

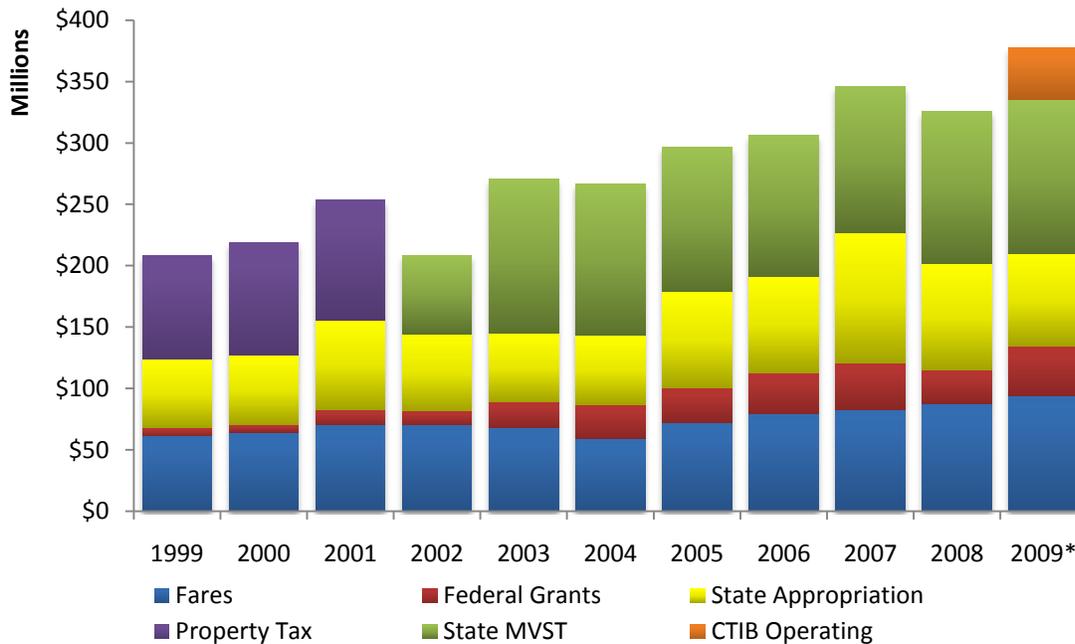
## Chapter 7. Funding

### Operations Funding

Funding has increased about 56% in absolute terms between 1999 and 2008. There have been major variations in individual funding sources over this time, including the elimination of property taxes from operating revenues and the addition of the state Motor Vehicle Sales Tax (MVST). Inflation-adjusted growth is 29% since 1998 but just 3.3% since 2005.

**Significant changes have occurred in the funding of Twin Cities' transit services over the last 10 years.**

**Transit Operations Funding Sources**



**Table 7-1. Major Operating Funding Sources for Transit (Millions of Dollars)**

Year	Actual or Budgeted	Fares <sup>1</sup>	Federal Grants	State Appropriation	Property Tax	State MVST	CTIB Operating
1994	Actual	47.0	10.8	33.8	66.3		
1995	Actual	43.7	6.4	39.2	67.7		
1996	Actual	45.2	2.5	44.6	70.4		
1997	Actual	55.0	9.2	44.8	74.1		
1998	Actual	61.4	4.7	52.1	78.4		
1999	Actual	61.5	6.3	56.0	84.5		
2000	Actual	64.4	6.2	56.6	91.3		
2001	Actual	70.1	12.3	73.1	97.9		
2002	Actual	70.2	11.6	62.8		55.0	
2003	Actual	68.0	21.0	55.9		124.2	
2004	Actual	58.8	28.2	56.2		123.2	
2005	Actual	72.5	27.8	78.5		117.2	
2006	Actual	79.2	33.5	78.8		114.4	
2007	Actual	82.8	38.0	106.1		118.9	
2008	Actual	87.7	27.3	86.6		123.8	
2009	<i>Budgeted</i>	93.6	44.1	75.0		125.5	42.1
2010	<i>Budgeted</i>	95.3	34.0	70.6		140.7	13.1

