OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA

EVALUATION REPORT

Governance of Transit in the Twin Cities Region

JANUARY 2011

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OLA **OFFICE OF THE LEGISLATIVE AUDITOR**
STATE OF MINNESOTA • James Nobles, Legislative Auditor

January 2011

Members of the Legislative Audit Commission:

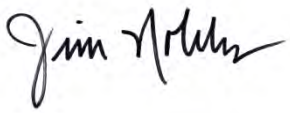
Transit in the Twin Cities region has grown significantly over the past decade and, by many measures, the region's transit system has performed well. However, the governance structure for transit in the region is far from ideal.

More than 25 organizations are involved with transit planning, development, or operations in the Twin Cities region and, in some cases, their relationships are strained by overlapping responsibilities and distrust. Additionally, the lack of an agreed-upon vision and priorities for transit in the region has contributed to the transit governance challenges.

The current situation has resulted in large part from the Metropolitan Council's lack of credibility among elected officials and other regional stakeholders. Therefore, the first step toward reform should be to address the composition of the Metropolitan Council. While several approaches are possible, we recommend a Council with a mix of gubernatorial appointees and elected officials from the region.

Our evaluation was conducted by Judy Randall (evaluation manager), Emi Bennett, and Julie Trupke-Bastidas. The Metropolitan Council, Counties Transit Improvement Board, Suburban Transit Association, and various other organizations cooperated fully with our evaluation. We thank them for their assistance.

Sincerely,



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Major Findings:

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- However, the governance of transit in the Twin Cities region is complex and fraught with distrust, and coordination among the many transit organizations in the region has been difficult. (pp. 31-34)
- The Metropolitan Council's role as the regional transit planner has been hampered by how members are appointed; as a result of its structure, the Council lacks adequate credibility and accountability among stakeholders. (pp. 34-35)
- Additionally, there is no agreed-upon set of priorities for transitway development in the Twin Cities region, and existing Minnesota law prohibits consideration of all potential transitways in the region. (pp. 37-38, 86-88)
- Scarce resources for transit are likely to become scarcer as the state confronts a significant budget deficit. (p. 38)
- The Metropolitan Council and suburban transit providers have disagreed over the allocation of "supplemental" Motor Vehicle Sales Tax revenue in the region, increasing the distrust and tension between these groups. (pp. 70-72)

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- The Legislature should restructure the Metropolitan Council so that it has a mix of appointed and elected Council members, all serving staggered terms. (pp. 41-49)
- Given the current structure of the Metropolitan Council, we do not recommend eliminating other organizations involved with transit, such as the Counties Transit Improvement Board or the Transportation Advisory Board. (pp. 51-52)
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Report Summary

The transit system in the Twin Cities region performed well relative to 11 peer regions around the country.

Transit in the Twin Cities region includes several transit types, or "modes." Our evaluation included four modes of transit: regular-route bus service, light rail transit, commuter rail, and bus rapid transit.[1] The Twin Cities region has recently added two modes of transit, bus rapid transit and commuter rail, and is developing two new light rail lines. Nevertheless, in 2009, regular-route bus service provided close to 90 percent of the transit rides in the region. Metro Transit, a division within the Metropolitan Council, is the primary provider of transit in the region and operates bus, light rail, and commuter rail services. Suburban providers offer bus service to 12 communities in the Twin Cities metropolitan area.

However, the region's governance structure has created challenges and conflicts.

Several organizations have transit responsibilities in the region, including the Metropolitan Council, the Transportation Advisory Board (TAB), the Counties Transit Improvement Board (CTIB), county regional railroad authorities, and suburban transit providers. Many of these organizations were created to address perceived local transit needs. The structure of transit governance in the region has changed several times since the Council was created in 1967 and has gone through periods of fragmentation and consolidation.

In 2009, providers spent almost $319 million on transit operations in the Twin Cities region. Since 2004, the region has spent more than $1.7 billion on transit capital expenditures.

When compared with 11 peer regions around the country, transit in the Twin Cities region performed favorably.[2] For example, in 2008, the Twin Cities region's transit system performed better than most of its peers on efficiency measures, including subsidy per passenger and operating costs per passenger. The Twin Cities region also compared favorably when evaluating service-use measures, such as passengers per hour and passenger miles per mile of service.

Our evaluation focused on governance of transit in the region. We considered the governance of transit to include: (1) planning for and identifying potential corridors for new transit; (2) developing and building transitways, including conducting analyses to determine optimal routes and transit modes; (3) providing transit; (4) generating revenue for transit, typically through imposing a levy or tax or collecting passenger fares; (5) allocating revenue for transit; and (6) measuring the performance of transit.

Governance of transit in the Twin Cities region is complex and made more difficult by the uneasy relationships among the various organizations involved with transit in the region.

Each transit organization serves a distinct but somewhat overlapping role for transit in the region. Each organization can operate independently to some extent but also must coordinate with others in the region. The complexity of the system makes it difficult to know which

[1] Our evaluation does not address dial-a-ride service, such as Transit Link and Metro Mobility.

[2] The 11 peer regions are: Baltimore, Cleveland, Dallas-Fort Worth, Denver, Phoenix, Pittsburgh, Portland, St. Louis, San Diego, Seattle, and Tampa.

organization is accountable for which transit responsibility.

Coordination among the many transit organizations involved in governance is difficult.

There is significant distrust between the Met Council and the other transit organizations in the Twin Cities region. This distrust makes coordination among the organizations difficult. The strongest example is the relationship between the Met Council and the suburban transit providers. In interviews we had with suburban transit providers and Council staff, and during joint meetings with representatives from the two organizations, the conflict and distrust between these two groups were evident.

The relationship between the Met Council and the Counties Transit Improvement Board is also strained. For example, the two organizations disagree over the definition of "transitway," which has led to tension regarding CTIB's funding priorities.

Coordination among transit organizations in the region is time consuming and inefficient.

A central governance issue has been the Metropolitan Council's lack of credibility with elected officials and other transit stakeholders.

The suburban transit providers and Metro Transit coordinate their services effectively. However, coordination between the Met Council and the suburban providers has required significant time and energy from both Council and suburban provider staff, even though the suburban providers represent only about 6 percent of all rides in the region. The suburban providers and the Council have had innumerable staff and committee meetings, required approvals, e-mails, and shared letters. Staff on both sides of this relationship think the coordination efforts are inefficient and time consuming, and the lack of trust between these two groups makes it difficult to reach agreement on many transit-related issues.

Coordination between the Council and CTIB is also time consuming. Having both bodies make decisions about transit investments in the region leads to overlap and requires additional coordination.

The Metropolitan Council's structure has created a lack of credibility among many stakeholders and transit organizations in the region.

The Met Council's lack of credibility stems from the governance structure of the Council itself. Because Council members are appointed by the governor rather than elected, many stakeholders we interviewed did not think that Met Council members are sufficiently accountable for their decisions. Many stakeholders with whom we met believed that Council members represent the views of the governor and not the region as a whole or the district from which they were appointed. Because Met Council members are appointed, local elected officials often question the legitimacy of Council decisions.

Transit resources have been unpredictable.

Transit providers spent almost $319 million in 2009 on transit operations in the region. Motor Vehicle Sales Tax (MVST) revenues are the largest source of operating funds for transit in the Twin Cities region. However, these revenues have not grown as projected. The state's May 2007 projections anticipated that more than $169 million of MVST revenues would be allocated to transit in the Twin Cities region in fiscal year

With multiple entities involved in governance, the region has not achieved consensus on a set of priorities for transit.

Changing the composition of the Metropolitan Council is the first step in improving the governance of transit in the region.

2010; instead, $140.7 million was allocated to transit in the region.

Minnesota statutes do not identify how "supplemental" Motor Vehicle Sales Tax revenue should be allocated for transit in the region.

In 2006, Minnesota voters passed a constitutional amendment to allocate additional Motor Vehicle Sales Tax revenue to transit. However, the Legislature has not clarified how this funding, known as "supplemental" MVST revenue, should be allocated within the region. Staff from the suburban transit providers told us that they had expected to receive a formula-based portion of the new funds. Instead, the Met Council created a procedure to distribute the supplemental MVST funds based on regional priorities.

There is no agreed-upon set of priorities for transit in the region, and state laws prohibit consideration of all potential transit corridors.

Because the process for developing transitways in the region relies on local initiatives and funding, there are multiple transit corridors being evaluated without a common understanding of the region's transit priorities. Each community considers its transit project to be a priority, but the project may not be a priority for the *region*.

Additionally, at one time organizations in the region had conflicting maps regarding potential transitways in the region. In its 2030 Transportation Policy Plan, the Met Council developed a map identifying potential transitways in the region. But, the Counties Transit Improvement Board developed a different map that did not include all potential transitways and indicated different modes for some potential corridors.

State statutes do not add clarity. The goals for transit identifed in law are vague and are not prioritized. Furthermore, state law prohibits the consideration or study of the Dan Patch corridor (a potential commuter rail corridor between Minneapolis and Northfield) for development as a commuter rail line.[3] The prohibition regarding the Dan Patch corridor has implications when planning other transitways in the region.

The Legislature should restructure the governance of the Metropolitan Council to increase its credibility, accountability, and effectiveness as the regional transit planner.

Many problems with the governance of transit stem from having the governor appoint members to the Met Council. In particular, the current governance structure has led to: (1) diminished accountability and credibility for the Council, (2) difficulty in building consensus across organizations in the region, (3) reduced effectiveness due to an increased need for coordination, and (4) multiple competing visions for transit.

We conclude that the structure of the Met Council must be addressed before other aspects of transit governance can be corrected. We present four governance options for the Metropolitan Council for the Legislature to consider; we recommend having a mix of appointed and elected Council members, all serving staggered terms.

[3] *Laws of Minnesota* 2002, chapter 393, sec. 85, subds. 2-4.

Introduction

The organization chart for transit in the Twin Cities region is markedly complex, with numerous entities involved in planning, developing, and providing various transit services. Recent funding changes and the creation of a new transit investment board have further added to the complexity of transit in the region.

This organizational complexity has raised questions regarding the governance structure of transit in the region and how well it is working. In response to these concerns, the Legislative Audit Commission directed the Office of the Legislative Auditor to evaluate the governance of transit in the Twin Cities region. Our evaluation addressed the following questions:

- **How is authority for governance, planning, management, operations, and funding of transit systems in the Twin Cities region distributed among state and local governments?**

- **To what extent do the responsibilities of transit agencies in the region overlap, and is their work adequately coordinated?**

- **To what extent are the region's efforts to provide bus service and develop transit corridors adequately coordinated? To what extent does funding for transit corridors adequately balance capital and operating funding needs?**

- **How does transit in the Twin Cities region compare with other regions in the country, and how well do transit providers within the Twin Cities region perform?**

There are many forms of transit in the Twin Cities region and our evaluation focuses only on certain types. Specifically, our evaluation includes express and local regular-route bus service, light rail transit (LRT), commuter rail, and bus rapid transit (BRT). Our evaluation did not include dial-a-ride service, such as Transit Link or Metro Mobility; vanpools; private bus service, such as that provided by Greyhound or Jefferson Bus Lines; inter-city passenger rail, such as that provided by Amtrak; air service; or the relationship between highways and transit. The analysis in this evaluation also excludes bus service provided by the University of Minnesota, the Northstar Corridor Development Authority, and the city of Ramsey, except where indicated.

To better understand the transit governance structure in the Twin Cities region, we reviewed Minnesota statutes, Metropolitan Council procedures and documents, relevant federal law, and regional and national literature. We also spoke with a wide variety of stakeholders in the region, including Metropolitan Council members and staff; commissioners from the seven Twin Cities metropolitan counties, several of whom served on the Counties Transit

Improvement Board; board members from two suburban transit providers; members of the Transportation Advisory Board; staff from the six suburban transit providers; representatives of corridor commissions around the region; private bus operators; and representatives from a number of interest groups, including the Itasca Project, Metro Cities, Transit for Livable Communities, and the Minnesota Chamber of Commerce. We regularly attended meetings of the Counties Transit Improvement Board and the Metropolitan Council.

We also conducted site visits of the primary providers in the region, including Metro Transit and the six suburban transit providers (Maple Grove Transit, the Minnesota Valley Transit Authority, Plymouth Metrolink, Prior Lake Transit, Shakopee Transit, and SouthWest Transit). We met with the lead staff for each of these providers and, in several cases, toured garages and maintenance facilities. We also visited park-and-ride facilities for each of these providers.

To evaluate transit funding in the region, we analyzed data provided by the regional transit providers, reviewed state and federal law, and examined project funding documents. We also discussed funding-related issues with many of the stakeholders listed above.

To assess the performance of transit in the region as compared with peers in other parts of the country, we reviewed state and federal law and the national literature to better understand peer regions and to identify appropriate performance measures to use when evaluating the region's transit system. We then analyzed data reported to the National Transit Database as well as data provided by the Metropolitan Council, Metro Transit, and the six suburban providers to evaluate the performance of the providers within the region and compared with other regions across the country.

To address many of the evaluation questions posed in this report, we conducted two surveys: one of all county commissioners in the seven-county region and one of all elected city officials and city managers in the region. In the end, however, the response rates for both of these surveys were too low for us to generalize the responses and form conclusions. To the extent possible, we used information we gathered through the surveys to further illustrate conclusions we arrived at using other data.

Chapter 1 provides an overview of the region's transit system and introduces the concept of governance as it relates to transit in the Twin Cities region. We address concerns about governance of the transit system in Chapter 2. In this chapter, we introduce nine principles for effective governance and then use these principles to evaluate the Twin Cities region's transit governance structure. Chapter 2 culminates in recommendations for improving the governance of transit in the Twin Cities region. Chapters 3 and 4 evaluate in more depth the region's regular-route bus and transitway systems, respectively. In Chapter 5, we present our analysis of the performance of the region's transit system as compared with regional peers and among providers within the region. We present additional analysis in an online appendix, which is available at http://www.auditor.leg.state.mn.us/ped/2011/transit-app.pdf.

1 Background

In this chapter, we provide an overview of transit in the Twin Cities region, including a description of the transit types, or "modes," currently operated and the organizations involved in various aspects of transit in the region. Next, we discuss the governance of transit—the responsibilities involved with governance and how they apply to transit in the region. We then provide a brief history of the evolution of transit in the Twin Cities region. The chapter concludes with a review of transit expenditures and revenues.

This evaluation focused on regular-route bus service, light rail transit, commuter rail, and bus rapid transit.

TRANSIT MODES

Minnesota law defines "transit" as "general or specific transportation service provided to the public on a regular and continuing basis."[1] Table 1.1 outlines the different modes of transit currently offered in the Twin Cities region.[2] As shown in the table, transit includes a range of services; our evaluation focused on regular-route bus service, light rail transit, commuter rail, and bus rapid transit.[3]

Regular-route bus service follows a fixed schedule along a specific route. Regular-route bus service has three categories: urban-local, suburban-local, and express. In the Twin Cities region, regular-route bus service is provided or contracted for by Metro Transit, suburban transit providers, and Metropolitan Transportation Services.[4] Metropolitan Transportation Services also administers most dial-a-ride service in the Twin Cities region.

Light rail transit (LRT) is provided by electrically powered trains along a dedicated route. The Hiawatha light rail line, which operates from downtown Minneapolis to the Mall of America in Bloomington, is the only LRT currently operating in the Twin Cities region. A second LRT, the Central Corridor, which will provide service between downtown Minneapolis and downtown St. Paul, is currently under construction. Commuter rail typically travels longer distances than light rail and operates on existing or abandoned freight rail lines. The

[1] *Minnesota Statutes* 2010, 174.22, subd. 7.

[2] For the purposes of this evaluation, we defined the "Twin Cities region" as the seven-county Twin Cities metropolitan area, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. This is also the area in which the Metropolitan Council has jurisdiction, with some small exceptions, as defined in law. See *Minnesota Statutes* 2010, 473.121, subd. 2.

[3] Our evaluation did not include dial-a-ride services, such as Transit Link and Metro Mobility, or vanpool.

[4] For the purposes of our evaluation, we excluded regular-route bus services provided by the University of Minnesota, the city of Ramsey, and the Northstar Corridor Development Authority.

Table 1.1: Transit Modes in the Twin Cities Region

	Description
Regular-Route Bus Service	Bus service that is provided on a fixed schedule along specific routes, with vehicles stopping to pick up and drop off passengers at designated locations.
Urban-Local	Regular-route bus service that is provided mostly within Minneapolis and/or St. Paul. The vehicles stop frequently to pick up and drop off passengers at designated locations.
Suburban-Local	Regular-route bus service that is provided within suburban communities. The vehicles stop frequently to pick up and drop off passengers at designated locations.
Express	Regular-route bus service with limited stops. These are typically longer routes designed for commuter travel.
Dial-a-Ride Service	Bus or van service that does not follow a fixed route. Passengers board at prearranged times and locations within the designated service area. Typically, each trip is scheduled separately.
Transit Link	Regionwide dial-a-ride service that serves any rider in the seven-county region not served by regular-route transit.
Metro Mobility	Dial-a-ride paratransit bus service that serves people with disabilities.
Light Rail Transit (LRT)	Train service that is provided by electrically powered vehicles operating on a dedicated route. Currently, the Hiawatha LRT is the only light rail line operating in the Twin Cities region. It serves 19 stations along a 12-mile route between downtown Minneapolis and the Mall of America in Bloomington.
Commuter Rail	Train service that operates on existing or abandoned freight rail tracks with longer distances between stations than light rail. Commuter rail routes cover longer distances than LRT routes and connect central cities to suburban and exurban sites. Currently, Northstar is the only commuter rail service in the Twin Cities region. It serves six stations along a 40-mile route that links downtown Minneapolis with Big Lake, which is located outside of the Twin Cities metropolitan area.
Bus Rapid Transit (BRT)	Limited-stop bus service similar to that provided by light rail. Bus rapid transit provides frequent, station-to-station service, typically in its own busway.
Vanpool	Van service that provides vehicles and incentives to groups, typically 5 to 15 people, sharing rides to a common destination or area not served by regular-route transit service.

NOTES: This table does not include passenger rail, such as Amtrak; air service; private interstate bus service, such as that provided by Greyhound Bus Lines or Jefferson Bus Lines; or high-speed rail service, which is not currently in place in the Twin Cities region.

SOURCES: Office of the Legislative Auditor and Metropolitan Council, *Twin Cities Transit System 2009 Performance Evaluation* (St. Paul, March 2010).

Northstar line, which operates from downtown Minneapolis to Big Lake, is the only commuter rail line currently operating in the Twin Cities region.[5]

Bus rapid transit (BRT) provides frequent, station-to-station service similar to LRT but on buses rather than trains. BRT buses may operate on the road with other vehicles or have dedicated busways. Express bus service from Lakeville to Minneapolis along I-35W South started in September 2009; full station-to-station

[5] Big Lake is outside of the seven-county Twin Cities region. Sherburne County funds a portion of the Northstar commuter rail operations that extend outside of the seven-county region.

BRT service in this corridor is scheduled to begin in 2012.[6] BRT service from Lakeville to the Mall of America along Cedar Avenue is scheduled to also begin in 2012.

When we reviewed the transit services provided in the region, we found that:

- **Although the Twin Cities region is served by several modes of transit, buses provided close to 90 percent of the transit rides in the region in 2009.**

Table 1.2 shows 2009 ridership on the different modes of transit provided in the Twin Cities region. As the table shows, almost 88 percent of the rides in 2009 were on buses.[7] Metro Transit bus service provided almost 80 percent of all rides in the region (and 90 percent of all *bus* rides in the region) in 2009.

Buses provided 88 percent of the transit rides in the Twin Cities region in 2009.

Table 1.2: Ridership by Transit Mode, 2009

	Ridership	Percentage of Total Ridership
Regular-Route Bus Service		
Metro Transit	64,141,700	79.0%
Suburban Transit Providers	4,639,713	5.7
Metropolitan Transportation Services	2,435,872	3.0
Total Ridership all Bus Service	71,217,285	87.7%
Rail Service		
Hiawatha Light Rail Transit	9,863,042	12.2
Northstar Commuter Rail[a]	82,282	0.1
Total Ridership all Train Service	9,945,324	12.3%
Total Ridership all Transit Modes	81,162,609	100.0%

NOTES: Ridership represents the number of passenger trips (boardings) on transit services. Bus ridership data do not include special services, such as shuttles to the Minnesota State Fair, or transit provided by the University of Minnesota, the Northstar Corridor Development Authority, or the city of Ramsey.

[a] Northstar commuter rail started passenger service in November 2009.

SOURCE: Office of the Legislative Auditor, analysis of data reported to the National Transit Database, 2009, and data supplied by Metro Transit and Metropolitan Transportation Services.

TRANSIT ORGANIZATIONS

When we reviewed the organizations that have responsibility for transit in the Twin Cities region, we found that:

- **There are many organizations involved in transit in the Twin Cities region, and each serves a somewhat distinct but overlapping role.**

[6] The I-35W South BRT service currently operates as an express bus route only.

[7] Northstar commuter rail service started in November 2009. As a result, Table 1.2 does not include a full year's worth of ridership data for Northstar service.

Table 1.3 lists the key organizations in the Twin Cities region with responsibility for some aspect of transit in the region and outlines each organization's transit-related responsibility.[8] Figure 1.1 illustrates the overlapping jurisdictions of several of these entities. Some of these entities, including the Metropolitan Council, the Transportation Advisory Board (TAB), county-based organizations, and the suburban transit providers, are discussed below in more detail.

Metropolitan Council

The Metropolitan Council is an important regional government agency in the seven-county Twin Cities metropolitan area.

The Metropolitan Council (also referred to in this report as the Met Council and the Council) is a regional government agency created by the Legislature in 1967.[9] By law, the Met Council's jurisdiction is the seven-county Twin Cities metropolitan area, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties.[10] As outlined in its 2009 annual report, the Council has five areas of focus: transit, wastewater and water supply, affordable housing, planning, and the efficiency of regional services.

