigger problem is that each funding agreement that has been signed already is based on financial plans, which agreed that you would not cannibalize the system on any of the other funding agreements. The member argued that if you cannot meet that requirement on this one, it implicates the possibility of a breach of contract on previous agreements. The committee member added that it is possible that the Federal Government could require repayment of all projects, not just Southwest Light Rail Transit (LRT) line. The member said that this is a big deal, and that they applaud CTIB for trying to make it work out, but that running with COP is a big problem for the region. A committee member responded that that is exactly why CTIB agreed previously mentioned agreement, because the FTA will never tell whether the project will move forward. The committee member added that this demonstrates why it was so important to make sure there was a plan in place, so that we did not have another crisis to solve to keep this line going. The plan was smart as a region but shows the difficulty in threading all these needles with all of the partners.

A committee member followed up that there was a lot of balance of risk and reward, and that if the project were delayed a year there would be a guaranteed 50 million dollar inflationary cost. The member stressed that CTIB was trying to get to a reasonable spot using existing legislative provisions and existing revenue streams. They added that when HCRRA stepped up to the full statutory limit of 10 percent property tax provision, CTIB matched that and went beyond it to cover debt service and another $11.75 million in order to make it through the federal process. The judgement was made that CTIB needed to move forward because layoffs and costs would grow. The member said that this was a prudent risk of taxpayer dollars in the region and the resources that CTIB could bring to bear to help to solve that problem. The member emphasized that the problem was that the state not coming up with its 10 percent share which had been anticipated from the beginning.

Richardson showed Slide 27 to display how CTIB cash flow graph, which monitors capital and operating funding, as well as debt needs over a 30-year timeframe. Richardson commented that the cash flow demonstrates that CTIB is going to need significant bonding to capital grants particularly as the Bottineau

Line and the Southwest LRT project start construction. CTIB anticipates bonding to start later in 2018 depending on project progression. Richardson stressed that the cumulative debt of about $80 million over 30 years is manageable, but the board is watching it closely.

A committee member commented that the sales tax assumptions shown had been downgraded by CTIB, and that the estimates moving forward are conservative.

Richardson described contributors to structural balance including a reliable state share of funding, increased revenue, and cost containment of projects. She also discussed things that CTIB can do internally to contribute to structural balance including adjusting debt assumptions, and metering grant payments.

A committee member pointed out that the 2008 dollars produced by the sales tax were not all new dollars that went into new investment. When the state reduced its share of the transit funding, the sales tax revenue had to be used to replace lost state funding. The member stressed that the proposals should include a stable way and realistic way of funding.

Chair Bell commented that this was an important point.

A committee member asked what GEARS and MCCOP stood for. Richardson responded that MCCOP is the Metropolitan Council Certificates of Participation, which is a form of debt financing, and that GEARS stands for Grant Evaluation and Ranking System Committee, which is intended to have a role in grant making applications. Chair Bell mentioned that GEARS members are more than just CTIB members. A member commented that GEARS includes 8 city reps and 8 county reps, and was meant to include city voices.

A committee member commented that GEARS is the kids table, and that it was a nod to cities to have involvement in how CTIB operates. A committee member responded that GEARS was intended to be relevant given the half-cent proposal, but when the proposal did not go through the GEARS Committee review process it made gears less relevant because there was less revenue.

Chair Bell announced there was time for two more questions.

A committee member asked what the Met Council or CTIB perspectives regarding the challenge of getting state funding for Southwest and going to COPs as well as looking to the future going to state legislature for funding were. A committee member responded that CTIB has advocated for a more robust reliable funding source so that CTIB does not have to do the jerry-rigging with COB because it is not an optimal situation, but that it was the best solution at the time to avoid layoffs.

A committee member comments that it was presented as bridge funding because last year's funding proposal would have covered the Southwest LRT line, if it was successful. The way the Southwest LRT line has advanced is if there is new money it can eliminate the COPs.

Chair Bell added that this question is why this committee is timely, since legislation will be looking at either directly funding, or finding more money for Met Council for operating funding, since the Met Council is committed to funding COPs. The legislation will have to come to terms with this and will be looking for suggestions.

A committee member commented that COPs are a bit of a Pandora's Box, whether it is a bridge or not, because detractors will argue that the funding will just get figured out.

A committee member referenced a previous point about GEARS being called the kids table, and noted that the cities do not contribute anything regarding tax dollars. The cities had their own proposal and counties had theirs, and when talked to individually it became clear that cities and counties have very different cultures and visions for transit. The member added that bringing them together to develop a shared vision is still a good goal but that it did not work out as envisioned.

Chair Bell thanked and complimented Richardson on her presentation.

A committee member commented that it is important to point out the differences between road funding and transit funding, particularly the federal implications. The member noted that although a 50 percent federal share is talked about, according to federal statues the share could be as high as 80 percent. The member said that the problem is that the FTA capital investment program has been oversubscribed and has lots of competition. The FTA criteria encourages asking for less than the law allows. The member points out how differently a road project would go in Minnesota if for example the Stillwater Bridge had to compete with every other bridge project in the United States. The member argued that the bridge wouldn't have made it, the money would not have come to Minnesota and that it is important to keep that background in mind.

Chair Bell asked for other points before moving into scenario planning.

Scenario Planning, Part One

Chair Bell announced that the committee would now begin working on the list of possible funding options. Chair Bell stressed that some of the things on the list will make members happy and others may make members uncomfortable. Chair Bell clarified that the current job is not to debate the pros and cons of the list, only to seek clarification about what each possibility entails. He added that this list is subject to change, but that our recommendations may come out of this list. Chair Bell commented that he wants to use this list to inform discussion with future speakers. Chair Bell noted that, in the interest of transparency, that he, the staff, Vice-Chair Lenczewski produced this list themselves and reached out to committee members to add to the list and fill in gaps. Chair Bell indicated that they may continue to reach out to members from time to time in between meetings for ideas or advice. Chair Bell reiterated that the list is open to adding, changing, merging, and that we want a low bar but not NO bar. He commented that political possibility ought to be considered. Chair Bell added that he expects that members will disagree about what is politically possible. Chair Bell explained that the goal is to do one of two things ultimately: cobble these possibilities into scenarios and debate and pick a favorite; or the committee may prioritize the list of scenarios and create tiers. For example, there may be a few scenarios that the committee could recommend as top tier possibilities for legislative action, there could be a middle tier of possibilities for legislative action, and so forth. Chair Bell pointed out that there could also be a bottom tier of possibilities where the committee recommends the legislature does not strongly consider them. Chair Bell noted that this would provide legislators some guidance of where to start deliberations.

Chair Bell announced that he would go through the list quickly before asking the committee for reactions. (*See Attachment B*)

Chair Bell commented that the committee could think about which of the scenarios apply to capital as opposed to operating funding.

A committee member echoed comments regarding number five. The member added that despite the fact that there a lot of ideas, the imagination was limited to imposing a sales tax on seven counties. The member pointed out that it could be more than seven counties, and in fact the lines do not have to be drawn at the county level at all. The member added that they wanted different ideas on the table and stressed the importance of thinking outside of the box.

A committee member followed up on Chair Bell's comment and said that in addition to keeping in mind which scenarios are more appropriate for capital or operating funding, consideration should be made for distinctions among scenarios given different modes. The member emphasized that there needs to be a clear vision about what the goals of the system are before looking at the function of different potential revenue streams.

Chair Bell followed up and considered that it might be worth listing scenarios using a matrix including modes, capital, and operating in order to flesh out the possibilities.

A committee member commented that getting into modes makes them nervous because it brings in questions of governance regarding Met Council and CTIB. The member added that there are good reasons for how each system operates. The member asked how those systems overlap and whether the committee is going to continuing to think about divvying up modes or if there a different way of thinking about that relationship and decision making.

A committee member asked about the committee's charge regarding governance models because their understanding was that they were considering different governance models in addition to looking at funding sources. They added that there are a lot of assumptions built into the list regarding governance models. The member wondered if the committee is looking at content in the right order or whether further information on funding is needed to inform discussions on governance models.

Staff responded that one of the goals here was to provoke these questions. Staff asked the committee to consider what other information is needed from staff. Staff noted that as the committee comes up with an answer to keep in mind what problem is being solved because it will be included in the final report. Staff reiterated that this process is meant to provoke the conversation around these questions, not end it.

A committee member agreed with previous comment about form following function, and is interested in the governance side of these questions. The member added that it would be helpful to see the progressivity vs. regressivity of different taxes. The member noted that this could be split based on mode or population. The member said that the committee has talked about getting a presentation from Met Council about who the users of the system are, and that it would be interesting to see how that plays out by mode. The member added that the Dept. of Revenue tax report that lists out the progressivity to regressivity of taxes from 1 to minus 1. The member said that information would be helpful background.

A committee member commented that the governance questions are not new. The member noted that the Auditor's report in 2011 was a direct outgrowth of a conversation like this. The report discusses who does what, when it is done, and what the expectations are. The member added that the report was requested by those who felt that the suburbs and rest of state was not paying their fair share. The report aimed to answer questions about where the money came from, where it went, was it equitable, and was it being effectively spent. The member emphasized that the number one issue in the report that surprised everybody was that this was not a transit question but a metropolitan governance question. The member said this is the 800 pound gorilla in the room and that until solve that, you are just moving chairs around. The member added that this issue colored the veto override. The member stressed that the veto override and inciting people to vote against the governor was a big deal. The member added that when the committee talks about CTIB and metro governance that they are poking at bruises that people still care about. The member commented that the issue is still raw and when discussing it we ought to be respectful.

A committee member followed up on the previous point and said that the back room deals on the Southwest corridor poured acid on the whole deal.

A committee member added that the Southwest deal was forced and that looking at all the federal money lost is important but there was trust lost and the questions aren't always about funding, there are many moving parts, and questions about who gets to make policy, and it is very difficult.

A committee member argued that if the committee begins breaking scenarios out by mode, that the modes should include walking and biking connection. The member added that walking and biking account for eight percent of trips in region, three percent of federal, state, and regional transportation dollars go to walking and biking projects. The Transportation Advisory Board allocates the only dedicated money for walking and biking connections. The member emphasized that this should not be glossed over. The member added that pedestrian fatalities are up significantly, and that this is not just a core city issue, it is a regional issue. The member noted that there are transit lines on streets with no sidewalks, lots of unsafe intersections, and it is a problem that should be included as modes of transit are discussed.

A committee member commented that, as referenced by other members, we are having an ideological debate about what the right investments are for our area. We are not in the same spot regarding transit as other regions are. The member argues, in reference to a previous comment, that it is not just moving chairs around, and that there were chairs added in the 2008 bill. The member pointed out that there were wounds because some did not want that funded, and that there would have been wounds on the other side if that did not get done. The member continued that the same is true regarding the Southwest LRT It is not an optimal solution, but the line needed to be funded. The member commented that the committee is going to talk about governance and talk about funding, but there is not agreement on what we are going to govern and what we are going to fund; the committee is hopefully going to come together to figure that out. The member added that in 2003 the business community had a change of heart about light rail after studying peers in Denver, and have since become advocates and funders for light rail. However, there are still disagreements about who gets to make the choice. The member continued that there are people who do not want the metropolitan area to make these choices. The member emphasized that they hope there is a conversation about what the vision is that we are going to develop as governance and funding. The member said that he worked with Chair Bell for eight years on Southwest and that in balancing realism with idealism, at that point in time there was no better choice. The member stressed that they hope there is a possibility for conversations in the committee to come to agreements about some governance pieces that are important.

Vice-Chair Lenczewski commented that there are buckets of possibilities which include more funding, not more funding, and within both options include the possibility of shifting money around. Vice-Chair Lenczewski expressed appreciation for the Citizens League and asked what the options actually raise in revenue, because some options may not be worth the trouble. She added, however, that getting everybody’s skin in the game can help the legislature think strategically and ultimately be more agreeable. Vice-Chair Lenczewski noted that in regards to questions about the progressivity of taxing options, all of these options are regressive. But within the options, in a broader sense, there are degrees to regressively. She described how each of the various funding streams may be more or less progressive and also mentions that political plausibility of certain options is important to consider. Vice-Chair Lenczewski reiterated that she is interested in exactly how much these options raise, keeping an eye on the big picture about which bucket the option fits in, and what is politically possible.

A committee member commented that the committee needs to know about the other regions that raise major transit investments. The member argued that the pattern of what works best is getting it done at the regional level not the state level. Chair Bell responded that the committee will have a presentation on that issue. The committee member reiterated that it was important to keep an eye on discussion about governance, which is ultimately about vision and that there is a disagreement about the vision going forward. The member added that Richardson’ presentation showed there was not a huge difference between Met Council and CTIB maps.

A committee member remarked that what might be missing from the list is consideration of public-private partnerships as opposed to imposing things generally on businesses or districts.
Chair Bell asked the committee reflect on the list, add to it, and combine between possibilities as the committee will be coming back to it.

Vice-Chair Lenczewski quickly took evaluations on a scale from 1-5, 1 being not productive at all, 5 being met or exceeded objectives. Members evaluated the meeting as follows: 4, 3, 3.5, 4.5, 4, 4, 4.5, 4, 4.5, 3, 4.5, 4.5, 3.5, 3, 3.5, 4.5, 3.5 for an average of 3.9.

Chair Bell adjourned at 9:36 a.m.

Approved Minutes
Citizens League Transit Study Committee
Thursday October 13th 7:30am-10:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Vice-Chair Ms. Ann Lenczewski, Mr. Abou Amara, Mr. Bill Blazar, Mr. James Erkel, Ms. Elizabeth Glidden, Mr. Jason Grev, Ms. Mary Liz Holberg, Mr. Scott McBride, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, Mr. Vayong Moua, and Ms. Patty Thorsen

Members not present: Chair Peter Bell, Mr. Patrick Born, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Mr. Jim McDonough, Mr. Michael Beard, and Mr. Peter McLaughlin.

Staff and staff support present: Pahoua Hoffman, Sean Kershaw, Consultant Katie Hatt, Policy Fellow Matt Byrne, Intern Caroline da Silva Barbosa.

Citizens League members: Bill Dooley, Bob Carney, Peter Wagenius, Matt Burress, Patty Nauman, and Andy Lee.

Proposed outcomes for this meeting

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Hear from presenter on major statewide aids and taxes, and state financial participation in transit.
- Have discussion on new and previous information.
- Agree on next steps.

Vice-Chair Lenczewski started the meeting at 7:32 a.m.

Vice-Chair Lenczewski began by reminding the committee of its charge:

- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Vice-Chair Lenczewski asked for a motion to approve the minutes of last week's meeting, which was moved by Jim Erkel and seconded by Jason Grev. Vice-Chair Lenczewski asked if there was any discussion. There was no discussion. A unanimous aye vote passed the motion to approve the minutes with no changes.

Vice-Chair Lenczewski asked if there were comments or thoughts about the previous meeting. She went on to review the proposed outcomes for the meeting (listed above).

There was a brief discussion about a *Star Tribune* article discussing polling about paying an increased regional sales tax for light rail. The discussion highlighted the popularity of the option but pointed out that many who were polled would not actually be paying the increase. Vice-Chair Lenczewski commented that the real question was whether or not the metropolitan area can have the rest of the state pay more towards transit, and that it was primarily going to be decided by leverage.

A committee member asked if there is a way of analyzing the benefit of transit by factoring in community members who do not have other options than mass transit and paratransit to meet their daily needs, and considering their impact in terms of jobs and volunteering opportunities. They mentioned that that factor should not be overlooked or dismissed. Vice-Chair Lenczewski responded she was not aware of analysis done regarding the value of volunteerism but that various organizations have done the work of estimating the impact. Another committee member commented that the Minnesota Council of Nonprofits does estimate value created through volunteering, but it is not broken down by transit riders.

A committee member mentioned that they have seen studies showing an impressive return in investment (ROI). The member noted however, that the businesses that would benefit from transit seem to be resistant to paying for it through a special assessment. The committee member asked if Ecolab, for example, would be interested in paying for part of the Green Line from which it benefits. A committee member responded that it would be a tough sell.

A committee member argued that in terms of public give and take - every expansion on a highway should be paid the same way. Another committee member responded that to some extent we do that now, though not as much as we should. They mentioned that, for example, when Minneapolis fixed their street they got the bill.

A committee member commented that there are studies by the Federal Transit Administration (FTA) which look at the economic functions that transit provides. The research shows decent ROI for the money invested in transit in terms of location efficiency, development, congestion relief, and basic mobility. When broken down that way – location efficiency is the highest ROI, then mobility, and the least comes from congestion relief.

A committee member said there is a societal benefit and a private benefit, and the current funding system does not do a good job of parceling out cost to all parties.

A committee member mentioned that as part of the 2008 funding package one of the items the Chamber of Commerce asked for and received was a substantive study from the University of Minnesota for value capture of transportation.

Vice-Chair Lenczewski introduced the presenters Nina Manzi, Legislative Analyst from Minnesota House Research Department, and Andrew Lee, Fiscal Analyst from the Minnesota House Fiscal Analysis Department. She mentioned that they are excellent nonpartisan folks, and that the committee is free to ask questions as they present.

Presentation on Major State Aids and Taxes

Manzi provided an overview of the presentation [See corresponding PowerPoint presentation, *Attachment A*]. She noted she would be covering why this report exists, what is in the report, which state aids and taxes are included, what the shortcomings of the data are, what the geography is, where the aid goes, and where the taxes come from.

Manzi said that the report exists because there is legislative interest in knowing: where the taxes that fund the state budget comes from, where state aids go, how much comes from the major taxes relative to each other, how much goes to the major aids relative to each other, how much of the taxes come from the various regions of the state, and how much of those taxes are returned in the form of aids.

Manzi mentioned that another reason the report is important is because no other state agency or legislative office complies this data. The House Fiscal Analysis Department regularly prepares pie charts of state expenditures for all funds and the House Research Department's *Minnesota Government in Brief* (prepared every two years) includes graphs for all state spending and all state revenues. However, neither publication shows aids or taxes by geography.

Manzi referred to the back of the handout packet, table 2-1 [*See Attachment B*] showing a statewide summary of all aids. Manzi broke down the major aids and credits that are a part of the report including: aids paid to local governments, property tax credits, and property tax refunds.

A committee member asked whether tax expenditures are included in the property tax refunds category.

Manzi responded that tax expenditures are separate, and not considered state spending in this analysis.

A committee member asked if the homestead exclusion is a tax expenditure. Manzi responded that she thinks it is a function of the property tax, but she is not sure. She mentions that she is not an expert of all of the various taxes and aids included in the report.

Manzi commented that state spending of federal funds and direct state spending on employees and facilities are not included in the report.

Manzi described the criteria for aids being included. She said that geographic data must be available, and that the mix of aids and taxes must fit on a single page. She noted there is no minimum dollar amount for inclusion.

Manzi discussed how much of the state spending is covered in the report. The 2012 update covered about 62 percent of total state spending, excluding federal funds, nearly all of the aids are aids paid to local governments ($13.1 billion), about half of the total is for education aid, and another 35% is for human services.

Manzi showed slide 11 to demonstrate the relative size of aids and credits. One chart showed the share of state spending included in the report and which are not included. The other chart showed shares of aids and credits included in the report.

Manzi then discussed what taxes are included in the report. The 2012 update included $15 billion of taxes paid by Minnesota residents, and $1.2 billion paid by nonresidents via income tax, and sales tax. This is not limited to general fund taxes and includes motor vehicle taxes. She noted that taxes that are not included are relatively small, dedicated to specific uses, or taxes for which no geographic data is available.

Manzi stressed several limitations of the data in the report. Some of the geographic data may not reflect the actual source of the data. Secondly, the county data for sales tax shows here the tax is collected, not where the people who pay for it live

Manzi explained that the report includes about 75 percent of state revenues, excluding federal grants, and about 88 percent of all taxes paid. Almost half of the revenue is from individual income tax ($7 billion), and another 27% from sales tax – 32% if the Motor Vehicle Sales Tax is included. She notes that all other taxes are between $500 million and $1 billion, which is relatively small.

Manzi showed slide 15, a pie chart, which illustrated the relative size of taxes included and not included in the report, as well as the breakdown between types of taxes included in the report.

Manzi discussed where the aid goes in terms of geography. She referred to tables 2-3 and 2-4 in the handout packet [*Attachment B*] showing the breakdown between metropolitan area and the outstate region aid by type of aid and population. She noted that in 2012, 54.2% of Minnesota's population was in the seven-county metropolitan area. The metropolitan area received larger shares of education aid (56.1%), human services aid (55.6%), and property tax refunds (68.3%). The metropolitan area received smaller shares of local government aid (31.3%), county program aid (41.6%), community corrections funding (48.7%), and property tax credits (4.8%).

Vice-Chair Lenczewski referred to the table demonstrating metropolitan area versus outstate region taxes and aids, and noted that, with all the caveats, the bottom line is for transit discussions is that the metropolitan area may not be getting the best deal. She stressed that there are some in the committee who are for more revenue, or not more revenue, but that we should be thinking about the mix.

A committee member asked what definition of "metropolitan area" was being used. Manzi responded that it was the seven-county metropolitan area. Vice-Chair Lenczewski thought it was a good point to make.

Staff asked what a rural Senate majority leader would say to this data. Vice-Chair Lenczewski responded that Greater Minnesota may have a policy issue that wealth and revenue is taxed where it is and that income is higher in the metropolitan area. Vice-Chair Lenczewski said the issue is where you are taxing and where are you spending elsewhere.

A committee member commented that if you ran the component of need versus money received, the range of percentage paid vary a great deal from about 24 percent for Hennepin County to nearly 150 percent for some other counties who may have a minimum guarantee from decades ago. In fairness, it is not just expansion or maintenance of roads, the formula for redistribution is based on more than just population. The member noted that everybody recognized that the formula ideal and that historically there is an impression that the metropolitan area is the ATM and everybody gets to spend it.

A committee member noted that table 2-3 shows $41 dollars per person in the metropolitan area and in Greater Minnesota it is $107 per person. The member said they have mapped how much each county puts into the constitutional funds and how much they get out, the last one showed that the seven-county metropolitan area put in $135 million more than they got back, not including the trunk highway fund

A committee member commented that it is important to acknowledge cultural differences between Greater Minnesota and the metropolitan area in terms of expectations for legislators to bring something home. The committee member argued that in the metropolitan area there was not an expectation that you bring something home, there was more interest in issues like the school formula, for example.

Vice-Chair Lenczewski commented that this is a place where differing political ideologies can agree. Whether or not you increase revenue, or believe in more or less need-based aid and redistribution, the metropolitan area may just be getting a bad deal. A committee member responded that to what extent the metropolitan area is getting a bad deal is key, and that there is a statewide dimension to this discussion. Vice-Chair Lenczewski said that she agreed. She noted that the percentage to what the metropolitan area gets back matters.

A committee member commented that there is a benefit to the state to keeping Greater Minnesota as healthy as possible because we do not want a bunch of those towns without jobs. There are purposes for why these things happen. They responded to a previous point about what a rural senator thinks noting they always want something and that if we want transit money there is an opportunity for the metropolitan area to leverage in the area. The member stressed that if we are one state, the metropolitan area should be able to make the case for more transit funding, because the metropolitan area pays the majority of most things. If we want other things we tax ourselves to pay for it.

A committee member referred to a section on table 2-4 of the handout packet to discuss what percentage of the taxes from transportation are coming from the metropolitan area as opposed to rural area of our state. The member noted this to show that the outstate region actually drives more. In fact, over 90 percent of the highways are in outstate Minnesota, and Minnesota has the fifth largest highway system in the nation.

A committee member mentioned that the road-based taxes allocation was set by a 1956 constitutional amendment and there were a lot of hidden subsidies. This was a time when the rural area dominated the legislature. The question is whether that allocation is still preferred.

Manzi noted that when you look to the consequences of the extreme conclusion from this discussion, it might be: why not let everyone buy their own stuff. She stressed that you are never going to get to everything matching up perfectly because there are other needs to consider and that it is part of the role of government. Manzi explained that many aids reflect where people live.

A committee member argued that the aid needs to be broken down by people as opposed to basic operation and function. Manzi responded to that question by showing slide 18, which demonstrates aids and credits relative to population comparing metropolitan and outstate numbers.

Manzi showed slide 19, which demonstrates the breakdown of various aids, which the metropolitan area gets the larger share of, and slide 20 demonstrating which aids Greater Minnesota gets the larger share of. Manzi explained that some aids reflect other factors than population. For example highway aid goes where the roads are, Local Government Aid (LGA) and County Program Aid (CPA) aid reflects the ability of local governments to raise revenue relative to formula-determined "need," and the homestead credit refund (HCSR) and property tax refund (PTR) for renters provide property tax relief to homeowners and renters whose property taxes are high relative to their incomes – generally where property tax rates are higher and/or home values are higher.

A committee member asked why Minnesota has the fifth largest highway system in the country. Vice-Chair Lenczewski responded that she heard that it was because grids were laid out by county commissioners at one time when they wanted roads for counties. Another committee member referred to the 1787 Northwest Ordinance, which expanded townships and their grids for small towns and lead to many connections between towns. Lee added that a lot of large states have few roads because of mountains. A committee member reiterated the point by noting that while the whole state is the fifth largest – rural is the third largest and urban is the 21st largest highway system in the county.

A committee member mentioned that there are studies about how to downsize MnDOT, but there are a variety of problems because those systems still need improvements. Another committee member added that MnDOT also has a constitutional limit.

A committee member asked about the meaning of the acronyms ADT, CPA and HCSR. Vice-Chair Lenczewski responded that "ADT" refers to "average daily trips", and "CPA" refers to "county programming aid". Manzi added that "HCSR" refers to the "homestead credit refund", and "LGA" refers to "local government aid". Manzi added more details to the history and size of Minnesota relative to its peers.