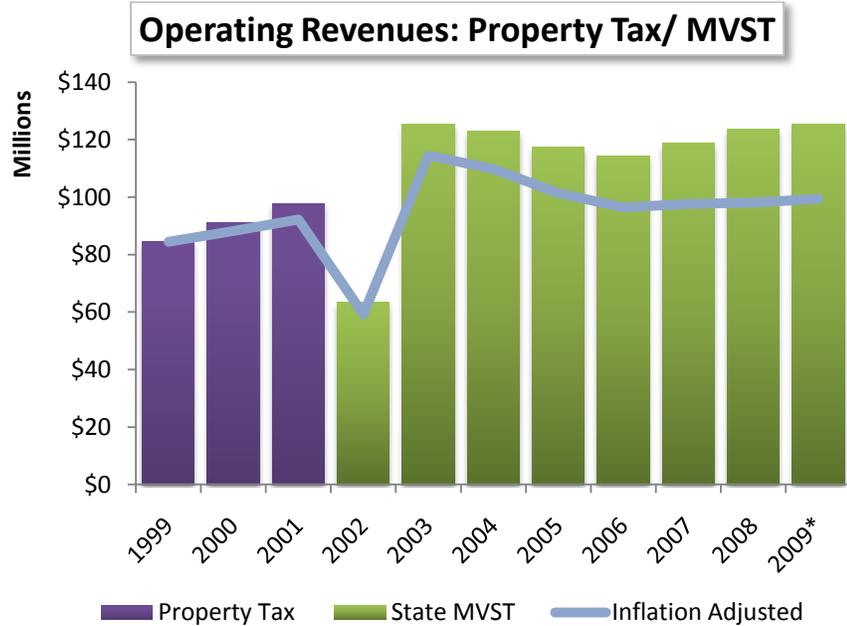
<sup>1</sup> Fare figures do not include fares collected by suburban transit providers. Historical data was not available, but in 2006, suburban providers collected approximately \$8.8 million in fares.

### MVST Dedication

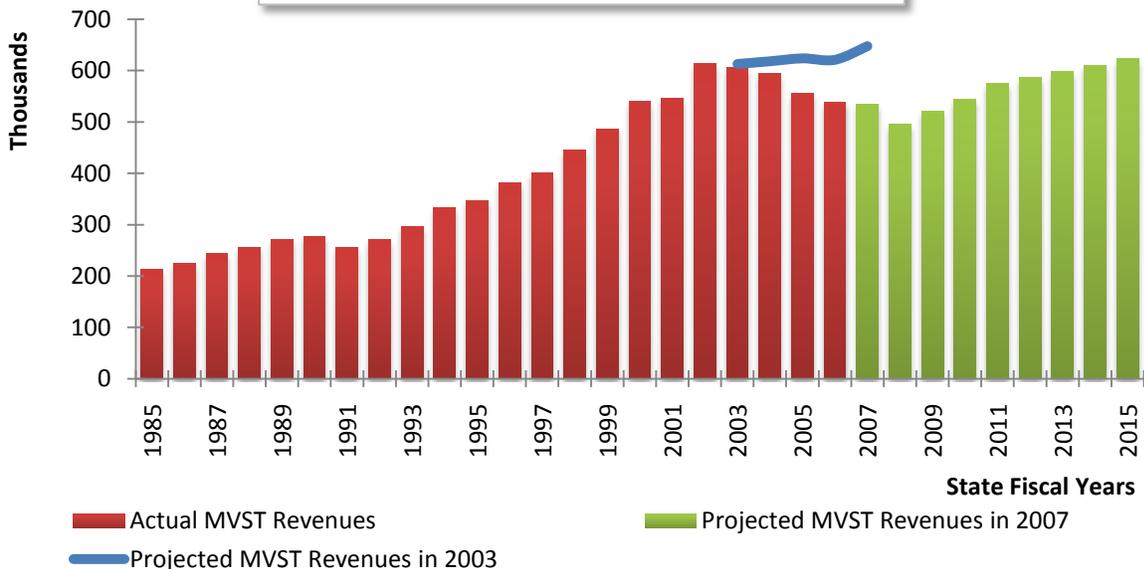
The most significant major funding change occurred in 2001, when the Legislature ended the use of property taxes as a revenue source for transit operations in the metro area. The Legislature replaced it with the MVST, which has proved to be a more volatile funding source. While property tax revenue increased by 32% from 1997 to 2001, MVST decreased by nearly 9% in its first four years as a transit funding source. In addition, because the property tax was levied