The Met Council is governed by a board of 16 members and a chair, all of whom are appointed by the governor. State law divides the seven-county region into 16 Metropolitan Council districts with substantially equal populations.[11] Each Council district must be represented by one member.[12] Each Met Council member serves at the pleasure of the governor, and the terms of the Council members end with the term of the governor.[13]

Minnesota statutes designate the Metropolitan Council as the region's Metropolitan Planning Organization.[14] According to federal law, each urbanized area with a population of more than 50,000 must have a designated Metropolitan Planning Organization, which consists of local elected officials, officials of transportation-related public agencies, and appropriate state officials.[15] Because federal law requires local elected officials to serve on the Metropolitan Planning Organization, state law directs the Metropolitan Council to establish an advisory committee with citizens and local representatives to fulfill the planning

[8] The table does not include the Minnesota Department of Transportation (MnDOT) or the Legislature, both of which have some transit-related responsibilities. For example, MnDOT oversees passenger rail in the state, and the Legislature funds transit operations and capital investments.

[9] *Laws of Minnesota* 1967, chapter 896.

[10] *Minnesota Statutes* 2010, 473.121, subd. 2. As stated in law, the cities of Northfield, Hanover, Rockford, and New Prague are excluded from the Met Council's jurisdiction.

[11] *Minnesota Statutes* 2010, 473.123, subd. 3a. The Met Council districts are redrawn after each decennial census.

[12] *Minnesota Statutes* 2010, 473.123, subds. 3 and 3d.

[13] *Minnesota Statutes* 2010, 473.123, subd. 2a.

[14] *Minnesota Statutes* 2010, 473.146, subd. 4(a).

[15] *23 U.S. Code*, sec. 134(d)(1) and (2).

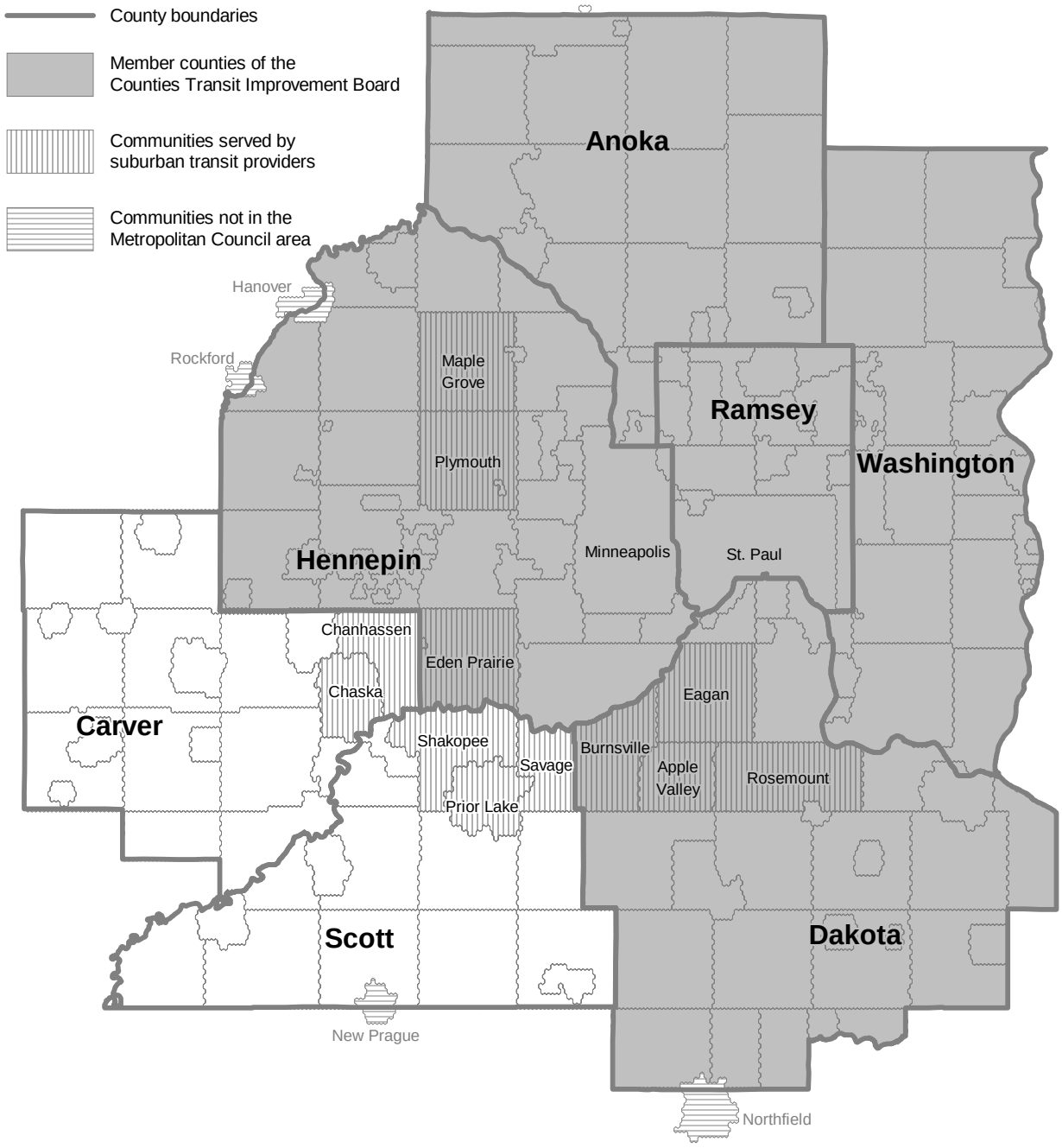
Table 1.3: Key Organizations with Responsibility for Transit in the Twin Cities Region

	Transit Responsibility
Counties Transit Improvement Board (CTIB)	A joint-powers board composed of commissioners from five Twin Cities metropolitan-area counties (Anoka, Dakota, Hennepin, Ramsey, and Washington) that have levied a one-quarter cent sales tax to generate funding for transit. CTIB provides funding to develop, construct, and operate transit corridors.
County Boards	The boards of the seven Twin Cities metropolitan counties (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington). The county boards help identify and develop potential transit corridors.
County Regional Railroad Authorities	The regional railroad authorities of the seven metropolitan counties help identify and develop potential transit corridors and may levy a tax to raise funding for these projects. County commissioners from each county board serve on their county's regional railroad authority.
Federal Transit Administration	The federal agency that awards and oversees the use of federal transit funding.
Metropolitan Council	A 17-member board appointed by the governor that serves as the regional transit planning agency for the Twin Cities metropolitan area. The Council develops the region's 20-year transportation plan, sets the regional fare policy, and distributes funds to regional transit providers. Together with the Transportation Advisory Board, the Metropolitan Council serves as the Metropolitan Planning Organization for the Twin Cities region.
Metro Transit	The largest transit operator in the region and a division within the Metropolitan Council. Metro Transit is responsible for operating commuter rail, light rail, and the majority of regular-route bus service in the Twin Cities region.
Metropolitan Transportation Services	A division within the Metropolitan Council that oversees contracted bus services, dial-a-ride (including Metro Mobility), and vanpool service. Metropolitan Transportation Services also fulfills many of the Council's transit planning responsibilities and coordinates with the suburban transit providers.
Private Contractors	Private bus operators with whom the Metropolitan Council and most suburban transit providers contract for bus service.
Suburban Transit Providers	Transit providers in certain suburban communities of the Twin Cities region. Six suburban transit providers serve 12 cities that have chosen to "opt out" of bus service provided by Metro Transit.
Transit Corridor Commissions	Commissions that are made up of local municipalities interested in the development and promotion of transit along certain corridors in the region.
Transportation Advisory Board (TAB)	A board made up of 33 elected and appointed officials and community representatives that determines the distribution of some federal transit- and transportation-related funding in the region. Together with the Metropolitan Council, TAB serves as the Metropolitan Planning Organization for the Twin Cities region.

NOTES: The Minnesota Department of Transportation (MnDOT), the Minnesota Legislature, and several other city and county organizations also have transit-related responsibilities. MnDOT oversees passenger rail in the state, and the Legislature funds transit operations and capital investments.

SOURCE: Office of the Legislative Auditor.

Figure 1.1: Jurisdictions of Various Transit Organizations in the Seven-County Twin Cities Region, 2010



SOURCES: Metropolitan Council and Minnesota Department of Revenue.

organization requirements. The Transportation Advisory Board (further discussed below) serves this role.

The main tasks of Metropolitan Planning Organizations are to develop long-range transportation plans and short-term transportation improvement programs for the region. Under federal law, these planning documents must provide for the development, integrated management, and operation of transportation systems and facilities in the metropolitan planning area. The long-range transportation plan, also called the Transportation Policy Plan, must identify transportation facilities in the region, identify transportation operational and capital investment strategies, and propose transportation and transit-specific enhancement activities, among other things. The short-term Transportation Improvement Program must include a prioritized list of federally funded projects to be completed within a four-year period and must be consistent with the long-range transportation plan.[16]

The Metropolitan Council has two divisions with transit responsibilities: Metropolitan Transportation Services (planning and contracting) and Metro Transit (operations).

The Council has two divisions with transit responsibilities: Metropolitan Transportation Services and Metro Transit. Metropolitan Transportation Services is responsible for transportation planning and contracting for certain transit services within the region. As the transit-planning division within the Council, Metropolitan Transportation Services develops the long-range transportation plan for the region. The Transportation Advisory Board, further discussed below, develops the short-term Transportation Improvement Program for the region. Metropolitan Transportation Services also develops regional transit procedures and coordinates with the regional transit providers. Metropolitan Transportation Services contracts with private providers to provide some regularly scheduled bus service in the region; it also contracts and provides funding for dial-a-ride bus service, including Metro Mobility (the region's paratransit service), and coordinates vanpools in the region.

Metro Transit is the transit-operating division of the Met Council and the primary transit operator in the region. Metro Transit is the largest provider of regular-route bus service and operates LRT and commuter rail service in the Twin Cities region.[17] Unlike Metropolitan Transportation Services, Metro Transit plays no role in overseeing other transit providers. However, Metro Transit provides a variety of services for other transit providers in the region, including transit police and an online automated trip planner.[18]

Transportation Advisory Board (TAB)

The Transportation Advisory Board (TAB) was created by the Minnesota Legislature in 1974 to satisfy federal requirements that the region's Metropolitan Planning Organization include representation from local elected officials.[19] As noted above, the Met Council and TAB together comprise the Twin Cities

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[16] *23 U.S. Code*, sec. 134(j).

[17] The Twin Cities region's bus system is discussed in more depth in Chapter 3; LRT and commuter rail are discussed in Chapter 4.

[18] The services provided by Metro Transit are discussed in more detail in Chapter 3.

[19] *Laws of Minnesota* 1974, chapter 422, art. 1, sec. 8, subd. 2.

region's Metropolitan Planning Organization. Table 1.4 lists the 33 TAB members as outlined in state law.[20] Most members serve two-year terms except for county commissioners who are appointed annually and state officials who serve at the pleasure of their appointing agency. According to TAB's bylaws:

> [T]he Board provides a forum for deliberation among state, regional and local officials, transportation providers and private citizens to articulate their positions on issues that affect transportation planning and funding in the Twin Cities region.[21]

The Transportation Advisory Board (TAB) was created in part to satisfy federal requirements for local elected officials to participate in the region's transportation planning activities.

Table 1.4: Transportation Advisory Board Members

Local Elected Officials

Ten elected officials of cities within the Twin Cities metropolitan area, including one representative each from Minneapolis and St. Paul, appointed by the Association of Metropolitan Municipalities

One member of the county board of each county in the Twin Cities metropolitan area, appointed by the respective county boards

Mode Representatives

One person appointed by the Metropolitan Council to represent nonmotorized transportation

One person appointed by the commissioner of Transportation to represent the freight transportation industry

Two persons appointed by the Metropolitan Council to represent public transit

State Officials

The commissioner of Transportation or the commissioner's designee

The commissioner of the Pollution Control Agency or the commissioner's designee

One member of the Metropolitan Airports Commission appointed by the Commission

One member of the Metropolitan Council appointed by the Council

Other Representatives

Eight citizens appointed by the Metropolitan Council, one from each Council precinct

SOURCE: *Minnesota Statutes* 2010, 473.146, subd. 4(b).

TAB is also responsible for allocating certain federal transportation and transit funding to programs in the seven-county metropolitan region.[22] TAB uses a grant award process to allocate the federal funds to local governments, Metro Transit, or other transit providers. In addition to allocating these federal funds, TAB develops the region's short-term Transportation Improvement Program (the prioritized list of federally funded projects in the region) and reviews and comments on the long-range transportation plan produced by the Met Council.

[20] *Minnesota Statutes* 2010, 473.146, subd. 4(b).

[21] Transportation Advisory Board, *Bylaws of the Transportation Advisory Board of the Metropolitan Council of the Twin Cities Area*, amended February 19, 2003, p. 1.

[22] TAB awards grants for the federal Surface Transportation Program (STP) and the Congestion Mitigation Air Quality (CMAQ) program, among others.

County Organizations

Counties are involved in transit through county boards, county regional railroad authorities, and the Counties Transit Improvement Board (CTIB).

As shown in Table 1.3, counties in the region are involved in transit through their actions as separate county boards and regional railroad authorities, and through their membership on the Counties Transit Improvement Board (CTIB). Collectively this represents 15 separate county organizations involved in regional transit issues, although many of the same county commissioners serve on multiple county organizations. Each type of county organization is further discussed below.

The county boards of the seven metropolitan counties are active in identifying potential transitways and evaluating alternative routes and corridors for these transitways.[23] As discussed further in Chapter 4, counties in the Twin Cities region often take the lead in developing local support for new transitways.[24]

The 1980 Legislature authorized the creation of county regional railroad authorities.[25] In the seven-county metropolitan area, each county's regional railroad authority is made up of its county commissioners. For example, all Hennepin County commissioners also serve on the Hennepin County Regional Railroad Authority. By law, the county regional railroad authorities can levy a tax to raise funding for the "preservation and improvement of local rail service for agriculture, industry, or passenger traffic and provide for the preservation of abandoned rail right-of-way for future transportation uses."[26] Additionally, state law says that the regional railroad authorities may:

> Plan, establish, acquire, develop, construct, purchase, enlarge, extend, improve, maintain, equip, operate, regulate, and protect railroads and railroad facilities, including but not limited to terminal buildings, roadways, crossings, bridges, causeways, tunnels, equipment, and rolling stock.[27]

In other words, the regional railroad authorities have broad authority regarding rail projects, including commuter rail and light rail transit.

The Legislature authorized the creation of the Counties Transit Improvement Board in 2008.[28] Through the enabling legislation, the seven counties in the

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[23] The term "transitway" is used throughout this report to mean corridors with features that enable transit to travel more quickly than personal vehicles, such as commuter rail or light rail transit.

[24] Counties are also responsible for developing comprehensive plans, which must include matters related to transportation. See *Minnesota Statutes* 2010, 473.858 and 473.859, subd. 3(1).

[25] *Laws of Minnesota* 1980, chapter 616. By law, counties may, but are not required to, establish a regional railroad authority.

[26] The tax rate may not exceed an annual rate of 0.04835 percent of market value of all taxable property within the municipality. *Minnesota Statutes* 2010, 398A.04, subd. 8, and 398A.02.

[27] *Minnesota Statutes* 2010, 398A.04, subd. 2. The 2005 Legislature extended this authority for the Dakota County Regional Railroad Authority to include a bus rapid transit system along Cedar Avenue in Dakota County. See *Laws of Minnesota* First Special Session 2005, chapter 6, art. 3, sec. 90.

[28] *Laws of Minnesota* 2008, chapter 152, art. 4, sec. 2.

CTIB, created in 2008, provides a reliable funding source for transit in the region.

Twin Cities region were authorized to levy a one-quarter cent sales tax, levy a $20 per motor vehicle excise tax, and form a joint-powers board to fund transit improvements and provide a reliable funding source for transit in the region. As outlined in law, CTIB must allocate grant awards only for the following transit purposes:

> (i) capital improvements to transit ways, including, but not limited to, commuter rail rolling stock, light rail vehicles, and transit way buses;
>
> (ii) capital costs for park-and-ride facilities . . . ;
>
> (iii) feasibility studies, planning, alternatives analyses, environmental studies, engineering, property acquisition for transit way purposes, and construction of transit ways; and
>
> (iv) operating assistance for transit ways.[29]

Currently, five of the seven metropolitan counties have joined CTIB (Anoka, Dakota, Hennepin, Ramsey, and Washington). These five counties have all levied the one-quarter cent sales tax and have voting representation on the Board. The chair of the Met Council is also a voting member of the Board. CTIB has a weighted voting system that ensures representation based on both sales tax revenue and population. The two metropolitan-area counties that did not levy the sales tax, Carver and Scott counties, are nonvoting members of the Board.

By law, the Counties Transit Improvement Board must establish a Grant Evaluation and Ranking System (GEARS) committee, which must include: (1) one county commissioner from each county on CTIB, (2) one elected city representative from each county on CTIB, (3) an additional elected city representative from each county for every additional 400,000 in population, and (4) the chair of the Metropolitan Council's Transportation Committee.[30] The committee is required to evaluate grant applications according to criteria established by CTIB and make recommendations to the Board.

Suburban Transit Providers

In 1981, the Minnesota Legislature allowed certain communities that felt they were not receiving adequate transit services to "opt out" of the regional regular-route transit services on the condition that they provide alternative transit services. Twelve communities have chosen to opt out of Metro Transit's

[29] *Minnesota Statutes* 2010, 297A.992, subd. 6. "Transitways" is not defined in law, and there are different interpretations of its meaning, as further discussed in Chapter 4.

[30] *Minnesota Statutes* 2010, 297A.992, subd. 5(c).

services, and these communities are currently served by six suburban transit providers.[31]

Six suburban transit providers serve 12 communities that have "opted out" of Metro Transit bus service.

The opt-out communities receive funding through a formula outlined in law and determine the level of transit service provided in their communities. All six of the suburban transit providers offer express bus service from their communities to downtown Minneapolis; several also offer express service to the University of Minnesota. One suburban provider, the Minnesota Valley Transit Authority, offers express bus service to downtown St. Paul and service to the Mall of America. The suburban providers also offer a range of local bus service.

GOVERNANCE RESPONSIBILITIES

The term "governance" implies a range of responsibilities. In this report, we consider the governance of transit to include the following: (1) planning for the development of transit lines, which includes identifying potential corridors for new transit; (2) developing and building transit, which includes conducting analyses to determine optimal routes and transit modes; (3) providing transit; (4) generating revenue for transit, typically through imposing a levy or tax or collecting passenger fares; (5) allocating revenue for transit; and (6) measuring the performance of transit. Table 1.5 identifies the governance responsibilities of the transit entities in the Twin Cities region.

As Table 1.5 illustrates:

- **Multiple entities have overlapping responsibilities for transit governance in the Twin Cities region.**

We identified six functions involved in governance of transit.

For every transit governance role outlined in Table 1.5, there are several organizations in the Twin Cities region with responsibility for that function. For example, the Counties Transit Improvement Board, the county boards, the county regional railroad authorities, the Metropolitan Council (through Metropolitan Transportation Services), the transit corridor commissions, and the Transportation Advisory Board all have a role in planning transit in the region. They each help to identify potential corridors where transit could be developed or fund the process for identifying potential transit corridors. Similarly, the region has several transit providers: the Metropolitan Council (through Metro Transit and Metropolitan Transportation Services), private contractors, and the six suburban transit providers. Notably, the Council—through Metropolitan Transportation Services—is the only entity that has responsibility for all six transit governance areas.

[31] The six suburban transit providers and the communities they serve are: Maple Grove Transit (Maple Grove); the Minnesota Valley Transit Authority (Apple Valley, Burnsville, Eagan, Rosemount, and Savage); Plymouth Metrolink (Plymouth); Prior Lake Transit (Prior Lake); Shakopee Transit (Shakopee); and SouthWest Transit (Chanhassen, Chaska, and Eden Prairie). As permitted through one-time legislation, Minnetonka elected to have "opt-out" status in 2002. However, Minnetonka entered into a service agreement with, and continues to receive bus service from, Metro Transit. The suburban transit providers are discussed in depth in Chapter 3.

Table 1.5: Transit Governance Responsibilities in the Twin Cities Region, by Entity

	Planning Transitways	Developing Transitways	Providing Transit	Generating Revenue	Allocating Funds	Measuring Performance
Counties Transit Improvement Board (CTIB)[a]	√	√		√	√	
County Boards	√	√				
County Regional Railroad Authorities	√	√		√	√	
Federal Transit Administration		√			√	
Metropolitan Council – Metro Transit[b]		√	√	√		√
Metropolitan Council – Metropolitan Transportation Services	√	√	√	√	√	√
Private Contractors			√			
Suburban Transit Providers[b]		√	√	√		√
Transit Corridor Commissions	√					
Transportation Advisory Board (TAB)	√				√	

NOTES: "Planning Transitways" includes identifying potential corridors for new transitways. "Developing Transitways" includes building transitways and conducting or directing analyses to determine optimal corridors and transit modes. Generating revenue is typically achieved through imposing a levy or tax or collecting passenger fares.

[a] CTIB's role is limited to funding the planning and development of transitways.

[b] Metro Transit and the suburban transit providers can be designated as the lead on components of transitway development.

SOURCE: Office of the Legislative Auditor.

HISTORY OF TRANSIT IN THE TWIN CITIES REGION

Knowing the history of transit in the Twin Cities area is important to understanding the current transit governance structure in the region. In this section, we discuss the changes that have occurred in transit and the governance of transit over the past four decades.

In 1967, the Minnesota Legislature created the Met Council and the Metropolitan Transit Commission.[32] When they were first created, the Council and the Commission were separate entities with distinct responsibilities. As stated in the enacting law, the role of the Met Council was to "coordinate the planning and

[32] *Laws of Minnesota* 1967, chapters 892 and 896.

development of the metropolitan area."[33] As part of this coordination role, the Council was required to prepare a "development guide" that addressed the needs of the region, including transit, parks, airports, and libraries, among other regional amenities.[34]

In contrast to the Council, the Commission's sole focus was transit. In law, the Metropolitan Transit Commission's primary objective was to:

> Make recommendations and suggestions to improve public transit systems now or hereafter operating in the transit area and strengthen the operation thereof by assisting the operators in experimenting with new services, extending routes, adjusting fares, and other appropriate expedients.[35]

The Metropolitan Transit Commission was also charged with developing a "plan for a complete, integrated mass transit system for the metropolitan transit area" in cooperation with the Met Council.[36] The Council was responsible for reviewing the Commission's comprehensive plan.