Manzi explained that many taxes reflect the distribution of income or economic activity more than population. In 2012, 61.4% of Minnesota's total personal income was in the seven-county metropolitan area. Table 2-4 shows 63.6% of taxes come from the metropolitan area, because metropolitan households have higher incomes and consequently can buy more taxable goods. The metropolitan area provided larger shares of Income tax (66.4%), Sales tax (64.1%), corporate franchise tax (68.3%), and state general levy (64.3%). Manzi added that the metropolitan area provided smaller shares of the Motor Vehicle Sales Tax (52.3%), the Motor Vehicle Registration Tax (54.0%), and the Motor Fuels Tax (47.3%).

A committee member asked if the tax increases changed the ratio of taxes coming from the metropolitan area as opposed to outstate Minnesota. Manzi responded that it does not move much from year to year.

Manzi showed slides 23-25 demonstrating taxes relative to personal income and a breakdown of other taxes comparing the metropolitan area to outstate Minnesota.

A committee member asked other than the gas tax, what other taxes does Greater Minnesota pay more for, because they only see the one. Manzi responded that the numbers were relative to population.

Manzi Slide said that some taxes reflect other factors. For example, income tax has a progressive rate structure so higher income filers pay a larger share of income as tax, and incomes are higher on average in the metropolitan area. Additionally, sales tax is reported by where it is collected, not by who pays. She mentioned that there are probably more outstate residents who buy things in the metropolitan area than vice versa, but there is no data to show that.

Vice-Chair Lenczewski commented that her bias is that the impact from outstate residents buying in the metro is much less than people think. She said that Greater Minnesota friends will emphasize this point. She mentioned that when the Twins stadium was being debated she asked nonpartisan staff to drill down on this question and the data showed about 88 percent are paid for those who live there.

A committee member added that the tourism in Greater Minnesota is largely supported by metropolitan area residents, and they think that non-resident purchasing influence on the sales tax is relatively even between metro and non-metro.

A committee member asked if there were sales trends in the metropolitan area and in Greater Minnesota based on internet sales, and what that does for sales tax collection. Vice-Chair Lenczewski responded that online sales and shipping is particularly attractive to Greater Minnesota, but the metropolitan area has higher wealth and makes more purchases. Manzi responded that she can get that data and send it to staff. She also added that there is a section in the report which shows no great changes in the ratio between the metropolitan areas and outstate sales taxes.

A committee member commented that there is a common perception that “urban” means people of color and “Greater Minnesota” refers to white. There is a narrative that people of color are the beneficiaries of entitlements paid for by Greater Minnesota. This data helps debunk that narrative. The member asked if there is a breakout that shows geography of where percentages of the taxes coming in. The member stressed that racial equity should stay front and center of these issues, in particular because some narratives about metro being wealthier is not true for people of color. Manzi responded there are a number of taxes that are statewide, and that the lowest level geography that aids and taxes can be easily broken down by is by county. For example, zip code and city data that is available from the census bureau will not include state data.

Manzi commented that there is an expectation on part of the public that the government knows everything about where money comes from and where it goes, but the truth is there have been fewer resources devoted to data maintenance and gathering. Manzi explained that the reason she is showing 2012 data is due to an unnamed agency struggling through a transition. She said that there is not a lot of value placed on the data, even though as a researcher she thinks there should be. The value is spent on building roads or paying the teachers more. She noted that if this report did not exist the data would be worse because agencies know she will be asking and putting pressure on them to provide information. However, Manzi found that after talking to other states she feels better about living in Minnesota. She said that there are maps that show at the county level and region maps for major aids and taxes that breakout aids and taxes into three categories based on averages, that report is available online. Staff said they will send the link. Lee added that there was some data in 2008 that might have been useful but it has not been done since due to privacy concerns. He also said that there are issues with income data from census because it is voluntary.

A committee member asked if the challenge was not having data or not having human resources to synthesize the data.

Manzi responded that it is both a data and human resources issue. Additionally, there is the basic issue of determining what the unit of analysis is and what the assumptions are for any given methodology. For example, school aid goes to school districts, over half of districts are in more than one county, so the state knows how much it pays to each school district, which is not the same as counties.

Vice-Chair Lenczewski noted that both Manzi and Lee work for the state and that they are very responsive to questions. She also asked for no further questions until after Lee’s presentation.

Presentation on State Financial Participation in Public Transit

[See corresponding PowerPoint presentation, *Attachment C*]

Lee discussed the three types of state appropriations for transit: direct appropriations from the state general fund, statutory appropriations (Motor Vehicle and Lease Sale Taxes), and state general obligation bonds and general fund capital appropriations.

Lee referred to the FY 2016-17 Transportation Budget spreadsheet in the handout [see *Attachment D*] and pointed out that the legislature gives far more discretion to the Met Council for spending on specific projects than they do for MnDOT.

A committee member added that the rationale for the latitude given to the Met Council was to ensure a regional framework and that if individual local representatives were too involved it would cut against the logic of regional governance.

Lee showed slides three and four, which demonstrate the composition of financing between Greater Minnesota transit and metropolitan area transit.

A committee member asked if the local share was a transit tax. Lee responded that the local share in the metropolitan area for operations is mostly sales tax from Counties Transit Improvement Board (CTIB) or fare box revenue.

Lee noted that there is a lot more money available from the federal government for operations spending in Greater Minnesota.

Lee showed slide 5 to demonstrate a breakdown of urban Greater Minnesota transit systems funding including Duluth, St. Cloud, and Rochester.

Lee showed slide 6, which looks at Met Council 2016 operating budget for transit and how each of the modes of transit are funded.

Lee showed slide 7 illustrating Met Council's 2016 operating budget by function and percentages funded by various sources.

Lee then discussed Met Council budget allocation. He explained that the Met Council allocates funds from state appropriations that are made after the state budget process, or in anticipation of funding levels. The Met Council funding is done on a calendar-year basis, rather than on the state fiscal year basis. He noted that most of the state general fund is put toward Metro Mobility and Light Rail Transit (LRT) operations and that a decrease in state general fund appropriations or shortfall in motor vehicle sales tax (MVST) revenue would result in potential decrease in regular route bus service. Lee said that an increase in spending for transitways (LRT, Commuter Rail, Bus Rapid Transit (BRT) or Metro Mobility without funding increases would result in potential decreases in regular route bus service. Lee commented that it is difficult to reduce substantially service for transitways or Metro Mobility as a result of FTA funding commitments / relationship and the Americans with Disabilities Act.

Lee described the major state transportation taxes and used slide 10 to illustrate state forecasts as opposed to actual state MVST totals. Lee commented that these forecasts demonstrate the volatility of the taxes and highlight recessions.

A committee member asked who makes those projections. Lee responded that MnDOT makes the projections.

A committee member commented that this chart is really important it demonstrates the importance of mixing funding to reduce volatility. The member added that when Minnesota swapped MVST for property taxes it represented a cut to the budgets and it's remained that way.
Vice-Chair Lenczewski noted that at the next meeting Lee will present what other regions are doing for transit funding.

A committee member commented that it is important to look at fare box recovery and policy and that our peer groups would be interesting to compare to.

A committee member noted that when looking at payment for travel, it is important to pay attention to the payment per mile.

A committee member said that it is important to consider the income level of riders and their ability to pay. Vice-Chair Lenczewski asked for evaluations: 3.5, 4, 4, 4, 4, 4, 4, 4, 3.5, 3.5, 4, 3.5, and 4 for an average of 3.84.

The meeting adjourned at 9:16 a.m.

Approved Minutes
Citizens League Transit Study Committee
Thursday October 20th 7:30am-10:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Mr. Abou Amara, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, and Ms. Patty Thorsen
Members not present: Vice-chair Ann Lenczewski, Ms. Mary Liz Holberg, Mr. Vayong Moua, and Mr. Jason Grev.

Staff & staff support present: Pahoua Hoffman, Consultant Katie Hatt, Policy Fellow Matt Byrne, Intern Caroline da Silva Barbosa.

Citizens League members and special guests: Bill Dooley, Bob Carney, Peter Wagenius, Dave Van Hattum, and Andy Lee.

Proposed outcomes for this meeting
- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Hear from Andrew Lee on Transit Financial Regional Comparison.
- Review draft funding scenarios.
- Agree on next steps.

Chair Bell called the meeting to order at 7:33am

Chair Bell reminded the committee of the charge.
- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell announced that Andy Lee will be doing a presentation comparing the funding and governance for transit of other regions. Chair Bell said that two weeks ago staff passed out a list of possible funding strategies and at the end of the meeting today, the committee will be provided an update to the list. The committee will use this list to prioritize our recommendations. Chair Bell emphasized it is important not to get ahead of the group with the list.

Chair Bell asked for a motion to approve minutes. He noted there was one change noted already (Mike Beard was absent but marked present. The motion was moved by Nancy Tyra-Lukens and seconded by Jim Erkel. Member noted a correction on page 5 as it refers to “home state credit refund” and was intended to read “homestead credit refund.” With corrections, there was no further discussion. A unanimous aye vote passed the motion to approve the minutes with no additional changes.

Chair Bell asked for a brief recap of last meeting. Staff recalled that the committee received a presentation from Nina Manzi on the Major State Aids and Taxes Report which reports where taxes are taken and aids provided geographically. Takeaways included: a large range exist of what counties need vs. what they are getting, ranging from 24 percent to 150 percent of taxed to aid ratio. In addition, we have the fifth largest highway system in the country. We learned how Minnesota stresses funding. Andy Lee discussed the connection between Manzi’s presentation and transit funding. Lee’s presentation discussed three types of state appropriations: direct, statutory appropriations, and state general operating bonds. Staff said they sent out a link for the Major State Aid and Taxes Report.

Chair Bell noted that staff and he had talked recently and decided that the issue of where taxes come and go is very important and they are considering a deeper dive presentation in the near future.

A committee member mentioned that they have had this conversation elsewhere. They noted it is complicated because where taxes are raised is not necessarily only by those who live in the area. The member added that people go places and use the transportation system not just where they live. Peter Bell responded that it’s a good point and that the presenter may dive in it.

A committee member expressed concern about the previous minutes. They were concerned that the committee may be highlighting the perceived imbalance between the metropolitan area and the rural area in regards to transit. The member doesn’t want that issue to overwhelm the committee’s goal.

A committee member responded to previous point noting that how Minnesota counts taxes makes it difficult to draw conclusions but if you look at tax incident report from Minnesota Department of Revenue it shows how much of sales tax is paid for outside the state. The member added that if you look at local elections where sales taxes are being voted on in Minnesota, at least some of the counties have some idea of how much of the taxes come from people outside of the jurisdiction that levied the taxes. Also, if you look at ballot measures around the country, they are counting on being able to impose sales tax on nonresidents. The member noted an interesting example in Colorado where a few ski towns were adding a surtax to lift fees.

A committee member responded that creates a tax system that is unaccountable and people lose faith. The member noted that in the business community, 30% of sales tax comes from business to business transactions, which gets buried in retail price of good or service. The member added that they do not know anybody who works through tax policy issues who thinks that is a good idea. In Minnesota, we have structured the base so that there are fundamental accountability problems. Cleaning those issues up may be useful.

A committee member commented that there is a delicate balance between greater Minnesota and the metropolitan area. Their experience has been greater Minnesota legislators believe they pay for more than they get. The presentation, which showed that may not be the case, is consumed by few legislators and should be talked about more. If you can do this in a way that becomes a piece of information for better discussions that is a good idea, but if it is used to be divisive—it is a problem.

Chair Bell said that presenting this information helps connect dots between different funding strategies. A few scenarios referred to more equity between greater Minnesota and the metropolitan area. Unsure where that will end up, but it is possible that it may include that. Chair Bell reminded the committee that they may end up putting together scenarios by tiers including a tier for proposals that are not worth considering.

Chair Bell turned it over to Lee to begin his presentation.

Transit Finance Comparison Presentation

[S*ee corresponding PowerPoint, Attachment A*]

Lee noted that he hoped to make a single chart – but very quickly realized all are so different and complicated. Most of the information presented is pulled from budgets and annual financial reports.

Lee said that he has been trying to do this work for two years now and hopes for publication with more detail. Lee summarized his presentation as comparing transit finance across peer regions including major taxes, state and local general fund support for transit, and transit system generated funds. Lee noted there is no uniform way of measuring across regions. There are as many different ways to finance transit as there are transit systems and the National Transit Data Base is not an entirely reliable source. Primary source materials are from transit agency budgets and annual financial statements. Lee emphasized that no two revenue sources are identical.

Lee showed slide 4 which illustrates the National Transit Database for Transit Operating Source Data for the Twin Cities. The data is not broken down by type of tax but by funding agency – local, fare box, state, and federal, and other sources. Lee noted that from the 1990s to today, there is a shift from property tax supported to state supported.

A committee member asked if the property tax represents the Counties Transit Improvement Board (CTIB) sales tax for operating. Lee responded that that is one of the inaccuracies from the National Transit Data Base because the portion of the operating that came from HCRA (Hennepin County Rail Authority) doesn't seem to be reflected in this data.

Staff asked what HCRA stood for. Lee responded that it is the Hennepin County Rail Authority.
Lee said that he was asked to try to give sense of progressivity vs regressively of certain taxes. He noted the best place to go to was Minnesota Department of Revenue 2015 Tax Incidence Study. Lee referred to the supplemental handout packet (*See corresponding documents, Attachment B*) Figure 3-5 Dollars of Tax Burden and Suits Index by Type of Tax which shows the relative progressivity of different types of tax.

A committee member asked if 0 on the suits index represents a neutral tax. Lee responded that the suits index is calculated by the Department of Revenue, but he thinks they split income to 10 deciles and calculate based on which deciles are impacted by various taxes and by how much.

Chair Bell asked where the capital gains tax is represented. Lee responded that he thinks it is a part of income but will check. A committee member commented that capital gains tax is not specifically identified in Minnesota like it is at the federal level.

A committee member asked what the difference is between mortgage and deed tax.

Lee responded that mortgage tax is calculated based on the principal debt whereas the deed tax is based on deed value of the home. A committee member noted that these are a one-time tax transactions. Lee added that it contrasts with property tax which is ongoing and it goes to state general fund.

Chair Bell asked why the property tax refunds listed as progressive. He wondered why the refunds wouldn't simply be applied to the home property tax and adjust the progressivity of that tax. Lee responded that revenue considers it a different program that isn't quite a tax. There is a case to factor it in. What they're trying to demonstrate is that people of lower decile receive a higher percentage from that program. A committee member added that it has to be different in suits index because not all decibels are eligible.

Lee said that sales tax is a little more regressive than the property tax and noted that it is important when looking at other regions not to presume that the sales taxes they levy are equally regressive. Other regions' sales tax levies may be more regressive due to taxing different things like food and clothing.

Chair Bell asked what is factored in to the rental property tax and noted that it often results in higher rental rates. He emphasized that many of the secondary impacts of these taxes, when taken into account, would change the progressivity of these options. Lee responded that it was a fair point but that this is the only source that attempts to aggregate the taxes by progressivity.

A committee member commented that in regards to the regressivity of sales tax and property tax, people tend to have more discretion to reduce sales tax than they do to change locations to lower property tax. Lee replied that he agrees.

A committee member added that as an example, the Motor Vehicle Sales Tax (MVST) mostly comes from new cars, which tends to come from higher incomes, thus making it more progressive.

Lee also noted that the index does not take into consideration wealth, in terms of progressivity of the taxes. For example, the seasonal recreation tax is listed as fairly regressive, but is most likely to impact retirees whose income may be low but tend to have wealth.

A committee member stressed that it is important to keep in mind that progressivity is more a function of the structure of the taxes. For example, if included clothing, it would be less regressive, because it turns out that people with more cash income use more of their income on clothing. To the extent that these taxes are progressive or regressive, they are policy decisions.

Chair Bell commented that this information is useful when thinking of the funding possibilities, because some people might choose to emphasize revenue sources based on progressivity.

A committee member noted that on the road side there is a suits index for gas tax but not for transit fares.

Chair Bell asked for clarification about the point. The member responded that he is referring to the progressivity of transit fares.

A committee member asked what .1 on the index scale represented in terms of income. Lee responded that he will find out.

Lee noted that gas tax is regressive on the index and added that the structure is intended to be a user fee. A committee member asked how the wheelage fee fits into the index. Lee responded that it would be under the registration tax, but that it is not substantial.

Lee showed slide 7, which illustrates the share of state, city/county, school district, and transit taxes as a part of the large U.S. cities. Lee said he would send further info on this page including a key. Chair Bell asked if it was measuring the aggregate dollar amount. Lee replied that it was the rate.

A committee member asked if it included specialty taxes. Lee responded that it does not. It is a general rate.

A committee member asked if it includes the 3/8ths tax from the state. Lee replied that it does, but the data is from 2014 and there may have been changes.

Lee began presenting individual examples of different regions' transit funding and governing structures starting with Denver. He noted that Denver has a Regional Transit District (RTD). The voters approved a 0.4% increase in sales tax from base tax of 0.6% to 1% in 2004 and RTD also levies a 1% use tax. Taxes are used for both capital and operating funding, regular route bus and rail service. Due to projected revenue decreases and cost increases, there are delays in opening of transit lines. The RTD board of directors are directly elected.

Chair Bell asked what the 1% use tax is. Lee responded they are taxes applied when doing business that has physical presence within a taxing jurisdiction. A committee member added as an example that if somebody buys a machine in Wisconsin and brings it to Minnesota, technically they should pay use tax on the machine because they use it in Minnesota. Chair Bell asked if the use tax is in the three counties. A committee member responded that in Denver it is. The member explained that this is how Denver makes sure that they get taxes from people buying outside of the region. Lee commented that in Minnesota, the tax is a combination of sales and use tax.

Chair Bell asked if all three counties have a referendum to levy both taxes. Lee the district holds the referendum. A committee member added that the vote is just within the district. A committee member asked how the lines for governing and funding decisions are drawn, because it is very important. Lee responded that it in each example it has depended on different factors.

Chair Bell asked if the board that administers the funds only come from the districts where the tax is implemented. Lee replied that that was correct.

Lee showed slide 9, which demonstrates shares of fares, federal, state, local, and other funding for Denver operating funds. Lee showed slide 10, which illustrates the decline of sales tax revenues during the Great Recession. Lee noted that CTIB tax has been in effect since lowest point in sales tax collection and has only gone up.

Lee provided information on Cleveland next. Cleveland has a Regional Transit Authority (RTA). Voters approved a 1% countywide sales tax in 1975 for transit. Taxes are used for both capital and operating, regular route bus & rail. The RTA governance structure is a 10-member board appointed by the city of Cleveland, suburban cities, and Cuyahoga County. Lee noted that sales tax revenue and ridership are under performing.

A committee member asked if the ten member boards are elected. Lee responded he would check on that.

A committee member asked what precipitated the tax started in 1975. Lee responded he would find out.

Chair Bell noted that staff would keep a list of questions to get back to the committee about.

Lee showed slide 12, which illustrated a fall in growth in sales and use tax for Cleveland.

Lee then presented on the Utah Transit Authority (UTA). The UTA has multiple levels of service and sales tax participation at varied levels. Taxes are used for both capital and operating funding, as well as regular route bus and rail service. The UTA does not have taxing authority, but receives funds from counties at voter-approved rates varying from 0.3% to 0.6875%. The UTA is composed of a 16-member board appointed by local governments. Lee noted that they have a sale tax applied to food.

Chair Bell asked if the rates are voted on by the transit district. Lee responded that each individual county votes. Chair Bell asked if a county can vote for a lower tax rate and then accept a lower level of service for the capital and operating funding they contribute to. Lee replied that was correct. Chair Bell asked if they can change that vote. A committee member responded that they can change, and that last year 19 counties in Utah were allowed to put in quarter cent sales tax. In the Salt Lake area, only three of the counties increased their sales tax rates for UTA. The Utah legislature gives ongoing permission for counties to raise the sales tax rates.

A committee member asked if the tax is always by referendum. Another member responded that yes, it was always a public vote. A committee member noted that this structure is an example of how user fees and counties can play a role in building comprehensive transit system, and that this is a very different model.

Chair Bell asked if there were details about what local residents say about their service and this structure. Lee responded that he would find out. A committee member commented that one of the difficulties with this model is when a line goes through multiple counties and only one of the counties pay. Another committee member noted that Utah is perceived as having robust development.

A committee member expressed concern over different counties having the ability to tax different rates and wondered what happens if somebody is in a county that chose to tax more and traveled to a lower-taxed county. A committee member responded that it is a sales tax and that the transit option in lower-taxed counties are simply less robust.

A committee member added that roughly speaking, over last 15-20 years, 15 percent of ballot measures to increase sales tax rates levied for transit has passed. Within different regions, they often lose a vote before winning, but there are some places with several iterations of those votes and Salt Lake is one of them. The member noted that larger counties did not increase due to concerns that the UTA was spending money on themselves.

A committee member commented on the issue of county-by-county transit changes. They noted that as long as the tax is not a huge disparity, it is unlikely to change where people shop, and in many cases, you would spend more on gas to move around to make lower taxed purchases.

A committee member said it was important to stay clear about use tax vs. sales tax, because people who do not have as much income and using transit as primary means of getting around need to understand that amount.

A committee member asked what governance responsibilities the UTA has. Lee responded it has a combination of both operations and capital funding of the system, but will get back to the committee about election vs. appointment. A committee member asked if it was just transit. Lee replied that was correct.

A committee member commented that they are interested in how these models interact with regional governance questions. It is helpful to think about funding in the context of regional governance. A committee member agreed and added how they interact, and what kind of authority they have is important. They wondered how far away regional planning is from city or county planning. The member asked if a board can come in and say we were going to put something here that nobody, including the legislature, can stop. A committee responded that these are important questions and that their experience is different everywhere.

The member added that the relationships between users and policies are as important as the models themselves. Chair Bell agreed there is no one template. A committee member added this was critical to understand. Other regions are successful in building out due to political consensus that they want to do it. Structure is not impeding it, although it may be helpful. The member wondered if we have the ability to get to that consensus. A committee member commented that they hope this group will learn from other regions and spend time looking at what makes things harder including state relationships on capital funding and operating funding.

A committee member asked if we are the only region where the Met Council does not have any elected officials. Chair Bell responded that in his experience no other regions have total governor appointment, as opposed to elected officials nominating. Chair Bell noted that the question is whether the Met Council is seen as less legitimate because of that fact. A committee member commented that CTIB and Transportation Advisory Board (TAB) were formed to meet requirement that there be elected officials.

Chair Bell replied that TAB was, not CTIB. A committee member said that when looking at governance structures it is important to ask whether it is working well to have Met Council, CTIB, and TAB. Chair Bell said that it's likely that everyone in the room has different opinions on that question. Chair Bell argued that if you went to Utah you would have similar disagreement about governance structure there and everywhere else.

A committee member asked if TAB was created to meet the Metropolitan Planning Organization (MPO) elected officials requirement and whether CTIB was just a political compromise. Chair Bell responded that CTIB was formed because of the governor's veto of the transportation bill. Counties wanted to move transit forward faster and they were going to bring in a separate structure to make it happen. A committee member replied that was a fair assessment and that some Council of Governments (COGs) work well some COGs fail. They added that one of the difficulties having the Met Council as the owner and operator of the transit system, which is a rare structure, is there have been times when they cannot take positions for at least three reasons. They know they need to for transit systems because of the politics of the Met Council, as well as the Governor's positions. In addition, they have to depend on other players to move things along. For example, the Met Council could not testify publicly for the Central Corridor. Another committee member added there is no fixed evaluation for these governance structures because they are constantly moving to the problems to each region.

Lee presented on Chicago and its Regional Transit Authority (RTA). Distributes sales tax proceeds to Chicago Transit Authority, Metra (Chicago's commuter railroad for the Chicago metropolitan area), and Suburban Transit providers. Sales Tax Rates from 1.25% in Cook County and 0.75% in collar counties. State enabling legislation for taxation. Pass though of state aid for transit. Governance model is a 16 member board appointed by counties and the city of Chicago. Statutory authority to levy other taxes including a real-estate transfer tax.

A committee member asked if they can use the sales tax for only operating or can they include capital funding. Lee replied that they can use it for both.

A committee member asked if there are statutory percentages of state funding that goes to the transportation agencies, or if that is the discretion of the governance board. Lee responded that most formulas are set in stone but there is some discretion but he will find out for sure. Lee added that the RTA has the authority to choose between various taxing options including a property tax.

Lee showed slide 15, which illustrates the Chicago Transit Authority's operating funding by fares, federal, state, local, and other.

Lee presented on San Francisco Bay Area's Bay Area Rapid Transit District (BART). They have a 0.5% sales tax & property tax levy, subject to voter approval. 75% of sales tax proceeds for BART, 25% to local transit agencies. Withdrawal of two counties from BART district (San Mateo and Marin counties). Three bay Area counties were approved by voters in 1962. Funds are used for both capital and operating funding. Governance includes directly elected members form participating counties

Chair Bell asked if Marin and San Mateo counties opted out after it was built. Lee responded that it was before.

Chair Bell asked what the property tax portion was. Lee replied he would find out but it is basically both sales and property but sales taxes are the bulk.

A committee member asked if the funding between rail and bus is separate. Lee responded that that is correct.

A committee member commented that they have a parcel tax they are voting on in November which includes $96 per year to run for additional 20 years accounting for about 7% of the total budget. The member added there are a variety of taxing options being considered for the Bay Area in November.

A committee member asked what a parcel tax was. A committee member responded that it is a form of property tax that every parcel has to pay which makes it somewhat regressive. Chair Bell clarified that a parcel tax is by land.

A committee member asked what percentage fares make up of operating funds for light rail vs. buses. Lee responded he would get to that later.

Chair Bell asked for no further questions to make sure Lee has time to finish.

Lee discussed Seattle's Sound Transit. He explained that it is an overlapping regional transit agency similar to BART. In 1996 and 2008 voters approved ballot measures for construction and operations of regional bus, commuter rail, and light rail and a 0.9% sales tax was imposed. The district is a subset of three counties. The governance is made up of local and state appointed officials.

