



**Approved Minutes**  
**Citizens League Transit Study Committee**  
Thursday, December 1, 7:30am-9:30am  
St. Mary's Greek Orthodox Church  
3450 Irving Ave S, Minneapolis, MN 55408

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

**Members not present:** Mr. Vayong Moua

**Staff & staff support present:** Sean Kershaw, Pahoua Hoffman, and Policy Fellow Matt Byrne

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

**Proposed outcomes for this meeting**

- State study committee charge and proposed goals.
- Approve minutes from previous meeting.
- Discuss role of governance and funding scenarios
- Agree on next steps

Peter Bell called the meeting to order at 7:32

**Welcome & approval of minutes**

Chair Bell reminded the committee of the charge.

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

Chair Bell moved to approve minutes and asked for discussion. The motion was moved by members Jim Erkel and seconded by Scott McBride. A unanimous aye vote passed the motion to approve minutes.

At the end of the last meeting, there was some discussion on the problem or set of problems the committee was trying to solve. In response, Chair Bell read through what he and staff considered to be some of the problems the committee is trying to address, which reflects the committee's charge:

- There is a structural funding shortfall for transit system expansion and maintenance.
- There is too much complexity and lack of transparency in transit system decision and financing.
- There is a lack of formalized consistency and processes for transitway development.
- There is unpredictability in the state level of transit finance.
- There is a lack in system efficiency and a need for optimization.

Since Chair Bell noted that he would like some version of these problem statements at the beginning of the final report. In addition, he wanted the committee to reach agreement on them and to make sure that any recommendations the committee comes up with will address these problems.

A committee member asked when they will have a chance to talk about the problem statements. The member said that they wished that the problem statements had been discussed earlier.

While Chair Bell agreed that the committee should have discussed the problem statements earlier, he did not think any of these were unknown or controversial.

A committee member asked if the committee could add to or subtract from the problem statements. The member said that they would like to add that those paying the bill for the benefits of transit and that the beneficiaries are not the same and that they should be more connected than they are. Chair Bell added that it is important that the problems the committee identifies need to be things the committee recommendations will address.

A different committee member stated that they had no issues with the problem statements, but hoped they would be more focused on funding as opposed to governance. She thought the problem statement on efficiency could be interpreted that opt-outs are not as efficient due to having a separate governance structure when they are a very efficient use of funding opt-out bus systems. Chair Bell responded that he understood the point, and that it was not his intent to address this particular concern.

A committee member commented that it might be useful to relay in the report that the reason for not focusing on governance is due to time constraints so that a reader has an expectation that it will not be covered in the report. Chair Bell responded that this was the next item on the agenda to discuss.

A committee member mentioned that they would prefer clearer language around the problem statements to reflect the need for improvement as opposed to language that suggests something is broken.

### **Recap of previous meeting**

Chair Bell recapped the previous meeting with Met Council Chair, Adam Duinick. Chair Bell noted the challenges identified by the Met Council and their ideas on addressing them. Chair Bell relayed that there were concerns after the meeting that the Met Council Chair was not specific enough on budget numbers as some had hoped. He noted that in addition to the growing costs with Metro Mobility, one of the challenges is that the Met Council does not have a budget or forecast yet and that the budgeting that the agencies do is a more complex and a longer process than a short presentation would allow. A committee member responded that the Met Council does know what the projected shortfalls are, in addition to their fixed costs are and

projected operating subsidies. The member asked if the Met Council is going to give any information on the cost side. Chair Bell responded that he did not think so.

A committee member stated that the Met Council is not sure about costs from Metro Mobility because the demand is going way up. Another issue they are facing is retaining drivers. The member reiterated that it is important not to lose sight of those who need the service as we determine what our final recommendations will be.

### **Discussion on the role of governance in final report**

Chair Bell shared his concerns with governance questions. Chair Bell relayed that he was worried that a discussion on governance would not yield meaningful conclusions in the time allowed. He also mentioned that because the Citizens League just completed a report on the Met Council where governance was a central piece, he did not want this committee to revisit those issues already covered. Chair Bell expressed that he hoped that a discussion about the governance questions, implications, and concerns would be listed next to each funding scenario for voting. He hoped that the committee would not try to resolve the governance problems per se, only identify them so that readers of the final report would have better understanding of what work needs to be done.

Chair Bell asked for discussion on this direction.

A committee member said there are governance implications even if the main focus of the committee is on funding. For example, who gets it and how do they make decisions. However, questions on governance generally, or governance that may contradict the previous study should be avoided. The member relayed that they generally supported the direction suggested. Another committee member agreed and stated that discussion about governance is unavoidable because the issues are implied in all of the funding scenarios. Chair Bell replied that this is an interesting point. When he thinks of governance, he thinks about how Met Council members are elected or appointed, number of votes, etc. However, when the committee talks about money going to CTIB that is relevant to funding considerations.