In examining the evolution of transit and the governance of transit since the Met Council and the Metropolitan Transit Commission were created in 1967, we found that:

- **Transit and the governance of transit in the Twin Cities region have become more complicated over the past 40 years.**

In the following two sections, we discuss these changes in more detail. We first examine the changes in transit services provided in the region. This is followed by a discussion of the changes in transit governance that have occurred over the past four decades.

Expansion in Transit Services

In the 1960s the only mode of transit in the Twin Cities was privately provided bus service.[37] In 1970, the Metropolitan Transit Commission acquired the region's privately held bus system. During the 1970s, the Met Council and the Commission disagreed over whether to develop a regionwide rail system—the Commission wanted to develop a 37-mile heavy rail system similar to those operating in Washington, DC, and San Francisco. The Met Council ultimately prevailed, and it was not until the Legislature mandated the Council to conduct a

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[33] *Laws of Minnesota* 1967, chapter 896, sec. 1.

[34] *Laws of Minnesota* 1967, chapter 896, sec. 6, subd. 5.

[35] *Laws of Minnesota* 1967, chapter 892, sec. 6, subd. 2.

[36] *Laws of Minnesota* 1967, chapter 892, sec. 6, subd. 1.

[37] In the late 1800s and early 1900s, streetcars were the primary mode of transit in the Twin Cities region. By the mid 1950s, however, streetcars had largely been replaced by buses.

feasibility study of light rail in 1980 that the region took steps towards developing modes of transit other than bus.[38]

Since 1996, the numbers of transit modes and riders have increased in the Twin Cities region.

In 1984, the Legislature allocated $12.6 million for planning and engineering designs related to developing light rail in the Hiawatha Avenue, University Avenue, and Southwest corridors.[39] It was not until 1998, however, that the Legislature approved funding to help build the Hiawatha LRT line.[40] The Hiawatha LRT began passenger service in 2004, which was followed by the introduction of the Northstar commuter rail line in November 2009.[41]

In addition to the changes in transit modes, the number of transit passengers has also increased. Between 1996 and 2008, transit ridership in the Twin Cities region increased more than 45 percent, from more than 65 million rides in 1996 to almost 95 million rides in 2008.[42]

Changes in Transit Governance

Table 1.6 provides an overview of the major changes that have occurred in transit governance in the Twin Cities area over the past 40 years. When we examined the history of transit governance in the Twin Cities region, we found that:

- **Over the past 40 years, regional transit governance has experienced periods of consolidation followed by periods of fragmentation.**

From their creation in 1967 until the 1980s, the Met Council and the Metropolitan Transit Commission were largely responsible for transit in the region.[43] In the 1980s, there was a period of increased fragmentation with the creation of the regional railroad authorities, the suburban transit providers, and the Regional Transit Board. In 1994, however, the Legislature merged several transit organizations into the Met Council, thus consolidating many transit responsibilities into the Council. Most recently, transit responsibilities have again become more fragmented with the creation of the Counties Transit Improvement Board in 2008.

In 1980, the Legislature authorized the county regional railroad authorities.[44] Hennepin County formed the first regional rail authority in the Twin Cities region in 1980; the other counties in the region formed their own regional railroad authorities by the end of the decade. The regional railroad authorities became advocates and funders of developing rail transit, especially LRT, in the

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[38] *Laws of Minnesota* 1980, chapter 607, art. 13, sec. 3.

[39] *Laws of Minnesota* 1984, chapter 654, art. 3.

[40] *Laws of Minnesota* 1998, chapter 404, sec. 17, subd. 3.

[41] I-35W South bus rapid transit (BRT) began express service from Lakeville to downtown Minneapolis in September 2009. Full station-to-station BRT service is expected to begin in 2012.

[42] Ridership represents the number of passenger trips (boardings) on transit services.

[43] In 1974, the Legislature established the Transportation Advisory Board (TAB) to comply with federal requirements. See *Laws of Minnesota* 1974, chapter 422, art. 3, sec. 8, subd. 2.

[44] *Laws of Minnesota* 1980, chapter 616.

Over the past 40 years, transit governance in the region has alternated between periods of fragmentation and consolidation.

Table 1.6: Legislative Changes to Transit Governance in the Twin Cities Region, 1967-2008

1967	The Legislature established the Metropolitan Council and the Metropolitan Transit Commission.
1974	The Legislature established the Transportation Advisory Board (TAB).
1980	The Legislature authorized county regional railroad authorities.
1981	The Legislature allowed eligible suburban communities to "opt out" of regional regular-route bus service and establish suburban transit providers.
1984	The Legislature established the Regional Transit Board and reduced the planning responsibilities of the Metropolitan Transit Commission.
1994	The Legislature passed the Metropolitan Reorganization Act, which abolished the Regional Transit Board and the Metropolitan Transit Commission and consolidated their responsibilities in the Metropolitan Council.
	The Legislature changed the terms of Metropolitan Council members so they end when the governor's term ends. Members serve at the pleasure of the governor.
2008	The Legislature authorized the creation of the Counties Transit Improvement Board (CTIB).

SOURCES: *Laws of Minnesota* 1967, chapter 892, sec. 4, and chapter 896, sec. 1; *Laws of Minnesota* 1974, chapter 422, art. 3, sec. 8, subd. 2; *Laws of Minnesota* 1980, chapter 616; *Laws of Minnesota* 1981, chapter 363, sec. 44; *Laws of Minnesota* 1984, chapter 654, art. 3, sec. 116; *Laws of Minnesota* 1994, chapter 628, art. 1, sec. 4, subd. 2a, and art. 2, sec. 4; and *Laws of Minnesota* 2008, chapter 152, art. 4, sec. 2.

Twin Cities region. In 1981, the Legislature authorized the formation of suburban transit providers, which further diluted the control the Metropolitan Transit Commission and the Met Council had over transit in the region.[45]

In 1984, the culmination of a legislative study commission on metropolitan transit and a Met Council study of transit resulted in significant changes to the governance of transit in the region. The 1984 Legislature established the Regional Transit Board, which was responsible for mid-range transit planning, evaluating transit service, and preparing the region's transit budgets.[46] The 1984 Legislature essentially limited the Metropolitan Transit Commission's responsibilities to transit operations and short-range planning and retained the Council's responsibility for developing the long-range transportation plan.

In 1994, the region entered a period of consolidation when the Legislature enacted the Metropolitan Reorganization Act, which significantly changed the governance of transit (and other regionwide functions) in the Twin Cities region.[47] The Metropolitan Reorganization Act abolished the Metropolitan Transit Commission and Regional Transit Board and consolidated their functions

[45] As discussed further in chapters 2, 3, and 4, these and other transit organizations evolved in response to perceived transit needs by local communities.

[46] *Laws of Minnesota* 1984, chapter 654, art. 3, sec. 116.

[47] *Laws of Minnesota* 1994, chapter 628, art. 2, sec. 4.

into a new Met Council.[48] As a result of this Act, all transit responsibilities, except for service provided by the suburban transit providers, were consolidated in the Met Council.

The Metropolitan Reorganization Act of 1994 also changed the terms of Met Council members. Prior to 1994, the Council members were appointed by the governor and served staggered terms. In 1994, the Legislature changed this language so that Met Council members' terms were coterminous with the governor's term and members served "at the pleasure of the governor."[49]

Recently, transit in the region has again become more fragmented. In 2008, the Legislature passed a major transportation bill, which, among other things, authorized the creation of the Counties Transit Improvement Board.[50]

TRANSIT EXPENDITURES AND REVENUES

Earlier in this chapter we discussed the organizational complexity of transit in the Twin Cities region as reflected in the number of transit organizations and transit modes operated in the region. In this section, we examine expenditures and revenues for transit in the region and find that it, too, is complex because of the numerous funding sources. The section begins with an examination of transit expenditures in the region. That discussion is followed by an overview of the various sources of revenue for transit in the region and how these sources have changed over time.

Transit Expenditures

In 2009, the Twin Cities region spent about $319 million on transit operations and budgeted more than $320 million for transit capital.

Transit expenditures can be divided into operating and capital expenditures. Operating expenditures include costs associated with operating transit, such as bus drivers and fuel, as well as maintenance costs associated with keeping the services and facilities operating. Capital expenditures include costs associated with preserving, enhancing, and expanding the existing transit system, such as building new transitways, constructing park-and-ride facilities, purchasing vehicles, and implementing technology improvements. In 2009, the Twin Cities region spent almost $319 million on transit operations and budgeted more than $320 million for transit capital. In this section, we discuss expenditures associated with transit in the Twin Cities region. We first discuss operating expenditures and then review capital expenditures.

[48] The Metropolitan Reorganization Act of 1994 also abolished the Metropolitan Waste Control Commission and transferred its responsibilities to the Met Council.

[49] *Laws of Minnesota* 1994, chapter 628, art. 1, sec. 4, subd. 2a.

[50] *Laws of Minnesota* 2008, chapter 152, art. 4, sec. 2. As discussed further in chapters 2 and 4, the Counties Transit Improvement Board was created in response to a perceived need for a more reliable source of transit funding for the region.

Operating Expenditures

When we examined transit operating expenses—the costs associated with providing transit services—we found that:

- **Providers in the Twin Cities region spent almost $319 million on transit operations in 2009, an increase of 24 percent since 2005.**

Table 1.7 outlines operating expenditures by transit mode for calendar years 2005 through 2009. As Table 1.7 illustrates, the region spent almost $319 million on transit operating expenditures in 2009, which is a 24-percent increase since 2005. Expenditures on bus service were $286 million in 2009, or 90 percent of total transit operating expenditures in the region that year. Suburban transit providers' operating expenses represented approximately 10 percent of the region's total transit operating expenditures while delivering about 6 percent of the region's transit rides; Metro Transit (bus and rail) accounted for 85 percent of the region's total transit operating expenditures while delivering 91 percent of the region's rides.[51]

Operating expenditures for all types of transit in the region increased between 2005 and 2009, as shown in Table 1.7. The largest percentage increases in operating expenditures during this time period were for rail transit. Hiawatha LRT's operating expenses increased from $16.7 million in 2005 to $25 million in 2009, an increase of 50 percent. Ridership on Hiawatha increased by almost 26 percent during this same time period. Additionally, 2009 was the first year with

Table 1.7: Transit Operating Expenditures, 2005 to 2009

(In thousands)

	2005	2006	2007	2008	2009
Bus Service					
Metro Transit	$201,649	$209,304	$218,124	$231,081	$238,805
Suburban Transit Providers	27,512	29,782	31,495	33,760	32,548
Metropolitan Transportation Services	11,194	11,599	12,690	14,905	14,736
Total Bus Service	$240,355	$250,685	$262,310	$279,746	$286,088
Rail Service					
Metro Transit Hiawatha LRT	$ 16,679	$ 18,843	$ 22,106	$ 23,756	$ 25,080
Metro Transit Northstar CR[a]	0	0	10	509	7,804
Total Rail Service	$ 16,679	$ 18,843	$ 22,116	$ 24,265	$ 32,884
Total Operating Expenditures	**$257,034**	**$269,528**	**$284,426**	**$304,011**	**$318,972**

NOTES: LRT is light rail transit, and CR is commuter rail. Operating expenditures do not include dial-a-ride, such as Metro Mobility service.

[a] Northstar commuter rail began passenger service in November 2009.

SOURCE: Office of the Legislative Auditor, analysis of data supplied by Metro Transit, Metropolitan Transportation Services, Maple Grove Transit, the Minnesota Valley Transit Authority, Plymouth Metrolink, Prior Lake Transit, Shakopee Transit, and SouthWest Transit.

[51] Suburban transit providers accounted for 11 percent of the region's expenditures on *bus service* in 2009. Metro Transit bus service accounted for about 83 percent of the region's expenditures on bus service in 2009.

significant operating expenditures for Northstar; in that year, Northstar's operating expenditures were almost $8 million.[52]

Capital Expenditures

Since 2004, the Twin Cities region has used capital funding for a variety of purposes, such as developing new transitways (Northstar commuter rail and Central Corridor LRT), building park-and-ride facilities, and purchasing new and replacement transit vehicles. When we looked at capital expenditures in the region, we found that:

- **Between 2004 and 2010, the Twin Cities region budgeted $1.7 billion for transit capital projects.**

Between 2004 and 2010, the Twin Cities region budgeted to spend more than $534 million on new or replacement bus purchases, more than $258 million on the Central Corridor LRT, and almost $110 million on the Hiawatha LRT. Other budgeted expenditures included transit-related technology and more than $255 million related to transitways such as the Cedar Avenue and I-35W South BRT corridors.

Transit Revenue Sources

When we examined the revenue sources for transit, we found that:

- **Funding for transit in the Twin Cities region is complicated and comes from several sources, including the state Motor Vehicle Sales Tax, a county-authorized sales tax, the state's general fund, passenger fares, and the federal government.**

There are multiple sources of funding for transit in the Twin Cities region.

Figure 1.2 illustrates the extent to which these funding sources contributed to transit operations in 2009. As indicated in the figure, the Motor Vehicle Sales Tax (MVST) is the largest source of transit operations funding. In 2009, more than $114 million, or one-third of the region's total transit operating funds, came from MVST revenues. Passenger fares were the next-largest source of operating funds, totaling more than $97 million, or 28 percent of operating revenues. State appropriations (almost $49 million) and federal funding (more than $33 million) were also significant sources for transit operating revenue in 2009. The Counties Transit Improvement Board, which allocates funds raised through a county-based sales tax, contributed almost $42 million to transit operations in 2009.[53]

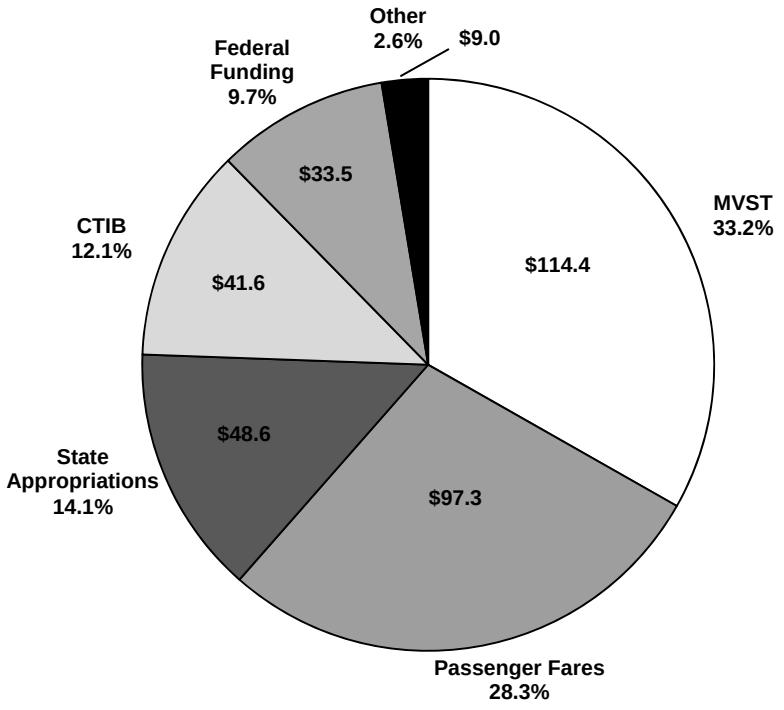
Figure 1.3 illustrates the budgeted funding sources for transit capital in 2009. In contrast to operating revenue, federal funds were the largest share of transit capital revenues. Regional and local funds make up the bulk of the remaining transit capital revenue, although state funds and CTIB are also important sources

[52] Northstar commuter rail began passenger service in November 2009.

[53] The Legislature required CTIB to make a one-time transfer in 2009 of almost $31 million to fund transit operations. In 2010, CTIB awarded less than $14 million in transit operating grants.

Figure 1.2: Transit Operations Funding Sources, 2009

(In millions)



NOTES: MVST is Minnesota's Motor Vehicle Sales Tax. CTIB is the Counties Transit Improvement Board. The Legislature required CTIB to make a one-time transfer in fiscal year 2009 of almost $31 million to fund transit operations. "Other" includes interest income, contract revenues, advertising revenues, and other miscellaneous revenues. Percentages do not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of data provided by Maple Grove Transit, Metro Transit, Metropolitan Transportation Services, the Minnesota Valley Transit Authority, Plymouth Metrolink, Prior Lake Transit, Shakopee Transit, and SouthWest Transit. MVST figures were reported by the Metropolitan Council.

Proceeds from the Motor Vehicle Sales Tax (MVST) and passenger fares comprised more than 60 percent of the funding for transit operations in 2009.

of funding for capital purposes.[54] Capital funding is closely tied to large-scale transit projects; the amounts presented in Figure 1.3 are influenced by current regional projects, such as the Central Corridor LRT project.

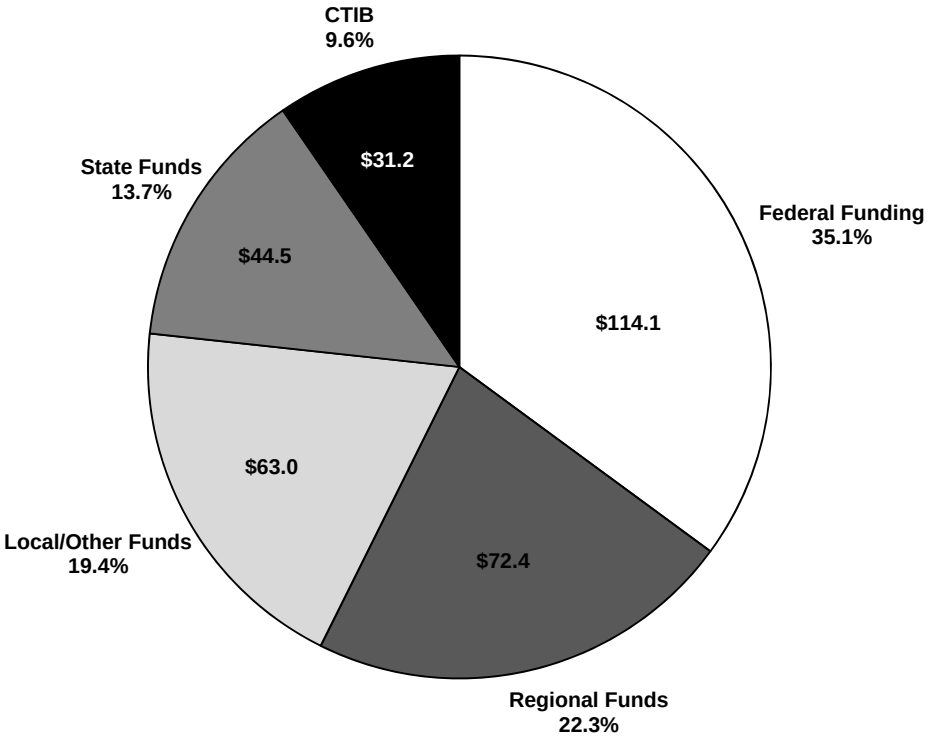
In the following sections, we discuss many of these transit revenue sources in more detail. In particular, we explain MVST revenues and examine how they have changed over time; we discuss the county sales tax levied by the counties on the Counties Transit Improvement Board; and we evaluate the funding contributions made by the state general fund, passenger fares, and the federal government.

[54] "Regional" funds are the revenues from regional bonds issued by the Metropolitan Council that are anticipated to be used for capital projects. The regional bonds are repaid with funds raised through the regional transit capital levy. "Local" funds are primarily capital revenues provided by county regional railroad authorities.

Figure 1.3: Budgeted Transit Capital Funding Sources, 2009

(In millions)

Federal funds made up more than one-third of the transit capital funding in 2009.



NOTES: CTIB is the Counties Transit Improvement Board. "Regional funds" is the amount from regional bonds issued by the Metropolitan Council that is anticipated to be used for capital projects. The regional bonds are repaid with funds raised through the regional transit capital levy. "Local/Other Funds" is mostly capital funding provided by county regional railroad authorities but also includes proceeds from the sale of land that are used for transit capital purposes. Dollar amounts in this figure, with the exception of the CTIB amounts, represent capital funding that goes through the Metropolitan Council. The CTIB figure represents all CTIB capital funds awarded for 2009. Percentages do not sum to 100 due to rounding.

SOURCE: Office of the Legislative Auditor, analysis of data provided by the Metropolitan Council and the Counties Transit Improvement Board.

Motor Vehicle Sales Tax (MVST)

By law, a Motor Vehicle Sales Tax is imposed on the purchase of most motor vehicles registered in Minnesota.[55] Over the past decade, an increasing share of MVST revenues has been allocated to transit in the Twin Cities region. In 2000, MVST revenues were not directly allocated to transit; instead, transit was largely funded through property taxes and MVST revenues were deposited into the state's general fund. In 2001, the Legislature prohibited the use of property taxes to fund transit operations in the Twin Cities region and instead allocated 20.5 percent of MVST funds to transit in the metropolitan area, starting in fiscal year 2003.[56] The 2003 Legislature increased the amount of MVST revenue allocated to transit in the metropolitan area from 20.5 percent to 21.5 percent beginning in fiscal year 2004.[57]

The share of MVST allocated to transit in the region has increased since 2001.

In 2006, Minnesota voters approved a constitutional amendment to dedicate MVST revenue to highway and transit purposes. As outlined in the Minnesota Constitution, the phase-in for dedicating the revenues to transit began in fiscal year 2008 and is scheduled to be completed in fiscal year 2012. By 2012, 36 percent of MVST revenue will be allocated to transit in the Twin Cities region. When we examined the MVST revenues allocated to transit in the region, we found that:

- **Although the amount of Motor Vehicle Sales Tax revenues dedicated to transit in the Twin Cities region has increased over the past decade, it has not increased as much as had been projected.**

In large part due to the increased share of MVST dedicated for transit purposes in the Twin Cities region, the total amount of MVST revenue allocated to transit in the region has increased. In 2005, almost $120 million of MVST revenue was distributed to the region for transit; in 2010, the region received almost $141 million in MVST revenue for transit. MVST revenues dedicated to transit in the Twin Cities region increased more than 17 percent over this five-year period.