on a calendar-year basis and the MVST is allocated on the state July-to-June fiscal calendar year, there were six months in 2002 when funds from neither source were received. MVST revenue has seen increases of around 4% in both 2007 and 2008. However, inflation adjusted growth is only around 1.25% for 2007 and 0.5% for 2008, and has not equaled the 2003 high of \$125.4 million.

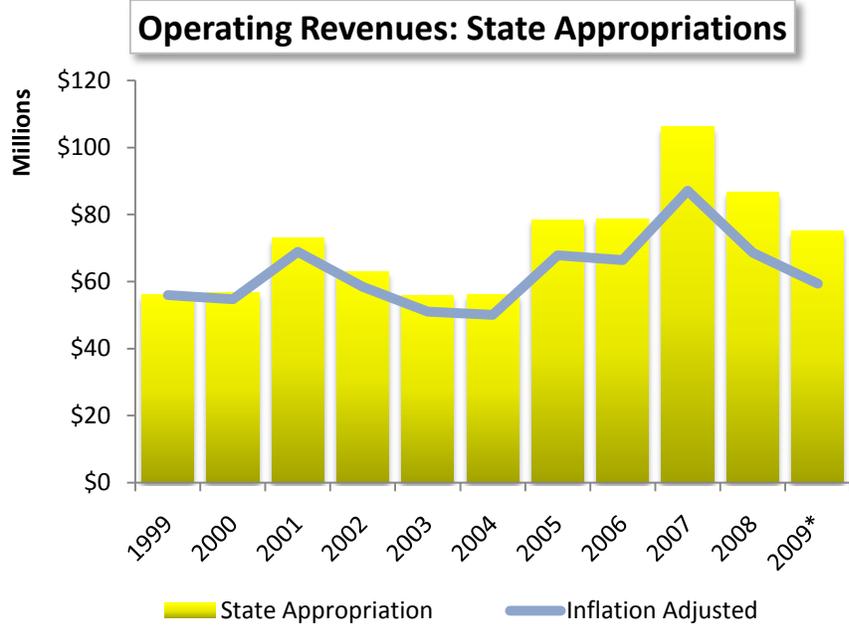
The state Motor Vehicle Sales Tax (MVST) has been performing significantly below state forecasts since transit funding was switched in 2001/2002. While metro area transit receives only a portion of this funding, the deficit is significant for all users of the MVST revenues.



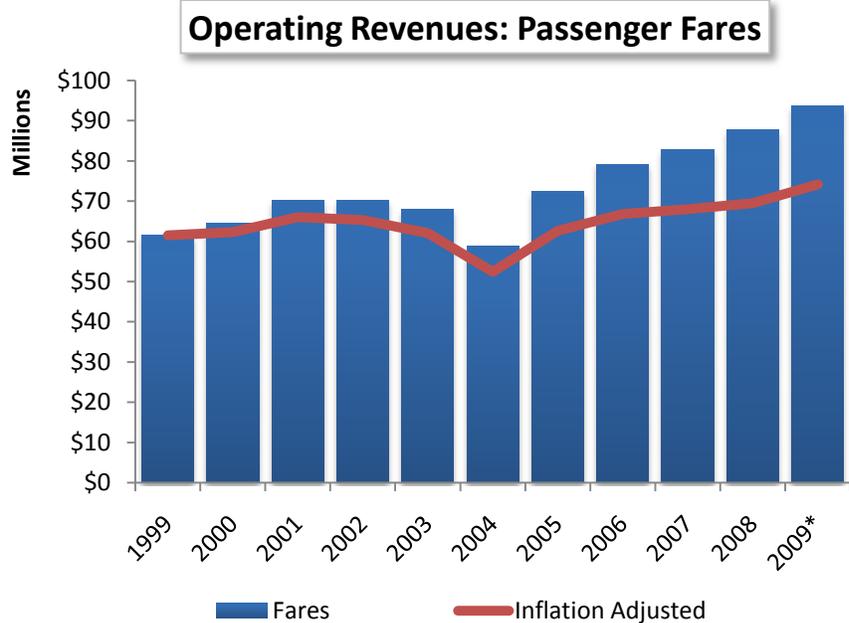
### MVST History Since 1985 and Projections