A committee member stated that the previous Citizens League study committee did recommend this group take a look at transit governance generally. The distinction between Met Council governance and transit governance is important.

A committee member indicated that it would be helpful to hear explanation on how to address governance questions because it has been challenging not to touch it. They further stated that they were not thinking about governance as narrowly as Chair Bell had explained just now. The direction provided makes sense for acknowledging governance issues without getting lost in them. Not having much debate on these issues, however, is in part, ignoring governance.

A committee member appreciated the direction provided. How we allocate and coordinate funds must be considered. For example, in the opt-out bus system, the committee member said they are capped, which means that they have no ability to grow the system. If more money comes into the system, there should be a way to make sure that they are able to grow where it is needed, and make sure that it is addressing bike and walking issues.

A committee member agreed with the governance direction provided. The questions are: does the money go to an elected body or an unelected body, are we going to empower them to

impose policy, how do they work with the state to get it done, and will citizens have a say in this or not.

A committee member noted some déjà vu from the discussion. They relayed that they remembered leadership at the Legislature at one time saying that controversy followed even more when there were budget surpluses as opposed to budget deficits. There is an assumption that the system has to grow. The member said that the bipartisan body he was a part of went to the audit commission at one time and asked the legislative auditor to look at transit funding. The legislative auditor, after a closed process, made recommendations stating that the real issue was a dysfunctional Met Council. The problem was about governance and not money. The member said that a group he belongs to is working on governance reform that differs from the recent Citizens League recommendations, which he thought was fine and appropriate since there should be options. There is still agreement for a need for a regional form of governance with many of the same responsibilities currently taken up by the Met Council. The member commented that the creation of CTIB as another layer of government seemed out of bounds, but when it was designed, there was an exit clause to get out of it. The member emphasized that the committee cannot dance around governance when it was the most important element given by the legislative auditor report. Those who have been inside government for a long time have to be careful to keep their ears tuned to regular folks, to be humble, and to listen.

A committee member said that it is obvious that the committee is not going to be getting into the weeds on governance. However, whatever funding models we look at will have implications on governance. Beyond the allocation of resources, we need to identify governance implications alongside the funding models.

Chair Bell responded that recognizing the relationship between funding models and governing bodies could be the middle ground on working on governance questions. Still, he cautioned that to truly dive into governance questions would be a huge undertaking. He appreciated members coming forward and glad everyone was on the same page on governance.

### **Discussion on funding scenarios**

Chair Bell recapped the vote on the recent funding scenarios and reminded the members that based on their 6-2-2 weight votes, this list was shortened to about 15. Chair Bell said that he wanted the committee to look at these options again and invited the Minnesota House's fiscal and legislative analysts to join the table to comment and answer questions. Chair Bell mentioned that he would like to cut the list to roughly 10 and have another vote using the same format of 6-2-2 votes. Chair Bell explained that if there are too many options and the votes spread too thin, the results will not provide a clear direction from the committee to the Legislature.

While he wished to reduce the list, Chair Bell explained that he had a conversation with a committee member who wished to add another funding scenario for consideration. To that end, Chair Bell was allowing them a few minutes to present their option so that staff could add it to the other ballot options.

A committee member presented a funding scenario for consideration on the ballot. The scenario was another version of a sales tax proposal. The member explained that rather than following the seven-county boundaries, which all of the proposals seem to do, the taxing lines could follow density of service. This has been done in other jurisdictions. The Met Council uses a planning tool that shows where the service is most dense. There are areas of the region that do

not have a lot of service. With this proposal, one would tax where the majority of the use is as opposed to getting tax from those areas where there is not as much transit. The committee member introduced Peter Wagenius, policy director for the City of Minneapolis, to continue giving the presentation since she said he had more details.

Wagenius said that over the last two years there has been a deep dive into transit data, particularly geographic data, on demand and revenue. The question has emerged; is it possible to have heavy transit users pay more, and areas with lower transit pay less. Wagenius clarified that he is not moving away from those who claim that there are system-wide and indirect benefits, but this is a potential compromise to move forward. He explained that different tiers of taxation could be used for different tiers of service, whereas, the previous deal was a uniform rate. Chair Bell asked what the challenges of this approach would be. Wagenius responded that two things come to mind. People must be persuaded that sales tax is more of a local tax than people recognize. Eighty-eight percent of Hennepin County sales tax comes from Hennepin County. The second issue is that people may assume that drawing lines between tiers would be difficult. Wagenius distributed a handout (*see Attachment A*) that he said demonstrated that this is not the case. Other cities have done this said Wagenius, and as such, he and others have done their homework needed to apply it here. Wagenius argued that if you were to shrink from the seven counties to those counties using more services, it reduces geography by fifty percent but only reduces the revenue by five percent. The implications of this approach politically is very positive. Wagenius noted that there are thirty three legislators outside of the transit district who would be able to say to constituents, “you will not be taxed for a service you are not getting.” Wagenius distributed another handout on transit market areas (*see Attachment B*). Wagenius explained that the federal government requires the Met Council to delineate who gets more and less transit service and that this is a tool that could be used to draw the lines.

