Long Term Financial Outlook for Transit
Transit System 10-Year Vision

• New METRO transitways in construction or planning include:
  – Orange Line BRT - Green Line light rail extension
  – Gold Line BRT - Blue Line light rail extension
  – Rush Line BRT - Riverview Modern Streetcar

• New METRO Arterial BRT lines in construction or planning include:
  – B line (Lake and Selby) - D line (Chicago-Emerson-Fremont)
  – E line (Hennepin) - F line (Central/University)
  – G and H lines (Robert/Rice and Como/Maryland)

• At least 1% annual increase to bus service
2030 Vision

- New METRO guideways and highway BRT
- New METRO Arterial BRT
- Growing bus service by at least 1% annually
Operations Funding Outlook
Operations Funded From Multiple Sources

System-wide
- Fares
- State Appr
- State MVST
- County

Rail
- Fares
- State Appr
- County

Bus
- Fares
- State MVST

Metro Mobility
- Fares
- State Appr

*Does not include one-time federal COVID relief funds*
Operating Funding Risks

• System Operations Growth
  – Growth in bus operating costs exceed MVST and fare growth; state general fund unreliable to fill gaps
  – Growth in Metro Mobility at 6%+ per year; forecast program legislation would solve
  – Expansion of METRO network adds operations state funding need

• Funding Source Risks
  – County commitments to operations of dedicated transitways
  – No arterial BRT operating commitments
  – Reliance on one-time appropriations and federal relief
  – MVST Volatility
  – Fare revenue impact due to Covid-19

• Significant annual deficits hit beginning in 2026 and grow over time
### One-Time Funding Supports 2020-2026

<table>
<thead>
<tr>
<th>One-Time Funding Solutions</th>
<th>2020-26</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-time Met Mo GF appropriation</td>
<td>$ 36</td>
</tr>
<tr>
<td>Federal CARES ($226M)</td>
<td>226</td>
</tr>
<tr>
<td>Federal CRRSAA ($186M)</td>
<td>186</td>
</tr>
<tr>
<td>Federal ARP ($313M)</td>
<td>313</td>
</tr>
<tr>
<td>Estimated Program Reserves</td>
<td>100+</td>
</tr>
<tr>
<td><strong>Total One-time Funding Solutions</strong></td>
<td><strong>$861M</strong></td>
</tr>
</tbody>
</table>

2025/26 Operating Expenses outweigh Operating Revenues ~ $200M

Dollars in millions
State General Fund Need Above $89 M Base  
(After Federal Covid-19 Relief Funds spent down)
Capital Funding Outlook
Capital Funding Sources

• Federal funds – examples
  – Federal formula funds used for capital maintenance and bus replacement
  – Regional Solicitation grants for capital expansion and modernization
  – Capital Investment Grants (New Starts/Small Starts)
  – Other competitive grants (e.g. Low-No Emissions Grants)

• Regional transit capital (RTC) (Council property tax backed bonds)
  – RTC authority set by legislature
  – Primarily used as 20% match to federal formula funds
  – Predominately used for bus purchases for all regional transit providers

• Most capital maintenance costs not eligible for state bonds or RTC bonds due to shorter expected life
2021-2026 Capital Program Revenue Sources

$1.654B excluding METRO Green Line and Blue Line Extensions
Includes $95M MVST amendment for Capital Maintenance

- Federal
  - $922.9M
  - 56%
- RTC
  - $332.7M
  - 20%
- Local/Counties
  - $201.2M
  - 12%
- CMAQ
  - $102.3M
  - 6%
- MVST
  - $95M
  - 6%
Unfunded Capital Pressures

• Capital Improvement Program (CIP) limited by available funding
• Preservations of existing assets (state of good repair) prioritized
• Rail examples unfunded in the future
  – Track replacement and repair
  – Signal and switch replacement
  – Updating outdated technology
  – Overhaul and replacement of rail vehicles
• Bus examples
  – Fleet electrification
  – Ruter Garage replacement
  – Replacing outdated fare collection system
• Federal Covid-19 relief used to shift $95M in MVST to fill unfunded needs
Unfunded Transit Capital Needs 2021-2030
(After $95 M MVST shift from operations to capital)
Guideway Overview
Transit Guideways – Overview

• Guideways are transitways that operate primarily or substantially within separated rights-of-way or operations on rails (MN Statute 473.4485)

• Guideways in operation: METRO Blue Line, METRO Green Line, Northstar Commuter Rail

• Guideways in construction or planning (next 10 years):
  – Green Line LRT extension
  – Gold Line BRT
  – Rush Line BRT
  – Blue Line LRT extension
  – Riverview Modern Streetcar

• Guideways risks:
  – Capital development costs
  – Capital maintenance costs
  – Reliance on state appropriations and county funding
Phases of Project Implementation

Local Planning
- Accept Locally Preferred Alternative (LPA)
- Adopt LPA into Transportation Policy Plan

Environmental/Project Development Phase
- Approval of contracts and purchases
- Approve final environmental decisions