However, in recent years MVST has not performed as projected.

Despite this increase in the region's MVST revenues, MVST itself has not performed as projected in recent years. Specifically, the May 2007 projections published by the Department of Minnesota Management and Budget anticipated that more than $169 million of MVST revenues would be available for transit in the Twin Cities region in fiscal year 2010; instead, not quite $141 million was allocated to transit in the region—a difference of almost 17 percent between what was projected and what was allocated. Nevertheless, $141 million in MVST revenues is more than had previously been distributed to transit in the Twin

[55] As outlined in law, an excise tax of 6.5 percent is imposed on the purchase price of "any motor vehicle purchased or acquired, either in or outside of the state of Minnesota, which is required to be registered under the laws of this state." The law also identifies some exemptions to this tax. *Minnesota Statutes* 2010, 297B.02.

[56] The 2001 Legislature also allocated 1.25 percent of MVST revenues for transit in greater Minnesota. See *Laws of Minnesota* First Special Session 2001, chapter 5, art. 3, secs. 65 and 72.

[57] *Laws of Minnesota* First Special Session 2003, chapter 19, art. 2, sec. 48.

Cities from MVST. As shown in Figure 1.2, MVST revenues comprised one-third of the region's transit operating funds in 2009.[58]

County Sales Tax

As discussed previously, the 2008 Legislature authorized the seven counties in the Twin Cities region to establish the Counties Transit Improvement Board and enact a one-quarter cent sales tax and $20 per motor vehicle excise tax to fund transit improvements in the Twin Cities region.[59] Five counties—Anoka, Dakota, Hennepin, Ramsey, and Washington—chose to enact the sales tax in their counties. We found that:

- **The county quarter-cent sales tax is a significant operating and capital funding source for transit in the region.**

Using money collected through the county sales tax, CTIB contributed almost 10 percent of the region's transit capital funds in 2009.

The counties began levying the sales tax in July 2008 and CTIB received its first collection of revenue in September 2008. During its first full year of taxation (2009), CTIB raised $88.7 million for transit in the Twin Cities region. As illustrated in Figures 1.2 and 1.3, CTIB contributed 12 percent of the region's transit operating funds and almost 10 percent of the region's capital funds in 2009.[60] In 2009, CTIB awarded $31.2 million in capital funds for transitways in the region—$13.4 million for Central Corridor LRT, almost $10 million for Northstar commuter rail, and $7 million for Cedar Avenue BRT.[61]

Minnesota law limits the purposes for which CTIB may award funding, and selected transit projects must be located within the metropolitan area and be consistent with the transit portion of the Met Council's Transportation Policy Plan. Any grant awarded to the Met Council must supplement, not supplant, operating and capital assistance provided by the state. Additionally, CTIB has created policies limiting the types of transit for which it grants awards. For example, CTIB does not grant awards for "arterial" bus rapid transit.[62]

While the county sales tax is a new and important funding source for transit in the Twin Cities region, many regions across the country have a dedicated sales tax for transit purposes that is a higher rate than in the Twin Cities region. For example, Atlanta, Boston, Cleveland, Dallas, Denver, and Seattle all have a one-cent or greater sales tax dedicated to transit. Additionally, CTIB officials and others have noted that the revenue generated through the CTIB sales tax is not

[58] In Chapter 3, we discuss the distribution of MVST revenues among transit providers in the Twin Cities region.

[59] *Laws of Minnesota* 2008, chapter 152, art. 4, sec. 2.

[60] As noted previously, the Legislature required CTIB to make a one-time transfer in 2009 of almost $31 million to fund Metro Transit operations. In 2010, CTIB awarded less than $14 million in transit operating grants.

[61] CTIB was created in 2008, and it awarded grants using the sales tax revenues from 2008 and 2009 in 2009. It plans to award funds on an annual basis in subsequent years.

[62] Arterial bus rapid transit service is provided along existing routes with significant ridership that operate on arterial roads, such as Nicollet Avenue in south Minneapolis.

sufficient to develop transit in the region at the rate the counties had initially anticipated.

State Funds

As illustrated in Figure 1.2, state appropriations provided 14 percent of the region's transit operating funds in 2009. We found that:

- **While state funding for transit operations increased from 2005 to 2009, state funding levels decreased significantly between 2007 and 2009.**

The Legislature appropriated approximately $49 million for transit operations in 2009.

In 2005, the state appropriated more than $42 million for transit operations in the Twin Cities region.[63] This amount increased to almost $70 million in 2007 before decreasing to approximately $49 million in 2009. The decline in state funding between 2007 and 2009 represents a 30-percent decrease in state general fund appropriations for transit in the region. The Legislature required CTIB to make a one-time transfer in fiscal year 2009 of almost $31 million to fund transit operations. The $31 million contribution from CTIB more than made up for the difference between the 2007 and 2009 general fund contributions to transit in the region. However, the CTIB transfer was a one-time requirement.

In addition to revenue from the state's general fund, the Minnesota Legislature has issued state general-obligation bonds for the Met Council to use for transit capital purposes. Table 1.8 lists the amount of bonding allocated to transit capital between 2003 and 2009 and the purposes of the bonds. As the table shows, bonding amounts vary from year to year. During this seven-year time period, the state issued more than $243 million in general-obligation bonds for transit capital purposes.

The Legislature has also regularly authorized the Met Council to issue bonds that are repaid with proceeds generated through the regional transit capital levy. This levy is imposed on all municipalities in the transit taxing district and other communities that have entered into a service agreement with the Council.[64] The transit taxing district is discussed in more detail in Chapter 3.

Passenger Fares

By law, the Met Council is responsible for establishing a uniform fare policy for regular-route transit in the metropolitan region.[65] As a result, all providers in the region charge the same amount for the same type of service. For example, currently all local regular-route bus service in the region, regardless of operator, cost $1.75 for nonpeak and $2.25 for peak service; express bus service is $2.25

[63] The amount reported here is for transit services included in this evaluation and does not include revenue allocated to dial-a-ride service, such as Metro Mobility.

[64] As discussed in Chapter 3, the transit taxing district includes a subset of municipalities within the Met Council's jurisdiction.

[65] *Minnesota Statutes* 2010, 473.408, subd. 2a.

Table 1.8: State General-Obligation Bonds for Transit, 2003-2009

	Amount (thousands)	Purpose
2003	$ 1,000	Northwest Corridor Busway[a]
2004	0	
2005	10,000	Cedar Avenue bus rapid transit (BRT)
	5,250	Central Corridor light rail transit (LRT)
	1,000	Rush Line and Red Rock corridors
	37,500	Northstar commuter rail
2006	3,300	I-35W South
	5,000	Cedar Avenue BRT
	7,800	Central Corridor LRT
	1,000	Robert Street and Red Rock corridors
	60,000	Northstar commuter rail
2007	0	
2008	16,700	I-35W South
	4,000	Cedar Avenue BRT
	70,000	Central Corridor LRT
2009	8,500	Central Corridor LRT
	12,500	One or more transitway corridors[b]
Total	$243,550	

[a] The Northwest Corridor Busway was a bus rapid transit corridor being considered along Bottineau Boulevard from downtown Minneapolis to the city of Rogers in Northwest Hennepin County.

[b] This funding was to be spent in consultation with the Counties Transit Improvement Board (CTIB) and other stakeholders, as appropriate. See *Laws of Minnesota* 2009, chapter 93, art. 1, sec. 12, subd. 2. Of the $12.5 million, $313,000 was mandated by law to be used for the State Capitol area related to the Central Corridor LRT. The remaining funds were distributed by the Met Council, after consultation with CTIB, among four projects: $3.287 million for Cedar Avenue BRT, $3.4 million for the Rush Line Corridor, $5 million for the Southwest Corridor, and $500,000 for the Union Depot.

SOURCES: Metropolitan Council; *Laws of Minnesota* First Special Session 2003, chapter 20, art. 1, sec. 10; *Laws of Minnesota* 2005, chapter 20, art. 1, sec. 18, subd. 5, and sec. 19, subds. 2-5; *Laws of Minnesota* 2006, chapter 258, sec. 16, subd. 4, and sec. 17, subds. 2-6; *Laws of Minnesota* 2008, chapter 179, sec. 17, subds. 2-4, and chapter 365, sec. 4, subd. 2; and *Laws of Minnesota* 2009, chapter 93, art. 1, sec. 12, subd. 2.

The Legislature also authorizes state bonds for transit capital purposes.

and $3.00 in nonpeak and peak times, respectively.[66] Light rail service follows the same fare schedule as local bus service, and commuter rail fares range from $3.25 to $7.00, depending on how far the passenger travels.[67] We found that:

- **Passenger fare revenue exceeded $97 million in 2009, accounting for more than one-quarter of the region's transit operating revenues.**

[66] "Peak" service is Monday through Friday, 6:00 to 9:00 in the morning and 3:00 to 6:30 in the afternoon.

[67] There are some exceptions to this fare policy. For example, there are a number of discounted fares for seniors, disabled riders, and students. Additionally, some suburban transit providers offer discounted or free service on their local suburban routes.

Table 1.9: Transit Passenger Fare Revenues, 2005 to 2009

(In thousands)

	2005	2006	2007	2008	2009
Bus Service					
Metro Transit Bus Service	$59,796	$64,800	$68,133	$74,193	$75,806
Suburban Transit Providers	7,278	8,494	9,407	10,790	10,177
Metropolitan Transportation Services	707	940	802	1,161	1,214
Total Bus Service	$67,781	$74,234	$78,342	$86,144	$87,197
Rail Service					
Metro Transit Hiawatha LRT	$ 7,061	$ 8,008	$ 8,078	$ 8,990	$ 9,866
Metro Transit Northstar CR[a]	NA	NA	NA	NA	270
Total Rail Service	$ 7,061	$ 8,008	$ 8,078	$ 8,990	$10,136
Total Passenger Fares	**$74,842**	**$82,242**	**$86,420**	**$95,134**	**$97,332**

NOTES: LRT is light rail transit and CR is commuter rail. "NA" means not applicable. Numbers may not sum to total due to rounding. The Metropolitan Council raised the base passenger fare by 25 cents in May 2005; in October 2008, the Council raised the base passenger fare and reduced fares for students, seniors, and riders with limited mobility by 25 cents.

[a] Northstar commuter rail began operations in November 2009.

SOURCE: Office of the Legislative Auditor, analysis of data supplied by Maple Grove Transit, Metro Transit, the Metropolitan Council, the Minnesota Valley Transit Authority, Plymouth Metrolink, Prior Lake Transit, Shakopee Transit, and SouthWest Transit.

Transit passenger fare revenue increased by 30 percent between 2005 and 2009.

As shown in Table 1.9, total passenger fare revenue was more than $97 million in 2009 compared with about $75 million in 2005. Passenger fare rates increased twice between 2005 and 2009, and fare revenue increased during that period by 30 percent. In 2009, about 90 percent of this revenue (more than $87 million) was collected from bus riders; Hiawatha light rail riders paid almost $10 million in fare revenue. Riders of the Northstar commuter rail, which did not start passenger service until November 2009, paid $270,000 in fares in 2009. In Chapter 5, we discuss the amount of fares collected in comparison to operating costs in more detail.

Federal Government

Federal funding for transit in the region generally comes in two categories: discretionary funding awarded through competitive grants to specific projects and formula-based funding allocated to the region. The discretionary federal funding is awarded to the region directly from the Federal Transit Administration and includes funding for large-scale LRT or commuter rail projects.[68] A portion of the formula-based federal funding is awarded through the Transportation Advisory Board and often has specific criteria that must be met, such as congestion mitigation.[69]

[68] These large-scale projects are often "New Starts" projects, which are discussed in more detail in Chapter 4.

[69] Congestion mitigation transit funding has often been awarded to build park-and-ride facilities in communities throughout the region.

Between 2004 and 2010, the federal government has provided more than $869 million for transit in the Twin Cities region. We found that:

- **Federal transit funding is primarily targeted for capital purposes.**

Regardless of whether it is discretionary or formula-based funding, federal funding is typically used for transit capital expenses, such as those related to building transitways or park-and-ride facilities in the region. As shown in figures 1.2 and 1.3, federal funding comprised 10 percent of the region's transit operating funds in 2009 but more than 35 percent of the region's transit capital funds. More than three-quarters of the federal funding allocated to transit in the region for 2009 was for capital purposes.

Federal funding has contributed a substantial portion of the capital funding for the region's large-scale transit projects.

In the last decade, the federal government has provided a substantial portion of funding for three of the region's new transitways. This funding was awarded through competitive grants and was critical in the construction of Hiawatha LRT, Northstar commuter rail, and the Central Corridor LRT. The federal government provided $424 million in capital funds for Hiawatha LRT—more than half of the total $715 million used to design and construct the line. Similarly, the federal government provided $162 million of the $320 million it cost to build the Northstar commuter rail. Federal funds are expected to provide $478 million of the total $957 million capital costs of Central Corridor LRT.

The majority of the formula-based federal funds awarded through the Transportation Advisory Board are for capital expenses. For example, in 2009 the Board awarded $7 million to purchase three vehicles for the Hiawatha LRT, $7 million for the Maplewood Transit Center park-and-ride facility, and $1 million for streetscaping and pedestrian enhancements along the Cedar Avenue transitway.

2 Transit Governance Challenges and Options

Chapter 1 provided an overview of the Twin Cities region's transit system and illustrated that the current governance of transit in the region is complex, with many organizations involved in several overlapping responsibilities. In this chapter, we set forth principles of effective governance and evaluate how well the region's transit governance structure meets those principles. We also discuss a number of transit governance challenges facing the region. The chapter concludes with four governance options for legislative consideration and recommendations for improved governance of transit in the region. Chapters 3, 4, and 5 provide more detail regarding the topics discussed in this chapter and offer additional recommendations for improvement related specifically to bus service, transitways, and performance measurement.

PRINCIPLES OF EFFECTIVE GOVERNANCE

Transit governance includes developing and implementing a vision, allocating revenue, and measuring performance.

As discussed in Chapter 1, transit governance includes specific responsibilities, such as planning, developing, and providing transit; generating and allocating resources for transit; and measuring the performance of transit in the region. Governance also includes providing leadership and a vision for transit in the region.

Table 2.1 provides an overview of effective governance principles. As detailed in the table, effective governance of transit includes nine key principles:

(1) Accountability,

(2) Consensus building and participation,

(3) Credibility,

(4) Effectiveness,

(5) Equity,

(6) Flexibility,

(7) Stability,

(8) Strategic vision, and

(9) Transparency.

To the extent possible, a transit governance structure should promote multiple principles of effective governance.

Table 2.1: Principles of Effective Transit Governance

Accountability	The governance structure should clearly identify who is responsible for which outcomes. Monitoring and assessment data should be developed and made accessible to others in the region. Those responsible should be held accountable to measurable goals.
Consensus Building and Participation	The governance structure should encourage local involvement and consensus building to support decisions. The structure should engender trust among local entities.
Credibility	Decisionmakers should have the necessary expertise and legitimacy to be credible and make decisions that others in the region accept.
Effectiveness	Regulatory overlap and duplication should be minimized. Rules and regulations should be meaningful and based on data. Performance should meet the system's goals.
Equity	Access to transit across the region should be equitable to meet basic needs.
Flexibility	Laws and rules should be flexible enough to recognize that one size will not fit all; however, local control must be balanced with the need to ensure that certain standards are upheld regionwide.
Stability	The governance structure should encourage consistency and predictability through a stable organization.
Strategic Vision	The governance structure should provide the capacity to identify problems or opportunities of regional significance. The structure should have the ability to prioritize and focus resources on transit efforts of regional significance.
Transparency	The decision-making process should be understandable to the public and those involved.

SOURCES: Office of the Legislative Auditor; Citizens League, Water Policy Study Committee, *To the Source: Moving Minnesota's Water Governance Upstream* (St. Paul, November, 2009), 5; Allan D. Wallis, "Governance and the Civic Infrastructure of Metropolitan Regions," *National Civic Review* (Spring 1993): 125-139; and John Graham, Bruce Amos, and Tim Plumptre, *Principles for Good Governance in the 21st Century, Policy Brief No. 15 – August 2003* (Ottawa, Canada: Institute on Governance, August 2003).

For example, an effective transit governance structure should clearly identify who is responsible for what (accountability), encourage local involvement (consensus building and participation), have the necessary legitimacy and expertise to make decisions (credibility), and prioritize and focus resources on efforts of regional significance (strategic vision).

To the extent possible, a governance structure should balance all nine of the effective governance principles. Depending on the context, however, some principles may overlap or be in conflict with one another. Additionally, the ultimate success of a governance structure depends not only on the extent to which these principles are embedded in the structure, but also on how these principles are applied, which can often be complex or difficult to do. In the following section, we use these principles to evaluate the current transit governance structure in the Twin Cities region. We then offer some recommendations for improvement.

TRANSIT GOVERNANCE CHALLENGES

According to various key performance measures, the current transit system in the Twin Cities region works reasonably well. For example, 90 percent or more of transit users who responded to surveys are satisfied with the transit they use, the buses generally operate on time, the Twin Cities region offers cost-effective services and performs relatively well compared with its peers, and the amount of transit available in the region has increased in recent years. A more detailed discussion of these performance measures is in Chapter 5. Although the existing transit system has managed to successfully provide services, it is facing increasing challenges; these are further discussed below.

Complexity and Distrust

As discussed in Chapter 1, multiple organizations are involved in the governance and operation of transit, including the Met Council (both Metro Transit and Metropolitan Transportation Services); the Transportation Advisory Board; the Counties Transit Improvement Board; six suburban transit providers (Maple Grove Transit, the Minnesota Valley Transit Authority, Plymouth Metrolink, Prior Lake Transit, Shakopee Transit, and SouthWest Transit); private bus operators; boards of the seven metropolitan counties; regional railroad authorities of the seven metropolitan counties; and various local corridor commissions. We found that:

- **Governance of transit in the Twin Cities region is complex and fraught with distrust.**

As a result of complexity and mistrust, the transit governance structure in the Twin Cities region faces a number of challenges.

Each of the entities listed above serves a distinct but somewhat overlapping role for transit in the region. Each entity can operate independently to some extent but also must cooperate with others in the region. For example, the Counties Transit Improvement Board can decide which transitways to fund, but its funding decisions must be consistent with the Met Council's Transportation Policy Plan. Similarly, the suburban transit providers can determine the amount of service they provide within their communities, but they must comply with regional standards and federal transit requirements. The complexity of the system makes it difficult to know which entity is *accountable* for which transit outcome, a departure from the principles of effective governance outlined in Table 2.1. To the extent there is duplication in some of these overlapping roles, the region's transit structure may also not be as *effective* (another governance principle in Table 2.1) as it could be.

Complexity itself is not necessarily a bad thing. Even if there are a number of entities involved in transit in the region, they could have clearly defined roles and work well together. For such complexity to work, however, there needs to be coordination in areas where there is overlap and some degree of trust among the different entities. In contrast, we found a significant amount of distrust between many of the transit entities in the Twin Cities region. This distrust makes coordination among the organizations difficult.

Bluntly stated, the relationship between the Metropolitan Council and the suburban transit providers has broken down. In interviews we had with suburban transit providers and Met Council staff, the conflict and distrust between these two groups was evident. Recent newspaper articles and discussions in other local media regarding the differences between Metro Transit and suburban transit bus services have further illustrated the distrust between the Met Council and the suburban providers. The relationship between the Met Council and the suburban transit providers raises questions about whether the current structure limits the ability of transit organizations in the region to *build consensus*, one of the principles identified in Table 2.1.

The relationship between the Met Council and the suburban transit providers is particularly difficult.

The interests of the Met Council and the suburban transit providers often conflict, and their difficult relationship has weakened the effectiveness of the transit governance structure in the region. The Met Council is the regional transit planner and the recipient of state transit funds for the region. In this role, the Council is responsible for setting regional transit priorities, distributing resources accordingly, and ensuring that state standards are met. Additionally, as the recipient of federal transit funding, the Met Council is responsible for ensuring that all transit providers in the region comply with federal requirements. In interviews, however, the suburban transit providers told us that while they recognize a broad role for the Council as a regional body, they would like less oversight from the Council and more autonomy to provide transit services to their communities.

The relationship between the Met Council and the Counties Transit Improvement Board (CTIB) is also uneasy. Both the Council and CTIB have control over different sources of transit revenues for the region and have different ideas for how that funding should be used. For example, the two entities disagree over the definition of "transitway"—the Council includes arterial bus rapid transit (BRT) while CTIB does not—which has led to tension regarding CTIB's funding priorities.[1] Similarly, CTIB developed its own transitway map for the region, which conflicted with the map adopted by the Met Council in the region's Transportation Policy Plan.[2]

The difficult relationships between the Met Council and both the suburban transit providers and CTIB affect the *credibility* (another principle of effective governance) of the Council and the other transit organizations in the region, and therefore the transit governance structure. The strained relationships among the transit organizations result in stakeholders not always accepting decisions made by others in the region. Yet, the complexity of the region's transit governance structure requires these various entities to work together.

[1] Arterial BRT is bus rapid transit service provided along existing routes with significant ridership that operate on arterial roads, such as Nicollet Avenue in south Minneapolis.

[2] As discussed in Chapter 4, the CTIB and Met Council maps identified different modes for some potential transitways, and the CTIB map did not include arterial bus rapid transit routes that the Council included on its map.

Coordination

Despite the importance of coordination among the transit organizations in the Twin Cities region, we found that:

- **Coordination among transit organizations in the region is time consuming and inefficient.**

The complexity of the region's transit governance structure requires coordination among various organizations, and the lack of trust makes it difficult to reach agreements.

As discussed more in Chapter 3, coordination between the Met Council and suburban transit providers has required a significant amount of time and energy from both Council and suburban transit staff, as evidenced through innumerable staff meetings, committee meetings, e-mails, required approvals, and letters shared between the Council and suburban transit providers. Staff on both sides of this relationship think that coordination between the organizations has become increasingly inefficient and time consuming, and the lack of trust between these two groups makes it difficult to reach an agreement.