Lee showed slide 18, which broke down operating sources for Sound Transit by fares, federal, state, local, and other sources.

Lee then presented on Phoenix's Maricopa County. They have a 0.5% sales tax for both transit and freeway construction approved by voters in 1985 and extended in 2004. Funding is allocated by formula. Use of funds is determined by plan made by the Maricopa County Association of Governments.

Lee showed slide 20, which demonstrates the revenue distribution flow between Arizona's transportation agencies. A committee member commented that this is good example of where taxes are generated and where it goes, and deliberately placed businesses to capture value.

Lee identified four other cities: Dallas's Area Rapid Transit (DART), Houston's Harris County, Los Angeles County Metropolitan Transportation Authority, and San Diego's Metropolitan Transit System (MTS) that use other sales taxes. In the case of DART, there were 15 city voter referendums to join DART in 1984 with 1% sales tax, 2007-2008 shortfall in operating funds which resulted in additional capital borrowing. Harris County have a one percent rate used for both transit and roads. Los Angeles has various approved sales tax levies. MTS has a voter-approved and extended .5% sales tax.

Lee discussed Oregon's Tri-County Metropolitan Transportation (TriMet). Oregon has no sales taxes. Transit taxing district encompassing three counties. A 0.5% payroll tax was adopted in 1969, subsequently increased to 0.6218% and increased to its current rate of 0.7218% in 2003 by the Oregon Legislature. Used for capital and operating of bus and rail. Governance is a Governor appointed board.

Lee showed slide 23 which illustrates transit operating dollars for TriMet from fares, federal, state, local, and other sources. A committee member asked to clarify that the income tax is state tax. Lee replied that it's a district income tax. A committee member added that it piggybacks on state tax.

Lee shared information on New York City's Metropolitan Transportation Authority (MTA). The MTA has multiple funding streams, the largest being from the state-controlled Metropolitan Mass Transportation Operating Assistance Fund with business taxes, motor vehicle, and fuel taxes. Second largest is payroll mobility tax, enacted in 2009 and administered by the State of New York and applied to a commuter district at a rate of 0.34%. Mortgage recording tax is split between the MTA and suburban counties at a rate of 0.625% of the debt secured in real estate transactions. In addition to dedicated taxes and tolls MTA also receives state aid.

Lee discussed New Jersey's New Jersey Transit. Governance includes a board appointed by the Governor. They are more reliant on passenger fares and charges for service. They have fluctuating state support, subject to recent change with passage of statewide transportation legislation. Lee added they also use statewide transportation revenues and general funds.

Lee showed slide 26 showing a breakdown of transit operating sources for New Jersey Transit from fares, federal, state, local, and other sources.

Lee presented on Pennsylvania's Southeastern Pennsylvania Transportation Authority (SEPTA) & Port Authority of Allegany County. A majority of non-fare, nonfederal operating assistance and capital funding comes from State (Turnpike Authority). Most taxes come from motor vehicle taxes, fuel taxes, and tolls with a 15% local match requirement. Lee showed slide 28 which illustrates operating sources for SEPTA transit from fares, federal, state, local, and other.

Lee discussed Washington D.C.'s Washington Metropolitan Area Transit Authority (WMATA). Governance WMATA board is appointed by local governments in service area. WMATA capital and operating budget is supported by contributions from county, city and state general funds. Budget or 'ask' of each locality mostly made at the WMATA board level before official requests of local units of governments and states.

Lee noted that both Seattle's King County Metro Transit, and Miami's Dade County use other local taxes and general fund supported transit systems. A committee member asked if the local taxes are solely in King County. Lee replied that it is rental taxes and others.

Lee explained that non-passenger fare sources include parking, advertisement, contracts with other governments, and tolls if part of a road authority.

A committee member said that the presentation is helpful, they give the meeting a four, and they asked to connect to the owners, operators, and builders. The member wondered if they are depending on other sources of money or do they control all of their money and how many systems control their whole destiny vs working with partners.

Lee noted that other revenue streams mention more significant mix in larger cities but may not generate a lot of revenue here.

Lee discussed different types of transit systems which play a role in fare recovery ratios including legacy systems, post war rail systems, large Sunbelt cities, and peer regions.

Legacy systems include New York City, Boston, Chicago, and Philadelphia. There are extensive rail systems, which were built partly privately or publicly starting in the 1920s and 1930s. Consolidations and public ownership of rail systems began in the 1960s. There has been physical deterioration and selective renewal or demolition from1960s to 2000s. There is high fare recovery, high urban employment and residential density. Highway networks are unable to meet all regional mobility needs. Transit agencies face ongoing capital needs and structural deficits.

Lee commented that post-war rail systems include Atlanta, San Francisco Bay Area, and Washington D.C. These are metropolitan regions that experienced massive growth during and after World War II. They have inadequate or failing streetcar or bus networks, and medium residential and employment density. With the exception of Atlanta, there are incomplete or blocked highway networks. Rail systems are oriented more for longer distance commuters. Inflation in the 1970s increased capital costs beyond projections. Transit agencies face ongoing capital needs backlog, structural deficits.

Lee presented on large Sunbelt cities which include Los Angeles, Phoenix, Houston, Dallas, and Miami. They are metropolitan regions which experienced massive growth after World War II, continuing today. In low density residential areas, most employment is located outside central cities. Highway networks are able to serve almost every regional movement. Rail systems built in the 1990s to 2010s, serve only select corridors.

Lee then discussed peer regions including Denver, Portland, Seattle, Sacramento, San Diego, Pittsburgh, Cleveland, Charlotte, Salt Lake City, and Baltimore. These regions experienced growth after World War

II and continuing today, though not as much as Sun Belt regions. There is low residential density, Highway networks are able to serve almost every regional movement and most employment outside of central cities. Rail systems built from the 1970s to the 2010s serve only select corridors. The cost of providing rapid transit or substantially increasing speed of transit in most used transit existing corridors usually is too costly.

Lee explained fare box recovery basics. Fare box recovery is one of the metrics for measuring transit efficiency: operating costs covered by passenger fares. Influenced by ridership, type of service provided, land use, and level of service. This does not always include capital maintenance, replacement costs, or initial capital investment.

Lee showed slide 40, which compares the regular route bus passenger recovery ratio for various cities. A committee member asked if the chart takes into account population size. Lee responded that it attempts to as the chart categorizes cities by size and other types. Chair Bell challenged the assumption that population would be a predictive measurement for fare box recovery. Chair Bell added that he believes there are many factors determine fair box recovery including density and culture. Lee responded that there were challenges in using the recovery ratios because they are aggregates, and in fact there are areas in the Twin Cities that may recover quite a bit more or less than the average given.
A member asked for an example of what services are included in the second Twin Cities category. Lee responded that routes not operated by Metro Transit would be an example. Chair Bell clarified that this is not referring to suburban transit providers, but instead privately contracted providers.

A committee member commented that there are multiple fare box recovery methodologies and some use fares and others charge using distance. They added that if you do not charge by distance you are subsidizing those who go the farthest. Lee added that a lot of urban local service is calculated differently based on modes.

A committee member asked if Metro Mobility is an example of the bus routes we are referring to. Lee responded that he will get to Metro Mobility later in the presentation.

A committee member noted that you can find the recovery ratio information broken down by opt-outs, regular route, urban routes, and others from the Auditor's Report on Transit Governance from 2011.

Lee added that while most regular route is operated by employees of the transit agency, most paratransit service is purchased through private providers.

Lee showed slide 42 illustrating light rail passenger fare recovery ratios.

A committee member asked if there is a region where the fare is based on cost of the service, for folks with low cash income, or assistance, so that they can afford the transit system. Lee responded that for the most part they run a deficit; fares have not been set to recover the total cost. There are discussions in more expensive systems on a low-income assistance for fares, possibly implemented in Seattle, some type of program in San Francisco and there were issues. One of the difficulties is administration. A committee member commented they the committee ought to consider fares to figure out how to help low income people, otherwise you are subsidizing people who do not need a subsidy. Chair Bell mentioned that some of this happens already, Metro Transit provides transit cards through lots of networks, though it is not as robust. A committee member added that of the 20 measures being voted on in November. A number of them provide discounts for veterans, people with disabilities, seniors, and a few for low income.

Lee showed slide 43, which shows commuter rail passenger fare recovery ratios. Lee clarified that the chart is only reflecting the North Star rail for the Twin Cities. Lee then showed slide 44, which shows rapid transit passenger fare recovery ratios.

Chair Bell asked for final questions. Chair Bell thanked Lee for the helpful presentation. Chair Bell said that the committee is not going to review funding scenarios until next week. Next week we have Dr.

Yingling Fan from the Center for Transportation Studies at the University of Minnesota talking about the skills and employment match or mismatch of our transit system.

Staff noted a member gave a list of upcoming ballot measures. Staff said they will send out the measures to the committee to look at and consider and that the committee should send anything viable for consideration to add to the list.

A committee member thanked the presenter and asked if there are any other examples where citizens play a larger role in transit decision making. Chair Bell asked Lee to give thought to that question along with the response to other questions throughout the presentation.

Evaluations were taken: 4.5, 4, 3.5, 5, 4, 4, 4.5, 4, 4.5, 4, 4.5, 4.5, 4.5 = 4.2 average.

The meeting was adjourned at 9:32am

Approved Minutes
Citizens League Transit Study Committee
Thursday October 27th 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Mr. Abou Amara, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Mr. Andrew Richter, Ms. Nancy Tyra-Lukens, Mr. Vayong Moua, and Ms. Patty Thorsen

Members not present: Mr. William Schreiber and Ms. Kenya McKnight Ahad.

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Consultant Katie Hatt, and Policy Fellow Matt Byrne.

Citizens League members: Bright Dornblaser, Bill Dooley, Bob Carney, Peter Wagenius, and Matt Burress.

Proposed outcomes for this meeting
- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Hear from presenter on spatial & skills mismatch of unemployment and job vacancies
- Review draft matrix chart of funding scenarios
- Agree on next steps

Chair Bell called the meeting to order at 7:33am.

Chair Bell reminded the committee of the charge.
- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell commented on the previous meeting's takeaways. He then mentioned that the committee would see an updated list of funding scenarios later in the meeting.
Chair Bell moved to approve minutes and asked for discussion. The minutes were moved by Jim Erkel and seconded by Pat Born. A motion to approve the minutes passed by a unanimous vote. No changes were made.

Vice Chair Lenczewski reviewed the meeting's proposed outcomes (above).
Chair Bell welcomed speaker Dr. Yingling Fan. He explained that she would be discussing how transit matches workforce needs in the region.

Presentation on Spatial & Skills Mismatch of Unemployment and Job Vacancies
[*See attached Power Point, Attachment A*]

Dr. Fan explained that she studied the combination of both the spatial and skills mismatches to identify opportunities for transit integration. Her research looked at where job vacancies are, housing availability, and the geography of the unemployed in the Twin Cities.

She noted that the Twin Cities area now has one job vacancy for every unemployed worker.

Dr. Fan showed slide 3 which illustrates seven key sectors for job placement: Health Care and Social Assistance; Manufacturing; Retail Trade; Educational Services; Accommodation and Food Services; Professional, Scientific, and Technical Services; and Financial and Insurance. In addition, slide 3 illustrates the percentage of the working population who are employed in each sector.

Chair Bell asked if the data was exclusively from the private sector or if it includes public sector jobs. Dr. Fan replied that it included both private and public sectors.

Dr. Fan showed slide 5, which sorted sectors by high/low turnover rate, and the degree to which the demand is met. She highlighted that manufacturing, finance and insurance, and healthcare sectors all have low turnover and large unmet demand.

Dr. Fan used slide 6 to show job vacancies by education requirements. She showed slide 7 to break down the seven sectors by education requirements. Dr. Fan noted that manufacturing, finance and insurance, and healthcare sectors have high education requirements alongside their previously noted low turnout and high unmet demand.

Dr. Fan showed slide 8, which illustrates a map of the Twin Cities with concentration of job vacancies and unemployment in the context of planned transit corridors.

Chair Bell asked if there is a breakdown of types of jobs in the southwest area on slide 8. Dr. Fan replied that she does have this on future slides.

Dr. Fan briefly discussed the Metropolitan Council report: Choice, Place and Opportunity: An Equity Assessment of the Twin Cities Region. She showed slide 9, which illustrates a map demonstrating Areas of Concentrated Poverty (ACP) from 1990, 2000, and from 2007-2011 showing the transit impact on minority populations in the Twin Cities.

Dr. Fan showed slide 10, which illustrates education, employment, income, ownership rates of white and people of color in Minnesota. Next, she showed slide 11, which displays the increased share of people of color in the region. Dr. Fan noted that the African American male unemployment rate in North Minneapolis is 52%; the North Minneapolis unemployment rate is 22.3%; and the Twin Cities regional unemployment rate is 3.8%.

A committee member asked if it was true that at current labor participation levels, the employment gaps in North Minneapolis must be closed to meet workforce needs. Dr. Fan replied that that was correct.

Dr. Fan discussed the impact of transit corridors on the spatial and skills mismatch.

Dr. Fan showed slides 13 and 14, which display the unemployment rate, job vacancies, and current transit routes in the Twin Cities. Slide 15 showed the addition of planned transit corridors. Dr. Fan commented that planned transit corridors, especially the Blue and Green Line Extensions, appear to make important connections.

Chair Bell asked if there has been work done showing maps including frequent bus service to areas of high unemployment. He added that he suspects the map would look quite different. Dr. Fan responded that high frequency bus service is concentrated in urban areas, and they do not reach far or wide into suburban areas. She added that a lot of the lines are bus rapid transit lines (BRT). A committee member commented that busway issues are important. They recalled that there was work done to show how many jobs are available if it takes less than an hour to get there. For areas of concentrated poverty, many routes take too many transfers to get in under an hour. With some transit investment, it may be done in one ride.

A committee member asked if it is important for the route to be a light rail or is the key to have a dedicated route separate from traffic. The member added that they suspect it is mostly about having a dedicated route. A committee member agreed that dedication matters more than mode. Chair noted that for future meetings the committee will hear from Metro Transit and do a deep dive of where transit riders are. A committee member responded to previous question noting that what is most important is that the mode carries high traffic. The member added that better bus service is necessary for light rail to be successful. Another committee member emphasized that light rail is high capacity and that in Houston they changed from a spoke to a grid system and it is working for them, but when Minnesota tried it, it was not as successful.

A committee member commented that there is a movement from jobs to transit corridors when investment is made, and developers have confidence about the longevity of the corridor. Light rail tends to give that confidence more than bus service. A committee member responded that employers or developers do not care about mode as long as confidence that there is a dedicated station. A committee member asked to see where job growth has taken place on transit corridors. They asked what decisions have been made by businesses to create jobs based on those corridors.

A committee member commented that we should develop confidence that existing and future employees are worth investment.

Dr. Fan noted that there is a recently published report on job growth comparing dedicated bus ways with Light Rail Transit (LRT). Looking at peer regions, LRT job creation is larger than bus rapid transit (BRT). A committee member asked about slide 15 not showing suburban transit providers. Dr. Fan responded that it was a fair question. Dr. Fan said that Houston has a short light rail system, but their express system functions as BRT, whereas express buses here tend to be morning or evening, not all day.

Dr. Fan showed slide 16 displaying current accessibility of job vacancies within 45 minutes of transit travel. She pointed out North Minneapolis suffers from particularly low accessibility. Slide 17 showed current vs future job vacancies with planned transit routes. Dr. Fan emphasized you can barely see the different because there is a limited region-wide effect. Slide 18 showed accessibility to jobs within 45 minutes of transit travel changes. Dr. Fan noted a large local benefit to the changes, in particular due to the blue and green line extensions.

Dr. Fan then presented case studies from seven areas in the Twin Cities showing weighted average accessibility changes by area from the current to proposed system.

A committee member asked if the future accessibility listed includes changes to arterial bus services. Dr. Fan responded that it includes both rail and bus; however it does not include regular bus services.

A committee member commented that when the Blue Line and the Green Line became operational, Met Council took apart and put back together bus service to supplement the lines which ultimately improved services. A committee member reiterated this point noting that in South Minneapolis over 75 percent of riders reported faster service. The member added that it would be impossible to predict but important to keep in mind. A committee member said that it is important to think about building out arterials. They added that the Met Council does not have the resources currently to do that, and building out the rest of the service needs more money.

Chair Bell asked if there was a region in the country that integrates bus service with Uber. Dr. Fan responded that Seattle has implemented a similar practice on certain corridors. A committee member added that there are a few looking at connecting Uber to stations. Vice Chair Lenczewski mentioned using Uber and discussed the benefits of ridesharing. She added Uber is now hurting the metro system because they are underpricing regular transit.

A committee member commented that some of the last mile connections do not even have sidewalks and we need to think about not just how we provide transit, but making sure we provide the sidewalks to make those connections. Chair Bell responded that we will bring that question back for Metro Transit.

A committee member commented that Lakeville is adapting van pool partnerships with Met Council. Vice Chair Lenczewski added that many hotels have their own transit systems.

Dr. Fan showed slides 20 and 21, which illustrated the number of job vacancies accessible within 45 minutes of transit travel against a variety of maps including: the full transit buildout, a map without Green Line and Blue Line extensions, no future Arterial Bus Rapid Transit (ABRT), and no east metro transitways.

Dr. Fan then showed slide 23, which displayed job vacancies for the seven sectors in the Twin Cities region by region, and slide 24 showing top industries with job vacancies by city, and finally slide 25 showing top industries with job vacancies by neighborhood.

Dr. Fan emphasized that residential segregation and geographic disparities are part of the problem that leads to spatial mismatch. They also point to the particular importance of spatially targeted and localized strategies for eliminating disparities.

A committee member asked when the data for the industries with job vacancies by neighborhood was collected from. Dr. Fan responded that it is from 2014.

Dr. Fan showed slide 28 displaying top occupations by industry – emphasizing a high vacancy rate in retail sales.

Dr. Fan discussed case studies done on Brooklyn Park, Shakopee, Golden Triangle/Gateway, Mall of America, the Phillips neighborhood, and North Minneapolis. The case studies were semi-structured, with questions tailored to subjects from workforce and economic development, transit planners, government, transit agencies, and private/non-profit sectors. The cases were sorted into a matrix of job availability, housing availability, and transit services from poor, poor with planned improvements, and good transit services.

A committee member commented that the transit service rating does not include stops. For example, when discussing North Minneapolis – you may get the idea that there are many routes, but due to the number of stops, it is actually receives poor transit services. There is a distinction between having a route vs the efficacy of the route. Dr. Fan responded that North Minneapolis is in the "poor now but planned improvements". Chair Bell clarified that when it says poor planned improvements, poor is referring to the current state of the transit service.

A committee member commented that MnDOT is in the middle of a combined MnPass/transitway study in the region and is looking at the potential for MnPass lane in Shakopee and evaluating routes which would connect.

A committee member asked for the definition of soft skill. Dr. Fan responded that anything other than certificates or degrees would count as a soft skill, for example, showing up on time.

Dr. Fan discussed the transit planning and workforce development findings for each of the selected case studies. She noted that overall there is stronger coordination desired and needed, especially to connect urban workers to suburban jobs. She emphasized that handing out bus cards is not enough, and that non-transportation barriers, work schedules, soft skills, and job training programs targeting specific sectors must be considered. She also mentioned that the first mile-last mile issue is a key problem and opportunity for better coordination.

A committee member mentioned that when the Blue Line opened, the reverse commute improvement was not taken into consideration in the predictions.

Dr. Fan finally discussed the most important practices based on the presentation:

- Target specific communities and focus on sweet spot jobs that are transit accessible
- Look at the entire pipeline: Job seekers' skills and interests, available training, jobs reachable by transit, and interested employers
- Reach out to employers who might partner, such as suburban companies struggling to hire and keep staff
- Provide frequent, rapid, regional services as the transit backbone, plus small-vehicle local services near worksites
- Pursue transit-oriented economic development to direct long-term job growth to transit-friendly areas
- Understand the existing skills assets in disadvantaged areas: geo-spatial data on skills and community strengths

A committee member asked what spatially targeted strategies mean. They also asked if Dr. Fan has looked at the cost/benefits of eliminating disparities. Dr. Fan responded that she has not done cost benefit analysis. She said one could argue that a job created in transit rich areas have more social benefits associated in terms of equity and justice issues. A committee member asked if the issue is we don't have the information. They also asked if there is a method for breaking down the cost relative to the skills. Dr. Fan responded that this is a good direction for future research.

A committee member commented that the practice of pursuing transit oriented economic developments is changed by the investments made. Chair Bell asked if there is a lower cost way of getting that same development in that corridor. A committee member responded that even if you assume it creates no new development in the region, accessibility to lower income people and reducing the number of trips on highways has benefits that deserve consideration. In response to the cost question, the member added that there are public sector costs. For example, the call centers got cheap land but could not fill the jobs because there was no transit, and then they ask for public investment. The question is, do we go where we have already invested or do we try to meet the needs of investments. The member emphasized there is a balance.

A committee member commented that transit is not only about getting people to work, it is about making connections to and from destinations. It is how we think about roads, and it is how we should think about transit. For example, there is an important need to make sure education institutions have a strong transit connection.

A committee member noted that transit is needed more throughout the day. Higher paying jobs require employers to be able to leave during the day. The member thought we should take into account the benefits of extra taxes received due to better jobs being accessible.

Dr. Fan to responded to a comment on new development and emphasized that having a regional mindset is important. It is not Shakopee competing with Woodbury, it is Twin Cities competing with Denver. The development comes to the region not to the city.

Chair Bell thanked Dr. Fan for her presentation.

Presentation of Draft Funding Scenarios

Chair Bell said the next order of business included mapping out the rest of the time in the committee. He recalled presenting transit funding options a few weeks ago. Chair Bell explained that the goal was to fill in more of the description of the funding scenarios.

Chair Bell explained that we will ask members to volunteer to talk about one or two of the scenarios that they particularly support. The committee will have five to seven minute presentations. The committee will take two or three sessions to do that. The presentations will be in the report. After the presentations the committee will participate in a rank choice vote. Chair Bell said that he is thinking about giving everyone 10 votes and members would have to divide the votes somehow. A member could take six votes into one area, and split two and two to others. The point is to try and measure intensity. Members would have to vote for at least three options. The committee would group the scenarios into tiers: top, middle, and bottom. The report and any testimonies and op eds would reflect the constellation of these options. These presentations would come in the middle or end of November. Staff will be sending an outline of at least the table of contents of the report anticipating having work done by mid to late December.

Chair Bell commented that the next meetings will include the Chair of Met Council. The committee is asking for his principles for how transit funding ought to be decided. Chair Bell asked for questions or comments.

A committee member noted that they cannot participate on Dec 22nd. The member asked when the date closes for additions to the list. They also asked if the committee will know the results of election to consider political viability. Chair Bell responded that he is trying for Dec 15th and that he wants to use the online tool, Survey Monkey, for voting. Chair Bell admitted that the question of political viability is difficult but that he wants the list to be inclusive for peoples vote. However, he noted, there is not time for five minute presentations on too many items. The items are going to be based on "does this have a shot", which is a judgment call. The committee will make a stab, but will be permissive about adding more.

A committee member asked if there will be guiding principles or if it is a free-for-all. They also asked if the committee will decide on principles. Staff responded that the last committee found it useful to agree on principles. Even if there are disagreements, as much commonality about findings and conclusions as possible is useful.

A committee member commented that the committee could try initial voting early on to allow for second vote informed by what was learned. Chair Bell responded that it might work if the committee quickly got additions, then did an initial cut via vote, and take a half hour in one of the presentations, to take the temperature to see if principles come out of the vote.

A committee member noted that the committee has not talked about governance questions. Another committee member agreed with previous comments and asked if the committee is considering the big ideas if this repeats previous ideas. They also asked whether proposals can be grouped thematically or whether individual ideas need full consideration. Interested in principles idea but concerned about divisions.

A committee member commented that the committee needs to avoid how it will be received and focus on the facts that have been presented and should treat the process and final report accordingly.

A committee member suggested that as presentations are made on proposals the committee should ask the presenters for what principles they are using.

A committee member asked if the committee is talking about revamping the whole governance structure. They noted that that seems like a much larger question. Chair Bell responded that the committee may not have time to focus on governance issues – but one of the recommendations may be for a phase two that would focus on governance. The Citizens League just did a report on Met Council governance but there are governance issues with the rest of the system as well.

A committee member commented that there are almost two different questions, one being whether or not there should be additional funding and another being how should it be structured. The member said that the committee should start by considering whether we need more or less funding before consider how to fund. The committee member added that a lot of options relate to sales tax but there are a lot more ways to divide this.

A committee member emphasized that having a vision is important, and the committee could spend a lot of time on that question. The member thought it is important to explain why a member is choosing the option they are. The member anticipates that the committee might not get unified opinion but would get a sense about what is important to people.

Chair Bell clarified that there was broad agreement with the path laid out subject to how the list is structured. There were no further comments or questions.

Vice Chair Lenczewski asked for evaluation.
Evaluation: 4, 4, 4.5, 4.5, 4, 4, 4, 4, 4.5, 4, 4.5, 4.5, 4.5, 4.5, 3, 4, 4, 3.5, and 3 for an average score of 3.82. 4.05

Approved Minutes
Citizens League Transit Study Committee
Thursday November 3rd 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice Chair Ann Lenczewski, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Elizabeth Glidden, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, Mr. Vayong Moua, Ms. Mary Giuliani Stephens, and Ms. Patty Thorsen

Members not present: Mr. Abou Amara and Mr. Michael Beard

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Consultant Katie Hatt, Policy Fellow Matt Byrne, Intern Caroline da Silva Barbosa.

Citizens League members: Bill Dooley, Bob Carney, Peter Wagenius, Matt Burress, and Patty Nauman.