Engineering Phase
- Approval of contracts and purchases
- Construction contract award (w/LONPs)

Implementation and Operation
- Approval of contracts and purchases
- Authorize Full Funding Grant Agreement (FFGA)
- Commitment to implement, operate, and maintain

Council decisions by project phase

Financial Information developed by project phase
- Capital and operating cost estimates by local planning sponsors w/ Council review
- Capital and operating cost refinement led by Council staff, Financial plans
- Firm and final project cost estimates for operating and capital costs

Currently, lifecycle capital maintenance costs are not (yet) developed during guideway planning and implementation
### Examples: Upcoming Guideway Project Decisions

<table>
<thead>
<tr>
<th>Project</th>
<th>Phase Ending</th>
<th>Timeframe</th>
<th>Next Council Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rush Line</td>
<td>Environmental</td>
<td>Q3 2021</td>
<td>Authorize memorandum of agreement for project environmental mitigations</td>
</tr>
<tr>
<td>Gold Line</td>
<td>Engineering</td>
<td>2022</td>
<td>Full Funding Grant Agreement Authorization</td>
</tr>
<tr>
<td>Blue Line Extension</td>
<td>TBD</td>
<td>TBD</td>
<td>Alignment Revision</td>
</tr>
<tr>
<td>Riverview</td>
<td>Environmental</td>
<td>Est. 2024</td>
<td>TBD</td>
</tr>
</tbody>
</table>
## Guideway Funding

<table>
<thead>
<tr>
<th>Modes</th>
<th>Initial Construction (approx. shares)</th>
<th>Net Operations</th>
<th>Capital Maintenance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Light Rail (except SWLRT)</td>
<td>State/Counties/other non-fed 50%</td>
<td>State 50%</td>
<td>Federal formula/RTC insufficient</td>
</tr>
<tr>
<td></td>
<td>Federal 50%</td>
<td>Counties 50%</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>MN Statute 473.4051 – state pays 50% net operations; does not identify who pays other 50%</strong></td>
<td></td>
</tr>
<tr>
<td>Green Line Extension (SWLRT)</td>
<td>State/Counties/other non-fed 50%</td>
<td>Nonstate (Hennepin Co) 100%</td>
<td>Federal formula/RTC insufficient</td>
</tr>
<tr>
<td></td>
<td>Federal 50%</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>MN Statute 473.4051 – no state funds can go to SWLRT operations</strong></td>
<td><strong>MN Statute 473.4051 – no state funds can go to SWLRT capital maintenance</strong></td>
</tr>
<tr>
<td>Commuter Rail (Northstar)</td>
<td>State/Counties/other non-fed 53.5%,</td>
<td>State 50%</td>
<td>Most Northstar capital maintenance paid as part of BNSF operating contract</td>
</tr>
<tr>
<td></td>
<td>Federal 46.5%</td>
<td>Counties 50%</td>
<td></td>
</tr>
<tr>
<td>BRT Dedicated Guideway (Gold Line and Rush Line)</td>
<td>Counties/other non-fed 50% Federal 50%</td>
<td>State 50%</td>
<td>Costs TBD, Federal formula/RTC likely insufficient</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Counties 50%</td>
<td></td>
</tr>
</tbody>
</table>
Existing Guideway Operating and Capital Deficits
Guideways County Operating Agreements

• Master Operations Funding Agreement (MOFA) establishes uniform framework for counties’ rail operations funding contribution

• Current MOFA: 5-year agreement (through 12/31/2022)

• Annual Operating Grant Agreements approved for specific Transitway Service

• Parameters for funding:
  • Council(State) at least 50%, and Counties at Base + 3.15%

• County Share:
  • METRO Blue Line 100% Hennepin
  • METRO Green Line 60% Hennepin and 40% Ramsey
  • Northstar 18.6% Hennepin, 81.4% Anoka
Status of Guideway Operating Grants

• Anoka County discontinued payment under executed 2020 operating grant agreement beginning Q3 2020

• No counties have approved/paid standard annual operating grant agreements for 2021

• Total unpaid rail operations = nearly $18M as of May 15, 2021

• If 2021 agreements are not adopted and counties do not pay their portion of rail operations:
  – Metro Transit Light Rail Fund will have a negative rail operations cash position in May 2021
  – Commuter Rail Operations cash position will have a negative balance in late fall 2021
Existing Guideways Capital Maintenance Shortfalls

• Current capital maintenance funding relies solely on federal formula funds and matching RTC dollars

• Green Line capital maintenance deficits = $269M
  – 10 year cumulative $18M
  – 20 year cumulative $223M
  – 30 year cumulative $269M

• Blue Line capital maintenance deficits = $431M
  – 10 year cumulative $23M
  – 20 year cumulative $293M
  – 30 year cumulative $431M

• Most Northstar capital maintenance paid as part of BNSF contract
Takeaways

• Transitway funding relies on multiple sources outside Council authority
• System continues to grow in this context of unstable funding
• Guideways need a solution for unfunded life cycle costs