For example, recent efforts to develop the Cedar Avenue BRT transitway have required coordination among the Met Council, Metro Transit, the Minnesota Valley Transit Authority (MVTA), the Dakota County Regional Railroad Authority, CTIB, representatives from the cities of Eagan, Apple Valley, and Lakeville, and others. Decisions regarding the size and design of park-and-ride facilities along the Cedar Avenue corridor have involved numerous meetings between Met Council and MVTA staff, as well as representatives from the cities in which the facilities are located. Interviews we had with staff from the Council and MVTA highlighted frustration and distrust between these two groups regarding coordination and decisions for the Cedar Avenue transitway.

Coordination between the Met Council and the Counties Transit Improvement Board has also been time consuming. As discussed in more detail in Chapter 4, CTIB decides how it will allocate the funds raised by the one-quarter cent county sales tax, but its projects must be consistent with the Met Council's Transportation Policy Plan. Although Council staff told us that it is not difficult to verify that CTIB's spending decisions are consistent with the Plan, having two bodies (the Met Council and CTIB) making decisions about transit investments in the region leads to overlap and inevitably requires additional coordination.

Similarly, the Met Council and CTIB must coordinate on funding the operations of the region's transitways. As discussed in more detail in Chapter 4, CTIB has committed to fund 50 percent of the net operating costs of the Hiawatha and Central Corridor light rail lines, Northstar commuter rail, and the I-35W South and Cedar Avenue bus rapid transit lines. Because Metro Transit (a division within the Council) is the operator of these transitways, the entities must work together to determine CTIB's share of the operating costs. However, according to Council staff, CTIB and the Met Council do not agree on what to include as "operating costs" related to the Central Corridor transitway. At issue is whether CTIB will cover 50 percent of the net operating costs related only to the Central Corridor light rail line, or 50 percent of the net operating costs related to all transit changes in the corridor. Disagreement over which operating costs should be included has made the process more arduous.

The region has fallen short in meeting the governance principles of transparency, effectiveness, and consensus building.

These problems with coordination and overlap are counter to some of the principles of effective governance outlined in Table 2.1. For example, under the principle of *transparency*, the decision-making process should be understandable to the public and those involved. Given the numerous misunderstandings and disagreements that have occurred between the Met Council and the suburban transit providers, and the overlap in decision making regarding transitways between the Met Council and CTIB, the region has fallen short in meeting this principle. The overlap among these entities also undermines the principle of *effectiveness*, which states that the governance structure should minimize duplication. Finally, the distrust between the Council and the suburban providers impedes the region's ability to have *consensus building* and *participation* among local stakeholders, another principle highlighted in Table 2.1.

To its credit, the Met Council has tried to increase transparency by creating procedures for the suburban transit providers and transitway guidelines. As discussed further in Chapter 3, the Council has developed procedures regarding fleet management, procurement, facilities, revenue allocation, and service improvement for regional transit providers, including the suburban transit providers. Similarly, the Met Council is developing transitway guidelines to promote regional consistency along transitways. Both the suburban transit procedures and the transitway guidelines are a step towards improved consistency and transparency in the region.

Additionally, transit organizations have coordinated to achieve some key successes for the region. For example, the Minnesota Department of Transportation, the Met Council, Dakota County, the Minnesota Valley Transit Authority, and others worked together to win a $133 million Urban Partnership Agreement grant to address congestion in the region. Similarly, the Met Council, CTIB, Hennepin and Ramsey counties, and others coordinated successfully to win a $5 million planning grant in October 2010 from the U.S. Department of Housing and Urban Development to support planning along the region's transit corridors.

Credibility and Accountability

The Met Council, as a regional planning entity and the largest transit operator in the region, has a unique role in the regional transit system. However, we found that:

- **The Metropolitan Council's role as the regional transit planner has been hampered by how Council members are appointed; as a result, the Council has little credibility among many stakeholders and other transit organizations in the region.**

The Metropolitan Council's limited credibility stems from the governance structure of the Council itself. Because Council members are appointed by the governor rather than elected, many stakeholders we interviewed do not think that Met Council members are sufficiently accountable for their decisions. Additionally, some local officials and transit providers we interviewed said that their Met Council representative does not adequately represent their communities

The way Met Council members are appointed has led to diminished credibility among elected officials and other transit stakeholders.

regarding transit concerns or that their representative does not have relevant expertise regarding transit issues. Many stakeholders with whom we met believe that Met Council members primarily represent the views of the governor and not necessarily the region as a whole or the district from which they were appointed. Because Met Council members are appointed by the governor, local elected officials often question the legitimacy of Council decisions. Additionally, the Council levies a transit capital tax on most residents of the Twin Cities region without being directly accountable (through an election process) to the public. The Met Council's structure leads to diminished *credibility* and *accountability*, both principles of effective governance listed in Table 2.1.

Amplifying concerns about the Council's credibility is the belief among some stakeholders that the Met Council is biased towards Metro Transit and has a conflict of interest. As discussed in Chapter 1, the Met Council is both the transit planning organization for the Twin Cities region and the primary provider of transit in the region through Metro Transit and Metropolitan Transportation Services. In interviews, staff from suburban transit providers and some county commissioners questioned the Met Council's ability to make unbiased decisions about the transit needs of the region when the Council is responsible for providing bus, light rail, and commuter rail service through Metro Transit.

The Legislature's Role

In several instances, the Legislature has circumvented the Met Council and authorized new transit entities, rather than improve the existing structure. We found that:

- **The Legislature has contributed to the complexity, and therefore the challenges, of the transit governance structure in the Twin Cities region.**

Rather than change the Met Council's structure, the Legislature has circumvented the Council and authorized new and more accountable transit entities.

In particular, the Legislature has made the governance of transit in the region more complex by authorizing the suburban transit providers and the Counties Transit Improvement Board; identifying the Met Council as the Metropolitan Planning Organization for the region with the Transportation Advisory Board also playing a role; and naming different builders and owners for the three large-scale transitways constructed in the region (as discussed further in Chapter 4). Contrary to the governance principles detailed in Table 2.1, these decisions have made it difficult to know which entity is *accountable* for which outcomes and have led to diminished *transparency* regarding the decisions being made.

Authorizing New Transit Entities

When the Legislature authorized suburban transit providers in 1981, there was dissatisfaction among some communities with the service they received from the regional transit provider (at the time, the Metropolitan Transit Commission). Rather than work within the existing Commission structure, the Legislature authorized municipalities that met certain criteria to form their own transit service providers. This law spawned a number of transit providers and thus increased the complexity of transit in the region. Similarly, several counties in

the Twin Cities metropolitan area perceived the need for a reliable source of funding to better leverage federal funding to expand transit services in the region. In 2008, the Legislature authorized the creation of the Counties Transit Improvement Board to levy a transit sales tax, rather than either levying the tax directly or giving the Met Council the authority to do so. By authorizing CTIB, the Legislature again went outside the existing transit governance structure (this time, the Met Council) and created another layer of governance within the region's transit structure.

As one respondent to our survey of elected city officials and city managers commented in response to the question, "What does not work well with the existing transit governance system in the Twin Cities region?":

> Opt-out independent transit agencies, regional railroad authorities, and the CTIB undercut the ability to have an integrated regional approach to transit planning and funding. Although all these mechanisms filled a need, they did so because the Metropolitan Council was not given the necessary funding authority to implement an integrated regional system. . . .

Another survey respondent stated:

> . . . The State Legislature has changed the governance structure so often through reorganization (Metropolitan Transit Commission, Regional Transit Board, Metro Transit, opt-out communities) and established new entities (Regional Railroad Authorities) due to its lack of commitment to provide clear goals and adequate dedicated funding sources for transit. This failure has put Minnesota/Twin Cities decades behind its peers. . . .

In other words, by creating new transit organizations rather than improving existing ones, the Legislature has contributed to the transit governance challenges in the region.

The Region's Metropolitan Planning Organization

The Met Council and the Transportation Advisory Board jointly serve as the region's Metropolitan Planning Organization.

In law, the Legislature has named the Met Council as the region's Metropolitan Planning Organization. However, federal law requires that a region's planning organization include local elected representatives. Because of the structure of the Met Council, and because the Legislature identified the Council as the Metropolitan Planning Organization, the Twin Cities region must have two organizations—the Met Council and the Transportation Advisory Board—share the planning organization's responsibilities. Met Council staff told us the Twin Cities region is the only region in the country they are aware of with this structure for its Metropolitan Planning Organization.

Having two entities serve jointly as the Metropolitan Planning Organization contributes to the complexity of transit governance in the region. Not only do the Met Council and the Transportation Advisory Board have to coordinate with each other regarding the long-term Transportation Policy Plan and the short-term Transportation Improvement Plan, but other transit entities in the region have to

work with both the Council and the Board rather than one Metropolitan Planning Organization for the region.

"New Starts" Transitways Project Leadership

Finally, as discussed in more detail in Chapter 4, the Legislature gave control over developing and building large-scale ("New Starts") transitway projects (Hiawatha light rail transit [LRT], Northstar commuter rail, and Central Corridor LRT) to different entities.[3] This division of responsibilities has caused confusion with the Federal Transit Administration, created a need for different entities to learn the federal New Starts process, and required additional coordination among these entities. As with the other legislative actions highlighted above, assigning transitway responsibilities to different entities for each project increased the complexity of transit governance in the region.

Multiple Regional Transit Visions

In part because there are many transit entities in the region, and in part because the Met Council has limited credibility as a regional transit planning organization among local stakeholders, we found that:

- **No agreed-upon set of priorities exists for transitway development in the Twin Cities region.**

The Twin Cities region has not achieved an agreed-upon set of priorities for transit expansion.

Instead, the process for developing transitways in the region relies on local initiatives and funding, as detailed in Chapter 4. As a result, there are multiple transit corridors being considered in the region with no common agreement on the region's transit priorities. Understandably, each community is interested in developing transit to meet its local needs, and communities typically believe their transit project should be a priority. However, the local priorities may not reflect the region's priorities. In view of the principles of effective governance outlined in Table 2.1, the region has too much *flexibility* at the expense of an agreed-upon regional *strategic vision*. The region's multiple strategic visions undermine the *effectiveness* of the governance of transit in the region.

Additionally, neither the Council nor the Legislature has prioritized potential transitways for development in the region. While there is agreement on transitway development in the short term (for example, Central Corridor LRT and Southwest Corridor LRT), future transitway priorities are less clear. Further complicating things is the lack of clarity in state statute regarding the goals and purposes of transit for the region, as discussed further in Chapter 5.

Several respondents to our survey of elected city officials and city managers commented on the transit vision for the region. For example, one respondent

[3] The "New Starts" program, discussed in more detail in Chapter 4, is a competitive program through which the Federal Transit Administration allocates federal funding for large-scale transit projects. As discussed in Chapter 4, the Minnesota Department of Transportation, the Metropolitan Airports Commission, and the Met Council had varying roles on the region's three New Starts projects.

wrote in response to the question, "What does not work well with the existing transit governance system in the Twin Cities region?":

> There seems to be many entities involved in transit governance making me wonder how efficient and effective it is. Is there one overall vision for the region?

Another survey respondent wrote:

> If we have a regional plan that has been developed through needs and alternatives analysis FOR THE REGION, I am not aware of it. We need a regional vision, a regional plan, a comprehensive communication plan, and political will to implement it on a regional basis at a rate that will meet our regional economic objectives (if we have regional economic objectives!). Any plan has to start with a definition of what we are trying to achieve, which seems to be missing. . . .

The lack of an agreed-upon regional vision weakens the effectiveness of the Met Council as the regional transit planner and poses another challenge to the governance of transit in the region.

Scarce Resources

As discussed in Chapter 1, the Twin Cities region spends more than $300 million annually to operate transit in the region; planning and building a new transitway can cost almost $1 billion in capital expenses over the course of the project. Clearly, building and operating transit are expensive and require reliable funding sources. However,

- **Scarce resources for transit are likely to become scarcer as the state confronts another significant budget deficit.**

Limited resources underscore the need for regional transit priorities.

As detailed in Chapter 1, Motor Vehicle Sales Tax (MVST) revenues are the largest single source of operating funds for transit in the Twin Cities region. As discussed previously, however, MVST revenues have not grown as projected. Specifically, the state's May 2007 projections anticipated that more than $169 million of MVST revenues would be allocated to transit in the Twin Cities region in fiscal year 2010; instead, $140.7 million was allocated to transit in the region. In addition, state general fund contributions to transit (for both operating and capital purposes) are uncertain given the budget deficit the 2011 Legislature must address. Scarce resources pose yet another challenge to the governance of transit and may affect the *stability* (a principle of effective governance) of the transit system in the region. Scarce resources also underscore the importance of having a regional transit vision that prioritizes the use of the region's transit resources.

Unmet Demand

In 2004, the Met Council set a goal of doubling transit ridership to about 147 million rides by 2030. In its 2030 Transportation Policy Plan, published in 2008,

the Council noted that demand for transit in the Twin Cities region is increasing. We found that:

- **There is unmet demand for additional transit services in the Twin Cities region.**

Surveys conducted by Metro Transit of potential transit riders demonstrate an interest in additional transit services. Specifically, more than 50 percent of potential riders surveyed by Metro Transit in 2007 indicated they would use transit if more services were available or their expected trip times were faster. Metro Transit staff told us that opportunities exist to grow transit services and ridership in the region if funding were available. Similarly, some suburban transit providers would seek to expand their express commuter bus service.

In addition to an interest in increasing the amount of bus service in the region, a number of counties and local communities are conducting studies to evaluate the viability of new transitways. For example, counties and local project sponsors are evaluating alternatives for the Bottineau Boulevard, Gateway Corridor, Red Rock Corridor, and Rush Line Corridor transitways.[4]

With scarce resources and no unified regional vision for transit, effectively meeting this unmet demand will be difficult. The need for an agreed-upon *strategic vision* for the region (one of the principles of effective governance in Table 2.1) is especially important for addressing this challenge.

Increasingly Difficult Decisions

Given the scarce transit resources available to the region, it is important that any expansion of transit services be done in a reasoned and logical process. However, we found that:

- **Future transit development decisions are likely to be more difficult.**

Transit corridors being evaluated for development do not appear as promising as existing transitways in the region.

Potential transitways currently being evaluated for development in the Twin Cities region do not appear as promising as existing transitways in the region. According to the Met Council's 2008 Transit Master Study, ridership projections for the proposed transitways do not reach those for rail lines already built or under development, such as Hiawatha, Central Corridor, and Southwest Corridor LRTs and Northstar commuter rail. These existing transitways have relatively high actual or projected ridership. In fact, the Central Corridor LRT is ranked first in the country among federal New Starts projects, meaning that it is the most promising yet-to-be-built transit line in the country. None of the transitways being considered currently have ridership and cost information that make them seem as ripe for development. Deciding which (if any) transitway to develop next, when none are standouts, will be difficult. As discussed earlier, having a *strategic vision* for the region that prioritizes transit projects in the region would help determine which transitways in the region to develop next.

[4] More information about these potential transitway corridors is provided in Chapter 4.

Additionally, local preferences may lead to financially unsustainable outcomes. The success of Hiawatha LRT has spurred a preference among local communities for light rail transit over bus rapid transit or other bus service when considering new transitways. For example, Bottineau Boulevard was initially moving ahead as a BRT transitway but is now also undergoing consideration as an LRT transitway. LRT can be a cost-effective way to move large numbers of people in high-density corridors; however, it may not be cost-effective in all corridors because the capital expense of LRT is significantly more than that of BRT. A bias towards LRT may result in transitways with high capital expenditures that may not be justified by ridership.

Finally, political concerns, such as the geographic imbalance in transitways, may outweigh ridership projections and other analyses regarding where the next transitway should be developed. For example, with the completion of Central Corridor, Hennepin County will have three operating rail transitways (Hiawatha, Northstar, and Central Corridor) along with I-35W South BRT within its borders, yet there are no transitways in operation east of St. Paul. Concerns for regional *equity* could become a driving factor in developing the next transitway, rather than ridership and cost projections.

In sum, the current governance structure has led to (1) diminished accountability for the Council, (2) difficulty in building consensus across transit organizations in the region, (3) diminished credibility for the Council, (4) reduced effectiveness due to an increased need for coordination, and (5) multiple visions for transit in the region. In other words, the transit governance structure in the region does not reflect the principles of effective governance.

GOVERNANCE OPTIONS FOR THE METROPOLITAN COUNCIL

Given the challenges outlined above, we think the Legislature should consider an alternative governance structure for transit in the Twin Cities region. We have concluded that the problems with the governance of transit stem partly from having an appointed Met Council. Moreover, we have concluded that the structure of the Met Council must be addressed before other aspects of transit governance in the region can be corrected. As a result, we focus in this section on the composition of the Met Council. The next section discusses other aspects of the transit governance structure in the Twin Cities region.

Addressing the structure of the Met Council is the first step towards improving the governance of transit in the region.

We acknowledge that we only evaluated the role of the Met Council with respect to transit and not its other regional responsibilities, such as wastewater management and land use planning. As a result, we have not assessed how the changes to the Met Council proposed below would affect its functions in those areas. Nevertheless, we recommend that:

RECOMMENDATIONS

The Legislature should restructure the governance of the Metropolitan Council.

Although several governance structures have merit, we recommend the Legislature follow Option 2, which calls for a mix of appointed and elected Council members serving staggered terms.

Below we present four options for restructuring the Met Council. They are presented along a spectrum of the smallest to biggest change, with having staggered terms for appointed members at one end and directly electing Council members by popular vote at the other end. There are numerous potential governance structures for the Council; the four presented below represent the range of options to consider. Before we discuss the four options for restructuring, however, we start by assessing the status quo.

Status Quo

If there is no change, Met Council members would continue to be appointed by the governor and serve terms coterminous with, and at the pleasure of, the governor. The primary advantage to maintaining the status quo is that it requires no change. Transit in the region has operated relatively successfully thus far (as discussed more in Chapter 5) and would likely continue to do so from riders' perspectives. Additionally, having appointed rather than elected members is more likely to result in regional, rather than parochial, decisions.[5]

There are a number of disadvantages to maintaining the current governance structure.

The disadvantages to maintaining the status quo are numerous. Maintaining an appointed Met Council would continue the Council's accountability problems. The Council makes transit decisions that directly affect residents of the region, including taxing residents, allocating revenue, and identifying or approving transitways to be developed. Because Council members are appointed by the governor, however, they are not directly accountable to the public for these decisions. Being appointed by the governor also leads to a credibility problem for Met Council members. As one city council member commented in our survey:

> . . . The problem starts at the top of the regional governance pyramid with the composition of the Met Council, itself, an appointed body that is not responsive to local communities. . . .

Another survey respondent stated:

[5] For a discussion regarding the relationship between whether members of a Metropolitan Planning Organization are appointed or elected and their decisions regarding funding local or regional priorities, see Elisabeth R. Gerber and Clark C. Gibson, "Balancing Regionalism and Localism: How Institutions and Incentives Shape American Transportation Policy," *American Journal of Political Science* 53, no. 3 (July 2009): 633-648.

> With the Met Council appointed by the Governor, our system makes transit investment vulnerable to the attitude of a sole entity; if the Governor is hostile to transit, the Met Council reflects that. . . .

Having an appointed Council whose members' terms are coterminous with the governor also makes it difficult for the Council to have stability and carry out its strategic vision over time. Every time a new governor is elected, the Council is subject to a complete turnover in membership, which leads to a loss of institutional knowledge and a disruption to ongoing strategic initiatives. For example, the Council recently began developing transitway guidelines to establish standards for the development of future transitways. However, some stakeholders we spoke with expressed concern about investing time and energy into these guidelines before the new Council members were appointed in 2011. There was concern that the new Council would disagree with the guidelines initiative and undo all of the effort put into developing them.

Maintaining the status quo would also continue the complexity of the governance of transit in the region. Coordination across transit organizations in the region would continue to require a significant amount of effort among all involved and would divert energy and time that could otherwise be spent on setting priorities and improving the region's transit system. Strained relationships would continue to make this coordination more difficult than it already is. As funding tightens and decisions become more difficult, the existing problems with the governance of transit will be exacerbated if the structure remains the same. Table 2.2 outlines the advantages and disadvantages of maintaining the status quo.

Option 1: Staggered Terms of Appointed Council Members

Our first governance option is for Met Council members to be appointed by the governor to staggered terms. Members' terms would not be coterminous with the governor, nor would members serve at the pleasure of the governor. This option would restore how Met Council members were appointed prior to the Metropolitan Reorganization Act of 1994.

Staggered terms would give the Met Council more independence and stability.

Option 1 is perhaps the most politically feasible option that also provides some improvement to the governance structure. The previous chair of the Met Council has publicly suggested, at a minimum, having staggered terms for members as a way to improve continuity from one administration to the next. Staggered terms would give the Council more independence from the governor, would provide some stability for the Council, and would enable the Council to implement a more unified strategic vision for the region. Additionally, efforts begun during one governor's term could easily be continued during a succeeding governor's term. As with the status quo, having appointed members is also more likely to result in regional, rather than parochial, decisions.

Despite the advantages associated with this option, staggered terms would not fully address all of the concerns raised by the current Council governance structure. An appointed Council, with or without staggered terms, would still

Table 2.2: Governance Structure—Status Quo

PRO	CON
This option requires no legislative action.	The Council has little accountability to the public for its decisions.
Appointed members may be better able to take a regional, rather than parochial, perspective.	The Council has limited credibility with transit stakeholders and local elected officials.
	The Council has difficulty maintaining and implementing its own strategic vision over time.
	The Council is reconstituted with every new governor, leading to lost institutional knowledge, momentum, and stability.
	The current structure requires a significant amount of coordination across multiple transit organizations.
	The current structure does not provide an opportunity to reduce the number of transit organizations in the region or the corresponding overlap of responsibilities.

SOURCE: Office of the Legislative Auditor.

have little accountability to the public for its decisions. Similarly, because they are appointed, members would continue to have diminished credibility with transit stakeholders and local elected officials who are heavily involved in regional transit decisions. Finally, this option would provide little opportunity to reduce the number of transit organizations in the region and streamline coordination. Table 2.3 outlines the advantages and disadvantages of Option 1.

Option 2: Staggered Terms and a Mix of Appointed and Elected Council Members

We recommend having a mix of appointed and elected members on the Met Council, serving staggered terms.