Proposed outcomes for this meeting

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Hear from presenter on autonomous vehicles and the future of transit
- Engage in discussion
- Agree on next steps

Chair Bell called the meeting to order at 7:33am.

Chair Bell reminded the committee of the charge.

- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell moved to approve minutes and asked for discussion. The minutes were moved by Nancy Tyra-Lukens and seconded by Jim McDonough. A motion to approve the minutes passed by a unanimous vote. No changes were made.

Chair Bell recalled previous presentation showing geography of current and future workforce and transit. He noted that the committee will discuss the process that is going to be used for the remainder of the meetings, and that an updated list of scenarios will be provided at the end of the meeting.

Chair Bell welcomed Dr. Fisher, Director of the Minnesota Design Center at the University of Minnesota, and thanked him for presenting.

Presentation on Autonomous Vehicles and the Future of Transit
[See corresponding PowerPoint, Attachment A]

Dr. Fisher said that his expertise is on land use and urban design issues. He recalled that his first job was studying early auto industry and he found it interesting how quickly we went from horses to cars. Dr. Fisher noted that despite widespread belief in horses, in a very short timeframe they were banned in urban areas. Dr. Fisher argued that a similar transition is happening now with autonomous vehicles. Humans cause more than 90 percent of accidents, and technology will largely eliminate accidents. Cars were cheaper and cleaner than horses and the same is true again for cars and autonomous cars. Dr. Fisher described the vehicles as largely electric which eliminates fossil fuels, they will cost between 1/3 and ¼ of the cost of your own vehicle. Dr. Fisher stressed that autonomous tech has existed in aerospace long time and in fact most of flight is autonomous.

Dr. Fisher described a wide range of vehicle types and dramatic changes in transit including new buses. He anticipates the autonomous economy focus will be on demand usage, and less dedicated routes. Also intersection of drone technology for moving people around.

Dr. Fisher stressed that we need to be careful in infrastructure investments that we don't build based on past models.

Dr. Fisher showed a number slides (7-12) imagining impacts on streets.

Dr. Fisher commented that investments need to accommodate both current and future techs cost effectively. For example, lanes can be narrower. The vehicles monitor traffic to maximize efficient transport. The new space created from narrower lanes can be used for many different uses – for example environmental uses.

Dr. Fisher mentioned a few studies done in Europe showing the use of new available land. He commented that our current infrastructure is overbuilt and we cannot afford it.

Dr. Fisher showed a number of slides (14-20) illustrating potential impacts on parking. He noted that parking takes a huge percentage of land use and it could be repurposed to better uses.

Dr. Fisher explained that he anticipates phases of autonomous travel integration going from a hybrid of both personal vehicles and some personal autonomous vehicles, leading to a predominately shared autonomous vehicles via contracts with mobility services based on individual needs. This would look like an automated taxi service with little to no parking. He noted that one autonomous vehicle could replace nine personal vehicles because contracted services would know schedules and optimize for ready rides.

Dr. Fisher discussed parking ramps, emphasizing that we need to begin to design parking ramps with the understanding that they will have other uses in their lifetime. .

Dr. Fisher showed a few slides diagramming the impact on land use. Comparing the road use of a four way intersection before autonomous vehicles and after, you don't even need traffic signals because they communicate with one another.

Dr. Fisher commented that a quarter of the population lacks mobility and that autonomous vehicles has the potential to give mobility to everyone and reduces the cost.

Dr. Fisher discussed challenges he saw to automatizing travel, in particular the trend for people to pretend it is not happening or that it is too far off. Most car companies are on the timeframe of 2020 getting tech out.

Dr. Fisher discussed other economic changes that would come with the revolution, namely a change in revenue sources from parking and tickets. But also fewer traffic death resulting in lower health care costs, and lower police costs. Most accidents come from others hitting auto. Dr. Fisher noted that there are still some glitches in the autonomous technology but cars will learn.

Dr. Fisher discussed an article, No One at the Wheel from Wallstreet Journal. He reiterated the major concern of focusing too much on old technology. By 2028 this transition will already have occurred. Dr. Fisher emphasized we need to be thinking about how we plan and what the impact is for other transit. He noted that some see this technology change as an alternative to rail investments. Dr. Fisher disagreed with this assessment and argued that rail is a useful development and density tool which does a very good job of moving people. Dr. Fisher emphasized that it is important to recognize that these investments are not mutually exclusive.

Dr. Fisher commented that insurance rates will probably go up due to a lower number of people needing insurance. He anticipates that driver cars will eventually be banned. He added however that emergency vehicles will continue to need driver.

A committee member mentioned that their children's friends don't know how to drive. They argued that the price point is the important variable as Uber is already almost competing with mass transit. The member asked about the price point and the cost to maintaining roads. Dr. Fisher responded that Uber will be competitive without drivers because costs drop considerably. Dr. Fisher added that there will be changes to farming and trucking industry as well. There will likely be large job losses.

Dr. Fisher discussed road infrastructure noting we need fewer roads. He described Barcelona as an example of moving to super grids where vehicles can drop people off but take a lot of street infrastructure out. He stressed that the public sector needs to figure out job losses by investing in retraining for example.

A committee member asked why in the diagrams, there is only a need for one lane in either direction. They added that it seems you need more than one lane on residential streets still. Dr. Fisher replied that this is a good point. Additionally, there will be a point in the transition where there will be a point when there will be more cars in the road and we still need to maintain capacity as we make the transition.

A committee member asked about the implications for disabilities in the wintertime getting into vehicles. Dr. Fisher responded that a lot of the research has been in warmer climates though they are beginning to look at colder climates as well. Dr. Fisher added there will still be the need for mobility services and that google designed a vehicle that can accommodate wheelchairs easily, but snow and ice will always be an issue.

A committee member asked for references on decreasing health cost and also asked if one lane can accommodate emergency vehicles. Dr. Fisher responded that the sidewalk serves the need for emergency vehicles, and that emergency vehicles will in fact get smaller.

A committee member asked who owns and maintains the newly created space in the cities. Dr. Fisher responded that the Milwaukee Ave model has an association that maintains it. Dr. Fisher noted that we expect homeowners to mow boulevards for example, but that there will be changes. Responding to a previous question on lower health costs – showing savings due to reduced death and injury due to accidents. The committee member responded that you still end up paying for health care costs associated with aging. Dr. Fisher said that he can't speak to that issue in depth, only that autonomous driving will have dramatic reduction in death and injuries.

Chair Bell asked if the changes would cause unanticipated sprawl. Chair Bell also asked for Dr. Fisher's recommendation for the anticipated public investment in infrastructure. He emphasized getting the investment right will be huge because a lot of laws and safety standards need changing.

Dr. Fisher responded that in regards to sprawl – mobility service models for business have a distance penalty, the further out you go the less efficient the model goes so customers pay more. We are already overextended in terms of infrastructure. We can't afford our density now. If we have to put a lot of poles out to get electricity to your house you should pay more, we are currently subsidizing sprawl. The pushback will be fiscal.

Dr. Fisher added that in regards to infrastructure recommendations, he fears that we build a great 20th century system. Instead we need to incentivize local communities to be innovative and get ready for the revolution. Don't have a clear how, but we must.

Dr. Fisher responded that in regards to changes in laws a common issue is what is commonly called the trolley problem. The question is: do you risk the death of those in the trolley to avoid hitting a lower number of people on the tracks. Dr. Fisher argues that this question assumes there is agency. If you're an autonomous vehicle and kids get hit, those who get hit are at fault. Dr. Fisher agreed that there are open questions about who is at fault.

A committee member asked what the impact would be on the transit system as we know it. The member asked in particular for impacts on issues of race and poverty. Dr. Fisher responded that a recent presentation suggested that buses as we know it will disappear and will transition to an on demand system. For example, if you are willing to share with Uber – you pay much less. That same system will transition to autonomous and transit system. Mobility even may be free with advertising. Dr. Fisher added that in regards to equity issues, once it is almost free and can accommodate all kinds of abilities, the conversation changes to access. He emphasized this is truly an equity tool. The big issue as he sees it is with rural areas where density is lower and businesses won't invest as much.

A committee member commented that there has to be a desire for this technology. They asked what the supply and demand looks like. Dr. Fisher responded that there will be a few decades where there will be overlap between conventional transportation and autonomous but conventional modes will be more expensive due to insurance and other factors and will ultimately drive the economic demand.

Staff reiterated that in making recommendations it's important to keep in mind investing with flexibility for future modes of transportation. Dr. Fisher added that this was an important point. The hybrid models with private ownership and government regulation to mass transit is coming.

A committee member asked how the new system would deal with simultaneous mass transportation needs such as large sports events. Dr. Fisher responded that in that situation it would require a que of cars, and is another example of why you need rail investments.

A committee member commented that 15 years ago there were concerns that information technology would lead to sprawl when in fact, it actually lead to more collaboration. The member added that they agree that we should not build just for the sake of building. Furthermore studies show that maintenance is better for job creation than expansion. The member said that they are interested in the transition and in particular the automation of trucks. If you look at Olympic cities they helped eliminate trucks by forcing to show up at certain times. In terms of fiscal policy, you can think of travel taxes by time of day and vehicle.

Dr. Fisher commented that one strategy might be to help communities take infrastructure out. There is currently no incentive to take it out – but maybe you get the money to help transition to this new reality.

A committee member commented that the future will largely be private enterprise vehicles, but the public still has to pay for the infrastructure. The member asked what would private contribution look like in this system. Dr. Fisher responded that a hybrid contribution model might work where private institutions may help pay for road to make sure their system works.

A committee member asked if the ultimate purpose of this system is moving people or economic development. Dr. Fisher responded that the goal is primarily density development. In other words, economic development and then moving people. The committee member replied that we've gone from moving people to abandoning that concept in favor of economic development. Dr. Fisher responded that while it is not its primary role, it will still move people for whatever purpose they have. The member asked what the definition of economic development was. Dr. Fisher responded that roughly it is densifying because people want to live and work and shop close to stations. Most of the communities are built out, and there needs to be away to increase the number of people paying taxes.

Staff clarified that while the primary purpose is economic development based on what was just said, it is unclear whether that includes getting workers to jobs.

A committee member commented that if the purpose of transit is not for getting people to their job then what is the primary strategy for getting people to their jobs.

A committee member argued that the investment is not mutually exclusive in its impact on economic development and moving people around. You have multiple impacts from the investment. A committee member responded that the most important of the two is going to draw the strategy and that it is either going to emphasize moving people or economic development. A committee member responded that do both by drawing jobs to communities that need jobs and connects those people to the jobs. A committee member responded that if you did that, for example, how many people are going to take the University Ave line to Egan Prairie to work.

A committee member commented that this point may be mostly semantics because the architect is saying the purpose is density, but density connects jobs. A committee member replied that if someone lives in south Minneapolis and has a job in Dakota County it's going to take two hours to get there and won't be worth it. If the goal is economic development we will build things like University Line which takes forever and doesn't decrease the travel to the job which is unacceptable.

A committee member responded that they believe it does decrease travel to the job, for example it only takes 31 minutes to get from the Government Center to the Capital.

A committee member added that to play this scenario out given future autonomous changes, a line like the University Ave Line actually gets more efficient.

Chair Bell asked if it's possible to get the same level of economic development at lower costs without building the line. He added that during his time as Chair of the Met Council the most controversial word was extensive. Chair Bell commented that in terms of political minefields, rural Minnesota will not like the cost additions to the, they will say they are being penalized for making a lifestyle choice and it is social engineering Political dynamics could impede this vision.

Dr. Fisher responded that it is an issue. Rural Minnesota can get angry at Ford and GM for not investing and we may end up subsidizing the services to make them available. We build limited access highways-which is essentially the same idea. You can only get off at certain places which ends up concentrating where economic development happens. Dr. Fisher emphasized that he doesn't think the economic development question is either or. It will attract jobs, increase density, increase affordability, and achieve other social goals like safe streets. The only way you achieve this is by growing the tax base.

A committee member commented that in regards to what we build in the meantime, if you look at our long range plan, there's not a lot of capacity building. The plan is really preservation based. Should a stimulus bill come out of Federal Government, or state government, MnDOT plan is that in metro area some capacity building could happen but would be dedicated to MnPASS lanes and small bottleneck improvements. That plan is not well received at the legislature, and then the legislature asks for capacity building out state, and the bill comes back prescriptive, saying preservation is not enough. MnPASS investments transition well to this vision. The member added that the Orange Line would be a great spot for automated buses to develop as a pilot.

A committee member question asked whether or not there is an inaccurate assumption that we will need the trunk lines as a part of our system given the autonomous changes. Dr. Fisher responded the autonomous system will likely feed into trunk lines. We don't want every office workers coming in at the same time through autonomous vehicles. The system will prefer trunk lines.

A committee member commented that in regards to the economic development vs moving people question, when investing they can't pick between either of them, they look for both.

A committee member asked that if the system might be free, is there an integrated way for paying for both cars and other transit system, because it is important for access. The member also asked what the development of job markets look like because there will be a lot of loss of jobs. Dr. Fisher responded that it's possible that we will move to single payer mobility contract where you will have access to the whole integrated system. In regards to job markets, the private sector will make sure that happens. He also noted that the green economy creates more jobs.

A committee member responded that they are also thinking about skill development. Dr. Fisher agreed that this was important.

Chair Bell thanked presenter and reiterated how useful it is to be able to look into the future to make the best funding recommendations based on what is coming.

Chair Bell gave a brief update on where the committee was in the process. He noted that there have been options added, edited, and combined. He reiterated that it is still not too late for more options to be added. Chair Bell added that there was a helpful suggestion last meeting that we do a test vote immediately after the election. There was also an interest in a crude estimate of the political viability of some of these ideas. The political viability of options will be influenced by the election.

Chair Bell explained that on the day after the election the committee will use a survey monkey on the scenarios that we have. We are still planning giving members 10 votes, using a 6-2-2 format, requiring voting for three scenarios.

A committee member asked if we will get presentations on these options generally. The member expressed interest in property tax opportunities in particular. Chair Bell responded that after the initial vote, the committee will spend two sessions hearing from options. The presentations will be 5-10 minutes on viable options including a Q/A.

A committee member asked for clarification that the committee is dealing with finance first and then moving on to governance questions. Chair Bell responded that the committee isn't going to focus on governance. Given our timeframe, we have enough time to work towards a consensus on tiered funding structures that would be valuable input for legislature and the public. We may recommend that the Citizens League has a phase two to get into other questions such as governance. If we start going into governance questions we will get into issues we haven't had time to fully explore.

Staff commented that hybrid options may emerge from such a process. They added that framing questions for next processes are useful.

A committee member asked if there are condensed versions of the options.

Chair Bell responded that the survey monkey will list all of the options. It won't be a final list but hopefully there won't be any surprises either.

A committee member asked if options are grouped according to what each scenario funds. Chair Bell responded that this is a good point that needs further consideration. For example, if someone said we want to continue current funding but with a lower priority of funding for Met Council, you can't do both.

A committee member asked at what point we draw individual options into packages for votes.
Chair Bell commented that we may keep the list the same but increase the number of votes people have and maybe have 4-4-2 structure instead.

A committee member responded that they hope that if they have a strong opinion on an option they may be able to combine 4-4 into one option.

Vice Chair Lenczewski commented that due to the calendar and number of meetings left, we need to take a vote quickly that can frame our future process.

Chair Bell said that next week the committee will have the preliminary vote and start wrestling with the process questions.

A committee member commented that they agree with early vote but that a package needs to be put together.

A committee member asked when the survey monkey vote is. Chair Bell responded that it will be sent out after election. Chair Bell added that turnaround time will be quick, perhaps Tuesday before meeting Thursday.

Staff asked if we should wait until after the first vote for combining or adding. Chair Bell responded that his bias is to use the first vote to cull before combing and adding.

A committee member commented that they want to maximize the information that has been presented to us throughout the meetings and wondered if there's a way to show how each presentation lines up with recommendations. The presentations showed benefits and key principles and to see how they line up with options would be useful. Chair Bell responded that it wouldn't be possible for the initial vote, but close to that will be used before the second vote. Chair Bell added that he wants to bring the structure of the report which will have a summation of the presentations.

A committee member asked if they could see the format of the questions and scenarios before Tuesday.

Vice Chair Lenczewski took the evaluations as follows:
5, 5, 4, 4, 4.5, 4, 5, 4, 3, 4.5, 4.5, 4, 4, 4.5, 3.5, 4, 4.5, 4.5, and 4 for an average of 4.47.

Approved Minutes
Citizens League Transit Study Committee
Thursday November 10th 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice Chair Ann Lenczewski, Mr. Abou Amara, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Mr. William Schreiber, and Ms. Patty Thorsen

Members not present: Bill Blazar, Vayong Moua, Kenya McKnight Ahad, Elizabeth Glidden, Andrew Richter, Michael Beard, and Nancy Tyra-Lukens

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Consultant Katie Hatt, and Policy Fellow Matt Byrne

Citizens League members: Bill Dooley, Bob Carney, Peter Wagenius, and Matt Burress

Proposed outcomes for this meeting
- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Review and discuss funding scenario survey results
- Agree on next steps

Chair Bell called the meeting to order at 7:32am.

Welcome and approval of minutes
Chair Bell reminded the committee of the charge.
- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell moved to approve minutes and asked for discussion. The minutes were moved by Ms. Mary Giuliani Stephens and seconded by William Schreiber. A change was made to correctly reflect the absence of Mary Giuliani Stephens who was not present at the November 3rd meeting. A motion to approve the minutes with the change passed by a unanimous vote.

Chair Bell recapped the previous presentation by Professor Tom Fisher on shared, autonomous vehicles and their effect on land use and the public.

A committee member commented that funding implications for transit impacts roads as well. This is particularly concerning because of things like the gas tax being reduced due to potentially electric autonomous vehicles.

Staff recalled a recent meeting where there were concerns expressed about the rebuild of I94, and there was agreement about the difficulty in anticipating future road funding.

A committee member cautioned that we must understand the wintertime implications of autonomous vehicles before jumping into the exciting future.

Chair Bell said he was skeptical of the possibility that autonomous transit may be free with advertisement.

A committee member recalled that light rail was portrayed as a complement to autonomous transit. They noted that this is an emerging technology and that we have not heard from the insurance industry. There needs to be integration between company technologies for it to be successful region wide. The member also questioned how federal regulation would play a role, and that generally speaking, the timeline predicted seemed rushed.

Staff relayed that next Friday they are meeting with director from 3M on independent car systems. Chair Bell said the transition from driver cars to driverless cars is the most challenging and least clear aspect.

A committee member noted that there are city streets and county roads where it is not clear what the public investment needs to be to make the transition happen, in addition to rural challenges.

A committee member stressed that it was not as simple as was presented for cars to find another street when there is traffic and that the rural issues, culture, and cabin use are major questions.

A committee member said they enjoy forecasting – but the nature of the business is to be wrong often. But it is important to note that it is coming. Taxis did not see Uber coming and that has changed the business dramatically. The member emphasized that flexibility is key. These companies are spending billions of dollars on this technology, which lets us know that it is definitely coming.

A committee member agreed that the transition piece is important but that they do not think it will be 15 years because a lot of people would not want to give up cars.

Vice Chair Lenczewski reviewed the proposed outcomes for the meeting. She then moved the discussion to the voting format and the scenarios presented. She noted it was a good idea to have voted after the election.

[See corresponding handout Attachment A]

Staff reiterated interest in feedback for scenario presentation. The Survey Monkey online tool did not capture what they were hoping for. Staff then described the voting results including the most popular choices. Staff emphasized the list can still be added to and combined.

Chair Bell added that it is useful to go through the list of most popular and look at what they say and what the implications are to make sure that we are on the same page about what the options are actually saying.

Vice Chair Lenczewski noted that even with three votes, many scenarios did not get any votes. Chair Bell said that for future votes, they may be dropped from consideration.

Chair Bell started discussion on scenario number nine. Chair Bell reiterated we can still change the voting system as needed. Chair Bell described the scenario as the state imposing a legislatively-mandated county sales tax ranging from ¼ to 1 cent. Chair Bell said he assumed this tax is seven countywide and is in agreement with the Transportation Plan of the Met Council.

Chair Bell commented that one implication of the option is that the Counties Transportation Improvement Board (CTIB) would go away. A committee member responded that CTIB would not necessarily have to go away, and that when they looked at that option they did not make that assumption. Counties that chose to participate in CTIB could continue and together with Met Council would decide where their money is spent. For example, option 9 does not say that CTIB would go away. However, there are not enough votes to support an option that stated that CTIB would go away.

A committee member said they did assume CTIB would go away as a funding partner of any sort. But CTIB would perhaps continue in an advocacy role. They assumed this because other options explicitly included CTIB in the option.

A committee member added that the committee should understand where CTIB's current authority lies in each option.

A committee member noted that when they read the option they thought it meant CTIB would go away. The member asked how CTIB could continue to have obligations if they do not receive funding. The member asked how realistic it was politically to take control away from CTIB and give to the controversial Met Council.

A committee member commented that they were hung up on it being described a county sales tax, because it is a regional sales tax that goes to the Met Council. Making it run through counties creates problems in the long term.

Vice Chair Lenczewski said she assumed CTIB went away, because other options were explicit in including CTIB. She relayed that for maintaining current funding; there was a discussion about whether or not to call it a county tax, when in fact it's all state taxes. One of the key elements was that the lack of a local decision maker for taxes.

Chair Bell explained that the current obligations of CTIB would be assumed by the Met Council and that he assumes the legislature would have to pay the obligations CTIB has agreed to. Chair Bell said that he does not think this could ever happen without a change to the Met Council governance.

A committee member responded that this was one of the arguments on behalf of CTIB because when you have elected county commissioners, the likelihood of continuity of a regional vision is more likely as opposed to governor recommendation to Met Council because there can be huge swings between what a particular governor may choose. The public hates uncertainty and one of the advantages of CTIB was more predictability for the region as compared to the Met Council.

A committee member said that one of the assumptions they had about capital and operating funding and the state share was that this option would buy out the state share. Buying the state out of capital and operating funding makes it attractive politically, but it needs to be enough for current and future investments.

Chair Bell noted that this is a good discussion for future votes. In the future, we will assume that this option would take current obligations and that we will be silent on Met Council structure. Politically, it could not happen, but we should not include it as an assumption.

A committee member responded to a previous point about the continuity of regional vision through elected county commissioners. They argued that metropolitan counties have never agreed on a shared vision from day one. Only five counties joined, one now leaving, and there are rumors about others leaving. While counties have been relatively stable on transitways, it has not been uniform. The member conceded that governors can change the Met Council policy choices suddenly, but counties change too, although perhaps more slowly. The member thought it was a good point to have a seven-county funding source or something less than that. The member stressed that when we list CTIB in scenarios, it is important to be clear about what assumptions we are making about who CTIB is as well as if the funding is being raised by CTIB.

Vice Chair Lenczewski asked if the member is requesting the scenario reflects a possibility of a subset of the seven counties, because that would be very difficult. The member responded that that was not the case.

Chair Bell asked whether the committee should consider the legislature imposing the sales tax on current CTIB members and allowing other counties to voluntarily pay the tax to be a member and get transit services. Even if you started with seven counties, it might be wise if the legislature allowed other counties to buy into paying the tax.

A committee member relayed that one of the questions they have with regard to ranking is are we coming up with one big funding mechanism or are we looking at all of the funding streams. The member expressed concern that if you put too much into a big sales tax it can be volatile. What needs to happen is to pick a few mechanisms that work with each other to tamp down the volatility of each one of them. The state fund is very progressive, and it is useful to have skin in the game. The member noted that another principle they value is that all roads ought to be treated equally. In addition to redefining scenario nine in terms of it being a regional tax, and add a clarification that were not just looking for one fix.

A committee member said that in terms of transit service a distinction is needed because there are exceptions to the assumption of county boundaries being the main variable. The member argued that insisting that the taxing happens by the seven counties may be a mistake. The member added that as an assumption, consistency with the Transportation Policy Plan (TPP) is essential and how the money gets used should be differentiated by function is worth exploring. The member expressed concern about all the options being listed as 1 percent taxes. Chair Bell responded that the options were intended to reflect a range from ¼ to 1 percent tax, and that this will be changed to be more clear.

A committee member noted that of the 18 first place votes, 14 relate to sales tax. They commented that there seemed to be a lot of interest in various sales tax permutations. They wanted to talk about the details within sales tax options.

A committee member argued that it is helpful to first agree on the basic principle of buying out the state share. That will narrow the list. The next level will determine three factors: where do you fit between quarter and one percent sales tax; which modes you are funding with each option; and then get to geographic area secondarily.

Chair Bell asked if it was possible to have a vote on each scenario with different underlying assumptions demonstrated. He asked if we might have five of these questions based on different principles.

A committee member responded that that could be helpful because around the table there is disagreement about whether robust expansion is needed, or whether they want to focus on the bus system.

Chair Bell expressed concern about dilution with too many options. Perhaps we shorten the list to realistic options, which would help to differentiate the principles behind each question.

A committee member stressed that they have already changed their preference given different principles being emphasized.

A committee member said they like the suggestion for refinement to smaller number that is manageable.

A committee member wondered to what degree political reality shapes our recommendation. You can say you want a sales tax in the metropolitan area, which would be imposed by the legislature. However, the probability of passing this in the legislature is low.

A committee member said that the idea of the Citizens League is to have bright ideas on getting stuff done and considering politics too much would defeat the purpose. We should continue working through the process and consider political realities as well. In addition, the member responded to a previous point about working principles and explained that their working principle in ranking is looking for ways of funding the existing transportation policy plan, which is built on building out transitways and assumes increasing the capacity of the workforce bus system as well as funding both biking and walking opportunities.

A committee member commented that political consideration should start the conversation. They relayed that a presentation on new political realities would be useful. It does not mean that we have to settle for the current political realities, but, starting there would be good as we discuss the nuances of the scenarios.