The state general fund has been reactive to the volatility of MVST as a funding source. In 2001, transit dollars from the general fund spiked, which partially covered the transition between property taxes and MVST. The funding has been increased by the state legislature in recent years in response to budget shortfalls from MVST's shortcomings compared with state forecasted revenues, which accounts for the large increase in 2007.



Fare revenues have generally reflected ridership trends over the past 10 years. Since 1999, four fare increases have offset revenue losses that occurred with declining ridership and, most recently, funding shortfalls. The most recent fare increase occurred in October 2008. The base fare was increased by \$0.25. In addition, all three of the social fares were increased by \$0.25. Fare revenues during 2004 decreased due to the transit strike.

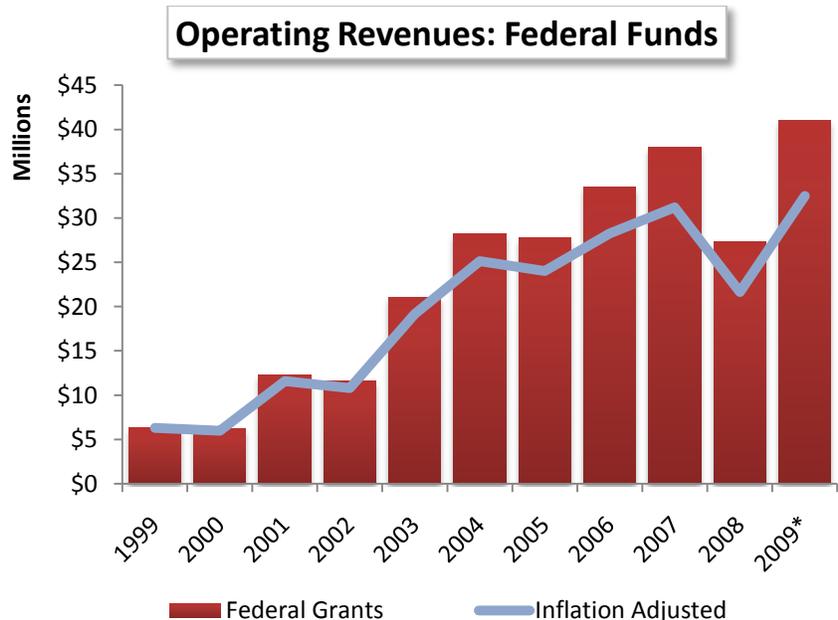


However, ridership has been increasing since 2004 and fare revenues have been growing with it. Figures for 2009 are estimated, but it is projected that they will be greater than the budgeted figures, with trends pointing toward higher than expected ridership numbers.