The second governance option is to have a mix of local elected officials and gubernatorial appointees as members, all serving staggered terms. We recommend this option. As with Option 1, members' terms would not be coterminous with the governor nor would they serve at the pleasure of the governor. This option would combine regional appointed and local elected officials, although the exact composition would have to be determined. Some possibilities for the member composition include:

Table 2.3: Governance Restructure Option 1—Staggered Terms and Metropolitan Council Members Appointed by the Governor

PRO	CON
This option is politically feasible and publicly supported by the previous Council Chair.	The Council would have little accountability to the public for its decisions.
This option would enable the Council to develop its own regional priorities and strategic vision rather than relying on the governor's vision.	The Council would have little credibility with transit stakeholders and local elected officials.
This option would provide stability and continuity within the Council for its initiatives and priorities, rather than being potentially reconstituted every four years.	The structure would continue to require a significant amount of coordination across multiple transit organizations.
Appointed members may be better able to take a regional, rather than parochial, perspective.	The structure would not provide an opportunity to reduce the number of transit organizations in the region or the corresponding overlap of responsibilities.

SOURCE: Office of the Legislative Auditor.

1. One county commissioner from each of the seven counties and nine gubernatorial appointees with the chair also appointed by the governor; and

2. One local elected official from each of the Council's existing districts and additional members, including the chair, appointed by the governor.

Having a mix of appointed and elected members would increase the credibility and accountability of the Met Council.

The previous Metropolitan Council Chair has publicly supported Option 2 and suggested that the Council should consist of nine gubernatorial appointees and seven county commissioners. Having a combination of local elected and appointed officials would provide the Council with an effective mix of regional and local perspectives. Additionally, having local elected officials on the Council would increase its credibility and accountability with transit stakeholders in the region. Option 2 would also enable the Council to implement regional priorities and provide continuity among its membership for ongoing initiatives.

If a majority of the Met Council members were local elected officials, the Transportation Advisory Board could be eliminated. As discussed in Chapter 1, the Board fulfills the federal requirement to have local elected officials on the region's Metropolitan Planning Organization. State law outlines the composition of the Transportation Advisory Board and requires a majority of Board members to be elected officials.[6] If the Council had a majority of local elected officials, the Met Council would fulfill the federal and state requirements and the

[6] *Minnesota Statutes* 2010, 473.146, subd. 4(b), requires the Transportation Advisory Board to be composed of 17 elected officials and 16 other representatives.

Transportation Advisory Board would not be necessary.[7] This would help to reduce the number of transit organizations and improve coordination in the region. Similarly, if each of the seven counties were represented on the Council, the Met Council and the Counties Transit Improvement Board could more easily collaborate, potentially resulting in the dissolution of CTIB. Table 2.4 outlines the advantages and disadvantages of Option 2.

Restructuring the Met Council may create support for a future consolidation of some transit organizations in the region.

Table 2.4: Governance Restructure Option 2—Staggered Terms and a Mix of Appointed and Elected Metropolitan Council Members

PRO	CON
This option is politically feasible and publicly supported by the previous Council Chair.	Depending on its composition, the structure may continue to require a significant amount of coordination across multiple transit organizations.
The Council would have increased accountability to the public for its decisions.	Depending on its composition, the structure may not provide an opportunity to reduce the number of transit organizations in the region or the corresponding overlap of responsibilities.
The Council would have increased credibility with transit stakeholders and local elected officials.	This option would lead to an increased workload for elected officials with existing public duties.
This option would enable the Council to develop its own regional priorities and strategic vision rather than relying on the governor's vision.	Decisions regarding voting weights and representation would have to be determined.
This option would provide stability and continuity within the Council for its initiatives and priorities, rather than having the Council potentially be reconstituted every four years.	
A mix of appointed and elected members would provide an effective mix of regional and local perspectives.	

SOURCE: Office of the Legislative Auditor.

Option 3: Staggered Terms and County Commissioners Serve as Council Members

Option 3 proposes that all Council members be local elected officials. This option is politically more difficult than the previous two. As presented here, all members would be commissioners from the seven county boards, similar to the

[7] As outlined in *23 U.S. Code* 134(d)(2), the Council would need to include officials of public agencies that administer or operate major modes of transportation in the region in the decisions it makes as the region's Metropolitan Planning Organization.

structure of the Metropolitan Mosquito Control District.[8] Appropriate representation based on population and county would need to be determined.

Having all Met Council members be county commissioners would increase the accountability and the credibility of the Council. Members would be accountable to voters and their county boards for their actions on the Met Council. This option would enable the Council to develop its own regional priorities, rather than relying on the governor's vision, and provide continuity among its membership. However, it may be difficult for county commissioners to take a regional, rather than parochial, view when considering Council matters. Additionally, having county commissioners serve as Council members would lead to a significant increase in their workload.

Having all members of the Met Council be county commissioners would also increase its accountability and credibility but may result in more parochial decisions.

As with Option 2, this option would allow the Transportation Advisory Board to be eliminated. If the Council were composed of local elected officials, the Met Council would fulfill the federal requirements for a Metropolitan Planning Organization and the Transportation Advisory Board would not be necessary.[9] Eliminating the Board would help to reduce the number of organizations in charge of planning and allocating funds for transit in the region. Similarly, if county commissioners were the Met Council members, the Met Council and the Counties Transit Improvement Board could more easily collaborate, potentially resulting in the dissolution of CTIB. Eliminating CTIB would reduce the need to coordinate with another organization regarding funding and developing transitways in the region. Similar to Options 1 and 2, Option 3 would enable the Council to develop its own regional priorities and provide continuity among its membership for ongoing initiatives. Table 2.5 outlines the advantages and disadvantages of Option 3.

Option 4: Council Members Directly Elected

This option is at the far end of the spectrum from the status quo and would be politically difficult to accomplish. Rather than the governor appointing Met Council members as is currently the case, Option 4 proposes that all members be directly elected by voters in the Twin Cities region. Under this option, election districts would have to be identified that take into consideration representation by both population and county. Some possibilities include: (1) members elected by Metropolitan Council District, (2) members elected by county, or (3) members elected by a regionwide vote. The Portland, Oregon, regional government agency is directly elected by the region's voters.

Under this option, members would be directly accountable to voters for their actions on the Met Council, increasing members' accountability and credibility with voters. Option 4 would enable the Council to develop its own priorities, rather than relying on the governor's vision. However, Council members may

[8] As outlined in *Minnesota Statutes* 2010, 473.703, subd. 1, the Metropolitan Mosquito Control District Commission consists of three members each from Anoka, Dakota, Hennepin, and Ramsey counties and two members each from Carver, Scott, and Washington counties.

[9] As noted previously, the Council would need to include officials of public agencies that administer or operate major modes of transportation in the region in the decisions it makes as the region's Metropolitan Planning Organization. See *23 U.S. Code* 134(d)(2).

Table 2.5: Governance Restructure Option 3—Staggered Terms and County Commissioners as Metropolitan Council Members

PRO	CON
The Council would have increased accountability to the public for its decisions.	This option is politically more difficult to accomplish.
The Council would have increased credibility with transit stakeholders and local elected officials.	With this option, decisions would more likely be influenced by parochial considerations.
This option would enable the Council to develop its own regional priorities and strategic vision rather than relying on the governor's vision.	This option would lead to an increased workload for elected officials with existing public duties.
This option would provide stability and continuity with the Council for its initiatives and priorities, rather than having the Council potentially be reconstituted every four years.	Decisions regarding voting weights and representation would have to be determined.
This option would provide an opportunity to reduce the number of transit organizations in the region and the corresponding overlap of responsibilities.	
This option may reduce the amount of coordination needed across transit organizations.	

SOURCE: Office of the Legislative Auditor.

have less of a regional perspective and act in a more parochial nature if they are elected to represent specific districts rather than elected regionwide. Additionally, voters may not be familiar with the roles and responsibilities of the Met Council.

Similar to Options 2 and 3 above, under this option the Council could work towards eliminating the Transportation Advisory Board.[10] This would help to reduce the number of transit entities in the region with overlapping planning and funding responsibilities. Similarly, depending on the composition of the Council, the Met Council and the Counties Transit Improvement Board could more easily collaborate, potentially resulting in the dissolution of CTIB. Again, eliminating CTIB would reduce the need to coordinate with another organization regarding funding and developing transitways in the region. Table 2.6 outlines the advantages and disadvantages of Option 4.

[10] Again, as noted previously, the Council would need to include officials of public agencies that administer or operate major modes of transportation in the region in the decisions it makes as the region's Metropolitan Planning Organization. See *23 U.S. Code* 134(d)(2).

Table 2.6: Governance Restructure Option 4—Metropolitan Council Members Directly Elected

PRO	CON
The Council would have increased accountability to the public for its decisions.	This option is politically difficult to accomplish.
The Council would have increased credibility with transit stakeholders and local elected officials.	With this option, decisions would more likely be influenced by parochial considerations.
This option would enable the Council to develop its own regional priorities and strategic vision rather than relying on the governor's vision.	Decisions regarding representation by population and county would have to be determined.
This option would provide an opportunity to reduce the number of transit organizations in the region and the corresponding overlap of responsibilities.	
This option may reduce the amount of coordination needed across transit organizations.	

SOURCE: Office of the Legislative Auditor.

Having all Met Council members be directly elected would be politically difficult to accomplish.

Table 2.7 compares the relative advantages and disadvantages of the status quo and the four options presented above. We recommend the Legislature enact Option 2, in which there is a mix of appointed and elected Council members serving staggered terms. This recommendation is based on several factors, including the increased accountability, credibility, and stability this governance change could bring, along with the political feasibility of such a change being made. An added benefit is the possibility of being able to reduce the number of transit entities in the region, which is further discussed below.

OTHER GOVERNANCE RECOMMENDATIONS

Changing the governance structure of the Met Council alone will not solve all of the region's transit governance challenges.

Changing the governance structure of the Met Council, as outlined above, is the first step in improving the governance of transit in the Twin Cities region. Changing the structure of the Council alone, however, will not resolve the fragmentation of the existing system or solve all of the governance challenges we identified earlier in this chapter. Once changes to the Council's structure are made, and depending on what those changes are, additional changes to the transit governance structure should be considered.

In addition to the structure of the Met Council, we evaluated the structure of other aspects of transit in the Twin Cities region. We considered a number of other changes, including separating Metro Transit and the Met Council, eliminating the Counties Transit Improvement Board or merging it with another

Table 2.7: Comparison of Metropolitan Council Governance Options

	Status Quo	Option 1 (Staggered Terms and Appointed Members)	Option 2 (Staggered Terms and Appointed and Elected Members)	Option 3 (County Commissioners as Members)	Option 4 (Members Directly Elected)
Provides accountability			○	⊘	●
Encourages consensus building		⊘	●	●	●
Provides structural credibility		○	⊘	⊘	⊘
Promotes effectiveness			○	●	⊘
Provides stability		○	⊘	⊘	○
Provides ability to develop own strategic vision		⊘	⊘	●	●
Reduces number of transit entities			○	●	⊘
Facilitates coordination across transit entities			○	●	⊘
Is politically feasible	●	●	⊘	○	
Promotes consideration of regional perspective	●	●	⊘	○	
Promotes consideration of local perspective			⊘	●	●

NOTES: ● indicates that the option has a strong likelihood of leading to the effective governance outcome; ⊘ indicates that the option has a moderate likelihood of leading to the effective governance outcome; ○ indicates that the option has a slight likelihood of leading to the effective governance outcome. A blank indicates that the option will not lead to the desired outcome.

SOURCE: Office of the Legislative Auditor.

entity, eliminating the Transportation Advisory Board or merging it with another entity, and eliminating or consolidating the suburban transit providers.

If we were designing the region's transit governance structure from scratch, we likely would not create the current structure. Nevertheless, we found that there is not sufficient evidence to make changes throughout the existing transit governance structure until the accountability and credibility related to the structure of the Met Council are addressed. Several of the changes to the governance structure we considered are discussed below.

The Metropolitan Council and Metro Transit

Many transit stakeholders with whom we met expressed concern about the Met Council having a conflict of interest. Because Metro Transit is a division within the Council, some stakeholders claimed, the Met Council is biased in Metro Transit's favor when it allocates regional transit funding or otherwise makes regional transit decisions. Several respondents to our survey of city officials and administrators, all from communities served by suburban transit providers, also commented on the conflict of interest posed by the co-location of the Met Council and Metro Transit. We could not substantiate these claims. We considered recommending that Metro Transit be separated from the Met Council and ultimately determined that:

RECOMMENDATION

Separating Metro Transit and the Metropolitan Council would provide some benefits but would also likely present drawbacks. Given the current structure, Metro Transit and the Council should not be separated.

Separating Metro Transit from the Met Council would eliminate the possibility of a conflict of interest between the two organizations. It would allow the Council to focus on planning for the region and Metro Transit to focus on operations. Other regions, including San Diego and Portland, are structured this way.

However, there are benefits to having the transit planning entity (Met Council) familiar with the operating opportunities and challenges in the region (experienced by Metro Transit). Additionally, having the two entities in one organization facilitates coordination, especially regarding routes contracted out by the Met Council through its Metropolitan Transportation Services division.

Pulling Metro Transit out of the Met Council would further add to the complexity of the system—there would be yet another transit organization in the region with which to coordinate, and some of the existing coordination between the Met Council's planning division and Metro Transit's operations would be lost. Finally, if Metro Transit were separated from the Met Council, Metro Transit would either need to establish its own governing board; merge into an existing organization, such as MnDOT; or reside in a new statewide transit agency. None of these options are without their challenges. For example, if Metro Transit established its own board, the issue of governance structure and composition—who would be elected or appointed to serve on the Metro Transit board—would again be an issue.

The Council has made strides towards increasing the transparency of its policies and procedures. The procedures for regional providers (discussed in Chapter 3) and the transitway guidelines (discussed in Chapter 4) have the potential to reduce concerns about a possible conflict of interest.

Counties Transit Improvement Board

RECOMMENDATION

Given the current structure of the Metropolitan Council and the taxing authority of the Counties Transit Improvement Board (CTIB), CTIB should not be eliminated.

As detailed in Chapter 1, the Counties Transit Improvement Board was authorized to provide a reliable funding source to develop transitways in the Twin Cities region. Currently, the CTIB member counties levy a one-quarter cent sales tax that is dedicated to transit purposes. As long as the CTIB counties are responsible for levying this tax, we think it makes sense for CTIB to have control over how these funds are spent. If the funding mechanism changes—for example, if the Legislature levies the transit sales tax directly or requires the Met Council to do so—we would suggest eliminating CTIB.

Ideally, the Twin Cities region would not have multiple entities developing transitways or communicating different transit visions. Under the current structure, both the Met Council and CTIB are, to some extent, developing and promoting different transit visions for the region. This is unlikely to yield the best result for the region. Nevertheless, unless the Met Council governance structure is changed to include county commissioners, or the taxing authority is removed from the Counties Transit Improvement Board, we did not find sufficient evidence to recommend disbanding CTIB. In the meantime, we encourage CTIB and the Council to work together to further a regional transit vision, as discussed in more detail in Chapter 4.

Transportation Advisory Board

RECOMMENDATION

Given federal requirements and the current structure of the Metropolitan Council, the Transportation Advisory Board should not be eliminated.

As discussed in this chapter and Chapter 1, federal law requires the region's Metropolitan Planning Organization to include local elected officials. Because state law identifies the Met Council as the region's planning organization, the Transportation Advisory Board fulfills the federal requirement for elected official representation. Additionally, the Transportation Advisory Board provides an opportunity for local transit perspectives to be considered.

If the governance of the Met Council changes to have elected officials as members (as suggested in Options 2, 3, and 4 presented above), we think the

Legislature should consider eliminating the Transportation Advisory Board and having the Council assume its responsibilities.[11]

Suburban Transit Providers

As discussed in more detail in Chapter 3, the suburban transit providers were created to address a need for more transit services in certain suburban areas. Almost 30 years later, six suburban transit providers offer a range of bus services in 12 communities. These providers have evolved from relatively autonomous entities providing transit service in their communities to service providers that must fit into an increasingly complex regional transit system. The amount of effort required to coordinate between the Met Council and the suburban providers, and the potential for duplication, caused us to consider recommending that the suburban transit providers be eliminated. However, we ultimately concluded that:

RECOMMENDATION

The suburban transit providers should not be eliminated, although there are opportunities for consolidation.

The suburban transit providers add to the complexity of transit in the region and, as discussed in Chapter 3, contribute to system inefficiencies. For the most part, however, they have established themselves as a productive piece of the regional transit system. As discussed in detail in Chapter 3, the suburban transit providers have developed close relationships with the communities they serve. The largest suburban providers have also been able to pilot test new approaches and technology that may help improve transit in the region as a whole. Nevertheless, there is a wide range in the levels of service provided by the suburban providers, and we think there are natural partners for consolidation. Specifically, we recommend that Prior Lake Transit and Shakopee Transit consider consolidating their operations, especially since they already share express bus service. Similarly, we recommend that Maple Grove Transit and Plymouth Metrolink consider consolidating their operations. Consolidating these providers would reduce the number of transit entities in the region and make coordination less burdensome.

Although we do not recommend eliminating the suburban transit providers, we think it is important that the suburban providers work within the regional transit system. Specifically, the suburban providers should comply with the Met Council's regional provider procedures and work collaboratively with the Council to improve the transit system in the region.

[11] As noted previously, the Council would need to include officials of public agencies that administer or operate major modes of transportation in the region in the decisions it makes as the region's Metropolitan Planning Organization. See *23 U.S. Code* 134(d)(2).

3 Bus Transit

Of the several types of transit operating in the Twin Cities region, regular-route bus service provides more rides than any other mode in the region—almost 88 percent in 2009. In this chapter, we first provide an overview of regular-route bus transit in the Twin Cities region and the providers of this service. Next, we discuss the services and innovations offered by bus providers and their relationships with the communities they serve. We then examine the need for coordination among regional bus providers, the Met Council's oversight role, and funding for bus service in the region. The chapter concludes with a discussion of the challenges of having numerous bus providers in the region and recommendations for improvement.

BUS SERVICE OVERVIEW

As discussed in Chapter 1, many types of bus service are offered in the Twin Cities region, including regular-route and dial-a-ride. In evaluating bus service, we focused on regular-route bus service—service that follows a fixed schedule along a specific route—and excluded dial-a-ride. Regular-route bus service has three categories: urban-local, suburban-local, and express.[1]

Regular-route bus service follows a fixed schedule along a specific route.

Regular-route buses pick up and drop off passengers at a variety of locations, including bus stops and park-and-ride facilities, where commuters park their automobiles and board transit. Park-and-ride facilities are typically served by express buses that provide service to downtown Minneapolis, downtown St. Paul, or the University of Minnesota. These facilities range from shared-use surface lots (typically at churches or retail centers, where a portion of the parking lot is dedicated to transit users) to transit stations that have multi-level parking ramps and waiting areas in heated and air-conditioned buildings that have televisions and restrooms. In 2009, there were 104 park-and-ride facilities in the Twin Cities region that had a total of more than 25,000 available parking spaces.[2]

We looked at regular-route bus providers in the region and noted that:

- **There are eight providers of regular-route bus service in the Twin Cities region.**

The eight regular-route bus service providers in the Twin Cities region are: Metro Transit, Metropolitan Transportation Services, Maple Grove Transit, the

[1] See Table 1.1 for a description of these services.

[2] This does not include park-and-ride facilities at rail stations or those provided by the city of Ramsey or the Northstar Corridor Development Authority.

Minnesota Valley Transit Authority (MVTA), Plymouth Metrolink, Prior Lake Transit, Shakopee Transit, and SouthWest Transit.[3]

Metro Transit is the largest transit provider in the Twin Cities region.

Metro Transit is the largest of two transit divisions within the Met Council, and it is the largest transit provider in the Twin Cities region. In addition to bus, Metro Transit also operates light rail and commuter rail, which are discussed in Chapter 4. Metropolitan Transportation Services, the other transit division within the Met Council, contracts with private bus companies to operate routes that Metro Transit cannot operate cost effectively.[4]

As described in Chapter 1, some suburban communities have "opted out" of Metro Transit service and provide their own transit services. In 1981, the Legislature established the "Metropolitan Transit Service Demonstration Program," which allowed certain communities that were not receiving adequate transit services to "opt out" of the regional regular-route transit service provided by the Metropolitan Transit Commission.[5] In 1984, the Legislature made the demonstration program permanent.[6] The 1987 Legislature prohibited additional communities from opting out of regional transit service.[7] The Legislature moved responsibility for the program to the Met Council in 1994, the year the Council was given operating responsibility for transit and wastewater services.[8]

As shown in Figure 3.1, the 12 cities that opted out of Metro Transit service are located in the south and west suburbs in the Twin Cities region and are served by six suburban transit providers.[9] The suburban transit providers provided 4.6 million, or 6.5 percent, of the region's 71.2 million bus rides in 2009.

Twelve suburban communities have opted out of Metro Transit service and provide their own bus services.

There are two types of suburban transit providers in the Twin Cities region: (1) city-run suburban transit providers, in which cities provide their own transit services, and (2) suburban transit providers that serve multiple cities and are formed by a joint-powers agreement. Maple Grove Transit, Plymouth Metrolink, Prior Lake Transit, and Shakopee Transit are city-run suburban transit providers; MVTA and SouthWest Transit are formed by joint-powers agreements. As shown in Table 3.1, the suburban transit providers formed by joint-powers agreements serve larger populations than the smaller city-run providers.

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[3] This excludes regular-route bus services provided by the University of Minnesota, the city of Ramsey, and the Northstar Corridor Development Authority.

[4] Metropolitan Transportation Services also administers other transit services in the region that were not included in this evaluation, such as dial-a-ride and vanpool.

[5] The 1981 law stated that any statutory or home-rule charter city or town or combination thereof that wanted to opt out must meet all three of the following conditions: (1) be located within the metropolitan transit taxing district, (2) not be served by the Metropolitan Transit Commission or be served only with bus routes that end or begin within the municipality, and (3) have fewer than four scheduled runs of bus service provided by the Metropolitan Transit Commission during nonpeak hours. See *Laws of Minnesota* 1981, chapter 363, sec. 44.