Vice Chair Lenczewski argued that the report is not useful if it only survives five months. She hoped that this report would be useful for future considerations. Some of the options are unrealistic in the short term, but, that does not mean that we should oppose them, if the option expresses the ideal we are advocating. No governor takes away their power in the Met Council, in either party. We can get trapped into what is politically real today. We have to do what we believe. She said that she envisions the report having multiple perspectives, which gives options for now and for the future.

Staff explained that, historically, the Citizen League has been successful by balancing political reality with idealism. The beauty in what the Citizens League has accomplished is because they hit a short-term need, and where possible long term.

A committee member said they would not include structural changes to Met Council in options, given the Citizens League's previous work on Met Council. There might be a window of opportunity to have this included--for example, the recommendation for staggered terms.

Chair Bell clarified that there may be two or three principles that go across the top – and one of them might be Met Council governance changes. The changes could be vague.

A committee member agreed with needing to stay within the political realities but emphasized we have to lead as well. That means strategies and goals take longer, or they are different in terms of who we work with. On the governance piece, the Citizens League just did Met Council governance work, but there could be work on transit governance.

Chair Bell said they could restructure the list with principles A and principles B, to see if these buckets of principles make sense. Then we can see what assumptions and principles are being played out. That would hopefully take political concerns and put them at the forefront.

A committee member asked if we should discuss the principle of reducing or removing state responsibility for transit funding.

A committee member expressed appreciation for the Citizens League's work over the years. They argued what distinguished the results is having an identifiable problem to solve, and coming up with creative solutions. One of the challenges in this work is it is unclear what the problem we are trying to solve is. The legislature is not informed on transit. Educating them on these issues is crucial. Arterial BRT for example works very well but it needs funding.

A committee member responded to the question of taking the state out of transit funding noting that a good share of people do not believe that that is best.

Chair Bell relayed that the committee may have the same option presented based on different principles and separate votes.

A committee member asked if the committee is going to jump for a big funding mechanism or tinker with current streams. The committee member understands that buying out the state share, but the state share is what led them to argue about everything in the Met Council.

A committee member noted that the new majority in the Senate and House is mostly from Greater Minnesota, and less than a quarter of Republicans are in the metropolitan area. It is challenging to talk about a metro centric issue when the majorities are mostly from Greater Minnesota who ran against the metro. The option the committee chooses needs to be pro metro from both parties.

Staff agreed that clarity is needed when stating what the problem that is being addressed is. Staff relayed that they have heard both parties argue for getting the state out of it, and for enlarging the state's role for greater involvement.

A committee member commented that the problem is we are building the lines without operating funding being determined. If the metropolitan area funds everything, legislators know that if things go sideways they come to the state. That eventuality is the point of the 10 percent share of state legislature. A committee member responded that over a 30-year period, the projection is that CTIB is 80 million dollars short of their operating obligations. This amounts to less than three million dollars short per year, which does not account for the price reduction of projects. The spending is all within reasonable parameters. If you look around other regions, most metropolitan areas have to step up and pay for it. The regions decide they are going to do it.

A committee member said that number 12 seems to fulfill this issue but not all of these options solve every fiscal issue.

Chair Bell complimented the discussion and moved on. He said that the problem is that the transit component of transportation is not functioning well. In his view of political realities – there needs to be a resolution of the transit issue and the Governor may hold the issue hostage to get it resolved. Part of the role of this committee is to provide options so that the issue is not postponed.

A committee member stressed that human services are a human responsibility. We talk about what the counties contribute, or what the Met Council does, but it is important to remember we are here serving people. People's quality of life depends on this, and that should stay front and center as we vote on options and make recommendations to the legislature.

A committee member noted that another distinguishing feature is whether or not the state imposes obligation or whether local counties/tax payers have a say. That issue divides these solutions, but they are unsure if it is a guiding principle.

A committee member commented that the propensity to postpone the issue is strong. The system isn't working well now. The price of southwest went up 19 million dollars due to state funding issues.

Chair Bell moved the discussion to focus on how to restructure future votes for these issues and began describing option 12. Chair Bell asked for challenges to his description.

A committee member mentioned that anytime the committee uses the term "CTIB", we should have an understanding about what that means. The member asked if it is the current counties, or CTIB as it might be formed from time to time, because it's voluntary. The member asked if the committee is assuming anything about CTIB membership, or forcing them to have certain members. These are important assumptions and a huge governance issue.

A committee member noted another finance issue which is the CTIB's financing of the bonds. Chair Bell responded that he thought it was split between CTIB and others.

A committee member stressed that 73 percent of the money that goes to CTIB comes from two counties. The projects on the schedule are taken care of by those two counties. The member said that it is important not lose sight of where the money is coming from.

A committee member added that it's going to be hard to determine what CTIB looks like, and that CTIB is placeholder for local influence. Chair Bell said that the assumption is that CTIB is constituted at the time these options are passed. A committee member responded that they do not think that that assumption is necessary.

A committee member noted that the committee should not forget how Greater Minnesota transit is funded.

Chair Bell described scenario 10 and asked for questions.

A committee member said that it is a challenge because the projections over 20 years show capital funding is ramping up before stabilizing but operating costs continue to grow. Therefore, when you do fixed percentages for capital funding instead of operating funding, it does not cover the costs.

Chair Bell commented that the difference between option 12 and 10 is this point, and that the committee should get rid of 10 as long as it is considered. A committee member noted they prefer to leave it on the list.

A committee member asked if the committee wants to distinguish between kinds of capital funding.

Chair Bell explained that option 12 allows for that ongoing negotiation.

A committee member noted that if CTIB operating funds amount to 50 percent of operating costs.

A committee member emphasized that CTIB is not against doing more than what it is currently obligated for.

A committee member said that it is easy to recognize Met Council issues and CTIB's challenges in uncertainty. Many regions have a transit board. The member asked why the committee would not consider a transit board that gets at stability and local representation. The member recognized that it has been talked about before and that it is complicated. A committee member responded that it begs the question around TAB.

A committee member argued that for the purposes of getting away from the high transaction cost of working with the state legislature, most of Denver board decisions come from referendum. We could have the Met Council do planning, but have a standalone transit agency that votes on every investment.

Chair Bell said that the committee got into difficult issues, but that is what is intended. He explained that next week the committee will have the Chair of the Met Council present, and we are hoping to schedule a Metro Transit presentation in the future. Chair Bell asked members to let staff know if there were other presentations members wanted to have. A few members suggested the politics of the upcoming session, biking and walking needs in the region, and insights into how Trump administration might approach infrastructure.

Chair Bell asked for evaluations.
5, 3, 4.5, 5, 5, 5, 5, 4, 5, 4, 4, 4.5, 4.5, 4.5, and 4 for an average of 4.07.

Approved Minutes
Citizens League Transit Study Committee
Thursday November 17th 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice Chair Ann Lenczewski, Mr. Abou Amara, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, and Mr. Vayong Moua.

Members not present: Mr. Jim McDonough, Mr. Michael Beard, and Ms. Patty Thorsen

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Consultant Katie Hatt, and Policy Fellow Matt Byrne.

Citizens League members: Bill Dooley, Bob Armstrong, Bob Carney, Peter Wagenius, Matt Burress, Dave Van Hattum, Judd Schetnan, and Patty Nauman.

Proposed outcomes for this meeting

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Hear from Chair of Metropolitan Council
- Agree on next steps

Welcome

Chair Bell called the meeting to order at 7:36am.

Chair Bell reminded the committee of the charge.

- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Approval of Minutes

Chair Bell moved to approve minutes and asked for discussion. Moved by Mary Liz Holberg and seconded by Jim Erkel. A unanimous aye vote passed the motion to approve minutes with no changes.

Chair Bell explained that the committee may go over a draft of the table of contents depending on time available.

Re-cap of Previous Meeting

Chair Bell recapped previous meeting and described the first vote on scenarios. He said that the purpose was to take the committee's temperature and revise the list and that now the staff is working on second ballot with modifications. A number of scenarios were taken out that did not get support and were not viable. He said that his instincts are to do a second revising vote for last changes anticipating a third and final vote. This vote will be the basis of the final report.

Vice Chair Lenczewski relayed the proposed outcomes for the meeting including:

- State study committee charge and proposed goals
- Approve minutes from previous meeting
- Hear from Chair of Metropolitan Council
- Agree on next steps

She also reminded the committee that there is no meeting next week due to the Thanksgiving holiday.

Chair Bell welcomed and thanked Metropolitan Council Chair Adam Duininck for presenting. Chair Bell reiterated the committee's goals, and stated that the status quo is an acceptable outcome, though there will be other changes potentially recommended. Chair Bell expressed that he hoped to hear the Met Council's perspective and if time permits to look at scenarios gathered so far.

Presentation from Chair Duininck

Duininck noted there was shared interest between the Met Council and the committee. Duininck described confusion in the legislature between transit governance and Met Council governance. He said that most of what the Met Council does is transit services. Duininck relayed principles as they relate to governance: the focus needs to be on regionalism and on asking what is best for the region. Duininck stated there is a difference between voting based on representing narrow interests and regional elections and that the closest person who takes a regional view is the Governor. Duininck commented that there were lessons learned from work done regarding the selection process for Met Council members, which he may support. He emphasized that it is important to integrate more between community planning and transit planning. He argued that it is a benefit to the region from a community planning perspective to be integrated. He noted that the Met Council is often told that because we are unique we should change – whereas other regions are asking the Met Council how they can emulate it.

Duininck commented that another important principle is how relationships play a role. It may be difficult to capture in policy, but the fact is that the system is not perfect and relationships make the difference. Working with the Counties Transit Improvement Board (CTIB) and the Transportation Advisory Board (TAB), and trying to develop consensus is important. Even if governance is far from ideal – there are ways to overcome the challenges, which is why we have been successful. Duininck noted that many governance questions become chicken or egg questions about how much money we need for a fully built out transit system. Every addition is a controversy at the beginning, but then becomes successful. There is still a controversy about how it is built and who operates it, which is again why relationships are so important.

Duininck argued that there are people who hold up governance as a reason not to proceed. It is often an excuse not to build transit system to accommodate the population growth we expect. One question that needs to be asked is whether or not the State should be in or out of planning and funding. There is divided opinion on that matter. But the state does not want to be hung with the cost. Other areas use referendum, which is not something we have done here. We try to get through the legislature – where deals fall apart.

Duininck commented that one of the challenges is how to talk about vision when some opponents want to and we cannot just have multibillion dollar projects hanging on the line. Duininck mentioned that there is a challenge in attempting to set up a system with checks and balances while moving forward. He added that the 2008 bill did not solve all of the problems, but it was an important step forward.

A committee member emphasized that equity is an important element to integrate into transit funding moving forward. Duininck replied that he agrees and added that there are challenges balancing equity towards communities who have suffered generations of barriers and geographic interests. The committee member added that due to the changing demographics in the outskirts of the metro area, these interests may become less mutually exclusive.

A committee member reiterated the committee's charge in recommending transit funding scenarios and asked what current funding levels and service looks like. The also asked how long it has been since fares were increased, what impact fare increases would have on revenue, and how much revenue is needed looking into the future. Duininck responded that there has not been a fare increase since 2008. Both the structure and rate of fares have been considered. He mentioned that the goal at Metro Transit is to recover roughly 30 percent of the costs through fares and that they are currently recovering roughly 22 percent from fares. He said they may raise the fare rate in the next year, and that they were hoping that a sales tax would get passed in order to help out with revenue drops from diminished Motor Vehicle Sales Tax (MVST) returns. Duininck said that they anticipate losing riders for one to two years before getting them back due to rate increases and that a quarter increase in fares would net 40 million dollars over four years. One of the things being looked at is restructuring the fare to get rid of peak and off peak hours.

Duininck added that some regions have a distance based fare model as well. Overall current level is challenging because for four sessions now the transit sales tax deals have fallen through. Otherwise the Met Council gets general fund of around $170 million per biennium which includes Metro Mobility, Light Rail Transit (LRT), and regular route bus. Overall metro budget is around $400 million and the biggest funding source ends up being motor vehicle sales tax.

A committee member asked about current funding level and services that could be cut due to lack of funding. If all things were equal, the member asked how much more per year it would cost to fund the current system prior to Southwest and what happens if Met Council were to get no additional funding.

Duininck responded that they will be short – but he didn't have an exact figure to share. Duininck clarified that it seems like the question is: what happens if legislature said no money for anything.

Duininck said he hopes that doesn't happen. Duininck said that the cost drivers include Metro Mobility, which increases 8 to 10 percent per year so far. This past year we are looking at double-digit increases, and rides are being denied for the first time due to overwhelming number of calls. This is due to the fact that we used to go beyond mandated areas. LRT subsidies split between CTIB and the State drives the cost, but what costs more is it being undercapitalized while adding service.

Chair Bell asked about local vs. state funding noting there is a debate here and walking over broken glass every year seems a high transaction cost. Chair Bell asked for Duininck's opinion on that question, wondering might it be better to deemphasize state sources and emphasize local sources of revenue and if that is something that makes sense. Duininck responded that in the long run it seems to be where we are headed and it makes sense, but there are challenges. Duininck mentioned one downside to deemphasizing state sources is we already have the metropolitan area vs. the rest of the state mentality. Within the Metro area there is concern about actual regionalism. Those divisions may be worsened.

Duininck noted that there was concern previously about no funding being available based on property taxes. Duininck added that there is less political support than customer support for a robust transit system.

Chair Bell asked if there is a useful distinction based on transit mode regarding funding. Chair Bell wondered if one county wants rail and a different county wants Bus Rapid Transit (BRT), is there a funding mechanism which could address that issue and should that distinction be considered. Duininck responded that there is an upside to that scenario. If the cities and counties in the region want it and step up to pay for it, they should be allowed, but the legislature has not given that authority readily. There has been some difficulty in articulating how transitways are developed at the local level. Duininck noted that there is a tension between simplifying the process in terms of local decision making and emphasizing a regional system.

Vice Chair Lenczewski relayed that the committee struggles with these questions. She asked Duininck to talk more about whether people should stop asking for state share and just let the metropolitan area pay for everything. There are arguments about the fairness of this solution as the Metro area is already subsidizing rural Minnesota. Others say yes that's true but were not getting it any other way. Setting that aside, she asked if Duininck can talk about moving the state toward a metropolitan sales tax. She also asked for advice on the subset of taxing district and what kinds of taxes make sense. She also asked about Duininck's opinion on letting referendums go through, or letting cities/counties within the area opt in or out and whether he has talked with the Governor regarding required vs. optional opting in. Duininck responded that he has talked about it with the Governor, and the Governor shares the same principles.

Duininck relayed that the Governor wants to build a transit system and highway system and wonders whether we are compromising on a deal that does not fix anything that we will have to come back to. When it comes to transit, there was movement the last few years for regular route bus and Metro Mobility, rather than other forms of transit. Maybe the locals should make the decision or be on the hook for the costs of other modes. Might be a hybrid situation where counties implement sales tax. Council has to figure out how to pay for operating costs for that. There is an upside for us being involved in capital costs.

We are able to plan operating costs 10 years from now, which is why we work so hard on Transportation Policy Plan (TPP) for future planning.

A committee member commented that they didn't want to leave the false impression that whether a county is selecting light rail or BRT is whimsical. It is an exhaustive analysis coming down to potential ridership. One train covers 600 people, you need 10 buses to cover the same. Costs more to build, less to maintain. More people will use LRT than bus. All of those components go into evaluation of LRT vs BRT. LRT was looked at and they did not have the ridership. The member asked Duininck for his experience with Snelling Avenue line. Duininck discussed the Snelling Avenue Arterial Bus Rapid Transit (ABRT) as the first in the region. The upfront costs were about 25 million dollars. He then compared the costs of different transitway possibilities. Duininck noted development interests due to access to ABRT.

He said it was something to watch but not to expect dramatic development changes and he hopes for it to garner more bipartisan support.

A committee member commented that they are interested in the referendum option. Governance is messy, and we would be having a very different conversation with a Republican governor. Duininck responded that one of the Metropolitan Council staff members asked about referendum. The main answer is usually it is a mix of spending time and energy passing the referendum which advocates are lukewarm about and business groups. Culturally, it is just not something we have done. From a building and construction standpoint, thinking about having to put things on pause for six months to a year is difficult.

Duininck added that it may be that we are there at this point anyways so it could be a time to look at referendum reforms, though he doesn't see it being proposed. Duininck said he was confident referendums would pass, but it brings us back to asking questions about who would pay--which counties, all metropolitan counties, and how the boundaries would be drawn. It gets lost that boundaries are set by the legislature. Perhaps one of the question is where should the boundaries be set.

Duininck responded to a previous question on governance. He noted that often there is an interest in building another decision-making body. But there needs to be some thought given to who is there and how we represent stakeholders and if you don't do that in funding and decision-making process so there is buy-in. You want a stable long term organization. There is a tension between that and elected officials being a relatively short term interests. Duininck relayed that he is more open-minded than most, but be careful what you wish for because you can tilt decision making that may not improve outcomes. Balance needs to strike long term interests, be accountable, and responsive.

Chair Bell clarified that there have been concerns about how deep to dive into governance and that the committee has somewhat decided that we will focus on funding questions, which will likely have governance implications, but we will not be delving specifically into those because it would take too long.

A committee member commented that they had followed many ballot measures and offered words of caution. These are hard campaigns and take lot of money and may lose many before winning. Even though the rate of winning was high the significance of the decisions range from small increases to large transit projects. The most expensive campaign costed six million dollars and they lost. They looked to the business community to fund that campaign. Furthermore, we need to set the statutes clear for referendums to have teeth.

A committee member asked Duininck to reflect on the observation that oftentimes people show strong support for buses in contrast to LRT, but, in fact, when it comes time to just fund the bus those same people are not very supportive of buses at all. The member expressed doubt that the sentiments are genuine.

Duininck responded that he largely agrees. The Legislature passed a 20 percent cut to service. Sometimes it is just for show and that is politics. But your larger point is well taken – we do not have consensus on transit vision. When working on the Southwest Light Rail Transit line (SWLRT) working around the legislature holds us back with legislators, but if we did not, it would be held against us from local officials. Duininck said that he does not know the right answer, other than a funding source from where the demand is.

A committee member asked for comment on funding sources. They said LRT becomes more about economic development than moving people. They asked Duininck's thought on significant portion of capital costs paid by the developers. The member asked a second question on fares, wondering what happens if we go to 50 percent plus a penny. Duininck answered that ridership would take huge hit regarding fares. Research shows that over half of riders would choose otherwise when priced out. It is a fact that parking costs are currently low, despite popular opinion. The gas tax and tab fee is a low percentage of the road system, but we still need to fund that. The fare recovery for a region our size of 30 percent is pretty good. Duininck added that a lot of people ask about getting developers to pay in. In his experience, it is more a project-by-project deal. Duininck emphasized he is not opposed to the idea, but it would not end up being a huge source of the cost. The developers see it as primarily a public good.

A committee member noted that it is possible to go the special assessment route, so that everybody pays.

Other members replied that special assessments are decided by cities, but most do not end up paying more than half the cost.

A committee member commented that almost all major highway projects are sold on the value of economic development. The member asked if MnDOT looked at value capture on any of highway cost.

A committee member responded that MnDOT has done studies on value capture, but it has not actually used it. The only time MnDOT gets a private public partnership is when private entities want improvements. The downside of partnerships tend to be if a private company wants to come in they will build something but they want to make their money back, much like bonding.

A committee member noted that an additional point for value capture is that many transit agencies will do a joint development where they have land that they use for the transitway development and when they are done with it, they will work with private groups to get the ridership and development they want.

Duininck added that this has been done on a case-by-case basis here. He said that there is interest, but a limited ability to effect the private interests.

A committee member expressed that one of their principles is that the value capture should be used for both roads and transit so that they are comparable.

A committee member followed up on the 50 percent plus one question. They wondered how you make the decision to stop funding a bus line. The member added that the Northstar and Red Line numbers seem shockingly bad. Duininck responded that the Metropolitan Council has the primary responsibility as to when to stop funding a given bus route. Quarterly and annually we get a briefing about the worst recovery numbers. Sometimes the Met Council decides to run service for a year before shutting it down. Could be in response to community/employer requests. Some want to try to improve them to see if it increases riders. Duininck stressed that there are equity and geographic considerations, but at some point the lines do get cut if there is no interest.

A committee member commented that the special assessment cannot exceed the value increase to the property. There are many businesses that see zero value in light rail in the short term. From the community standpoint, there may not be value right now but there may be value if property if it is redeveloped. But there are costs to redevelopment, and it is difficult to do when you know the change inactivity will not happen for 10 to 20 years. It is difficult to capture the value in the short-term for the purposes of issuing debt to begin.

A committee member noted that so far, the committee has only been looking at demand side of users, and they have not heard about what the supply of ridership – both current and projected. The member asked if we know what the potential market is by those affected by fares and what the market is we are not tapping. They also asked if lower fares increase ridership. There is a huge penalty for using mass transit to go certain places currently. If you compare the time it takes to use mass transit versus the time it takes to use regular vehicle route, you will discover that it is a huge difference.

A committee member said they were concerned about the future of transportation with autonomous vehicles, in particular for individuals who are dependent upon mass transit. Connectivity will perhaps increase ridership. The member asked how Duininck thinks about this growing trend, and about the future of transit given technology changes. Duininck responded that they were mostly silent on the autonomous technology changes but it is something we need to spend time looking at. Every region that has more experience has said that the technology will supplement not supplant transit. The larger question is around parking and land use for transit/transportation planning. Every 2-3 years we do a travel behavior inventory, which is more regular than in previous years. Regarding the question about connecting populations with dense poverty – the BRT map overlaid the areas of poverty show high access. The larger question has to do with workforce development and connecting people to jobs. Some employers are saying we need to connect Minneapolis employees to jobs. But they have other needs as well, such as housing.

A committee member noted that the fare question is complicated. The member emphasized that the pricing of a public good where the benefits go to the broader array of people than those paying the fare needs to be taken into account. The idea that it should pay for itself is nonsense. The benefits are everywhere – so the payer is not getting the full benefit of the ride.

Duininck thanked the committee for inviting him to present. Duininck argued that on the spectrum of Met Council changes – if one were to believe that things should change dramatically – he argued that the Met Council would need more funding support and long-term stability to make it happen. Next year the Met Council will celebrate its 50 anniversary. Duininck stated that he was not opposed to doing things differently but the principles are equally important: trying to gain consensus is important, cities, counties, legislature is a huge challenge. Duininck said he was hopeful for recommendations coming out of the committee. Duininck emphasized that it is difficult to communicate how projects can hold up entire process and that they have a real impact on our communities.

Chair Bell thanked Duininck for his time. Chair Bell moved the discussion to the draft pages of the table of contents of final report. Chair Bell described the table. Chair Bell asked for comments/concerns – and asked to email staff after more thought given.

Staff emphasized that the final report will be as comprehensive as possible so that a reader does not need to go to several places. There will be background information added to the report for that purpose.

A committee member commented that the bottom bullet – demographic changes and trends and spatial and skills mismatch should possibly be separate from shared and autonomous vehicles because it is futuristic.

A committee member asked to discuss dissemination and the audience intended. Staff replied that all reports are available online to members and public. The audience includes the legislature and governor, but the full audience includes the public, including all of the minutes.

A committee member asked how far back rail authorities should be included.

A committee member noted there is not a lot of connection to other modes. There is not mention of walking and biking in the current document. The member requested that whenever possible to send documents like these ahead of time to digest. Chair Bell responded that it is a fair comment; sometimes the timing is what proves difficult, but when possible it will be done.

A committee member said they were unsure whether to include it, but that the intersection between transit and roads and the balance of funding might be worthwhile. It is transit study, but the implications are relevant.

A committee member commented that they were not here last week, but that we should make the best recommendations we can. They understand being pragmatic, but it should not influence entirely what we recommend.

A committee member agreed with the previous comment about missing connects to other modes – or rather the last mile consideration. In addition, the member is interested in the comparison between roads and what we want entered into the space. This is a context for the committee's funding discussion. In addition, the member is not seeing the ridership needs and public good piece of the transportation funding question reflected here, nor was telling the story expressed here.

A committee member noted agreement with similar theme. They want active transportation included because it identifies walking, biking, and young people's access to school as important. In addition, we need to capture Metro Mobility here. Most of all – equity in terms of racial and geographic equity. The preservation of public goods for our communities is important. We do not have enough information on trends and income and race in ridership discussions.

A committee member suggested before doing background inclusion – we might be able to reach agreement about what the issues are – and that section would be nice to have early in the report.

A committee member agreed with getting to question of what the problem we are trying to solve here. The member asked if we are just figuring out a better way of funding what currently exists, or if we are just funding the TPP. What we choose between those will change what options make sense. It follows from the transit planning section. In terms of how far back to go – we should go back far enough to capture relevant funding streams. Lastly, the member reiterated the need for customer's information should be accounted for. Chair Bell responded recommending that committee allowed for but didn't endorse the TPP.

A committee member added that they would like to include how much is raised by each scenario.

Chair Bell explained that after Thanksgiving we will be reviewing the new ballot and the assumptions included as well as review the updated table of contents.

A committee member asked if we are expecting funding scenario presentations next meeting. Staff replied that we are not. Chair Bell added that a lot of work has been done on that but it is not ready for today or next meeting.

A committee member commented that they do not see a distinction between capital funding and operating funding in table of contents. Chair Bell responded that it will be included in the assumptions.

Vice Chair Lenczewski asked for evaluations:
4.5, 4, 4, 4.5, 4.5, 4, 3, 4, 4.5, 4.5, 4, 4.5, 3.5, 4, 3.5, 3, 4.5, 4.5, and 4 = 4.02

THE MEETING ADJOURNED AT 9:32AM.

Approved Minutes
Citizens League Transit Study Committee
Thursday, December 1, 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice Chair Ann Lenczewski Mr. Abou Amara, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, and Ms. Patty Thorsen

Members not present: Mr. Vayong Moua

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, and Policy Fellow Matt Byrne

Citizens League members: Bill Dooley, Bob Armstrong, Bob Carney, Peter Wagenius, Matt Burress, and Andy Lee.

