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.

Minutes

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

Welcome

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

[*See 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