**Table 7-2. History of Fares, 1970 – 2008**

Year	Regular Fares						Social Fares		
	Base	Express	Peak	Peak/ Express	Max Zone	Discount	Youth	Seniors	Limited Mobility
1970	\$0.30	\$0.05	N/A	N/A	\$0.50	N/A	Free	Free	N/A
1975	\$0.30	\$0.05	N/A	N/A	\$0.25	N/A	\$0.10	Free	\$0.15
1976	\$0.30	\$0.10	N/A	N/A	\$0.20	N/A	\$0.10	Free	\$0.15
1977	\$0.30	\$0.10	N/A	N/A	\$0.25	N/A	\$0.10	Free	\$0.15
1979 (July)	\$0.40	\$0.10	N/A	N/A	\$0.25	N/A	\$0.10	Free/\$0.10	\$0.15
1980 (April)	\$0.50	\$0.10	N/A	N/A	\$0.25	N/A	\$0.20	Free/\$0.10	\$0.20
1981 (July)	\$0.60	\$0.10	N/A	N/A	\$0.40	N/A	\$0.20	\$0.10	\$0.20
1982	\$0.60	\$0.10	\$0.15	N/A	\$0.40	N/A	\$0.25	\$0.10	\$0.25
1989	\$0.50	\$0.25	\$0.25	N/A	\$0.25	N/A	\$0.25	\$0.10	\$0.25
1991	\$0.85	\$0.25	\$0.25	N/A	\$0.25	\$0.30	\$0.25	\$0.25	\$0.25
1993	\$0.85	\$0.25	\$0.25	N/A	\$0.25	\$0.25	\$0.25	\$0.25	\$0.25
1993	\$1.00	\$0.50	\$0.25	N/A	N/A	\$0.20	\$0.25	\$0.25	\$0.25
1995	\$1.00	\$0.50	\$0.25	N/A	N/A	\$0.15	\$0.50	\$0.50	\$0.50
1996	\$1.00	\$0.50	\$0.50	N/A	N/A	10%	\$0.50	\$0.50	\$0.50
2001 (July)	\$1.25	\$0.50	\$0.50	N/A	N/A	10%	\$0.50	\$0.50	\$0.50
2003 (August)	\$1.25	\$0.50	\$0.50	\$0.25	N/A	10%	\$0.50	\$0.50	\$0.50
2005 (May)	\$1.50	\$0.50	\$0.50	\$0.25	N/A	10%	\$0.50	\$0.50	\$0.50
2008 (October)	\$1.75	\$0.50	\$0.50	\$0.25	N/A	10%	\$0.75	\$0.75	\$0.75

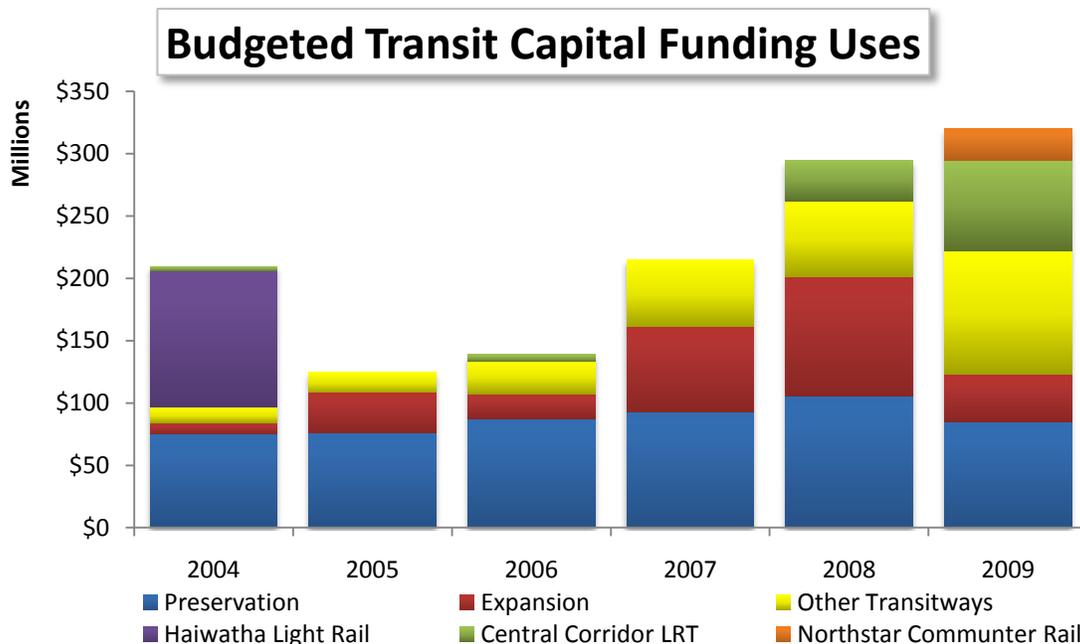
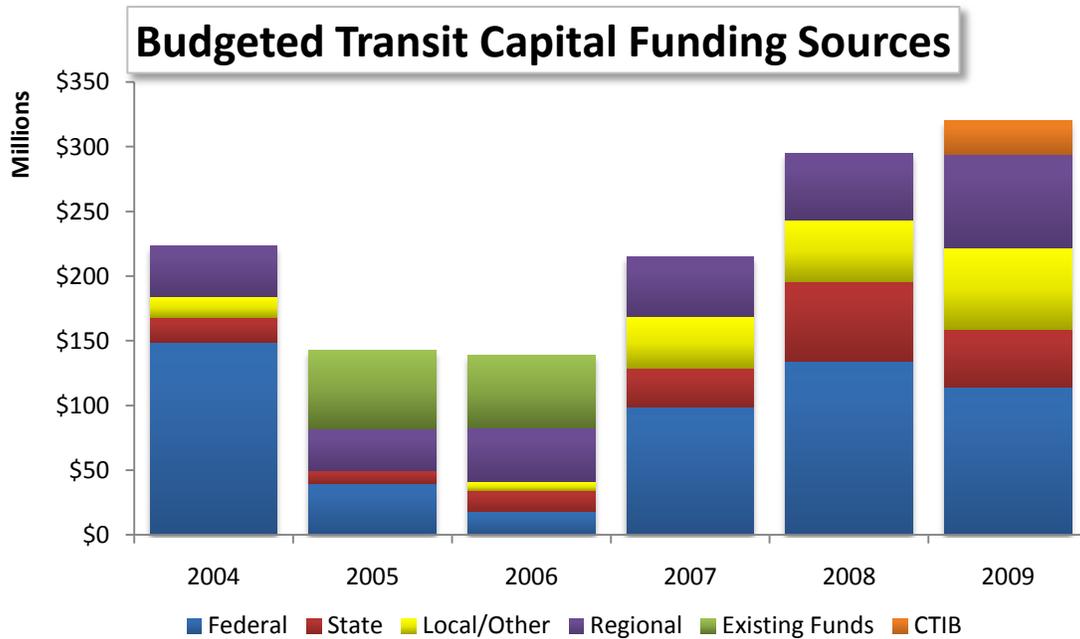
Transit operating costs are not directly eligible for federal funding, but there are two ways that federal money can be used for transit operating costs. The first involves using federal formula funds for eligible preventive maintenance costs, and the second involves the use of federal money for start-up costs of new services. The amounts used for these purposes has been increasing since 1999.



