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

Minutes

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

Welcome

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.TPP

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.