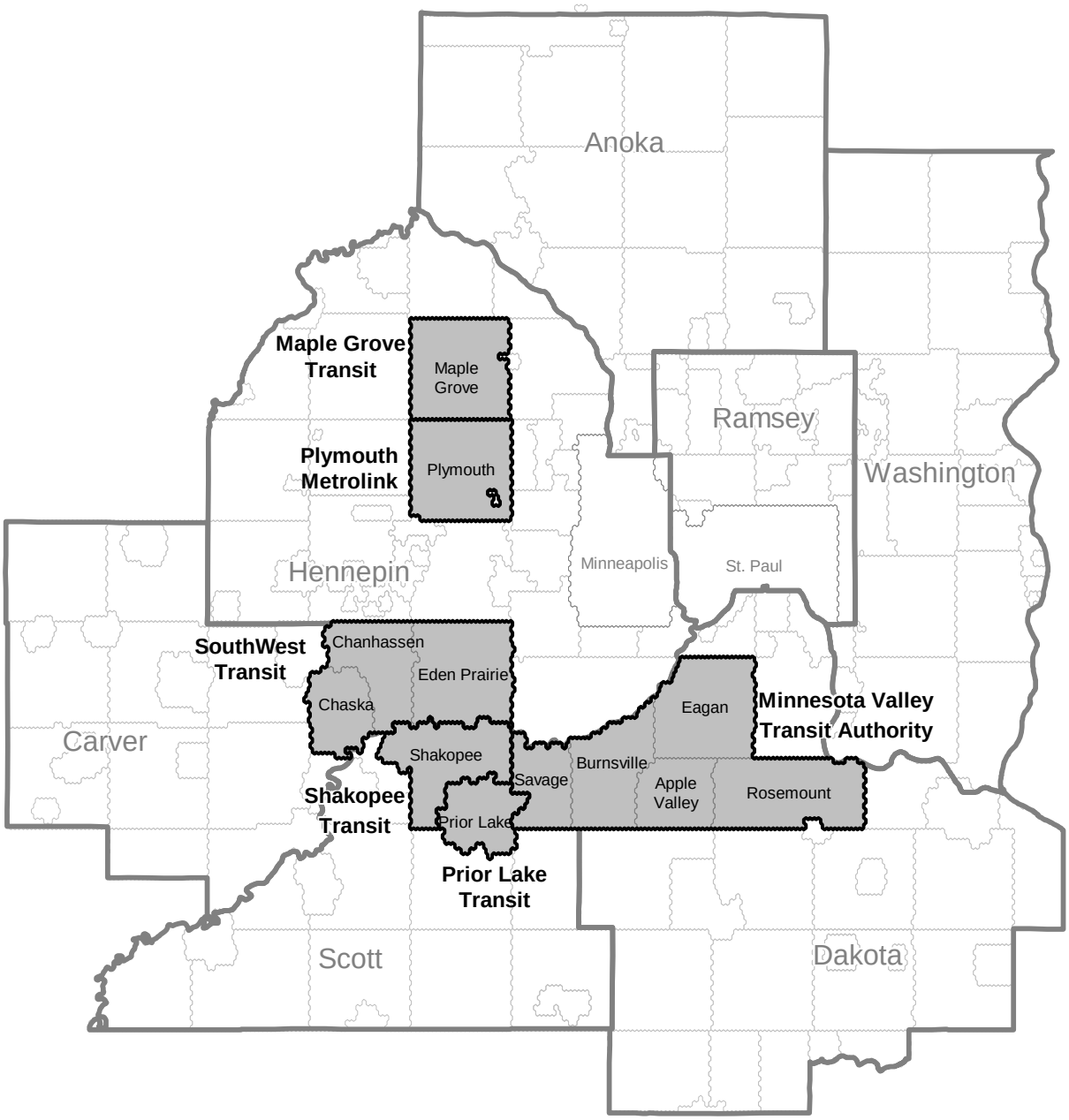
[6] *Laws of Minnesota* 1984, chapter 654, art. 3, sec. 123.

[7] *Laws of Minnesota* 1987, chapter 278, sec. 16.

[8] The Minnesota Department of Transportation oversaw the program between 1982 and 1984, after which the Metropolitan Transit Commission had responsibility for the program until 1994.

[9] Metropolitan Transportation Services provides Metro Mobility service in the opt-out communities.

Figure 3.1: Service Areas of the Suburban Transit Providers, 2010



SOURCES: Metropolitan Council and Minnesota Department of Revenue.

Six suburban transit providers serve the 12 communities that have opted out of Metro Transit service.

Table 3.1: Suburban Transit Providers in the Twin Cities Region and Cities Served

	Cities Served	Population of Cities Served, 2009
City-Run Suburban Transit Providers		
Maple Grove Transit	Maple Grove	62,660
Plymouth Metrolink	Plymouth	71,930
Prior Lake Transit	Prior Lake	23,335
Shakopee Transit	Shakopee	34,691
Suburban Transit Providers Formed by a Joint-Powers Agreement		
Minnesota Valley Transit Authority	Apple Valley, Burnsville, Eagan, Rosemount, and Savage	225,439
SouthWest Transit	Chanhassen, Chaska, and Eden Prairie	110,342
Total		528,397

NOTE: The city of Minnetonka opted out of Metro Transit bus service in 2002 but entered into an agreement to have Metro Transit continue providing service in the city.

SOURCE: Office of the Legislative Auditor, analysis of data from the U.S. Census Bureau.

The city of Minnetonka opted out of Metro Transit service in 2002 through special legislation.[10] Although it opted out, Minnetonka entered into an agreement to have Metro Transit continue providing transit service in the city. As an opt-out community, the city has the option to end its agreement with Metro Transit and provide its own service or receive service from an existing suburban transit provider.[11] Minnetonka is currently conducting an evaluation to assess its transit options.

SERVICES AND PROVIDERS

In this section, we describe the regular-route bus service available in the Twin Cities region and the service levels and governance structures of the providers. We then evaluate providers' relationships with the communities they serve and conclude with a discussion of several of the innovations some providers have implemented in the region.

Overview of Services and Providers

Of the eight transit providers in the Twin Cities region included in our evaluation, we found that:

- **Metro Transit provides the vast majority of bus service in the Twin Cities region.**

[10] *Laws of Minnesota* 2000, chapter 493, sec. 21.

[11] Minnetonka shares borders with areas served by Plymouth Metrolink and SouthWest Transit.

Metro Transit provided more than 90 percent of the region's bus rides in 2009.

Table 3.2 shows that Metro Transit provided more than 64 million bus rides in 2009—more than 90 percent of the region's bus rides that year. The majority of Metro Transit bus rides are provided in Minneapolis and St. Paul, but Metro Transit also provides service to many suburbs, such as Stillwater, Blaine, and Mound. As previously stated, Metropolitan Transportation Services contracts with private operators for routes that are not cost-effective for Metro Transit to operate. As Table 3.2 shows, the majority of these routes were suburban-local routes; Metropolitan Transportation Services provided more than 2.4 million rides in 2009.

Metro Transit directly employs its operations staff, including drivers, maintenance staff, and transit police. It had a fleet of 910 buses in 2009 and its facilities include five service garages, administrative buildings that house the Transit Control Center and Transit Information Center, and its own police department.[12]

Table 3.2: Select Bus Operating Statistics for the Twin Cities Region, 2009

	Bus Ridership (thousands)	Percentage of Total Bus Riders	Fleet Size	Urban-Local Bus Routes	Suburban-Local Bus Routes	Express Bus Routes	Park-and-Ride Facilities[a]
Metropolitan Council Transit Providers							
Metro Transit[b]	64,142	90.1%	910	57	5.5	55.5	73
Metropolitan Transportation Services[b]	2,436	3.4	98	4	23.5	7.5	2
City-Run Suburban Transit Providers							
Maple Grove Transit	729	1.0	36	0	3	6	5
Plymouth Metrolink	406	0.6	37	0	7	9	3
Shakopee Transit[c]	116	0.2	10	0	2	0.5	1
Prior Lake Transit[c]	50	<0.1	4	0	1	0.5	1
Suburban Transit Providers Formed by a Joint-Powers Agreement							
Minnesota Valley Transit Authority	2,389	3.4	116	0	12	11	11
SouthWest Transit	951	1.3	60	0	6	14	8
Total	71,217	100.0%	1,271	61	60	104	104

NOTES: This table excludes bus service provided by the University of Minnesota, the city of Ramsey, and the Northstar Corridor Development Authority. Ridership is the number of passenger trips (boardings). Bus ridership and routes do not include special services, such as rides to the Minnesota State Fair. Percentage does not sum to 100 due to rounding.

[a] This table does not include park-and-ride facilities in the Twin Cities region not served by regular-route buses, such as those exclusively served by Northstar commuter rail and Hiawatha light rail transit.

[b] Metro Transit and Metropolitan Transportation Services jointly operate two urban-local, three suburban-local, and one express bus routes. One-half of each of these routes is allocated to each provider. Ridership reflects rides provided by each provider.

[c] Prior Lake and Shakopee jointly operate one express route and two park-and-ride facilities. One-half of the express route and one park-and-ride facility is allocated to each provider. Ridership reflects rides provided by each provider.

SOURCE: Office of the Legislative Auditor, analysis of data from the Metropolitan Council.

[12] These services are discussed later in this chapter.

The suburban transit providers offer services on a much smaller scale than Metro Transit and together provided almost 7 percent of the bus rides in the region in 2009. When we evaluated the services offered by suburban transit providers, we found that:

- **Suburban transit providers vary in the amount of transit services they offer and how they are structured.**

Although the suburban transit providers are often discussed as a unit, their services vary a great deal. As shown in Table 3.2, the suburban transit providers had different ridership levels, numbers of routes offered, and numbers of park-and-ride facilities served in 2009. Ridership levels ranged from MVTA, which provided more than one half of the 4.6 million suburban transit provider rides in 2009, to Prior Lake, which provided only 1 percent of all suburban transit provider rides that year. The table shows that the suburban transit providers formed by joint-powers agreements had higher ridership and offered more routes than the city-run suburban providers. All of the suburban providers offer express service to downtown Minneapolis and all of their express routes serve at least one park-and-ride. Three suburban transit providers—Maple Grove Transit, MVTA, and SouthWest Transit—offer express service to the University of Minnesota, and MVTA has express service to downtown St. Paul.

Suburban transit providers provided about 7 percent of the region's bus rides in 2009.

The structures of suburban transit providers vary. The suburban transit providers formed by joint-powers agreements were established for the sole purpose of providing transit, while transit is only one of many responsibilities for city-run suburban transit providers. Many coordinators of city-run suburban transit providers have responsibilities in addition to transit, such as solid waste management or building permitting. Five of the suburban transit providers contract for all operations, including drivers, maintenance, and dispatching. In contrast, SouthWest Transit contracts only for drivers and provides all other services itself. Five suburban transit providers contract with private companies; Maple Grove Transit contracts all of its express bus service with Metro Transit. The two suburban transit providers formed by joint-powers agreements (MVTA and SouthWest Transit) have their own vehicle maintenance and storage facilities, while the city-run suburban transit providers rely on their contractors for these functions.

The extent to which the city-run suburban transit providers collaborate with each other also varies. Prior Lake Transit and Shakopee Transit have partnered to jointly operate an express bus route to downtown Minneapolis since 2007. Each provider maintains separate contracts with the same operator for express service and has buses that are clearly identified as Prior Lake Transit or Shakopee Transit vehicles, but both providers offer the same express route to downtown Minneapolis. In addition, each provider maintains its own local regular-route service. In contrast, Maple Grove Transit and Plymouth Metrolink, which also serve areas that share a border, provide separate services.

Responsiveness to Local Communities

Met Council, Metro Transit, and suburban transit provider staff told us that suburban providers' governance structures enable them to have close ties to their communities and quickly respond to transit needs in their service areas. When we looked at bus providers' relationships with local communities, we found that:

- **The suburban transit providers and Metro Transit have different governance structures, which impacts how service decisions are made and how they receive input from their riders and the communities they serve.**

All of the suburban transit providers are governed by a body that consists partly or wholly of local elected officials. The city-run suburban transit providers are governed by their respective city councils. In addition, all four of the city-run suburban transit providers have transit advisory boards that help identify their communities' transit needs. Maple Grove, Plymouth, and Shakopee have advisory boards composed of riders and city residents, and Prior Lake and Shakopee share a combined Transit Review Board that is made up of elected officials from Scott County, Prior Lake, Shakopee, and other cities in the county.

All suburban transit providers are governed by organizations that consist at least partly of local elected officials.

The suburban transit providers established by joint-powers agreements are governed by boards made up of elected officials and other representatives from the communities they serve. For example, the MVTA Board consists of eight members—one from each city of the joint powers agreement (five), one from each county served (Dakota and Scott), and one at-large representative. The SouthWest Transit Commission has seven members—two from each city served by SouthWest Transit (one of which must be an elected official) and one rider representative. SouthWest Transit also has a Rider Advisory Committee made up of riders, which provides input to the Commission.

Staff from all of the suburban transit providers said that their governance structures create close communications with the communities they serve and enable local communities to regularly provide direction, insight, and feedback on transit services. For example, after receiving complaints from customers about loud and distracting cell phone calls on its buses and at the suggestion of its rider committee, SouthWest Transit instituted a "Quiet Zone" approach that limits cell phone use on its express routes. In addition, staff from all six of the suburban transit providers, Metropolitan Transportation Services, and Metro Transit told us that the suburban providers' smaller size and close ties to the cities they serve allow them to respond to communities' transit needs more quickly than Metro Transit.

Unlike the suburban transit providers, Metro Transit—as a division of the Met Council—is not governed by elected representatives from the communities it serves. However, customers can comment on Metro Transit services through its Web site or customer relations department. In addition, Metro Transit conducts "sector studies," which examine the transit needs of communities in various

portions, or "sectors," of the Metro Transit service area.[13] These studies help Metro Transit redesign services in the sectors as needed. Metro Transit staff told us that the agency has done outreach to local communities as part of these studies, and they hope to eventually conduct outreach in every city in Metro Transit's service area.

Innovation

Minnesota statutes encourage the use of technology to improve the transit system's performance and productivity.[14] When we looked at transit innovations in the region, we found that:

- **The largest transit providers in the Twin Cities region have introduced numerous transit-related innovations to the region.**

Innovations introduced into the region by Metro Transit include the Go-To fare card and Automatic Vehicle Locator technology.

Metro Transit has introduced many innovations that have impacted the entire Twin Cities region. For example, it implemented the Go-To Card, which enables customers throughout the region to store fares on a plastic smartcard that can be recharged over the phone or through Metro Transit's Web site and has resulted in faster boarding times. Metro Transit also introduced Automatic Vehicle Locator technology to the region, which provides real-time information on vehicle location using global positioning systems. Metro Transit staff said that the implementation of the technology has improved the agency's ability to manage routes, respond to customer comments, plan routes, and conduct system analysis. Metro Transit's Automatic Vehicle Locator system has since expanded to almost all providers in the region, including five of the suburban transit providers.[15] In addition, Metro Transit implemented the regional trip planner, which riders can access over the phone or through Metro Transit's Web site to plan their trip regardless of provider.

SouthWest Transit has utilized transit-oriented development in two of its park-and-ride facilities.[16] SouthWest Transit has partnered with private developers to develop housing and businesses at park-and-rides and adjacent properties. Transit-oriented development has generated additional revenue for SouthWest Transit to offset capital expenses and ongoing facility maintenance costs.[17]

MVTA has introduced new technologies into the region, such as a "driver-assist" system, which provides real-time feedback to bus drivers using bus-only shoulder lanes. MVTA also has a simulator to train drivers how to use the technology—it is the first simulator of its kind to be deployed in the country.

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[13] These sectors are typically larger than the areas served by suburban transit providers.

[14] *Minnesota Statutes* 2010, 174.01, subd. 2.

[15] MVTA decided to not utilize the Automatic Vehicle Locator technology used by Metro Transit.

[16] The Federal Transit Administration defines transit-oriented development as compact, mixed-use development that is within walking distance of public transportation.

[17] Metro Transit also serves transit-oriented developments in a number of areas throughout the region. Local governments generally lead transit-oriented development projects in areas served by Metro Transit.

COORDINATION

Minnesota statutes encourage cooperation among providers "to assure the most efficient and coordinated use of existing and planned services."[18] With eight bus providers in the region, it is not surprising that we found that:

- **Coordination of transit providers is important because all regular-route bus providers (1) operate routes that begin or end in many of the same areas, (2) share technology, and (3) access regional services such as the transit police.**

We also found that:

- **For the most part, the suburban transit providers and Metro Transit have successfully coordinated bus service.**

All of the suburban providers offer routes that begin or terminate in areas served by other providers, such as downtown Minneapolis and the Mall of America. For example, each suburban transit provider has express routes that begin and end along Marquette and Second Avenues in downtown Minneapolis, which is in Metro Transit's service area. Providers must coordinate with each other so that bus layover facilities and bus stops in these shared areas are not overloaded at any one time. After the city of Minneapolis reconstructed Marquette and Second Avenues in 2009, Metro Transit and the suburban providers worked together to develop standard operating procedures that maximize coordination in the shared service area. Some suburban transit providers also offer service to downtown St. Paul, the University of Minnesota, and the Mall of America, which requires similar coordination with Metro Transit.

Metro Transit administers many services for all regional bus providers, including Metro Transit Police and the Transit Information Center.

In addition to sharing service areas, providers share technologies, most of which are administered by Metro Transit. For example, Metro Transit installed Automatic Vehicle Locator equipment on its fleet in 2002 and expanded the technology to most of the region's providers in 2010. All providers also use the same equipment to accept a variety of prepaid fare passes that customers can use to pay for bus rides. Although the suburban providers rely on Metro Transit for these technologies, all of the providers must work with each other to coordinate installation, repairs, and data sharing and to ensure that implementation is consistent across providers.

Metro Transit administers many other services for all regional providers. For example, it operates the Transit Information Center, which is the repository of all bus and rail schedules in the region. Customers can contact the Transit Information Center to receive personalized trip-planning services and other transit information, regardless of provider. In addition, Metro Transit's Transit Control Center monitors bus operations and coordinates the transit police who work with the suburban transit providers in the event of a mechanical breakdown

[18] *Minnesota Statutes* 2010, 473.371, subd. 2(c).

or an emergency situation.[19] Metro Transit Police respond to all transit situations regardless of provider.

Metro Transit also provides technical assistance to the suburban transit providers. For example, Metro Transit staff told us that they repair fare-collection devices as needed, assist with analyzing Automatic Vehicle Locator data, and help suburban providers comply with federal grant requirements. Staff from both Metro Transit and the suburban transit providers reported that they generally worked well together.[20]

MET COUNCIL'S OVERSIGHT ROLE

In addition to administering shared technologies and other services through Metro Transit, the Met Council has other oversight responsibilities for bus service in the Twin Cities region. We found that:

- **The Metropolitan Council has substantial oversight responsibilities for bus service in the Twin Cities region due to its Metropolitan Planning Organization designation and as the recipient of federal and state transit funds in the region.**

The Met Council has an important oversight role for all bus service in the region.

As discussed in Chapter 1, state statutes identify the Met Council as the region's Metropolitan Planning Organization. The Met Council is also the designated recipient of federal and state transit funds for the Twin Cities region. Further, the Met Council distributes Motor Vehicle Sales Tax funding for transit operations to regional providers and also allocates some capital revenue. As the agent for federal and state funds, the Council must ensure these funds are administered and used properly throughout the region.

All of the suburban transit providers agreed that, as the regional transit planner and recipient of federal and state transit funds, the Met Council should provide some oversight of regional transit providers. The Council exercises this oversight in a number of ways, specifically through maintaining contracts and agreements with the regional providers, collecting National Transit Database information from suburban providers, providing matching funds for capital projects, ensuring that providers meet regional standards, and implementing procedures.[21] However, it does not make decisions on where or how frequently suburban transit providers offer services.

A 2009 Federal Transit Administration (FTA) review found that the Met Council did not provide sufficient oversight of all regional transit providers. The FTA

[19] The Transit Control Center is also responsible for monitoring Northstar commuter rail. The Hiawatha Light Rail Transit (LRT) Control Center is operated out of an LRT facility.

[20] The relationship between the suburban transit providers and the Met Council, as discussed in Chapter 2, is much more difficult than the relationship between the suburban providers and Metro Transit.

[21] The Met Council's 2030 Transportation Policy Plan identifies two regional performance standards: subsidy per passenger and passengers per in-service hour. These performance standards are used to evaluate the relative productivity and efficiency of individual routes. These and additional performance measures are discussed in more detail in Chapter 5.

conducts a review of the Met Council every three years to assess compliance with federal requirements. One of the findings in the FTA's 2009 triennial review found that the Council "does not conduct adequate oversight of its subrecipients and contractors" and that it "does not have a comprehensive oversight plan to monitor all of the activities of the subrecipients to ensure compliance with applicable federal requirements."[22] The review required the Met Council to develop an oversight and monitoring plan for all of its subrecipients of FTA funds, including the suburban transit providers, in order to address the finding. In response to the FTA triennial review, the Met Council submitted a subrecipient monitoring plan to the FTA in November 2009, which the FTA subsequently accepted.[23]

To improve oversight and consistency across the region's providers, the Met Council established several regional transit procedures in 2010.

In response to the federal audit and to improve consistency across the region, the Metropolitan Council also established five regional transit procedures in 2010: (1) Fleet Management Procedures, (2) Procurement Procedures, (3) Facilities Ownership Procedures, (4) Regional Operating Revenue Allocation Procedures, and (5) Regional Service Improvement Plan Procedures. Table 3.3 provides a description of each of these procedures.

The Met Council developed the procedures over a two-year period beginning in late 2008. A joint committee made up of representatives from the Met Council and the suburban transit providers periodically met over the course of the development process to discuss the procedures. Council staff told us that they developed the regional transit procedures to: (1) establish a clear understanding of roles and responsibilities of the Council, the suburban transit providers, and other providers to ensure compliance with federal and state funding rules and requirements; (2) ensure equity among all regional providers; (3) ensure transparency in Council practices; and (4) avoid misunderstandings, inefficiencies, and delays. Met Council staff also cited the 2009 FTA audit citation as part of their rationale to create these procedures. However, the procedures were not included in the plan the Met Council submitted to the Federal Transit Administration, nor did the FTA require the procedures.