## Capital Funding

### Capital Funding Sources

Most transit capital funding for 2009 will come from the federal government and regional sources. More than a third of the overall capital funding will come from the federal government with regional sources funding 23% of transit capital projects. A new fund source for 2009 is from the Counties Transit Improvement Board (CTIB). CTIB added \$25 million to overall transit capital project funding. Most of the capital funds will be used towards the Central Corridor light rail and other transitway projects.



## Urban Partnership Agreement

The Urban Partnership Agreement (UPA) is a series of projects funded by the U.S. Department of Transportation and the State of Minnesota aimed at improving traffic conditions by reducing congestion on Interstate 35W (I-35W), Cedar Avenue/Highway 77, and in downtown Minneapolis using transit, road pricing, technology, and telecommuting. In 2007, Mn/DOT and the Metropolitan Council applied for and were awarded \$133.3 million of federal funds contingent upon appropriation of \$50.2 million in matching state funds and enabling legislation that were provided in the 2008 Minnesota legislative session. The Minneapolis-St. Paul metropolitan area was one of five regions of the country collectively awarded a total of \$853 million in federal discretionary funds.

In Minnesota, the UPA implementation plan is a regional collaboration involving many entities with responsibilities for various components of the program. These include:

- Minnesota Department of Transportation
- Metropolitan Council / Metro Transit
- City of Minneapolis
- Minnesota Valley Transit Authority (MVTA)
- University of Minnesota (U of M)
- Transportation Management Organizations (TMO)

Although the UPA focuses on the I-35W and Cedar Avenue/Highway 77 corridors, several congestion reduction elements have region-wide significance, including the dedicated bus lanes in downtown Minneapolis along Second Avenue South and Marquette Avenue South, and the telecommuting component. The Second and Marquette improvements, known as MARQ2, will have broad regional implications for transit service that begins or ends in downtown Minneapolis and that use those parallel streets.