A committee member wondered if it makes sense to vote on funding scenarios and then have the conversation on the geographic area. Chair Bell responded that the approach lowers the political temperature, but it does not have a huge monetary impact, therefore he would like to keep it incorporated in the current format.

A committee member asked how to prevent islands where transit is going through and relieving congestion without being in the taxing district. Chair Bell replied that it is a good question, but he wants to make sure the discussion is open up to all funding scenarios.

A committee member commented that they would like the current transit taxing district map overlapped with the distributed map.

A committee member argued that from a small business perspective, this is a nightmare: to figure out address by address who has which tax rate—per the tiered structure—as opposed to using county lines.

Chair Bell thanked Wagenius and said that he would like to spend the rest of the time going through the other funding scenarios that were included in the meeting packet.

Staff gave details on how to read the scenario document. Staff reminded the committee that after the election, the committee voted on the funding scenarios via Survey Monkey and discussed the survey results on the Thursday following Tuesday’s elections. Based on the results, the committee agreed to eliminate the scenarios that received few or no votes. Staff

explained how assumptions were reflected in the document and how specific funding scenarios were broken down to reflect various possibilities for any given scenario.

Chair Bell relayed that he personally added a scenario where the state would take over funding of Metro Mobility through general funds. He thought this would relieve some funding pressures from Met Council for Metro Mobility, which is growing at a high rate. Legislative staff clarified that rather than assign Met Council to cut bus service, general fund is reduced because it is a direct appropriation to Metro Mobility. This would allow Metro Mobility funding to be dealt with separately from the rest of the transit funding system. A committee member added that if Metro Mobility was reassigned from Transportation to Health and Human Service (HHS), it could potentially access more money.

A committee member commented that the scenario document is a pretty exhaustive list, and thought some could be combined. The member said that they are unsure how combination possibilities are reflected in the process because currently there seems to be an either/or approach. For example, under state funding, all of them say “as-is” or “no changes.” Other proposals have included cutting state share. The member asked does “as is” include the 10 percent state share.

Chair Bell wondered if scenarios ought to be split between “with state share” versus “no state share.” A committee member asked if there is agreement on the assumption whether or not state share is included. A committee member responded that rather than making it an assumption, state share should be listed along options similar to how governance implications are listed currently.

A committee member said they were concerned that a stronger proposal may get watered down with too many options. Chair Bell responded that this is why the committee needs to shrink the options, eliminating those options that do not reflect the collected wisdom of the group.

Matt Burress commented that the 10 percent portion is often expressed as state share, however, current law reflects it as a 10 percent cap on state share of funding.

A committee member said that there are some committee members who think that transit is where it needs to be while some think we need to build it out. Having it broken down in these many ways does not distinguish between those two points of view. The member argued that the first question is what the vision for transit is. The report should reflect that we do not have agreement on the vision. This would give us a chance to vote on the different elements around the sales tax itself based on which vision it would allow for.

A committee member commented that the options with the most debate are the sales tax questions; whom it goes to, how much it is, and where it goes. We do not want to lose the items we can probably find agreement on. The member said that they want to leave all the voting in for scenario selection but leave flexibility to add things that don't get a lot of votes.

Chair Bell reiterated that the goal is to get to ten scenarios today. Chair Bell asked if the committee would support the body of the report reflecting that any growth of the system should include higher farebox recovery and developer fees. However, if the goal is to simply maintain the system farebox recovery and developer fees are less important. A committee member responded that farebox recovery and developer fees can simply be for maintenance, and that it does not have to be related to the growth of the system.

A committee member said we would be making the same mistake that we have been making for 30 years by not putting the benefited property paying front and center. In terms of additions to the system, especially if it is Light Rail Transit (LRT) or Bus Rapid Transit (BRT), there is a lot of opportunity to have that financed by the beneficiaries along the way, and if you stick developer fees in the commentary, it would only be an afterthought. The member agreed that farebox recovery is probably on the maintenance side, but the goal should be 50 percent plus a penny, keeping in mind that we can and should help people who need help paying the increased amount.

Chair Bell clarified that what he proposing is a guaranteed inclusion in the report whereas if the scenarios of development fees and farebox recovery aren't voted on, they may not get mentioned at all.

