

# Long Term Financial Outlook for Transit

May 5, 2021

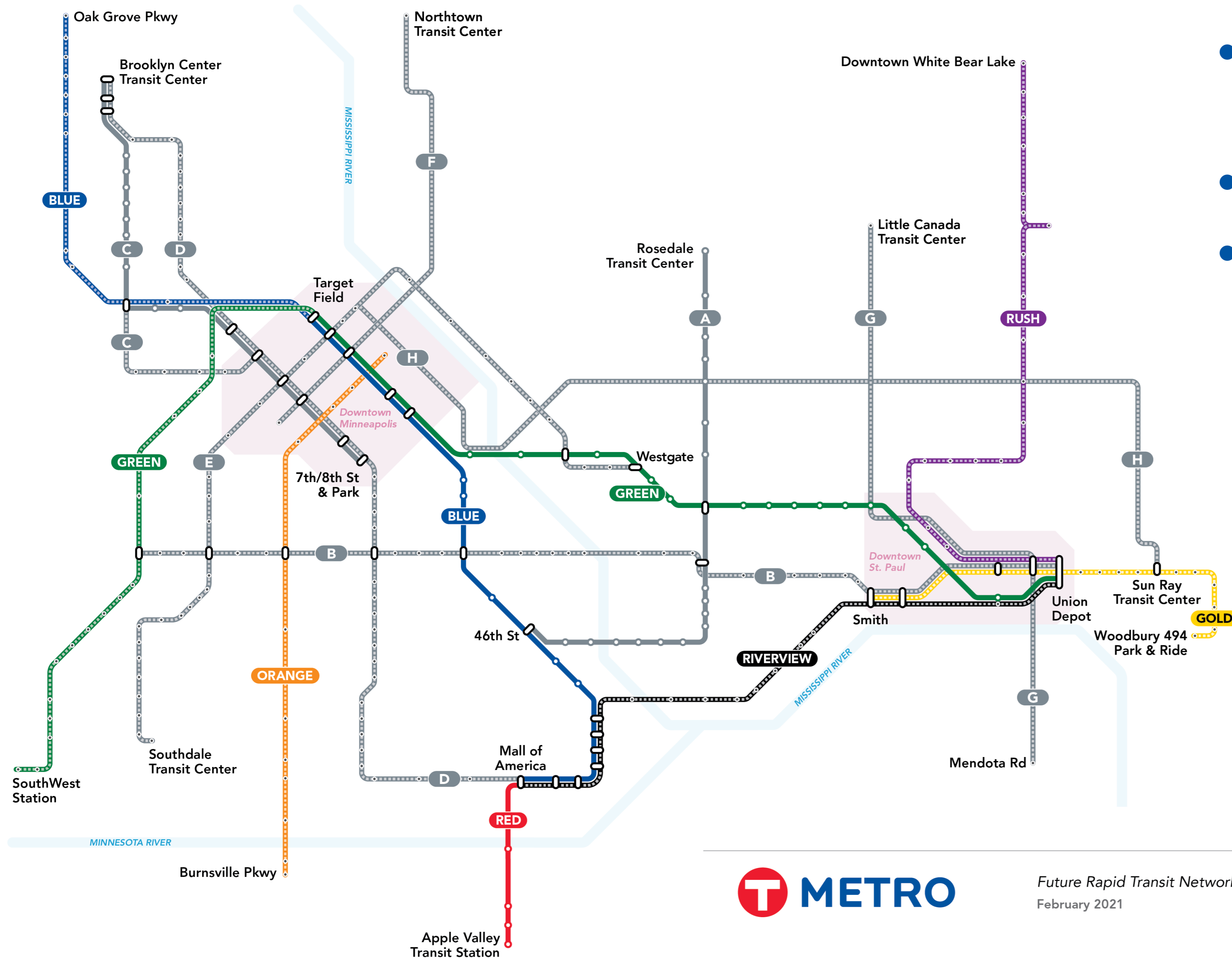
Metropolitan Council Committee of the Whole



# Transit System 10-Year Vision

- New METRO transitways in construction or planning include:
  - Orange Line BRT
  - Gold Line BRT
  - Rush Line BRT
  - Green Line light rail extension
  - Blue Line light rail extension
  - Riverview Modern Streetcar
- New METRO Arterial BRT lines in construction or planning include:
  - B line (Lake and Selby)
  - E line (Hennepin)
  - G and H lines (Robert/Rice and Como/Maryland)
  - D line (Chicago-Emerson-Fremont)
  - F line (Central/University)
- At least 1% annual increase to bus service