The UPA project for the Twin Cities consists of four elements: Transit, Road Pricing, Technology, and Telecommuting.

### Transit

UPA funds are being used to construct the MARQ2 project, create or expand six park-and-ride facilities, purchase new express buses, and construct transit advantages for buses on Highway 77. MARQ2 is a 24-block street and sidewalk reconstruction of Marquette and Second Avenues South in downtown Minneapolis to provide an expansion from one reverse flow bus lane to two, wider sidewalks, custom transit shelters, and enhanced pedestrian streetscapes. This improvement will allow up to three times as many express buses to use each street and reduce travel times through downtown by up to 10 minutes. Six park-and-ride locations will be created or expanded to provide more than 2,800 new parking spaces serving routes on I-35W or Cedar Avenue.

In addition, UPA funds purchased 27 new buses to serve new and existing park-and-ride spaces along I-35W and Cedar Avenue. The construction of a bus-only left turn lane and signal from northbound Highway 77 to westbound Highway 62 provides a reliable and quick trip for busloads of express

customers every weekday morning. The northbound Cedar Avenue/Highway 77 to westbound Highway 62 transit advantage, opened in November 2008, has provided a 90-second per bus trip timesavings during normal weather and traffic conditions.

### **Road Pricing**

The UPA funded the conversion of existing high-occupancy vehicle lanes to MnPass express lanes on I-35W from Burnsville Parkway to I-494. The first segment runs from Burnsville Parkway to I-494 and the second from 46<sup>th</sup> Street to the downtown Minneapolis exits. The final segment linking the two completed sections from I-494 to 46<sup>th</sup> Street is under construction as a part of the I-35W/Hwy 62 Crosstown Commons project.

### **Technology**

Global positioning satellites and in-vehicle technology will be used on 10 buses serving Cedar Avenue to assist bus operators in keeping buses centered in narrow bus-only shoulders and to help ensure safe, reliable, and consistent daily bus operations. Real-time information signs will be constructed at every bus stop along Marquette and Second Avenues in downtown Minneapolis and at five park-and-rides and transit stations along I-35W and Cedar Avenue. These signs will provide travelers with information on when the next bus will arrive. Real-time signs will display auto-to-bus travel time comparisons and park-and-ride space availability on I-35W and intersecting roadways from four park-and-rides. In-vehicle and intersection controller technology along Central Avenue in Minneapolis and Columbia Heights will provide consistent and reliable bus operations along the corridor. Cameras on local roadways connecting to the I-35W and Cedar Avenue/Highway 77 corridors will provide traveler information for motorists and improve traffic flow.

### **Telecommuting**

Partnerships with major employers along the I-35W corridor and in downtown Minneapolis have been established to promote flex-time and telecommuting programs with a 2011 goal to increase by 500 individuals the number of telecommuting workers who would normally commute on I-35W. While the UPA project has currently exceeded the goal, having generated commitments from three major employers for 960 employees to telecommute at least once per week, recruitment and monitoring continue. The eWorkPlace telecommuting initiative was launched in June 2009 to reach employers and employees interested in traditional telecommuting to improve efficiency and performance. Policy, training, and technical assistance are offered through eWorkPlace to assist companies and their employees with telecommuting efforts.

### **Economic Stimulus**

The Council received \$70.6 million in American Recovery and Reinvestment Act (ARRA) funds through the Federal Transit Administration (FTA) for metro area transit projects. As of the end of 2009, the Council has obligated \$52.8 million to purchase:

- 31 standard, 30 hybrid, and 29 articulated bus replacements for the Metro Transit fleet (\$49.6 million)
- 15 hybrid and 1 standard bus replacement for the Metro Mobility fleet (\$1.8 million)

- 27 standard small buses for dial-a-ride services (\$1.4 million received from Mn/DOT)

The Council intends to use the remaining \$17.8 million for eligible preventive maintenance costs included in the transit operating budget. This will help reduce the \$62.4 million shortfall in the operating budget that is projected for FY 2010-11.

