



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 relating 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 for 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 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 are we 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.