A committee member said that they want to ask legislators to use mass transit for a day before voting on transit legislation. Chair Bell responded that while a good idea, he wondered whether this was feasible since many representatives are asked to take part in similar requests.

A committee member suggested that the voting of this committee could be improved. They suggested listing votes in terms of interest: no or low interest, moderate interest and high interest. In that way, all the options could be reflected but some would show low interest. This would possibly head off a minority report because you could have minority views reflected in the voting.

Staff added that this reflects weighted voting and would be perhaps even more directly representative, but they want to see one more round of vote before implementing. Chair Bell noted that he was interested in the interest based voting.

A committee member noted that the committee is not comparing apples to apples in the current funding scenarios because some of the options aren't on the same scale in terms of funding produced. The options could be broken down by scale so that smaller items can be included even if they aren't comparable to the bigger funding scenario considerations.

Chair Bell commented that you could take both of these proposals together, have an interest based voting format while breaking down the options by scale. Chair Bell asked the committee for their opinions on these two proposals.

A committee member commented that the committee could also divorce funding issues from who gets it and who governs it. A committee member responded that while it is a good concept to first talk about the money, it may be moot right now as none of these are simple. The development fees are complicated with timing, but the difficulty is getting developers in at the right time.

A committee member argued for the fare increase to be seen as maintenance, and against the 50 percent and a penny increase.

A committee member stated that they are missing a shared vision of value as a common place before getting into complicated structure. Because it's hard to tell where everyone is here, there should be basic understanding of how everyone values transit. They would like a way to include that in the statements. The member said they are concerned that transportation is on the chopping block and they would like to give legislators some kind of shared statement of value for transit.

A committee member agreed with the idea to break decision making by voting up or down on sales tax at all before moving down to the exact details and smaller possibly agreeable issues.

A committee member stated that with regards to the development fee idea, when you make major investment in a line, rail or dedicated bus way, you create a district around it. Anyone who wants to develop in that area, there is a price around it. You can say to developers: community has invested a billion dollars, if you are going to invest, your proportion of the benefit is calculated. Or if you have a known developer before the line is made, have them invest in capital costs. The member argued that the value of development fees and farebox recovery is underestimated. Chair Bell asked how to implement the development fees idea without knowing the timing of the developer. The committee member responded that you would not try to time it out, you would try to estimate how much investment you get in the long run and plan accordingly. A committee member asked if that was really the perspective of the business community, and would the member support the same for highway funding. The committee member responded that they anticipate a stream of funding from property taxes and bond off of it. Rather than pay as you go which increases risk because you don't know what's going to happen, it makes it possible to take advantage of long term investment. A committee member said that they are not against figuring out value captures, but they are a small part of what we're doing.

A committee member expressed support for the farebox increase to 50 percent plus a penny. The member said that they suspect that doubling the farebox will cause significant ridership decline unless there is significant credit or payment to people based on income. Even that will probably result in a decline in fare revenues, but we do not really know that because it has never been increased by that much. We heard from legislative staff members that it has been declining to roughly 23 percent from 30 percent goal. It was suggested that we maintain it as a part of cost of service increases.

A committee member remarked that the Met Council presentation said that in the short term ridership does go down but in the long term it comes back. In addition, it is important to create a system where those who do not have the income get help, but users actually see the cost of the fares.

Chair Bell asked for proposals for things coming off the list now. Hearing none, Chair Bell suggested we do the tier based on substantial revenue, and that for the next vote we do 10-2-2 and for final vote we use the interest based format, but for the second vote the committee will use numerical voting to cut down.

A committee member stated that even with a 10-2-2 weighted voting, members are limited to just three votes. They wanted to be able to vote on all of them.

A committee member noted that things should fall off the list even with the interest format voting proposal. Chair Bell commented that the ones with low interest should be taken off for this next round. A committee member asked why the vote should not simply list everything and just discuss levels of interest. Chair Bell asked if the interest proposal moved forward, how to cut the list down.

A committee member stated that the committee should develop themes about the proper way to fund the majority of the system.



A committee member commented that an underlying issue is whatever decision we make has an impact on real people. Financial and racial disparities may be worsened by fare box increases.

After some discussion, Chair Bell confirmed that staff would reconfigure the vote structure, first group the current scenarios based on size—by the amount of funding produced, and then allow members to vote on all scenarios using the scale: strongly support, minimally support, and no support at all.

Vice Chair Lenczewski asked for meeting evaluations:

3.5, 4, 4, 4, 3.5, 4, 3.5, 4, 4, 4, 3.5, 4, 4, 3.5, 3.5, 3.5, 4, 4, 4, and 4 = 3.8

The meeting adjourned at 9:33am.