Proposed outcomes for this meeting
- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Discuss role of governance and funding scenarios
- Agree on next steps

Peter Bell called the meeting to order at 7:32

Welcome & approval of minutes
Chair Bell reminded the committee of the charge.
- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell moved to approve minutes and asked for discussion. The motion was moved by members Jim Erkel and seconded by Scott McBride. A unanimous aye vote passed the motion to approve minutes.

At the end of the last meeting, there was some discussion on the problem or set of problems the committee was trying to solve. In response, Chair Bell read through what he and staff considered to be some of the problems the committee is trying to address, which reflects the committee's charge:

- There is a structural funding shortfall for transit system expansion and maintenance.
- There is too much complexity and lack of transparency in transit system decision and financing.
- There is a lack of formalized consistency and processes for transitway development.
- There is unpredictability in the state level of transit finance.
- There is a lack in system efficiency and a need for optimization.

Since Chair Bell noted that he would like some version of these problem statements at the beginning of the final report. In addition, he wanted the committee to reach agreement on them and to make sure that any recommendations the committee comes up will address these problems.

A committee member asked when they will have a chance to talk about the problem statements. The member said that they wished that the problem statements had been discussed earlier.

While Chair Bell agreed that the committee should have discussed the problem statements earlier, he did not think any of these were unknown or controversial.

A committee member asked if the committee could add to or subtract from the problem statements. The member said that they would like to add that those paying the bill for the benefits of transit and that the beneficiaries are not the same and that they should be more connected than they are. Chair Bell added that it is important that the problems the committee identifies need to be things the committee recommendations will address.

A different committee member stated that they had no issues with the problem statements, but hoped they would be more focused on funding as opposed to governance. She thought the problem statement on efficiency could be interpreted that opt-outs are not as efficient due to having a separate governance structure when they are a very efficient use of funding opt-out bus systems. Chair Bell responded that he understood the point, and that it was not his intent to address this particular concern.

A committee member commented that it might be useful to relay in the report that the reason for not focusing on governance is due to time constraints so that a reader has an expectation that it will not be covered in the report. Chair Bell responded that this was the next item on the agenda to discuss.

A committee member mentioned that they would prefer clearer language around the problem statements to reflect the need for improvement as opposed to language that suggests something is broken.

Recap of previous meeting

Chair Bell recapped the previous meeting with Met Council Chair, Adam Duininck. Chair Bell noted the challenges identified by the Met Council and their ideas on addressing them. Chair Bell relayed that there were concerns after the meeting that the Met Council Chair was not specific enough on budget numbers as some had hoped. He noted that in addition to the growing costs with Metro Mobility, one of the challenges is that the Met Council does not have a budget or forecast yet and that the budgeting that the agencies do is a more complex and a longer process than a short presentation would allow. A committee member responded that the Met Council does know what the projected shortfalls are, in addition to their fixed costs are and projected operating subsidies. The member asked if the Met Council is going to give any information on the cost side. Chair Bell responded that he did not think so.

A committee member stated that the Met Council is not sure about costs from Metro Mobility because the demand is going way up. Another issue they are facing is retaining drivers. The member reiterated that it is important not to lose sight of those who need the service as we determine what our final recommendations will be.

Discussion on the role of governance in final report

Chair Bell shared his concerns with governance questions. Chair Bell relayed that he was worried that a discussion on governance would not yield meaningful conclusions in the time allowed. He also mentioned that because the Citizens League just completed a report on the Met Council where governance was a central piece, he did not want this committee to revisit those issues already covered. Chair Bell expressed that he hoped that a discussion about the governance questions, implications, and concerns would be listed next to each funding scenario for voting. He hoped that the committee would not try to resolve the governance problems per se, only identify them so that readers of the final report would have better understanding of what work needs to be done.

Chair Bell asked for discussion on this direction.

A committee member said there are governance implications even if the main focus of the committee is on funding. For example, who gets it and how do they make decisions. However, questions on governance generally, or governance that may contradict the previous study should be avoided. The member relayed that they generally supported the direction suggested. Another committee member agreed and stated that discussion about governance is unavoidable because the issues are implied in all of the funding scenarios. Chair Bell replied that this is an interesting point. When he thinks of governance, he thinks about how Met Council members are elected or appointed, number of votes, etc. However, when the committee talks about money going to CTIB that is relevant to funding considerations.

A committee member stated that the previous Citizens League study committee did recommend this group take a look at transit governance generally. The distinction between Met Council governance and transit governance is important.

A committee member indicated that it would be helpful to hear explanation on how to address governance questions because it has been challenging not to touch it. They further stated that they were not thinking about governance as narrowly as Chair Bell had explained just now. The direction provided makes sense for acknowledging governance issues without getting lost in them. Not having much debate on these issues, however, is in part, ignoring governance.

A committee member appreciated the direction provided. How we allocate and coordinate funds must be considered. For example, in the opt-out bus system, the committee member said they are capped, which means that they have no ability to grow the system. If more money comes into the system, there should be a way to make sure that they are able to grow where it is needed, and make sure that it is addressing bike and walking issues.

A committee member agreed with the governance direction provided. The questions are: does the money go to an elected body or an unelected body, are we going to empower them to impose policy, how do they work with the state to get it done, and will citizens have a say in this or not.

A committee member noted some déjà vu from the discussion. They relayed that they remembered leadership at the Legislature at one time saying that controversy followed even more when there were budget surpluses as opposed to budget deficits. There is an assumption that the system has to grow. The member said that the bipartisan body he was a part of went to the audit commission at one time and asked the legislative auditor to look at transit funding. The legislative auditor, after a closed process, made recommendations stating that the real issue was a dysfunctional Met Council. The problem was about governance and not money. The member said that a group he belongs to is working on governance reform that differs from the recent Citizens League recommendations, which he thought was fine and appropriate since there should be options. There is still agreement for a need for a regional form of governance with many of the same responsibilities currently taken up by the Met Council. The member commented that the creation of CTIB as another layer of government seemed out of bounds, but when it was designed, there was an exit clause to get out of it. The member emphasized that the committee cannot dance around governance when it was the most important element given by the legislative auditor report. Those who have been inside government for a long time have to be careful to keep their ears tuned to regular folks, to be humble, and to listen.

A committee member said that it is obvious that the committee is not going to be getting into the weeds on governance. However, whatever funding models we look at will have implications on governance. Beyond the allocation of resources, we need to identify governance implications alongside the funding models.

Chair Bell responded that recognizing the relationship between funding models and governing bodies could be the middle ground on working on governance questions. Still, he cautioned that to truly dive into governance questions would be a huge undertaking. He appreciated members coming forward and glad everyone was on the same page on governance.

Discussion on funding scenarios

Chair Bell recapped the vote on the recent funding scenarios and reminded the members that based on their 6-2-2 weight votes, this list was shortened to about 15. Chair Bell said that he wanted the committee to look at these options again and invited the Minnesota House's fiscal and legislative analysts to join the table to comment and answer questions. Chair Bell mentioned that he would like to cut the list to roughly 10 and have another vote using the same format of 6-2-2 votes. Chair Bell explained that if there are too many options and the votes spread too thin, the results will not provide a clear direction from the committee to the Legislature.

While he wished to reduce the list, Chair Bell explained that he had a conversation with a committee member who wished to add another funding scenario for consideration. To that end, Chair Bell was allowing them a few minutes to present their option so that staff could add it to the other ballot options.

A committee member presented a funding scenario for consideration on the ballot. The scenario was another version of a sales tax proposal. The member explained that rather than following the seven-county boundaries, which all of the proposals seem to do, the taxing lines could follow density of service. This has been done in other jurisdictions. The Met Council uses a planning tool that shows where the service is most dense. There are areas of the region that do not have a lot of service. With this proposal, one would tax where the majority of the use is as opposed to getting tax from those areas where there is not as much transit. The committee member introduced Peter Wagenius, policy director for the City of Minneapolis, to continue giving the presentation since she said he had more details.

Wagenius said that over the last two years there has been a deep dive into transit data, particularly geographic data, on demand and revenue. The question has emerged; is it possible to have heavy transit users pay more, and areas with lower transit pay less. Wagenius clarified that he is not moving away from those who claim that there are system-wide and indirect benefits, but this is a potential compromise to move forward. He explained that different tiers of taxation could be used for different tiers of service, whereas, the previous deal was a uniform rate. Chair Bell asked what the challenges of this approach would be. Wagenius responded that two things come to mind. People must be persuaded that sales tax is more of a local tax than people recognize. Eighty-eight percent of Hennepin County sales tax comes from Hennepin County. The second issue is that people may assume that drawing lines between tiers would be difficult. Wagenius distributed a handout (*see Attachment A*) that he said demonstrated that this is not the case. Other cities have done this said Wagenius, and as such, he and others have done their homework needed to apply it here. Wagenius argued that if you were to shrink from the seven counties to those counties using more services, it reduces geography by fifty percent but only reduces the revenue by five percent. The implications of this approach politically is very positive. Wagenius noted that there are thirty three legislators outside of the transit district who would be able to say to constituents, "you will not be taxed for a service you are not getting." Wagenius distributed another handout on transit market areas (*see Attachment B*). Wagenius explained that the federal government requires the Met Council to delineate who gets more and less transit service and that this is a tool that could be used to draw the lines.

A committee member wondered if it makes sense to vote on funding scenarios and then have the conversation on the geographic area. Chair Bell responded that the approach lowers the political temperature, but it does not have a huge monetary impact, therefore he would like to keep it incorporated in the current format.

A committee member asked how to prevent islands where transit is going through and relieving congestion without being in the taxing district. Chair Bell replied that it is a good question, but he wants to make sure the discussion is open up to all funding scenarios.

A committee member commented that they would like the current transit taxing district map overlapped with the distributed map.

A committee member argued that from a small business perspective, this is a nightmare: to figure out address by address who has which tax rate—per the tiered structure—as opposed to using county lines.

Chair Bell thanked Wagenius and said that he would like to spend the rest of the time going through the other funding scenarios that were included in the meeting packet.

Staff gave details on how to read the scenario document. Staff reminded the committee that after the election, the committee voted on the funding scenarios via Survey Monkey and discussed the survey results on the Thursday following Tuesday's elections. Based on the results, the committee agreed to eliminate the scenarios that received few or no votes. Staff explained how assumptions were reflected in the document and how specific funding scenarios were broken down to reflect various possibilities for any given scenario.

Chair Bell relayed that he personally added a scenario where the state would take over funding of Metro Mobility through general funds. He thought this would relieve some funding pressures from Met Council for Metro Mobility, which is growing at a high rate. Legislative staff clarified that rather than assign Met Council to cut bus service, general fund is reduced because it is a direct appropriation to Metro Mobility. This would allow Metro Mobility funding to be dealt with separately from the rest of the transit funding system. A committee member added that if Metro Mobility was reassigned from Transportation to Health and Human Service (HHS), it could potentially access more money.

A committee member commented that the scenario document is a pretty exhaustive list, and thought some could be combined. The member said that they are unsure how combination possibilities are reflected in the process because currently there seems to be an either/or approach. For example, under state funding, all of them say "as-is" or "no changes." Other proposals have included cutting state share. The member asked does "as is" include the 10 percent state share.

Chair Bell wondered if scenarios ought to be split between "with state share" versus "no state share." A committee member asked if there is agreement on the assumption whether or not state share is included.

A committee member responded that rather than making it an assumption, state share should be listed along options similar to how governance implications are listed currently.

A committee member said they were concerned that a stronger proposal may get watered down with too many options. Chair Bell responded that this is why the committee needs to shrink the options, eliminating those options that do not reflect the collected wisdom of the group.
Matt Burress commented that the 10 percent portion is often expressed as state share, however, current law reflects it as a 10 percent cap on state share of funding.

A committee member said that there are some committee members who think that transit is where it needs to be while some think we need to build it out. Having it broken down in these many ways does not distinguish between those two points of view. The member argued that the first question is what the vision for transit is. The report should reflect that we do not have agreement on the vision. This would give us a chance to vote on the different elements around the sales tax itself based on which vision it would allow for.

A committee member commented that the options with the most debate are the sales tax questions; whom it goes to, how much it is, and where it goes. We do not want to lose the items we can probably find agreement on. The member said that they want to leave all the voting in for scenario selection but leave flexibility to add things that don't get a lot of votes.

Chair Bell reiterated that the goal is to get to ten scenarios today. Chair Bell asked if the committee would support the body of the report reflecting that any growth of the system should include higher farebox recovery and developer fees. However, if the goal is to simply maintain the system farebox recovery and developer fees are less important. A committee member responded that farebox recovery and developer fees can simply be for maintenance, and that it does not have to be related to the growth of the system.

A committee member said we would be making the same mistake that we have been making for 30 years by not putting the benefited property paying front and center. In terms of additions to the system, especially if it is Light Rail Transit (LRT) or Bus Rapid Transit (BRT), there is a lot of opportunity to have that financed by the beneficiaries along the way, and if you stick developer fees in the commentary, it would only be an afterthought. The member agreed that farebox recovery is probably on the maintenance side, but the goal should be 50 percent plus a penny, keeping in mind that we can and should help people who need help paying the increased amount.

Chair Bell clarified that what he proposing is a guaranteed inclusion in the report whereas if the scenarios of development fees and farebox recovery aren't voted on, they may not get mentioned at all.

A committee member said that they want to ask legislators to use mass transit for a day before voting on transit legislation. Chair Bell responded that while a good idea, he wondered whether this was feasible since many representatives are asked to take part in similar requests.

A committee member suggested that the voting of this committee could be improved. They suggested listing votes in terms of interest: no or low interest, moderate interest and high interest. In that way, all the options could be reflected but some would show low interest. This would possibly head off a minority report because you could have minority views reflected in the voting.

Staff added that this reflects weighted voting and would be perhaps even more directly representative, but they want to see one more round of vote before implementing. Chair Bell noted that he was interested in the interest based voting.

A committee member noted that the committee is not comparing apples to apples in the current funding scenarios because some of the options aren't on the same scale in terms of funding produced. The options could be broken down by scale so that smaller items can be included even if they aren't comparable to the bigger funding scenario considerations.

Chair Bell commented that you could take both of these proposals together, have an interest based voting format while breaking down the options by scale. Chair Bell asked the committee for their opinions on these two proposals.

A committee member commented that the committee could also divorce funding issues from who gets it and who governs it. A committee member responded that while it is a good concept to first talk about the money, it may be moot right now as none of these are simple. The development fees are complicated with timing, but the difficulty is getting developers in at the right time.

A committee member argued for the fare increase to be seen as maintenance, and against the 50 percent and a penny increase.

A committee member stated that they are missing a shared vision of value as a common place before getting into complicated structure. Because it's hard to tell where everyone is here, there should be basic understanding of how everyone values transit. They would like a way to include that in the statements. The member said they are concerned that transportation is on the chopping block and they would like to give legislators some kind of shared statement of value for transit.

A committee member agreed with the idea to break decision making by voting up or down on sales tax at all before moving down to the exact details and smaller possibly agreeable issues.

A committee member stated that with regards to the development fee idea, when you make major investment in a line, rail or dedicated bus way, you create a district around it. Anyone who wants to develop in that area, there is a price around it. You can say to developers: community has invested a billion dollars, if you are going to invest, your proportion of the benefit is calculated. Or if you have a known developer before the line is made, have them invest in capital costs. The member argued that the value of development fees and farebox recovery is underestimated. Chair Bell asked how to implement the development fees idea without knowing the timing of the developer. The committee member responded that you would not try to time it out, you would try to estimate how much investment you get in the long run and plan accordingly. A committee member asked if that was really the perspective of the business community, and would the member support the same for highway funding. The committee member responded that they anticipate a stream of funding from property taxes and bond off of it. Rather than pay as you go which increases risk because you don't know what's going to happen, it makes it possible to take advantage of long term investment. A committee member said that they are not against figuring out value captures, but they are a small part of what we're doing.

A committee member expressed support for the farebox increase to 50 percent plus a penny. The member said that they suspect that doubling the farebox will cause significant ridership decline unless there is significant credit or payment to people based on income. Even that will probably result in a decline in fare revenues, but we do not really know that because it has never been increased by that much. We heard from legislative staff members that it has been declining to roughly 23 percent from 30 percent goal. It was suggested that we maintain it as a part of cost of service increases.

A committee member remarked that the Met Council presentation said that in the short term ridership does go down but in the long term it comes back. In addition, it is important to create a system where those who do not have the income get help, but users actually see the cost of the fares.

Chair Bell asked for proposals for things coming off the list now. Hearing none, Chair Bell suggested we do the tier based on substantial revenue, and that for the next vote we do 10-2-2 and for final vote we use the interest based format, but for the second vote the committee will use numerical voting to cut down.

A committee member stated that even with a 10-2-2 weighted voting, members are limited to just three votes. They wanted to be able to vote on all of them.

A committee member noted that things should fall off the list even with the interest format voting proposal. Chair Bell commented that the ones with low interest should be taken off for this next round. A committee member asked why the vote should not simply list everything and just discuss levels of interest. Chair Bell asked if the interest proposal moved forward, how to cut the list down.

A committee member stated that the committee should develop themes about the proper way to fund the majority of the system.

A committee member commented that an underlying issue is whatever decision we make has an impact on real people. Financial and racial disparities may be worsened by fare box increases.

After some discussion, Chair Bell confirmed that staff would reconfigure the vote structure, first group the current scenarios based on size—by the amount of funding produced, and then allow members to vote on all scenarios using the scale: strongly support, minimally support, and no support at all.

Vice Chair Lenczewski asked for meeting evaluations:
3.5, 4, 4, 4, 3.5, 4, 3.5, 4, 4, 4, 3.5, 4, 4, 3.5, 3.5, 3.5, 4, 4, 4, and 4 = 3.8

The meeting adjourned at 9:33am.

Approved Minutes
Citizens League Transit Study Committee
Thursday December 8th 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Mary Giuliani Stephens, Ms. Elizabeth Glidden, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Peter McLaughlin, Ms. Mr. William Schreiber, Ms. Nancy Tyra-Lukens, Jason Grev, and Ms. Patty Thorsen

Members not present: Mr. Abou Amara, Kenya McKnight Ahad, Mr. Andrew Richter, Mr. Jim McDonough, Mr. Vayong Moua, and Vice-chair Ann Lenczewski.

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Policy Fellow Matt Byrne, and consultant Katie Hatt.

Citizens League members: Bill Dooley, Bob Carney, Bob Armstrong, Peter Wagenius, Dave Van Hattum, Matt Burress, and Andy Lee.

Proposed outcomes for this meeting

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Review and discuss survey results on problem statements and funding scenarios.
- Agree on next steps.

Chair Bell called the meeting to order at 7:33am

Welcome and approval of minutes
Chair Bell reminded the committee of the charge.

- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell moved to approve minutes and asked for discussion. The motion was moved by members Pat Born and seconded by Nancy Tyra-Lukens. A unanimous aye vote passed the motion to approve minutes. Chair Bell recapped the previous meeting noting the discussion on the presented funding scenario sheets and voting format. The plan was to reconfigure the scenarios per the committee feedback and take another vote to narrow scenarios before today's meeting on December 8th.

Chair Bell explained that he and staff revised the aforementioned plan because of recent developments with the Counties Transit Improvement Board (CTIB). Chair Bell announced that CTIB was here to present on these new developments. Chair Bell relayed that CTIB is considering significant action which has major implications for the committee funding scenarios.

Fifteen out of 25 of scenarios has to do with sales tax increases authorized by the State. Those scenarios may not be as relevant given news from CTIB. Mary Richardson, the administrator for CTIB was here to present again on what CTIB is giving serious consideration to, along with CTIB Chair and committee member, Peter McLaughlin. Chair Bell said that the committee will have discussion on the CTIB plan and its implications. Chair Bell then asked for questions and hearing none asked for the presenters to begin.

Counties Transit Improvement Board (CTIB) Presentation
[*See attached Power Point, Attachment A*]

Committee member and Chair of CTIB, Peter McLaughlin explained that he decided to give this presentation this week as opposed to last week because their board had yet to receive the presentation and he wanted to make sure their membership heard it first. This idea is responsive to concern for different needs throughout the region, and allows CTIB to move forward on transit plans.

Richardson noted that the presentation was prepared for CTIB and has not been adapted for this audience. She remarked that the impetus for the proposal were based on five factors: identified financial challenges; costs for projects have gone up; tax income has been less than previous years; Dakota County had decided to withdraw from CTIB; and most significantly, the State did not act to provide the State share of funding for Southwest Light Rail Transit.

Richardson explained that CTIB funds about 30 percent, while the remainder of the funding is broken down as follows: federal 50 percent, local 10 percent, and State 10 percent. CTIB wants to reduce the delays, and do multiple projects at a time to maximize Federal funding.

Richardson showed slide 5 illustrating CTIB's achievements to date include 769 million dollars invested; accelerated development; and over six transit lines developed. Slide 6 showed the combined economic impact of CTIB's development. Richardson noted that the Blue and Green Line riders made up 28 percent of total 2015 ridership.

Richardson showed slide 7 demonstrating transitway project readiness and 2017 funding needs. The State share is needed immediately on a few projects.

Richardson described 2017 project funding obstacles including the Federal process requirement that identification of all non-federal share of funding is needed at key points in the process; and the related issue that State funding has either been missing or unreliable.

Richardson discussed funding options that will address current county needs given new political realities.

Option one is to continue the existing strategy and support passage of comprehensive transportation and transit funding legislation, including funding for transitways, bus system expansion, and bonding for specific projects.

Option two is to fight for new specific legislative authority and seek passage of legislation authorizing CTIB counties to impose up to additional ¼ cent for the build-out and operations of the Program of Projects (PoP) as well as support general legislative efforts for increased transit and transportation funding.

Option three is to utilize the existing local option authority available to all counties not in CTIB to impose up to ½ cent for transit and transportation purposes and support general legislative efforts for increased transit and transportation funding.

Richardson used slide 14 to display a map of local option taxes for transportation in Minnesota using the wheelage tax, local option sales tax, local option sales tax for transit only, and aggregate materials tax.

Richardson explained the difference between the CTIB Transit Tax and the General Transportation Tax. The CTIB Transit Tax is ¼ cent for transit purposes only and requires a joint powers board. The General Transportation Tax on the other hand, is up to ½ cent for transit and transportation purposes and permits a joint powers board.

Richardson discussed the CTIB criteria for evaluating funding options. The criteria include:

1. Meets project funding needs
2. Avoids project delays caused by timing of funding
3. Provides opportunities for acceleration
4. Offers flexibility to meet counties' needs
5. Statutory authority exists
6. Advances likelihood of success
7. Other?

Richardson showed slide 17, which is a matrix comparing the funding options against the criteria. Option three is the only option that meets all the criteria.

Richardson emphasized that as a starting point for implementation of option three, the counties that want to enforce the ½ cent tax must be out of CTIB.

Richardson listed a number of key assumptions about the option being considered.

1. The purpose of reorganizing is to utilize available revenue sources
2. Implementation is consistent with existing statutory authority
3. Reorganization must work for all member counties
4. Lack of state funding will cause costly project delays
5. Use current CTIB sales tax resources to pay debt and grants prior to reorganization
6. CTIB's remaining funding commitments and obligations need to be assumed by one or more counties and/or new joint powers board(s)
7. The shift in organizational structures needs to be seamless

Richardson identified key implementation steps for CTIB if it were to follow option three:

1. All five counties must agree on path forward

2. Counties agree to a clear allocation of CTIB responsibilities to counties
3. CTIB assigns, and one or more counties assume, remaining funding commitments
4. Necessary agreements among affected counties are approved
5. CTIB uses current resources to pay off bonds, outstanding 2016 grants, and a portion of 2017 grants

Chair Bell asked to clarify that the vote is not based on proportional voting within CTIB, but instead every county gets the same vote to remain with or leave CTIB. McLaughlin responded that that was correct, the question goes back to each county board.

Richardson further discussed the possibility of different scenarios in implementing option three.
Scenario #3A

Terminate CTIB Joint Powers Agreement (JPA) and Dissolve CTIB
1. Each county board must vote to terminate the JPA
2. Each county board could impose up to ½ cent sales tax for transit and transportation(under MN Stat. sec. 297A.993)
3. Willing counties could form a new joint powers board -- or pursue other options – to fund transitway capital (state and CTIB share) and some share of the operating costs

Scenario #3B

Some Counties Withdraw from CTIB and Some Counties Remain
1. Each county board must vote to waive 3 year notice requirement
2. Withdrawing counties could impose up to ½ cent sales tax for transit and transportation
3. Withdrawing counties could form a new Joint Powers Board (JPB), or pursue other options, to fund transitway capital (state and CTIB share) and some share of operating costs
4. Remaining counties amend CTIB JPA to reorganize Board and funding decision-making
5. Reorganized CTIB will continue to collect original ¼ cent for transit purposes

Richardson showed slide 28 displaying basic financial information relaying estimated share of sales tax next to share of debt service of each of the five CTIB counties. Slide 29 showed estimated sales tax by county. Richardson pointed out that the additional ¼ cent sales tax would amount to a $118.6 million dollar increase among the five counties totaling $244.3 million dollars.

A committee member noted that the differences in percentages of share of debt service is based on revenues on times of issuance of debt. Those with greater tax share to debt service have grown faster than the region.

Chair Bell asked to clarify that if all five counties leave at the same time, CTIB will pay all of the counties share of debt out of its current reserves, but if they do not leave at the same time that county has to pay the debt burden outside of the CTIB reserves. Richardson replied that that interpretation is partially correct. She explained that if the board decided on this scenario that would allow 2-3 counties to leave, CTIB would pay that debt, if CTIB stays intact and Dakota County leaves, before Dakota County can withdraw, they have to pay their share of the debt.