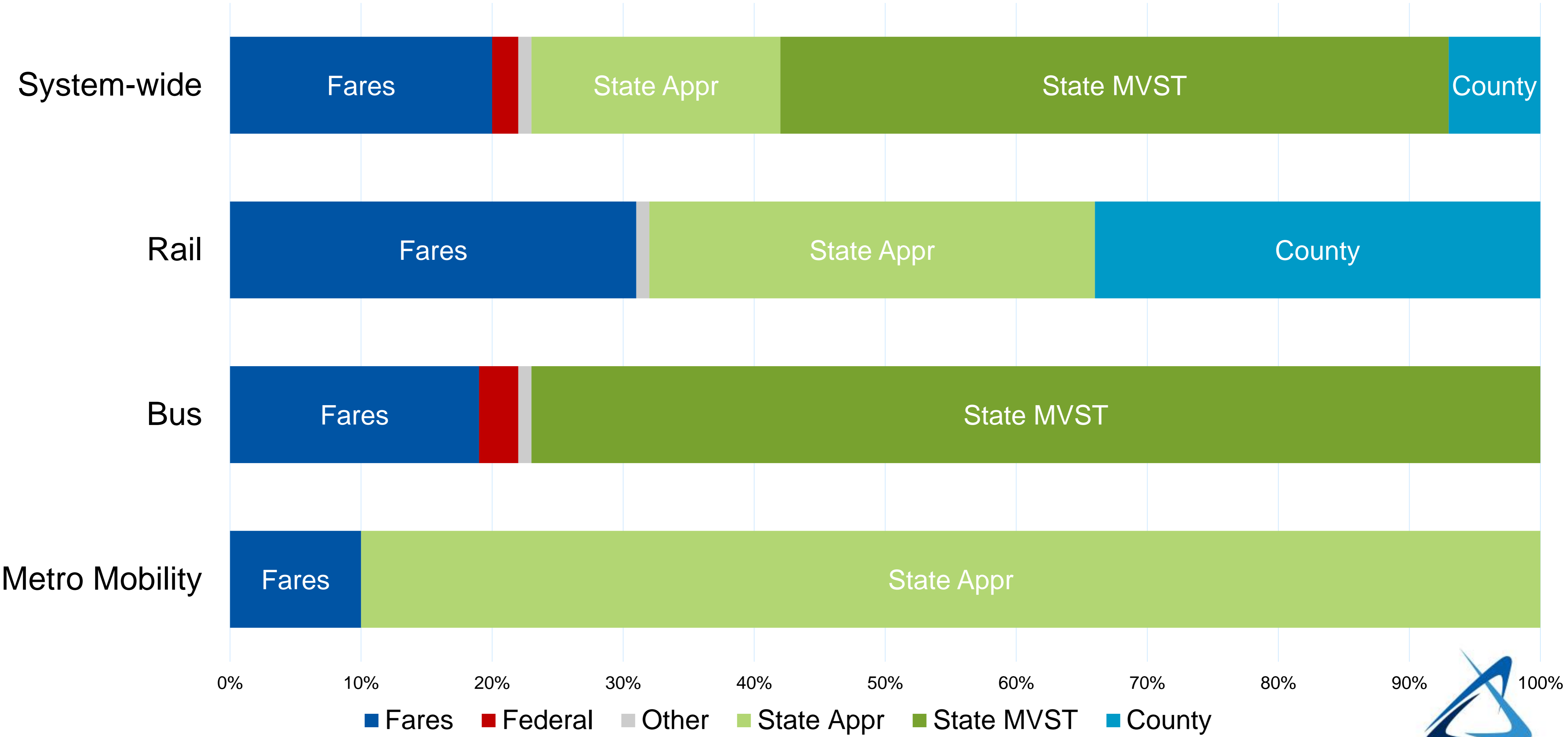
# 2030 Vision



- 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



<sup>5</sup> \* 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**

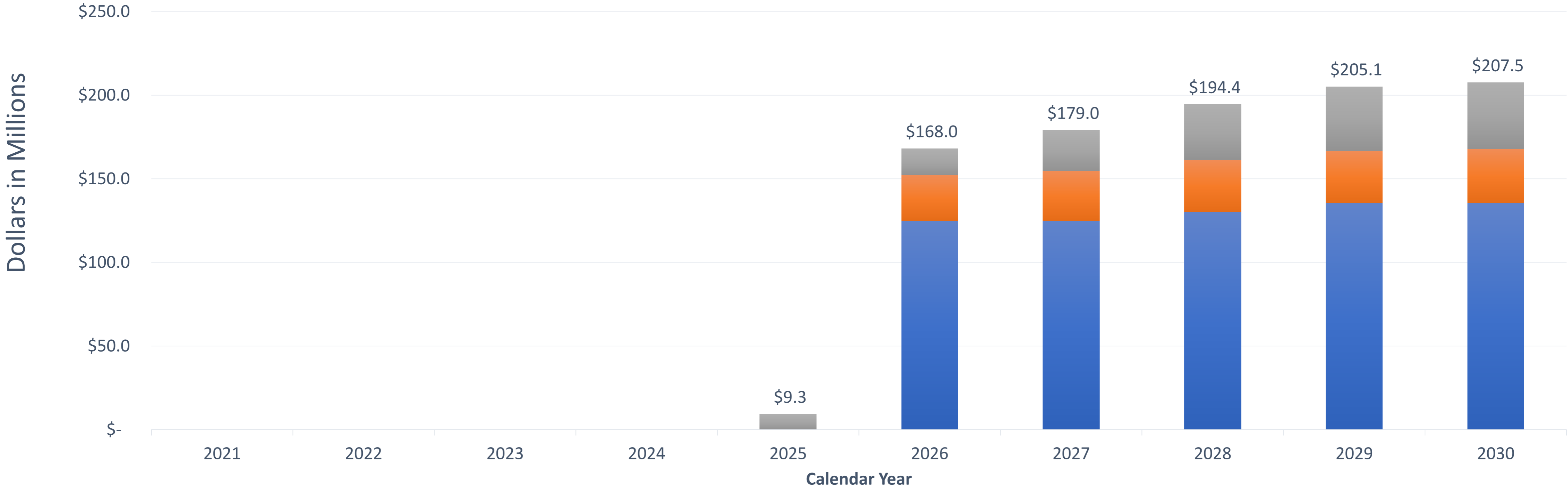
# One-Time Funding Supports 2020-2026

One-Time Funding Solutions	2020-26
One-time Met Mo GF appropriation	\$ 36
Federal CARES (\$226M)	226
Federal CRRSAA (\$186M)	186
Federal ARP (\$313M)	313
Estimated Program Reserves	100+
<b>Total One-time Funding Solutions</b>	<b>\$861M</b>
<b>2025/26 Operating Expenses outweigh Operating Revenues</b>	<b>~ \$200M</b>

Dollars in millions



# State General Fund Need Above \$89 M Base (After Federal Covid-19 Relief Funds spent down)



■ New State Metro Mobility, Rail & Bus Ops
 ■ New State Transitway Expansion Operating
 ■ New State Arterial BRT Operating