The Council also applied for and was awarded ARRA funds to hire up to five full-time police officers. The funds are from the federal government's Transit Security Grant Program and will help support a Metro Transit anti-terrorism and crime suppression unit. Grant funding of \$1.3 million will cover the cost of the officers for three years.

In addition, the Council's Metro Mobility service for people with disabilities applied for and was awarded an additional \$1.1 million for gas hybrid electric vehicles to replace diesel vehicles in the existing fleet. The grant was awarded through the 2009 Transit Investments for Greenhouse Gas and Energy Reduction (TIGGER) program that promotes green technologies.

## **Transitways**

### **Funding Bill Summary (CTIB)**

With the passage of the State Transportation Bill (Chapter 152, HF. No. 2800) in February 2008, the Minnesota State Legislature provided for the creation of the Counties Transit Improvement Board, or CTIB. The Minnesota Legislature authorized the seven counties that make up the Twin Cities metro area to levy an Area Sales Tax if they choose. It would impose an increase in sales tax by  $\frac{1}{4}$  of a cent and a \$20 motor vehicle excise tax. The CTIB is composed of Anoka, Dakota, Hennepin, Ramsey, and Washington Counties and the Metropolitan Council. The Board consists of two appointed commissioners and one alternate from each County plus the Metropolitan Council Chair. Carver and Scott Counties are ex-officio, non-voting members since they chose not to levy the county sales tax. However, they have the option of levying the county sales tax and joining the Board as voting members in the future. The purpose of the Board is to:

- Facilitate investment in transitways.
- Cooperatively plan and develop policies for transit investments.
- Advocate for state and federal funding and transportation policies supportive of transit ways
- Educate and inform the public.

The Metro Transitways Development Board (MTDB), representing the seven counties' regional rail authorities, was dissolved with the creation of CTIB.

The CTIB legislation also created the Grant Evaluation and Ranking System committee (GEARS) to evaluate grant applications of the various projects applying for CTIB funds and create a list of projects, ranking the projects according to priority. The GEARS committee consists of one county representative and one alternate and a representative elected by the Association of Metropolitan Municipalities for each county. Hennepin County is allowed three city representatives: one from Minneapolis and one each from the northern and southern parts of the county. Ramsey County has two city representatives:

one representing St. Paul and one representing the other cities in the county. The Counties appoint a County Commissioner to the committee.

CTIB total revenue from the County Transit Tax totaled \$28,698,464 in 2008. From this amount, the Department of Revenue projected that \$86 million would be available for 2008-2009 grants. These grants have partially funded the construction and operation of six transit lines and helped sustain Metro Transit bus operations in 2009. The Metropolitan Council received a one-time deficit relief payment of \$30.8 million to help support transit operations during the 2009 funding shortfall. This left \$55.2 million for capital and operating grants for transitway projects.

**Table 7-3. CTIB Capital and Operating Grants, for 2009**

Projects	Grant Description	Grant Amount
<b>Capital Grants</b>		
Central Corridor LRT	Funding for preliminary engineering, final design, property acquisition, and utility relocation	\$26,000,000
Northstar Commuter Rail	Funding for Construction of the Fridley station	\$9,900,000
Cedar Avenue BRT	Funding for a park-and-ride station in Apple Valley	\$6,950,000
<b>Operating Grants</b>		
Hiawatha Light Rail	Funding to provide 50% share of the 2009 operating costs previously funded through property tax	\$7,500,000
Northstar Commuter Rail	Funding to provide 50% share of 2009 operating start-up operating costs	\$3,800,000
I-35W South BRT	Funding service to Lakeville	\$62,500
Cedar Avenue BRT	Funding service to Lakeville	\$22,500

Washington County received funding support for express bus service to Forest Lake and/or planning for a new transit line in the future. This grant of \$950,000 was guaranteed by the joint powers agreement in recognition of lack of major short-term transitway projects for Washington County. Bus service from Forest Lake to Minneapolis (Route 288) received \$278,000, bus service from Forest Lake to St. Paul received \$118,050, and \$553,950 was awarded for a transit Alternatives Analysis of the I-94 Corridor as a part of the Washington County grant.