Chair Bell asked if it was the case that if Dakota County left at the same time, then Dakota County does not have to pay share of the debt and CTIB will pay. Richardson replied that was correct.

A committee member asked how the half cent that counties are allowed to tax impacts roads and bridges funding if the half cent is for transportation generally. Another member responded that this is a political question. He said that one argument is that by doing this, light rail is removed from the legislative dialogue about overall transportation packages. The sticking point goes away because individual counties take care of light rail so the State would not have to come up with 10 percent capital funding. Secondly, from the Governor's perspective, he can drop the sales tax proposal to a quarter for buses, so the

Governor's request for transit purposes are cut in half. This could ease the way for roads and bridges packages.
A committee member asked if there is no expectation that the sales tax pays for the bridges and roads.

Another member responded that individual counties can decide what to use it for; individual counties may decide to spend more on roads/bridges than transit, but it doesn't take care of overall needs for road funding.

A committee member commented that when Dakota County made the calculation to stay in CTIB or go, looking over 10 years or so, if you took projected value of possible investments in Dakota County they were at about 13 percent of revenue at best and about 3 percent of expenditures from CTIB would come to Dakota County. So, Dakota County could leave CTIB and continue the investments CTIB was going to make, and still have money left over for roads without increasing taxes. Given all of Dakota transit ran on roads it was a common sense solution.

Richardson added that another way of saying that is Dakota County did not have a large transit investment.

A committee member commented that CTIB estimates there is enough money for CTIB's share of projects for 30 years. CTIB could build out Southwest, eliminate certificates of participation (COPs), Bottineau, Riverview, etc.… CTIB's share of the operating costs would be covered for sure, and CTIB is still looking at the cash flow for potentially covering the other 50 percent of operating costs that has not been covered historically. He added that this funding structure gives flexible resources to counties.

A committee member commented that Scott County did the half cent sales tax. There is no identification of transit projects, but they identified up to $900,000 or transit, and appreciated flexibility with that money. The member asked if the 250 million dollars that CTIB awarded yesterday was out of reserves and how that plays into the dissolution of CTIB. Another member responded that the award was for grants in 2017. CTIB approved 246 million in grants for operating and capital. He noted that the working assumption is that CTIB is still in existence.

CTIB has been reliable and wants to remain so, and to that end CTIB will take actions as though it is continuing but the grants were made with eyes open to the possibility of dissolution. Another member explained that for capital there must be a transfer of responsibility from CTIB to individual counties. CTIB's 30 percent responsibilities will be paid, but after that point the remaining Southwest funding will be assumed by Hennepin County and whoever joins them in a joint powers agreement. CTIB will not miss sales taxes due to timing, since they are using some reserves. However, they still have sufficient money to guarantee debts.

A committee member expressed concern that one week before last meeting this was the only presentation before voting. They wondered if there are assumptions being made about CTIB dissolution. They do not think the underlying transit issues are solved by CTIB dissolution. From a city perspective, they are concerned about ability to build out the bus system. The committee member believes that the Orange Line is one of the most important arterial bus routes, and that LRT is critical for the system. The member wondered about the trajectory of the committee with this news. Chair Bell responded that the committee had 25 scenarios, and about 17 of them had something to do directly with going to the State for the purpose of securing the right to implement a sales tax increase primarily for transit, and the possibility of this CTIB change is significant on those options.

Chair Bell said that staff and he were skeptical of the ability to vote on those scenarios without knowing the CTIB changes. Political plausibility is a serious consideration for this committee and he wondered if the legislature seriously considers a sales tax increase in the face of CTIB change. Many of the legislators may believe that a big part of the problem is solved. It was his belief that this was a huge material shift in how we can think about the options. Some of the problems that have not been solved includes the ongoing maintenance of buses. The urgency of this action was around Southwest not getting funded and gumming up the system, it was the catalyst for us being together.

A committee member commented that they had a broader goal in mind than simply attempting to address Southwest Light Rail Transit funding. They said that this issue is similar to a point made previously about what the intent of the report was: impacting this coming legislative session or a broader long-term impact. The member added that this committee has not dealt in depth with governance issues and we had a discussion on why that is, but this is another example of how there are additional governance implications that have to do with funding. For example, if you break up CTIB, and you have individual counties deciding sales tax, the member wondered how that feeds into a system wide way to look at how transit is serving the region optimally.

Chair Bell clarified that he didn't think the committee was only about solving Southwest Light Rail Transit, it was addressing the problems that allow Southwest to become the issue it has been. Even if Southwest is solved, which it is not necessary, our work is not done. Chair Bell commented that the committee's question is yours, how much does the CTIB change potentially fix, the lions' share or a little piece, and the committee will discuss this after the presentation concludes.

Staff echoed Chair Bell's point saying that the committee work is relevant for both next session and beyond that. Southwest was symptomatic of underlying transit funding issues. Staff reiterated that the intent here is to have the full conversation after the presentation.

Staff asked what the potential CTIB changes implications were for Met Council. Another member responded that from the capital side CTIB is not going to be investing in anything not in the Transportation Policy Plan (TPP) and nothing changes in terms of who owns and operates the transit system. The net plus from the capital side for the Met Council is more money. For the operating side, there is a matrix with some being benefited from and others that is somewhat reduced. He is not sure if there is enough money in the counties to take up the State's 50 percent new operating, because the State is already paying for the old lines. He noted that in the short-term Met Council doesn't have to issue COPs. The bigger game is whether this form of taxes cover the State and Met Council's share of operating on new lines. Not sure if the resources are there but it would be a leap forward to get the State out of funding discussions.

Richardson added that from an accountability standpoint, CTIB has a significant role for oversight, which is not something that has been discussed yet but that needs to be covered.

A committee member asked what plan CTIB's updated funding is sufficient for. Another member responded that it is sufficient to build transitways and the State share and CTIB's operating responsibilities for the currently planned lines. The current grey area is whether it can also cover the operating costs the State currently funds. A committee member clarified that future transit ways are still a part of the mix. Richardson responded that the funding is for current plans and future lines will be determined on a county by county basis.

Richardson showed slide 32 displaying 2017 operating cost indicators for each of the transitways for the next six years.

Richardson discussed key issues CTIB must focus on for option three and moving forward. It must be reliable in its debt repayment and existing and new operating costs, assure there is no disruption to federal grant processes, fulfill funding commitments/county shares, and address the Southwest line COP financing.

Chair Bell commented that if the committee thinks option three for CTIB is going to happen, we could have scenarios assume option three. To give two extreme examples for framing, the committee could accept option three as a given and additionally give a possible recommendation to increase sales tax by a quarter cent to shore up Met Council transit operating. The committee had contemplated the State taking over Metro Mobility as well. On the other end, the committee could say that it supports option three but thinks transit projects should be sequenced in a way that it allows counties to take over operational costs.

Chair Bell emphasized that there are many viable scenarios in between these posts and the committee can reconfigure scenarios within those. Chair Bell said he would like the committee to discuss this and pencil in an additional meeting for December 22nd. Chair Bell commented that the Met Council operating budget is a moving target which we still don't know today, but it is safe to say there is a lot of operating funding pressure.

A committee member pointed out that there is not going to be a lot clarity on the CTIB option for over a month. The timeline for an April date is proposed and even if in January CTIB decides to do option three, all counties have to go back and vote. The committee should comment on whether we think it is a good idea, but we should know that it is speculative. Chair Bell added that the committee can say we support option three whether or not it is a done deal. The question is whether option three is more or less likely than the State giving half cent sales tax. Chair Bell said he thinks that option three is more likely as a base to start from than the possibility of the legislature passing a half cent sales tax.

A committee member commented that they were interested in discussing the unintended consequences of some of the options before the committee. They said that they have observed legislature in previous years take every opportunity to stick responsibility to someone else rather than facing the problem.

Chair Bell explained that he wants to take the majority of this and not use it as a scenario and come up with 2-3 scenarios built around option three with many components to be considered. We could vote on those options, build on the support/probability format.

A committee member suggested the committee has a multifaceted approach given the number of unknowns. The member asked whether the committee should develop scenarios around assumed CTIB result or many different possibilities. A committee member responded that the secondary list not assuming CTIB change should still be included. The report could be framed as a sales tax in the metro in some form, and the CTIB change is one form it could take.

A committee member agreed with previous comment and said they were still hoping for updated voting format with interest and scale being considered. They stressed it is important not to lose what the vision is for transit.

A committee member said that they do not think the legislature will raise the sales tax in metro area for the next four years. The member commented that the possibility of Metro Mobility becoming a human services issue may still be on the table. They emphasized that they still think viability of the options presented is important. The committee member noted that some unintended consequences include the possibility of having lines inconsistently given operating subsidy depending on the county. The member wondered why Dakota County would decide to expand a bus line that it exclusively has to subsidize. The member stressed that there is a lack of parity in that scenario. The member argued that every time we slice and dice, there are unintended consequences due to remnants of previous deals that have weird ramifications. It is better to stick to general principles in recommendations.

A committee member clarified that at the federal level we are in the second year of five years of transportation funding from Congress. Historically, those formulas put in place will extend for these 5 years. Our candidate corridors like Bottineau should be in a position to be funded because it qualifies under existing formulas. The member asked if we, as a region, want to take the risk of what make may occur in terms of formulas and funding levels that may be reduced after these five years. There is a benefit of doing projects quickly to take advantage of known Federal funding criteria/amounts. Delays to current projects have cost increases and to the extent that you slow down you know the costs go up. Additionally, we do not know if there will be a major infrastructure bill at the Federal level and there is a chance that it might happen.

A committee member expressed support of Chair Bell's general notion that one of the options should be some version of sales taxes to support transitways portion. The member noted that they hope other options will address the rest of transit system including regular route bus service. This region is facing 800,000 more people living here and we need to focus on system needs on intermediate period of time in a holistic way, not just transitways.

A committee member pointed out that the New Start funding does not come out of a trust fund. It was separated years ago. It is now out of the General Fund and will be under pressure from everything else on the General Fund. The member agreed with previous comment that when the committee first started they thought we were talking going to talk about governance more than we have. The member agreed that not much is going to happen, and we can solve immediately problems, but the Citizens League process is really focused on where we ought to be going. The member recommended looking at how transit funding is accomplished in other regions because as much as this CTIB change solves an immediate problem, it creates other issues and fragments the process as opposed to the goal of having it streamlined. A regional system is going to be that much more dependent on individual county decisions. We can tease this out in the voting, but we should be generous with the kinds of ideas allowed. The political possibility of scenarios has lead too much of the discussion.

A committee member commented that the biggest issue in this deal is we do not know what problem we are trying to solve and there is no consensus about the nature of the problem. The member said that they will not be comfortable voting on scenarios until the group has reached consensus on nature of the problem. Agreeing on the nature of the problem itself may be a more significant contribution to the debate than agreeing on a scenario. As this discussion demonstrates, the scenario conversation is fluid, but we might be able to have a good discussion on the problem and reach consensus and be a contribution.

Chair Bell responded that when this committee started the task was to come to a funding structure that was transparent, understandable, and allow for maintenance and expansion of current transit system. There are different ideas about what an expansion of the transit system means in terms of speed of development and modes used. Chair Bell said that he does not think we can come to consensus on the vision of transit. The committee member replied that they were not thinking about modes or lines, instead they said they want a paragraph or two that states the problem. Figuring out how to operate the system is a much bigger problem than how to build them.

Chair Bell proposed that the voting format would reflect a breakdown of scenarios based on whether or not they maintain or expand the transit system. This would allow a broad reach of scenarios to be proposed and would not explicitly support CTIB's possible change. A committee member responded that they like it as a concept depending on how the options were portrayed.

A committee member commented that the committee had a plan from the last meeting that we should stick to. They added that if we are going to invest more in capital you have to invest more in operating, and trying to divorce those two is challenging.

A committee member commented on the previous issue about what the problem is. They said that the legislature gave us the issue. There is a vision for this region adopted by Met Council and individual counties which these corridors run through. The legislature has become a barrier to implementing the vision. The criteria for federal funding does not allow delays. They have a window that we meet or we do not get Federal funding. The member asked if we have a vision, and we have a barrier to implementation, how we are going to address that. CTIB has come up with an idea to address that by having counties pick up what the State usually covers. The region would benefit from additional options for getting around. The Met Council does not have the resources and another quarter cent will do it. A committee member responded that this description of the problem is helpful and suggested that staff write up the statement of problem of what we are trying to solve by next Monday and see if there is consensus on the problem. Once we have that consensus the committee can vote on scenarios.

A committee member commented that they want to see in the discussions and the report, a simple statement that we are recommending things for a system that serves transit users so that they can be contributing members of this society. The member emphasized that it is important to keep political reality in the short term in mind, but also keep an eye on the future.

A committee member argued that this is not a group that is going to have a consensus. The question is how to drive to themes the committee can agree on, which is why they supported having a vote before this meeting. The more the committee has these discussions, the more it seems we are walking ourselves backwards from something we can put in the report. The member liked a suggestion from the last meeting about voting format, but is concerned about separating the capital and operating giving a false sense of solving problems.

Chair Bell proposed that a revised version of the scenario list includes the CTIB new possibility and then people can make their own judgment between aspirational and politically probable criteria for scenarios. Chair Bell asked if it damages the credibility of the Citizens League and this report to propose unrealistic scenarios. Chair Bell acknowledged that if the committee just supports what is going to happen, the report loses value as well. Chair Bell said that his preferences is to be narrower in scenarios to maintain value.

A committee member commented that to say we are supportive of a sales tax does not add much. The current reality has to be considered so that we have legitimacy for recommendations moving forward. The member stressed that scenarios should be broad based because there a lot of unknowns and unintended consequences we do not know yet.

Staff noted that they do not hear people disagreeing that there is lack of parity in some operation funding and gaps in operational funding, but assuming some version of the CTIB option three moves forward, whether it is Metro Mobility or the existing bus system, there seems to be consensus that there are issues that need addressing even if the CTIB change occurs.

A committee member responded that there is a capital shortfall on the bus side too, not just operating.

Chair Bell proposed that the committee meets on December 22nd. A revised version of the scenario list that includes aspirational as well as more likely scenarios will be sent out. The committee will be resume discussion after the vote.

Staff responded to an earlier concern about the problem statement. Staff explained that the problem statement is in the minutes now and will put the statements up for reaction and feedback in the survey. The format of the survey will reflect the interest level as previously discussed. A committee member responded that they want to make sure that the problem statement and the proposed solutions are tied together.

A committee member noted that CTIB has done a marvelous job identifying an option using actual numbers and local considerations without State involvement. What we do not have is from the Met Council side in terms of what the costs for the programs are. For example, the idea that Metro Mobility may be paid for out of Human Services budget as opposed to direct appropriation on transportation side is a great idea, but how that impacts the Met Council is important.

Chair Bell took evaluations.
Evaluation: 3, 4, 3, 3, 2, 3.5, 2.5, 4.5, 3.5, 4, 4, 3, 3, 3.5, and 4 with an average score of: 3.36

Chair Bell concluded the meeting at 9:36am.

Approved Minutes
Citizens League Transit Study Committee
Thursday December 15th 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Mr. Abou Amara, Mr. Michael Beard, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Elizabeth Glidden, Ms. Mary Liz Holberg, Mr. Scott McBride, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, Mr. Vayong Moua, and Ms. Patty Thorsen

Members not present: Ms. Mary Giuliani Stephens,

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Consultant Katie Hatt, and Policy Fellow Matt Byrne
Citizens League members: Bill Dooley, Bob Carney, McLaughlin Wagenius, Patricia Nauman, and Matt Burress.

Proposed outcomes for this meeting
- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Review and discuss second survey results
- Conduct live voting on funding scenarios
- Agree on next steps

Chair Bell called the meeting to order at 7:35am

Welcome and Approval of Minutes

Chair Bell reminded the committee of the charge.
- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell moved to approve minutes and asked for discussion. The motion was moved by members Bill Schreiber and seconded by Jim McDonough. A unanimous aye vote passed the motion to approve minutes.

Chair Bell recalled the previous meeting presentation from CTIB on their potential plan to disband. He noted that it has the chance to significantly impact the options sought by the committee.

Chair Bell described the agenda for the last two meetings.

Chair Bell reminded the committee that it voted on the most recent survey including information about potential problem statements. The purpose of the vote was to narrow down the list by eliminating the options that had low interest. He noted that the format of the vote was broken down in two ways, first by dollar amount, from smallest to largest, and then by committee members' level of support. At some point, a second round of voting was intended which would be done live today. Today's round of voting will be divided into two areas because there was not a lot of discussion at the previous meeting on what should be the premise for the voting. For example, should the premise for the voting be based on anticipated political realities or should it be more aspirational. Due to potential divide on the committee since we have not come to an agreement on which premise, Chair Bell explained that there would be multiple votes today: one that is aspirational and one that is more politically plausible. It was his hope that the report would reflect both.

Chair Bell commented that next week, staff will come in with a brief outline of what the report will look like and the committee will provide feedback and approval of the general outline of the report. Once staff begins writing the final report, they will send multiple drafts to the committee for ongoing feedback. There will be a final electronic vote on the final report. Chair Bell asked for questions.

A committee member asked if the document is going to be used to guide other stakeholders and be used for lobbying. Chair Bell responded that since it thought it would be likely that there will be a variety of recommendations, different groups will support different aspects of the report. Additional work will be done to support the report, for example using op-eds, and legislative testimony. A committee member asked about different transit users, and wondered if a proposal that increases transit funding would benefit specific transit user constituents. Chair Bell said he did not think the committee can say something as explicitly as "five percent of the budget needs to go to specific uses" for example, but the committee could make a statement to support adequate or proportional funding for various kinds of transit - without getting into the exact details.

Staff reiterated Chair Bell's point that time constraints limit how specific the recommendations could be. The Citizen League strives for as much consensus as possible but it does allow for minority reports in the final report, which is important for the transparency of the project.

Chair Bell explained that the goal was to use the time to collect the wisdom of the group that will be meaningful to policy makers regardless of what unfolds. It is a dynamic situation with the election and the Counties Transit Improvement Board's (CTIB) potential changes and the committee should build a document that can be useful and respectful of time constraints.

A committee member said that they can live with this but they were concerned that the aspirational plan is going to be a challenge reaching completion without delving into governance and questioned how they would vote on the aspirational plan would depend a lot on the governance.

A committee member commented that the CTIB presentation explained that it is considering a new formation and new relationship with counties to be determined. Those counties that choose to disband would likely come back together again for funding. The regional resources that fund Metro Transit, Metro Mobility, Dial-A-Ride, and suburban opt-outs are gathered and distributed at the regional level. Until that changes, the regional transit resources will continue to be allocated on some basis similar to today. Chair Bell added that one of the difficulties is the premise that considers political probabilities must implicitly wrestle with the $89 million dollar shortfall in regional operations. Also, the CTIB disbandment raised a lot of questions that are difficult to answer right now. If Hennepin or Ramsey County goes to half a cent sales tax, it is unknown how much will go to transit and how much to operations.

Chair Bell explained that the first area to look at is the problem statement and began the PowerPoint presentation. [*See corresponding PowerPoint, Attachment A*]. (It was noted that an individual vote was equivalent to 5% and that a 60% agreement was needed for any option to move forward.)

The top problem statements included:

1. *There is unpredictability in the state level of transit finance.* (74% strongly agree, 21% somewhat agree)
2. *There is a structural funding shortfall for transit system expansion and maintenance.*(63% strongly agree, 21% somewhat agree)
3. *There is too much complexity and lack of transparency in transit decision-making and financing.* (42% strongly agree, 32% somewhat agree)

A committee member asked if all choices were being shown. Chair Bell responded that only the most agreed upon statements were shown.

A committee member commented that the third problem statement is ambiguous because complexity does not necessarily imply a problem. Chair Bell responded whether more complexity implied less transparency. Another member noted that this is an example of a statement that everyone sees differently and that they did not think complexity equaled lack of transparency.

A committee member said that combining financing and decision making in item 3 is difficult because there are different opinions on each.

Chair Bell asked if anyone objected to number three being eliminated. It was removed with no further discussion.

A committee member commented that the report could reflect the fact that transit funding and decision making is complex without saying it is good or bad. A committee member added that if the committee goes that way, it would be better served to take out the "too much" and the "lack" in the statement. Chair Bell responded that there was broad agreement in the committee that number three would be removed. The committee could choose to simply include in the report a comment on the complexity and transparency. A committee member agreed as long as the report did not imply that the transit system is failing, because the committee member did not believe the transit system is failing.

A committee member noted that they struggle with the language referring to a structural funding shortfall because what that means is "give me more money." There is a huge assumption that government transit is necessary and must grow. The member added that it takes personal responsibility out and reduces the possibility of private options. Chair Bell responded that the second problem statement only says that there is not enough money to maintain the current system even if it did not grow at all, and for sure there is not enough money to expand it. The language is trying to capture both maintenance and expansion – indicating a structural shortfall.

Chair Bell said that the structural shortfall does not imply that the state is necessarily the structure for the funding. There are various funding options that show a reduced emphasis on the state. Another committee said they read the problem statement number two as implying expansion not maintenance primarily. Chair Bell asked if there is resistance to rephrasing it to clarify the statement.

A committee member noted that there seems to be two members who disagree with a statement, and wondered how much time the committee needs to spend persuading two members. A member responded that the point isn't the numbers it's the interpretation of the language. Vice Chair Lenczewski commented that she hoped the votes could simply be expressed as they are so that the committee could move on the problem statements. A committee member responded that it was important to make the problem statements clearer.

Chair Bell clarified that the spirit of problem statement #2 was that there is not enough money to maintain the system or expand the system. Chair Bell moved to have the statement switched to reflect this clarification.

Chair Bell showed the smaller dollar funding scenarios that got strongest support:

1. *Met Council to increase its fare box recovery to hit efficiency targets*. (56% strongly support, 33% minimally support)
2. *Consider developer fees, transit-oriented dev (development) tax increment financing, special assessment, capture portion of increased property taxes, etc.* (26% strongly support, 57% minimally support)
3. *Increase the transit taxing district.* (22% strongly support, 61% minimally support)

He explained that the report will try to estimate dollar amounts resulting in each scenario. A committee member commented that they wanted to see a consideration of distance for fare box recovery and equity considerations.

A committee member noted that they struggled with the language of the first scenario because it has multiple statements. The member explained that they would support a fare box increase without necessarily aiming for specific targets. A committee member added that increasing fares seems straightforward, but targets get complicated. The second scenario depends on what it is used for. For example, could it be for the last mile connections? If yes, they would like this to be reflected in the report. Chair Bell responded that he thought all of the dollars would go back to transit operations. A committee member responded that that was not their assumption and it is problematic. Scenario two is a hodgepodge of options which may assist other funding streams but is too broad a category and hard to know whether the funding can be reliable. Chair Bell responded that if it is the will of the committee, the recommendation can note that spending is not specified.

A committee member noted that option number three assumes that those in transit taxing districts will get service. Chair Bell asked if the report narrative says that the transit district would only be expanded when additional services are provided. A committee member responded that it is already set up that way now. It shows that people outside of taxing district are currently getting service. A committee member agreed with previous point; it has been a given for some time that increasing the taxing district is a lot of work and does not increase funding much, but there are a lot of people outside the district using the system. Another member added that what has been proposed previously is a feathering of the transit district. If you have service, you pay the full levy for bus replacement and park and rides etc. But if you don't have direct service, you pay at a half rate so there is a contribution from those folks but it is not at the full level.

A committee member responded that people who are riding are already paying 75 percent of the costs. Lakeville is the only community that has joined the transit taxing district since it was formed in the early 70s due to millions of dollars of investments from the federal government that made it worthwhile. It was added that people forget that 95 percent of revenue streams that go into funding the bus system, if outside the transit system, are still paid by motor vehicle, fares, federal taxes, and state taxes. Chair Bell noted that comments being made are going to be captured in the narrative of the report. For example, if the recommendations says to increase the transit district, opposing views will be reflected.

A committee member asked what defines direct service/benefit in the context of this previous question. Chair Bell responded that a bus stop in the community, not where you have to drive to the bus system.

Chair Bell showed top larger dollar funding scenarios:

1. *State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.* (56% strongly support, 39% minimally support)
2. *Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Cities want more, pay more, etc.* (33% strongly support, 44% minimally support)
3. *State authorizes a legislatively determined metro sales tax (ranging from ¼ to 1 cent). Revenue to Met Council.* (33% strongly support, 22% minimally support)
4. *State dedicates a portion of General Fund surplus to transit for operations.* (29% strongly support, 41% minimally support)
5. *State imposes a legislatively determined metro sales tax (ranging from ¼ to 1 cent). Revenue to Met Council. County commissioners cannot deny tax.* (22% strongly support, 33% minimally support)
6. *State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.* (18% strongly support, 53% minimally support)
7. *State imposes a legislatively determined metro sales tax (ranging from ¼ to 1 cent) with guaranteed allocation to Met Council for operations and a guaranteed allocation to CTIB for capital. Remainder allocated per "joint certification" process.* (6% strongly support, 60% minimally support)

A committee member said, in reference to scenario one, that it may not be an immediate benefit to Metro Transit. Depending on the language and how it is done it may end up being revenue neutral this biennium.

A committee member commented that the lead problem statement is unreliable state funding yet the recommendations are turning to the state for Metro Mobility. Chair Bell noted that the safeguard for the reliability of funding Metro Mobility is the federal requirement. A committee member asked if Metro Mobility being in the general fund makes it less reliable during deficit years. Chair Bell responded that there is no increase in risk.

A committee member responded it is important to recognize that Metro Mobility is not welfare, anybody can become disabled at any point in their life. A committee member clarified that the term "welfare" was not intended to reflect anything more than a legislative term. It was their hope that if funding for Metro Mobility were to be reassigned to the Department of Health and Human Services (HHS), that this funding would become more reliable for these necessary services.