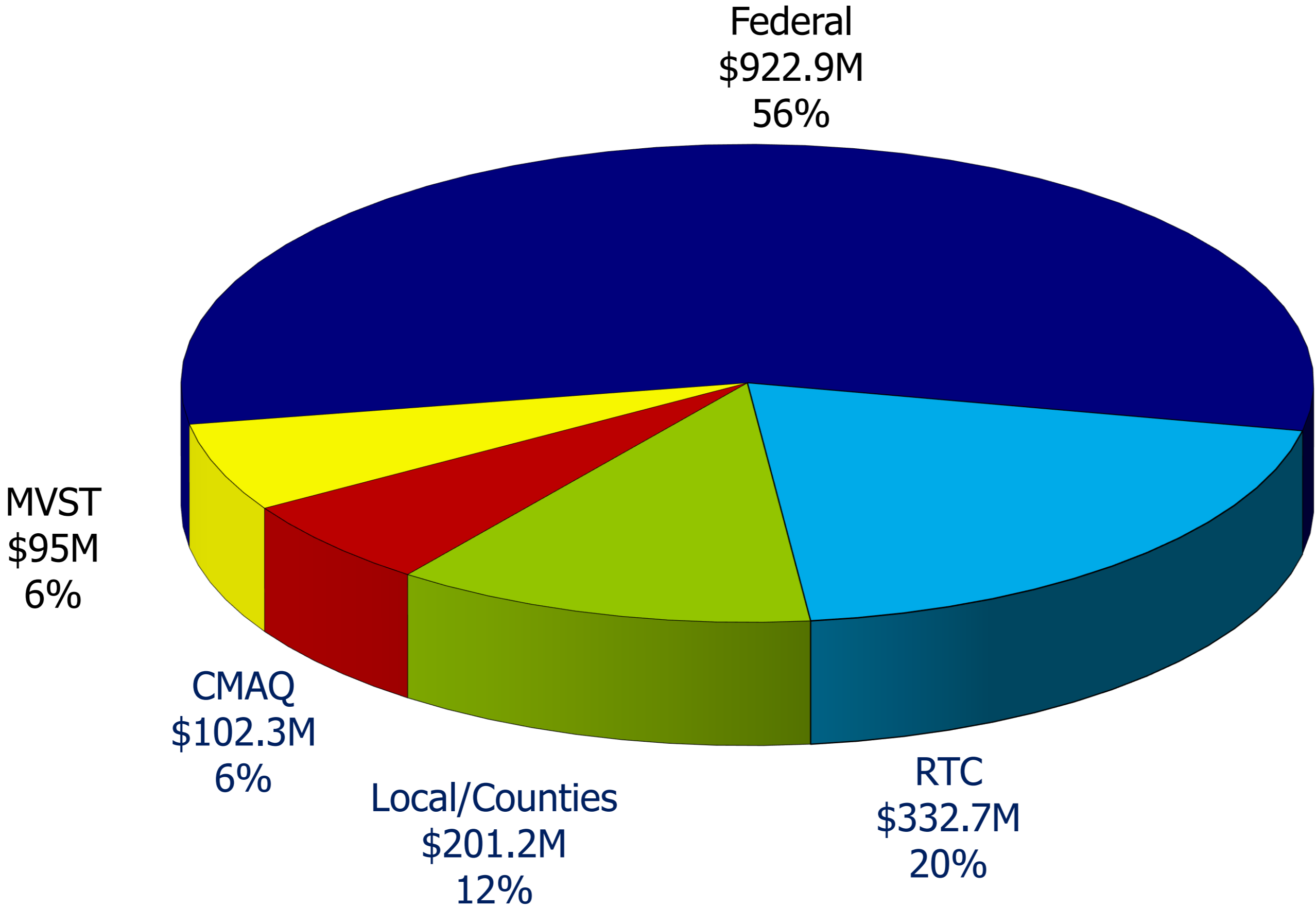
# Capital Funding Outlook

# 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

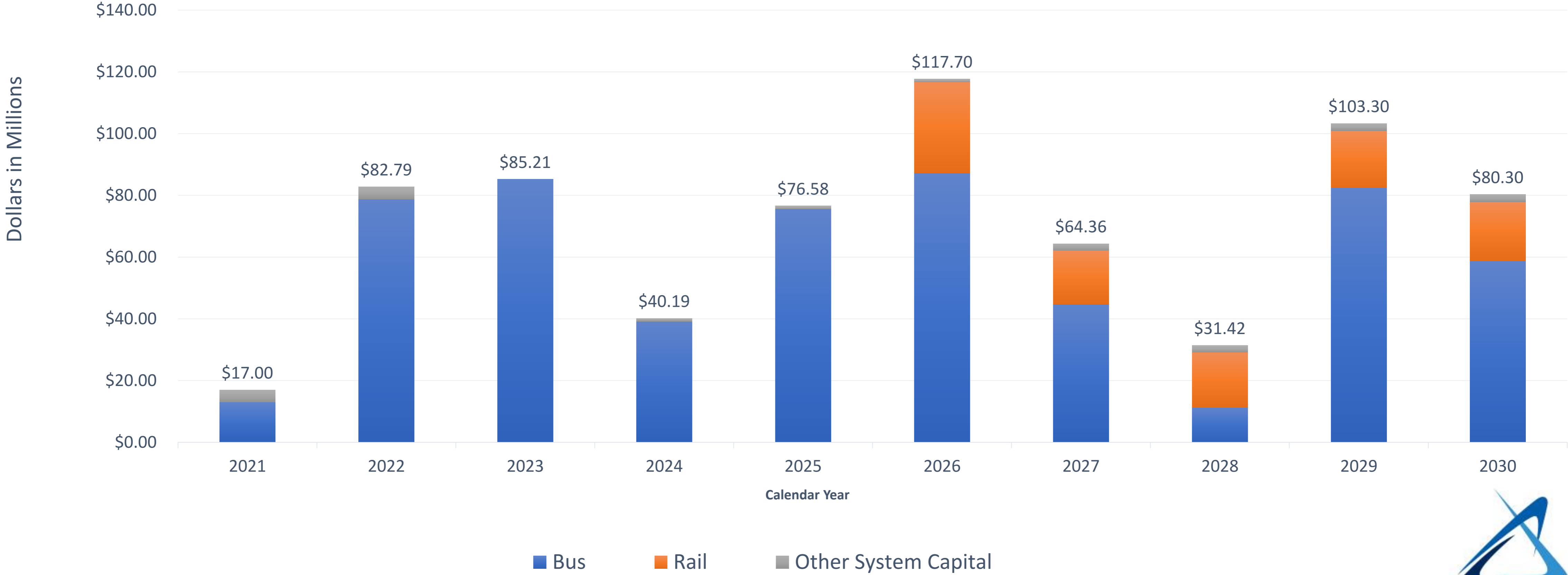


# Unfunded Capital Pressures

- 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)

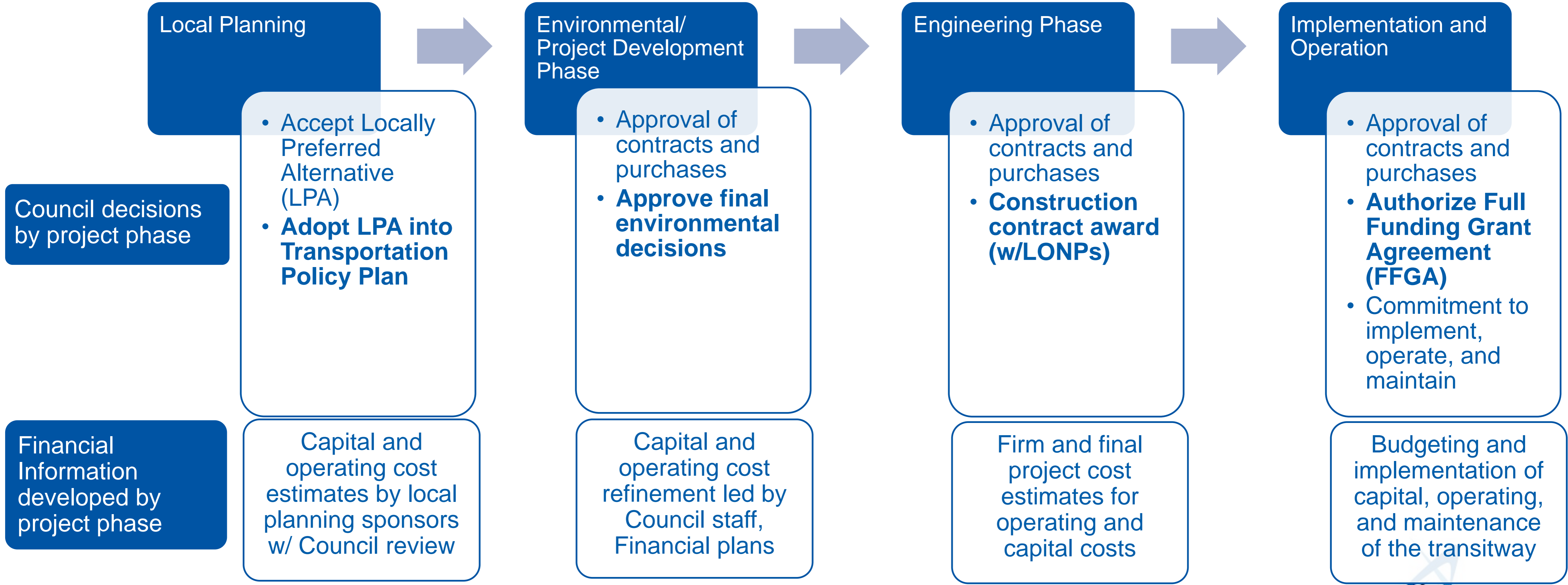


# Guideway Overview

# 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



Currently, lifecycle capital maintenance costs are not (yet) developed during guideway planning and implementation



# Examples: Upcoming Guideway Project Decisions

Project	Phase Ending	Timeframe	Next Council Action
Rush Line	Environmental	Q3 2021	Authorize memorandum of agreement for project environmental mitigations
Gold Line	Engineering	2022	Full Funding Grant Agreement Authorization
Blue Line Extension	TBD	TBD	Alignment Revision
Riverview	Environmental	Est. 2024	TBD



# Guideway Funding

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

# 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



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