Vice Chair Lenczewski commented that when something is in the budget forecast, it's much more likely to get funded than outside the budget forecast, which is where transit funding is now. A committee member asked about the difference between items number three and five.

Staff responded that the difference is the state is authorizing a tax in one versus imposing the tax in the other.

A committee member said they were concerned by the lack of including the CTIB disbandment as a vote or as a free-standing deal. Chair Bell said it was a mistake to not include it.

A committee member asked if efficiency targets will be included in scenario one of smaller dollar funding. Chair Bell responded that concerns will be kept into the report, but the language will not be changed in the scenario.

A committee member asked if scenario three of smaller dollar funding includes feathering. Chair Bell responded that the possibility will be included. He reminded the committee that people will be able to comment on the report narratives.

Chair Bell explained that the first votes the group will vote on will be through an aspirational lens: ***Without having to consider the future of CTIB and other legislative activities, what is the best way to fund transit in the metropolitan region?***

Below were the results of the voting under this assumption:

1. *Met Council to increase its fare box recovery to hit efficiency targets*. (40% strongly support, 45% minimally support, 15% absolutely no support)
2. *Consider developer fees, transit-oriented dev tax increment financing, special assessment, capture portion of increased property taxes, etc.* (32% strongly support, 58% minimally support, 11% absolutely no support)
3. *Increase the transit taxing district.* (30% strongly support, 50% minimally support, 20% absolutely no support)
4. *State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.* (74% strongly support, 21% minimally support, 5% absolutely no support)
5. *Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Cities want more, pay more, etc.* (37% strongly support, 32% minimally support, 32% absolutely no support)
6. *State authorizes a legislatively determined metro sales tax (ranging from ¼ to 1 cent). Revenue to Met Council.* (10% strongly support, 35% minimally support, 55% absolutely no support) The scenario did not receive enough support to continue.
7. *State dedicates a portion of General Fund surplus to transit for operations.* (45% strongly support, 25% minimally support, 30% absolutely no support)
8. *State imposes a legislatively determined metro sales tax (ranging from ¼ to 1 cent). Revenue to Met Council. County commissioners cannot deny tax.* (45% strongly support, 30% minimally support, 25% absolutely no support)

9. *State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.* (45% strongly support, 30% minimally support, 25% absolutely no support)
10. *State imposes a legislatively determined metro sales tax (ranging from ¼ to 1 cent) with a guaranteed allocation to Met Council for operations and a guaranteed allocation to CTIB for capital. Remainder allocated per "joint certification" process.* (40% strongly support, 15% minimally support, 45% absolutely no support) The scenario did not receive enough support to continue.
11. *Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes and state imposes 1/4-1/2% metro sales tax for non-LRT purposes, including bus operations/expansion.* (35% strongly support, 45% minimally support, 20%absolutely no support)

A committee member said that some of the lack of support seemed to stem from clarity issues on the option. The committee member emphasized that you need some of the other quarter cent to handle operations of light rail transit (LRT). The member cited that the east metro would totally get left out if there were not fixed amounts for operations. Another member asked whether the quarter to half a cent would go towards operating costs of LRT plus bus expansion. The member noted that a quarter cent expansion is enough for the system. Staff was asked to clarify the scenario by showing that the extra quarter cent would be dedicated for all transit operations. With this change, the committee voted again and the scenario passed.

Unless noted, all scenarios received enough support to continue for future discussion and possible voting.

Chair Bell then moved to begin voting based on the second assumption: political reality or plausibility:

Given the likelihood that CTIB will disband and no new state authorized/imposed sales tax, how would you fund transit activities?

Chair Bell clarified that CTIB would evolve in a way so that counties who opt out would be allowed to use the existing authorization of a ½ cent sales tax increase for transportation purposes. A committee member said their interpretation of political reality is there is no chance that the legislature will support a half cent sales tax. Other chimed in that there is still a lot of unknowns with CTIB disbanding. Chair Bell responded that political likelihood is how it would be framed. Another committee member said that CTIB is likely going to change, whether they will do this to themselves or whether legislation will impose it. If it is assumed that the legislature is not going to raise or authorize any new sales tax within counties, then it does not matter what happens to CTIB if it is about money and not governance. Chair Bell asked if it is likely that the current CTIB counties would use their local authority to institute a transportation sales tax. In the political reality assumption, Hennepin and Ramsey counties are the ones likely to exercise this half cent sales tax option. A committee member said that just because they are allowed to do so does not meant they will. Chair Bell clarified that 80 percent of current sales tax comes from Hennepin and Ramsey counties and it is more of a likely scenario that Hennepin and Ramsey counties will impose part of that sales tax to move forward with the transit lines that they have.

A committee member responded that while Ramsey and Hennepin counties believe in the buildout of the system, the east metro could not afford to pay for its build-out on their own. The member explained that Ramsey and Hennepin counties would have to agree to share money to fund the build-out, otherwise there would be little reason for Ramsey County to vote to dissolve CTIB.

Chair Bell wondered why Ramsey County would not agree to dissolve if the legislature was going to dissolve CTIB anyways. The member responded that at least Ramsey County would not get criticized for supporting Hennepin County initiatives without getting a build out of its system.

Chair Bell relayed that the committee can vote on the second assumption, based on probabilities, that the most likely thing will be CTIB taking the option that Dakota County has taken, or the assumptions can be tweaked on a future survey. The committee decided to move forward on the currently framed assumption.

Below were the results of the voting under the second assumption:

1. *Met Council to increase its fare box recovery to hit efficiency targets*. (40% strongly support, 50% minimally support, 5% absolutely no support)
2. *Consider developer fees, transit-oriented developer tax increment financing, special assessment, capture portion of increased property taxes, etc.* (50% strongly support, 40% minimally support, 10% absolutely no support)
3. *Increase the transit taxing district.* (40% strongly support, 40% minimally support, 10% absolutely no support)
4. *State funds Metro Mobility through a line item in the base General Fund appropriation for Met Council.* (70% strongly support, 30% minimally support, 10% absolutely no support)
5. *Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Cities want more, pay more, etc.* (45% strongly support, 30% minimally support, 25% absolutely no support)
   In the discussion of this scenario, Chair Bell mentioned that there are legal questions about whether a county can adjust sales tax rates within the county. A committee member said it does not make sense under the current assumption because they were considering the option as an add-on to other funding streams. Chair Bell responded that he thought this would make it politically possible to go to rural Hennepin County and say they would have lower sales taxes for areas with lower transit needs.
6. *State dedicates a portion of General Fund surplus to transit for operations.* (45% strongly support, 20% minimally support, 35% absolutely no support)
7. *State dedicates transportation-related General Fund revenue (e.g., motor vehicles lease sales tax, rental tax) to transit, with no reduction in General Fund base appropriation for transit.* (42% strongly support, 21% minimally support, 37% absolutely no support)
8. *Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes and state imposes 1/4-1/2% metro sales tax for non-LRT purposes, including bus operations/expansion.* (20% strongly support, 60% minimally support, 20% absolutely no support)

With time running out, Chair Bell explained that the data from the vote would be tabulated and would be shared at the next meeting. A member noted that it would be important to know how many people voted along with the percentages. Chair Bell also noted that next week there will be an outline of what the report will be and include aspirational and political reality recommendations.

Vice Chair Lenczewski asked for evaluation.
Evaluation: 4.5. 4, 3, 3.5, 3.5, 4, 3, 4, 4, 4, 4, 4, 2, 4, 3, 3.5, 3.5, and 4 for an average score: 3.63

Chair Bell concluded the meeting at 9:38am.

Unapproved Minutes
(These were the minutes from the final meeting)
Citizens League Transit Study Committee
Thursday December 22nd 7:30am-9:30am
St. Mary's Greek Orthodox Church
3450 Irving Ave S, Minneapolis, MN 55408

Committee Members Present: Chair Peter Bell, Vice Chair Ann Lenczewski, Mr. Bill Blazar, Mr. Patrick Born, Mr. James Erkel, Mr. Ethan Fawley, Ms. Elizabeth Glidden, Mr. Scott McBride, Jason Grev, Mr. Jim McDonough, Mr. Peter McLaughlin, Ms. Kenya McKnight Ahad, Mr. Andrew Richter, Mr. William Schreiber, Ms. Nancy Tyra-Lukens, Mr. Vayong Moua, and Ms. Patty Thorsen

Members not present: Mr. Abou Amara, Ms. Mary Giuliani Stephens, Mr. Michael Beard, and Ms. Mary Liz Holberg

Staff & staff support present: Sean Kershaw, Pahoua Hoffman, Policy Fellow Matt Byrne, and consultant Katie Hatt.

Citizens League members: Bob Armstrong, Bill Dooley, Bob Carney, and Peter Wagenius.

Proposed outcomes for this meeting

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Review and discuss live voting results from Dec. 15 meeting
- Review and discuss report outline including writing timeline
- Agree on next steps

Welcome and Approval of Minutes
Chair Bell called the meeting to order at 7:32am. Chair Bell reminded the committee of the charge.

- *Understand the current transit capital and operating funding systems.*
- *Review and consider different funding and governance models, including current models.*
- *Make recommendations based on these findings and conclusions.*

Chair Bell moved to approve minutes and asked for discussion. The motion was moved by member Peter McLaughlin and seconded by member Patty Thorsen. A unanimous aye vote passed the motion to approve minutes.

Chair Bell recapped the previous meeting. He explained that the vote was formatted according to aspirational and political considerations, low and big dollar amounts, and by interest. Today the committee will review the outline for the final report, its timeline, and give feedback on the progress. There will be at least two drafts of the report for review by the committee by email.

Chair Bell said that there were a few committee members who developed proposed language for inclusion in the report that the committee will also hear from.

A committee member asked whether or not the Citizens League board gets to approve the report recommendations before distribution. Staff replied that the board meets Feb 2nd and this report will be an item for approval. Staff added that while the report is not formally released without board approval, no report has ever been edited by the board before release. The board will receive a draft for feedback before meeting. Staff clarified that the board typically approves the report based on the Citizens League process and not on the content of the report.

A committee member asked for clarity about feedback opportunities for the drafts. Chair Bell responded that the timeline that will be distributed will reflect that timeline.

Chair Bell referred to document showing live voting results from the December 15th meeting. [*See attachments A & B – Voting Results*].

He noted there were many questions last week about the percentages required for any recommendation to move forward and how the percentage is reflected in numbers of actual member votes. This information was provided in one of the handouts labeled "transit study committee live voting results." A second handout was distributed that had the same information but presented in a different manner: the voting results were grouped under the two different assumptions (aspirational and political plausibility) and delineated by small and large dollar options. Scenarios that received enough votes would be included in the recommendations in the final report. Chair Bell explained that information from these handout would serve as the findings of the committee along with the problem statements in the report. He emphasized that the findings of the report should reflect issues that were debated and voted on by members. Other issues that members may find important but did not go through the same process may be included elsewhere in the report. Chair Bell asked for questions about this process.

A committee member identified a numerical error on the "transit study committee live voting results" handout. In the last item, a "1" was accidently omitted in the Absolutely No Support column. Chair Bell agreed to the correction but noted that even with the edit, it wouldn't change the recommendation. A committee member mentioned that not much discussion time was had on scenario four of the large dollar options under the politically plausible scenarios. Chair Bell agreed and asked for further discussion. A committee member responded that it may be appropriate to vote again on it again since the scenario did not get enough votes the first time.

A different committee member added that they wanted to a discussion on equity, walking, and biking because there would likely be broad support for those issues. They admitted that those issues are slightly different than a funding scenario but would like a vote on a prepared statement that some members worked on for inclusion in the report.

Chair Bell asked for a discussion on the aforementioned funding scenario and on the possible inclusion of a statement on equity, walking, and biking. He emphasized that the criteria for whether these statements have been properly vetted is up to the committee. The committee member responded that the process for when to raise concerns like these hasn't been clear, but regardless, he felt the concerns around equity, biking, and walking have been integrated into other scenario discussions. The member emphasized that not addressing these issues would be a hole in the report. Another committee member agreed with previous statement. Vice-Chair Lenczewski said that the more inclusive the committee decides to be is to the benefit of the report. She reiterated that the staff will be working with members to develop sections of the report that could house these issues. Chair Bell suggested the committee member present the statement and then have the committee discuss levels of support and address where it would be reflected in the report.

The committee member commented that the statement could fall under a transit finance recommendation or as an addition to the problem statement. The statement would be under aspirational considerations. The prepared statement was read aloud: *"Any package with significant new funding for metro-area transit should include a racial and geographical equity analysis and a meaningful percentage of funding dedicated to bicycling and pedestrian projects."*

Chair Bell asked for discussion on the statement. A committee member responded that they did not think a report of the analyses was not on the same level as a recommendation for money for bikes or last mile projects. He suggested something like: Any significant funding package should address geographical and racial equity as well as last mile.

Another committee member agreed that substantive investments and equity prioritization is important. They emphasized that these issues should be thematically integrated and not a separate consideration.

A committee member said they don't consider walking or biking to be transit issues. The committee member noted that the problem statement says that the system is underfunded and it seems counterproductive to try to add something else to the system. The member added that they don't necessarily support a percentage of funding to go to walking and biking. Biking and walking projects should be local decisions not something that Met Council picks up. The member argued that equity is implied within transit issues. The reason why transit exists in the first place is because some people are dependent on transit. He did not feel the committee needed an equity statement.

A committee member asked how bike infrastructure gets paid for. A committee member responded that while biking and walking account for 8% of trips in the region, it only receives 0.2 percent of funding for the region through one source: regional solicitation. It is primarily borne by the locals which means that there is inconsistent quality across the region. They emphasized that 65 percent of deaths from pedestrian walking were from the suburban areas, so it is not a core city issue only, but a regional issue. A committee member responded that if we wanted to talk about transit for last mile then we need to talk about things that move more people. The member suggested that a user fee on bicyclists similar to the tab fee for cars ought to be considered.

A committee member responded to a previous comment on the consideration of an equity analysis and reminded the committee that when the Met Council increases fares they have to undergo a Title VI analysis. (The Federal Transit Administration (FTA) defines requires recipients of FTA administered transit program funds, including Metro Transit, to "evaluate significant system-wide service changes and proposed improvements at the planning and programming stages to determine whether those changes have a discriminatory impact.") The member stressed that the equity impact of any funding mechanism is important.

A committee member commented that they do not have a problem with making sure there are sidewalks to transit, but they oppose the idea that there needs to be both sidewalks and bike paths. The member emphasized that the bike paths don't need to be everywhere, and it shouldn't be assumed that all pedestrian deaths are driver's fault. A committee member responded that they share similar concerns, but it is important to have proper infrastructure for how people use systems and the Metro does have a biking culture. The member added that it is important to remember that there are people who use these systems because they have to and it helps with mobility and reduces the cost of travel. For example, in Minneapolis high schoolers no longer have access to school buses. Instead, they have to use public transportation. The member emphasized that the committee needs to have an equity lens on all the data that is considered.

A committee member noted that the problem statement has to do with transit funding and doesn't have to do with how the money is spent on modes or on communities. The member argued that if the committee wanted to talk about equitable ways of *raising* funds that makes sense but transit *spending* hasn't been the committee's focus. In regards to whether biking is transit the member argued that communities differ in their priorities and the member prefers those decisions are made locally.

A committee member noted that the proposal doesn't say where the funding comes from and so in that sense it is more outcomes-based. The notion of transportation as an integrated set of modes is important in terms of first and last mile connections. The member did not see the point in investing in transit if people can't get to it.

A committee member commented that the flaw of regional planning is that it has to go everywhere. A member clarified that a community could apply for this fund and it would not be an imposed fund.

Chair Bell suggested a vote on the proposed statement and should it pass, it could be included either before or after the problem statement in the report. He also mentioned the caveat that since staff will be drafting the final report, staff may use their discretion on where to insert the new language. He reminded the committee that members will be able to provide feedback on the location of the statements in the report since members will have at least two times to review the report drafts.

At the suggestion of another committee member, the committee member who introduced the previous statement read aloud a different but related statement, this one framed around an equity problem statement:

> *Insufficient transportation funding, including biking and walking increases the social and economic inequities (race, income, geography, and disability) by disconnecting populations from jobs, healthy modes and destinations.*

Chair Bell commented that racial inequity in transit is not an established fact and a strong case cannot be made like it can be made for the criminal justice system or education.

After a brief discussion, the committee agreed to take each statement separately. The committee would first vote on the first statement, now revised based on the discussion. The new statement now reads:

> *Any package with significant new funding for metro-area transit should address racial and geographical equity and have a meaningful percentage of funding dedicated to bicycling and pedestrian projects.*

The motion to adopt the above statement prevailed. Of the 17 members present, 14 voted in favor, and three members voted in opposition.

Chair Bell reminded members that the adopted statement would be included either before or after the funding recommendations. Staff would use some discretion as to location and committee members can provide feedback during report draft reviews.

There was a discussion on the second statement—the equity problem statement—proposed by a committee member:

> *Insufficient transportation funding, including biking and walking increases the social and economic inequities (race, income, geography, and disability) by disconnecting populations from jobs, healthy modes and destinations.*

Chair Bell explained that in the report there will be additional issues identified for consideration and the equity problem statement as read could be placed there. He indicated that of this was considered inadequate, there needs to be a debate about including the statement as a finding or a firm recommendation.

A committee member commented that the statement doesn't seem to be intended for replacing the previously adopted problem statements, but instead, it is intended as an add-on statement to illustrate the structural concerns around equity. A committee member responded that it is central because it identifies that transit is an equity tool in the sense that a lot of people of color, disability, and low income use transit as a mobility tool. Chair Bell responded that the member's comment is actual a different point. To say that transit has facilitated equity in this region is a tool of equity in this region and should be recognized as such is a slightly different point that the statement that was read.

A committee member emphasized that he had a more positive framing of the statement but since the committee had previously adopted problem statements, he brought this one forward. Another committee member added that in general the Citizens League board has taken up racial disparities as an important lens through which to look at its work. The member stressed that they would support a more affirmative statement and recommended a vote before deciding how it is reflected in the report.

A committee member agreed with a statement like the one being discussed in the report but just not in the problem statement area because the committee hasn't studied the issue as much other issues and it might dilute the previously adopted problem statements.

A committee member agreed with suggestions about a more positive framing of an equity statement but disagreed that it would dilute previously adopted problem statements. Whether framed in a negatively or positively, it should be stated strongly enough that transit can and should do better.

Chair Bell commented that he knows that transit is heavily subsidized in the metropolitan region and that people of color disproportionately use and benefit from it. A committee member responded that the committee won't get to the bottom of it in the time the committee has left but explained that some of the most subsidized bus routes are meeting the needs of choice riders (those who can choose to take transit or not) whereas those who need the service the most (no choice but to take transit) get the least amount of the subsidy. There does exist an imbalance in the current transit system. Another member highlighted that it's important to have a positive framing so it doesn't stigmatize the issue and make it an all or nothing.

Chair Bell suggested the following statement: *The committee recognizes that transit is an important component in maintaining and advancing equity in the twin cities region.*

Chair Bell asked the committee if the committee would sign on to such a statement. A committee member suggested replacing important with essential.

A committee member emphasized that this is a significant issue that deserves more than the last day can offer. Chair Bell responded that this is why it's a good idea to stay away from detailed recommendations that require data we did not discuss.

A committee member noted that it's important to have the data but the decision makers need to understand the reasons these recommendations are being made.

A committee member argued that this statement doesn't dilute what has been talked about. The committee has seen presentations on changing demographics and have seen maps of where transit will go. She thought the committee heard enough to talk about specifics. They admitted that it is difficult to workshop a statement like this at the last minute but it is common. She believed a statement belongs in the report.

The committee agreed to take a vote on the amended statement:

> *The committee recognizes that transit is an essential component in maintaining and advancing equity in the twin cities region.*

The motion to adopt the above statement prevailed. All 17 members present voted in favor, none opposed.

Chair Bell moved to have a vote on item #4 of the large dollar options under the politically plausible assumption since members did not think there was enough discussion on it at the previous meeting:

> *Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes and state imposes 1/4 cent sales tax to be dedicated to transit operations.*

A committee member commented on the politically plausible aspect. He stated that this would actually reduce the Governor's ask for transit, potentially making it more politically plausible because traditionally, there has to be transit component and a roads component for something to pass. A committee member agreed that transit and transportation have been joined. This scenario focuses on one way of funding and the member's preference would be to say there are a variety of ways of funding transit. Chair Bell clarified that this specific scenario would not replace the menu item of other ways to fund transit. He noted items 1, 2, and 3 under small dollar amounts on the same page that were additional funding scenarios. The above statement would supplement these, not replace these. The member responded that a standalone 1/4 cent tax increase is not going to happen and reiterated that what is listed as small dollar options are actually going to be big dollars.

Chair Bell asked for a vote on the motion, but emphasized that if the motion passes it would require a change in the definition of politically plausible because the statement would actually not be allowed under the current definition. So, a vote in favor of the motion should be an implied vote for wordsmithing the definition of politically plausible. A member asked whether the $20 fee on motor vehicle purchases goes away if CTIB goes away. A member responded that they were not sure. A member commented that they are hoping for a dollar amount and say that it could be funded through a combination of these options.

Chair Bell responded that the report could talk about the operating funding gap and list the large and small dollar options in ways in which that operating gap could be filled. It has been discussed to include the range of dollar amounts for all these options which will be included in the report. A committee member commented that we are not writing an actual bill here. The essence of this scenario is to put forward an idea for a local sales tax along with the other proposed funding scenarios.

Chair Bell called for a vote on item #4 under the political plausibility, large dollar option:

> *Former CTIB counties maintain ability to impose up to 1/2% sales tax for transportation purposes and state imposes 1/4 cent sales tax to be dedicated to transit operations.*

He reminded members that if the motion passes, he would appreciate members giving him and staff editorial license to redefine what politically plausible means. Members will get opportunities to weigh in on the new definition through reviews of the final report. The motion was moved by member Pat Born and seconded by member Bill Schreiber.

The motion to adopt the above statement prevailed. Of the 17 members present, 13 voted in favor, four members opposed.

Because members had comments on item #1 under the political plausibility larger dollar amount section, Chair Bell read the item aloud and recapped the presentation of this scenario:

> *Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Cities want more, pay more, etc.*

He explained that at its core, a community that gets more transit service, pay more for the transit service. He believed this was the essence of the scenario so whether it would be state- or county-imposed seemed less important than the core principle. A member responded that there are issues if one part of a line decided differently. A committee member clarified that lines would be a part of a transit market that has already been identified.

Chair Bell commented that the idea is that this concept should be considered by decision makers and those details would need to be worked out. A committee member mentioned that the idea didn't get a full chance to flesh out the details. The idea wasn't that it would be a patch work system, but more a recognition of and use of a transit area. The counties themselves wouldn't re-draw different lines, but it was envisioned that the state would impose with two tiers of transit use. Chair Bell asked what the difference would be if it were state-imposed or county-imposed. A committee member responded that if the counties individually were deciding there is a potential for a patchwork, whereas if it's state-imposed it could be based on a transit market area or areas of density.

Chair Bell asked if it was acceptable of changing the phrasing in the scenario from cities to areas.

A committee member said that in terms of political plausibility, it would be difficult to get near regions to agree on transit service level. Vice Chair Lenczewski agreed that this is an issue in particular when trying to work on agreements between areas. Chair Bell responded that the issue is a catalyst for the discussion to be had. The goal of including the idea in the report is to introduce the concept for consideration and to have this debate. It is not to say the committee has worked through all the details.

Chair Bell asked for a vote on item #1 under political plausibility with the change from cities to areas. The motion was moved by Vice-chair Ann Lenczewski and seconded by member Elizabeth Glidden.

Two Tiers of Sales Tax. Create two tiers of taxation in the metro area. Areas want more, pay more, etc.

The motion to adopt the above statement prevailed. Of the 17 members present, all voted in favor. No members opposed.

Chair Bell asked for the committee to look at the final report outline.
[*See Attachment C - Timeline.*]

He explained that the report outline together with the handout with the aspirational and politically plausible scenarios along with the motions that were passed today would be the core of the final report. He asked for a motion to approve the staff to move forward with these documents including the motions adopted today. The motion was moved by member Pat Born and seconded by member Vayong Moua. Chair Bell asked for discussion.

A committee member asked if the order of the items in the report outline was final. Chair Bell responded that the order of items in the report outline is not final and not part of the vote today.

A committee member commented that he would prefer "roads, bridges, and transit" rather than "transit and transportation" under Background and Context section. Staff will make the change.

A committee member would like a section on transportation technology and how to avoid financing systems that may be technologically obsolete. The member understands there is a similar section at the end of the report outline, but would like it to be more prominent. Chair Bell asked if the member would accept "the impact of emerging technologies on the development of the region's transit systems." Another member cautioned that we do not yet know the conclusions of emerging technologies.

A committee member clarified that the previous motion about the language change in the Two Tier scenario from "cities" to "areas" was only in political plausible section. Chair Bell responded that this was correct.

A committee member asked if acronyms were going to be explained in the report. Staff replied that they were.

A committee member commented that "who uses transit" should be after the planning and governance" in the outline.

Chair Bell reiterated the motion that members would be voting to approve the final report outline, the transit funding scenarios listed in the handout that included both aspirational and politically plausible along with new additions that were passed by vote today. These would serve as the basis for the report.

The motion to adopt the above prevailed. Of the 17 members present, all voted in favor. No members opposed.

Chair Bell thanked Citizens League staff, Vice-Chair, and committee members for work done on the committee.

A committee member complimented Chair Bell for his leadership on the committee.

A committee member noted that there may be issues that they may want to add to the document if it isn't fully addressed. Staff asked for those issues to be brought to staff ASAP.

Chair Bell asked for evaluations:

5, 4.5, 4, 5, 4.5, 4, 4.5, 4, 5, 4.5, 4.5, 4.5, 4, 4.5, 4.5, 5, 4.5 for an average score of 4.5

Chair Bell concluded the meeting at 9:38am.

###
END OF REPORT