The procedures establish a common approach to various situations. Met Council staff said that some providers had inadvertently been treated inconsistently by the Council because there was not a common understanding among Met Council and suburban transit provider staff of how to handle certain situations and requests. Council staff said they are using the regional transit procedures to create transparency and consistency among providers. For example, the procurement

[22] Suburban transit providers are considered subrecipients. Federal Transit Administration, "FY2009 Triennial Review of the Metropolitan Council, St. Paul, Minnesota" (Chicago: Federal Transit Administration, July 2009), 5.

[23] The Met Council's subrecipient plan had four main components: (1) developing a reference document that identifies and describes the FTA requirements applicable to subrecipients; (2) developing a comprehensive training plan for all subrecipients; (3) conducting ongoing monitoring of subrecipient activity at least once every three years; and (4) requiring each subrecipient to sign a Certification of Federal Compliance that states that they understand their obligations under the federal regulations and that they are not aware of violations of FTA requirements.

Table 3.3: Metropolitan Council Procedures for Regional Transit Providers, 2010

	Description
Fleet Management Procedures	Outline the process to purchase, transfer, and replace vehicles. Include Met Council funding of vehicles, vehicle numbering and graphics, fleet size, and equipment configuration.
Procurement Procedures	Address vehicle procurements using federal funds that are passed through by the Council to regional providers. Include Met Council review responsibilities and procedures for suburban transit provider-led procurements.
Facilities Ownership Procedures	Address facility ownership by suburban transit providers. Outline routine operating and maintenance schedule and long-term maintenance requirements.
Regional Operating Revenue Allocation Procedures	Establish procedures to distribute supplemental Motor Vehicle Sales Tax revenue among regional transit entities in a manner that supports regional transit priorities.[a]
Regional Service Improvement Plan Procedures	Establish procedures to identify all short-term regional opportunities to increase transit services and identify new priorities when funds to increase regional services are available.

[a] "Supplemental Motor Vehicle Sales Tax revenue" is the transit funding made available to the Twin Cities region by a 2006 constitutional amendment.

SOURCE: Metropolitan Council.

procedures outline the process suburban providers must follow when procuring vehicles using FTA funds. The procedures include a compliance checklist for suburban transit providers to use during the procurement process to ensure that they meet federal requirements.

FUNDING

As discussed in Chapter 1, funding for transit in the Twin Cities region comes from several sources. This section provides an overview of two revenue sources related to bus transit: supplemental Motor Vehicle Sales Tax (MVST) revenues, which help fund transit operations, and funds generated through a Met Council property tax, which are used for transit capital purposes.

Supplemental Motor Vehicle Sales Tax (MVST)

Prior to 2001, cities that opted out of Metro Transit bus service received 90 percent of their locally generated property tax transit revenue to fund transit services in their communities. As discussed in Chapter 1, the funding mechanism for transit in the Twin Cities region changed in 2001 from property taxes to a portion of MVST revenue. Minnesota statutes now set forth a formula for allocating a guaranteed amount of MVST (referred to as "base MVST") to

communities that have opted out of Metro Transit service. This formula establishes a minimum amount for each opt-out city and is calculated using the municipality's 2001 property tax revenue, its 2006 taxable market value, and state revenues generated from MVST for the current fiscal year.[24]

In 2006, Minnesota voters approved a constitutional amendment to dedicate all of the MVST revenue to highway and transit purposes. When we looked at the constitutional amendment and related statutory language, we found that:

- **Minnesota law does not state how additional Motor Vehicle Sales Tax transit funding approved through a 2006 constitutional amendment should be allocated among regional transit providers.**

As discussed in Chapter 1, prior to 2008, 21.5 percent of MVST revenue was allocated to transit in the Twin Cities region. The constitutional amendment approved in 2006 increased the amount of MVST revenue allocated to transit. The phase-in for dedicating the revenues to transit began in fiscal year 2008 and is scheduled to be completed in fiscal year 2012. By 2012, 36 percent of MVST revenues will be allocated to transit in the Twin Cities region.

The difference between the 21.5 percent of MVST revenues allocated to the region in 2008 and the 36 percent of MVST revenues allocated in 2012 is referred to as "supplemental" MVST revenue. The law does not outline how the supplemental MVST funds allocated to the region should be distributed within the metropolitan area. Instead, the law states that this MVST revenue should be deposited in the "metropolitan area transit account," which is annually appropriated to the Met Council for funding transit within the Twin Cities region.[25]

Transit Taxing District

The Met Council levies a property tax for transit capital purposes on municipalities in the transit taxing district, a subregion of the Twin Cities region.

Minnesota state law authorizes the Met Council to levy a property tax for transit capital purposes on municipalities in the "transit taxing district," a subset of municipalities within the Met Council's jurisdiction.[26] Figure 3.2 shows a map of the seven-county Twin Cities metropolitan area and the transit taxing district. As illustrated in the map, many municipalities are located within the seven-county Twin Cities region and are not in the transit taxing district.

By law, the Met Council is not required to provide service outside of the transit taxing district boundaries "unless or until payment is therefor received."[27] But, the law permits the Council to provide transit services outside of the taxing district at its discretion. We found that:

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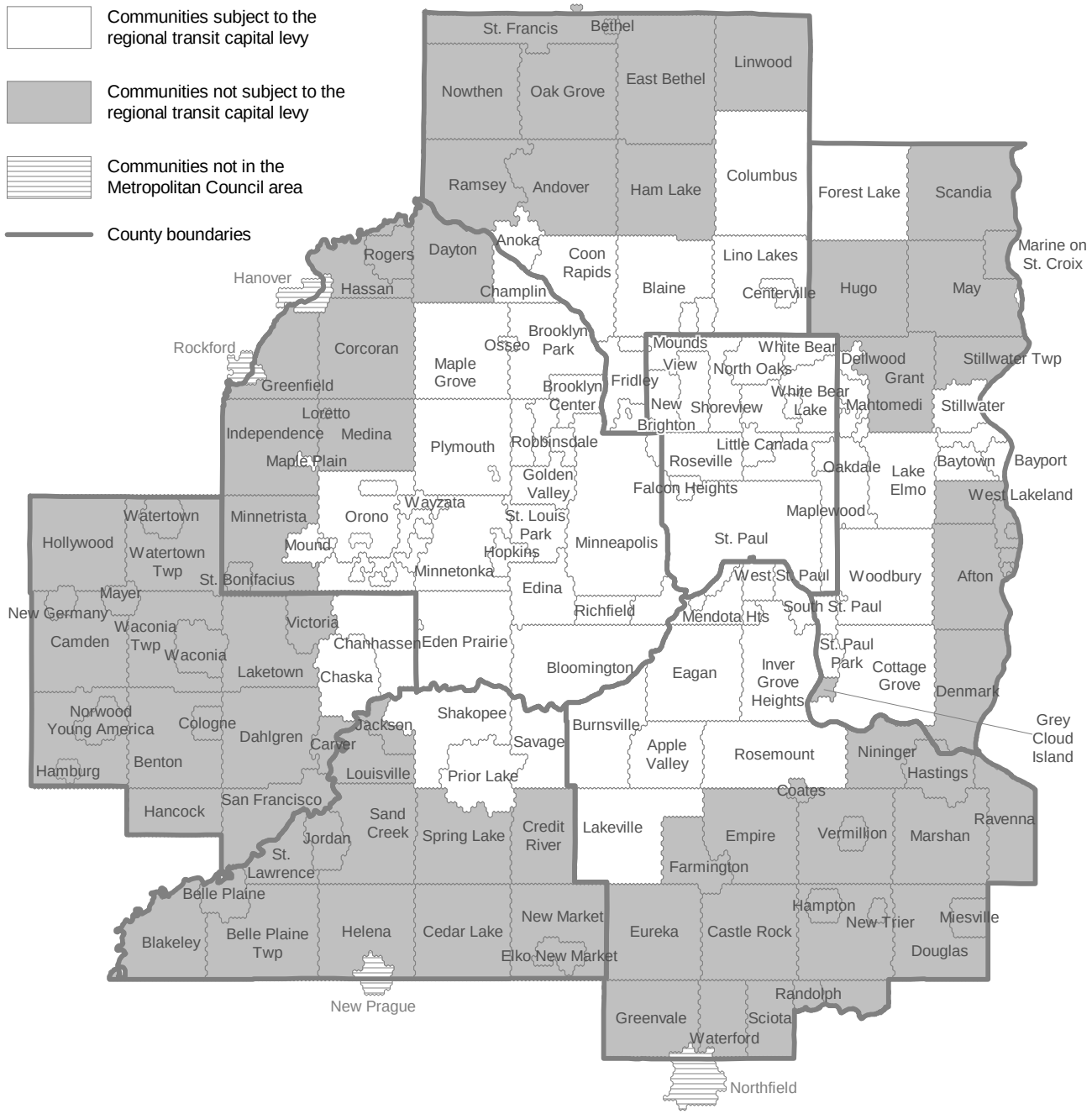
[24] *Minnesota Statutes* 2010, 473.388, subd. 4.

[25] *Minnesota Statutes* 2010, 297B.09, subd. 1(f), and 16A.88, subd. 2.

[26] *Minnesota Statutes* 2010, 473.446, subd. 2. Prior to 2002, the revenue raised through the regional transit tax could be used for capital and operating purposes.

[27] *Ibid.*

Figure 3.2: Communities in the Twin Cities Metropolitan Region Subject to the Regional Transit Capital Levy, 2011



NOTES: All municipalities and townships are outlined, though not all are labeled. The figure illustrates the seven-county Twin Cities metropolitan area, the communities that are in the transit taxing district, the four communities that have agreed to the regional transit capital levy as part of a service agreement with the Metropolitan Council, and the four communities in the seven-county area that are not in the Metropolitan Council's jurisdiction.

SOURCES: Metropolitan Council and Minnesota Department of Revenue.

- **Although the transit taxing district does not include the entire Twin Cities seven-county metropolitan area, Metropolitan Council transit services are offered throughout the whole region.**

Regular-route bus service is not provided outside of the transit taxing district, nor is it provided in every municipality within the taxing district. However, the Met Council provides dial-a-ride service throughout the Twin Cities region, regardless of whether a municipality is in the taxing district. Dial-a-ride service in the Twin Cities area is specifically intended to serve any rider who needs to travel within the region where regular-route transit service is not available.

Some residents who do not pay the transit tax use regional transit services.

Additionally, residents from throughout the seven-county region and beyond use the park-and-ride facilities that have been built using regional transit tax revenues. In its 2008 annual park-and-ride study, the Met Council found that 14 percent of the users of regional park-and-ride facilities reside within the seven-county metropolitan area but outside of the transit taxing district. An additional 8.5 percent of users live in the counties surrounding the seven-county metropolitan area.[28]

In 2001, the Legislature limited the Met Council's use of the transit taxing district revenue to capital purposes only.[29] As a result, the funds raised in the transit taxing district through the "transit capital levy" are now used for purposes such as building and preserving park-and-ride facilities, purchasing vehicles, and erecting bus shelters. Met Council staff told us that the transit capital levy is largely used for capital maintenance purposes. In 2009, the Council's levy rate ranged from 1.203 percent in Scott County to 1.278 percent in Anoka County. In that year, the Council raised $39.4 million through the regional transit capital tax. Under current law, the Council must annually request authorization to levy this tax.

CHALLENGES

The first part of this chapter provided an overview of the bus service, providers, oversight, and funding in the Twin Cities region. In this section, we focus on the challenges facing the bus transit system in the region.

As previously discussed, coordination among regional bus providers in the Twin Cities region is important. However, this coordination has not been easy and, in general, we found that:

- **Conflict between the suburban transit providers' desire for autonomy and the Metropolitan Council's role as the regional planner has led to tension between the suburban providers and the Council.**

As a result of increased complexity and coordination among bus transit providers, the suburban providers are no longer able to exercise the type of

[28] Metropolitan Council, *2030 Park-and-Ride Plan* (St. Paul, 2010), 1.

[29] *Laws of Minnesota* First Special Session 2001, chapter 5, art. 3, sec. 72.

autonomy they had when they were created nearly 30 years ago. For example, the development of transitways that cross provider boundaries requires increased coordination between the Met Council and suburban transit providers to make transitway decisions.[30] Nevertheless, suburban transit providers want to retain as much autonomy as possible in providing bus service in their communities. At the same time, the Council has regional oversight responsibilities it must fulfill.

Increased complexity of the region's transit systems has heightened the tension between the Met Council and the suburban transit providers.

Tension between the suburban transit providers and the Met Council was evident in interviews we had with staff and in meetings and correspondence between the Met Council and suburban providers. Recent newspaper articles and reports in other local media have also demonstrated distrust and frustration between these groups. In this section we discuss in more detail the tension between the Council's oversight role and the suburban transit providers' desire for autonomy. We first discuss the inefficiencies created by having multiple bus providers in the region. We then describe the difficulties of coordinating among so many providers and the tension related to the Met Council's regional transit procedures. The section concludes with a discussion of the funding challenges in the region.

Inefficient Bus System

When we looked at the complex nature of the transit system in the region, we found that:

- **Having multiple bus providers in the Twin Cities region creates inefficiencies that would not otherwise exist.**

Having numerous bus providers in the region has resulted in inefficiencies, some the result of administrative overlap and others due to the loss of economies of scale given the smaller size of suburban transit provider systems. For example, having multiple transit providers results in a higher number of "spare" vehicles in the region (spare vehicles are the vehicles not in use during peak service). The Federal Transit Administration allows a maximum "spare factor" of 20 percent for providers with fleets greater than 50 vehicles, which applies to Metro Transit, MVTA, and SouthWest Transit.[31] In 2008, MVTA and SouthWest Transit had spare factors of more than 20 percent; Metro Transit, in contrast, had a spare factor of 18 percent, which was possible to maintain because of Metro Transit's large fleet size.[32] As a result of each provider having its own fleet (and therefore its own spare vehicles), the regional fleet is larger than it would be if there were only one provider for the entire region.

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[30] "Transitways" are corridors where transit has a dedicated running way or other transit advantage. Transitways are discussed in greater detail in Chapter 4. Examples of transitways that cross provider boundaries are the Cedar Avenue transitway, which travels through areas served by Metro Transit and MVTA, and the Southwest Corridor, which travels through areas served by Metro Transit and SouthWest Transit.

[31] A provider's "spare factor" is calculated by dividing the number of spare vehicles by the vehicles required for peak service. For example, a provider with 120 total vehicles that requires 100 vehicles for peak service has 20 spare vehicles and a spare factor of 20 percent.

[32] Since 2008, MVTA and SouthWest Transit have lowered their spare factors closer to the 20-percent maximum level allowed by the Federal Transit Administration.

There are several inefficiencies associated with having multiple bus providers in the region.

Other examples of inefficiencies include the costs associated with repainting vehicles when they transfer from one provider to another and numerous negotiated agreements between the Met Council and suburban transit providers. In addition, each provider maintains its own operating reserve funds and conducts customer satisfaction surveys.[33] Each suburban provider and Metropolitan Transportation Services also administer contracts for bus operations.

Problems with Coordination

Despite successful coordination between Metro Transit and the suburban transit providers, we found that:

- **Coordination between the suburban transit providers and the Metropolitan Council is difficult and time consuming.**

As previously discussed, the suburban providers offer varying levels of service to their communities. Suburban transit providers' different service levels correspond, to some extent, with their levels of expertise and the amount to which they rely on the Met Council for assistance. In general, staff from the city-run suburban transit providers, most of whom have responsibilities outside of transit, told us that they rely on the Council for ongoing support with data gathering and management, interpreting federal requirements, and providing technical assistance. The four city-run providers also rely on the Met Council for vehicle procurement. In contrast, staff from MVTA and SouthWest Transit said that they function more independently, although they still work with the Council on some issues, such as capital funding requests and data reporting. Both of the suburban transit providers formed by joint-powers agreements have initiated their own bus purchases.

Staff from the Met Council and suburban transit providers agree that coordination is difficult.

In addition to trying to coordinate with providers with differing levels of needs and expertise, Met Council staff reported that they have difficulty getting consensus from all six suburban transit providers. Despite representing themselves as one group (through the Suburban Transit Association), suburban transit providers often interact with the Met Council as individual organizations and do not have a uniform position on many issues. Dealing with six suburban providers instead of a single entity creates complexity and consumes a great deal of Council staff time. Similarly, suburban transit provider staff told us that they spend a lot of time attending meetings that may not be relevant to them and responding to Met Council requests.

Met Council staff spend a large amount of time coordinating with and responding to questions from the suburban providers. Council staff told us that they spend a disproportionate amount of time working on suburban transit provider-related issues, given that suburban providers account for only 6 percent of transit ridership in the region.

[33] Prior Lake Transit and Shakopee Transit jointly conduct a customer satisfaction survey for their shared express route.

Tension over Regional Procedures

As noted earlier, the Met Council and suburban transit providers met regularly to discuss the regional transit procedures when they were being developed. While the procedures establish consistent expectations for providers in the region, we found that:

- **The process to establish the regional transit procedures has increased tension between the Metropolitan Council and the suburban transit providers.**

The process of developing the regional transit procedures further eroded the relationship between the Met Council and the suburban transit providers.

Staff from both the Met Council and suburban transit providers told us that developing the regional procedures was a difficult process. Many of the suburban provider staff told us that they did not understand what prompted the creation of the procedures, since they already conduct annual audits and must meet other requirements established in various contracts. Many staff from the suburban transit providers told us that the unclear motives behind the procedures elevated their feelings of mistrust toward the Met Council. In interviews, some suburban transit provider staff told us that they did not trust the Met Council. We also witnessed joint suburban transit provider-Met Council meetings where this mistrust was evident.

In addition, many staff from the suburban transit providers said that the level of Met Council oversight created by the procedures has gone too far, and the Council is "micromanaging" their operations. A number of the suburban provider staff told us they understood the need for regional standards, but they said that the Met Council's procedures are too detailed and do not allow enough flexibility for the suburban providers to exercise their autonomy. In contrast, Met Council staff stated that while the regional transit procedures establish responsibilities for the Council and regional providers, they still allow providers to respond quickly and flexibly to their riders and communities.

Funding Challenges

Funding for bus transit also has challenges. The Met Council and suburban transit providers have disagreed over how supplemental Motor Vehicle Sales Tax revenue should be distributed. Additionally, the transit taxing district law enables municipalities new to the taxing district to negotiate for transit services, an advantage communities already in the taxing district do not have.

Supplemental Motor Vehicle Sales Tax Revenue Challenges

As previously discussed, Minnesota law does not specify how the supplemental MVST funds should be allocated within the Twin Cities region. In the absence of such direction, the Met Council developed a policy to distribute the supplemental MVST funds to providers in the region. We found that:

- **The Metropolitan Council and suburban transit providers have disagreed over how supplemental Motor Vehicle Sales Tax revenue should be allocated in the Twin Cities region.**

The Met Council established a procedure to distribute supplemental MVST among regional providers.

The suburban transit providers wanted a formula-based approach that would provide them with a guaranteed share of these supplemental funds. Instead, the Met Council created a procedure to distribute the additional MVST funds to providers in the Twin Cities region based on regional priorities. The Council's Regional Operating Revenue Allocation Procedures establish the process to distribute supplemental MVST revenue among regional transit providers. The procedures prioritize the use of funds as follows: (1) preserve existing services, (2) ensure adequate fund balances among providers, and (3) expand transit services based on regional priorities.

To preserve existing services, according to the Council's procedures, current transit services must first be funded using revenue from fares, federal and state revenue, base MVST revenue, and other sources. After these funds have been exhausted, services are paid for with excess reserve funds.[34] Finally, if needed, supplemental MVST revenue is used to fund existing services.

Under the Met Council procedures, if supplemental MVST revenue remains after funding existing services, it can be used to bring providers' reserve fund levels to the policy ceiling. If supplemental MVST revenue still remains after bringing all providers' reserve balances to the policy ceiling, it will be used to expand the regional transit system.[35]

Some suburban transit providers have projected operating reserve fund balances greater than 100 percent of their operating expenses in 2011.

The effect of the procedures has been to prevent some suburban transit providers from receiving any supplemental MVST revenue due to high reserve fund balances. The procedures establish a range of reserve fund levels for all transit providers in the region from a minimum of 8.3 percent for Metro Transit to a maximum of 35 percent for suburban transit providers. Transit organizations that maintain reserve funds above these levels are not eligible to receive supplemental MVST revenue. As Table 3.4 shows, the four city-run suburban transit providers had projected operating reserve fund balances greater than 100 percent of their projected operating expenses in 2011. For example, Prior Lake Transit's projected reserve fund balance was more than 140 percent of its projected operating expenses. Because the city-run suburban transit providers had fund balances greater than the 35-percent maximum level established in the procedure, they were not eligible to receive supplemental MVST revenue in 2011.

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[34] The reserve fund levels set forth in the Council's Regional Operating Revenue Allocation Procedures are as follows: Metro Transit must maintain a minimum 8.3-percent operating reserve fund level, Metropolitan Transportation Services must maintain a 10-percent operating reserve fund level, and suburban transit providers must each maintain a 25-percent operating reserve fund level. When funds are available, Metro Transit's reserve funds can increase to 12 percent, Metropolitan Transportation Services' reserve funds can increase to 15 percent, and suburban transit providers' reserve funds can increase to 35 percent. Any amount above these limits is considered excess reserves.

[35] The Regional Service Improvement Plan Procedures outline the process to identify and prioritize regional opportunities to increase transit services. Under the procedures, a Regional Service Improvement Plan Review Committee, which has representatives from each suburban transit provider, Metro Transit, and Metropolitan Transportation Services, reviews regional transit providers' proposed service improvements. The Regional Service Improvement Plan Review Committee then creates a prioritized list that indicates which projects have the greatest potential to meet regional transit goals. The Council adopted the Regional Service Improvement Plan procedure in September 2010. The committee will start meeting in January 2011.

Table 3.4: Projected Regional Bus Transit Provider Operating Reserve Balances, Calendar Year 2011

	Projected Total Operating Expenses[a]	Projected Operating Reserve Fund Balance[a]	Projected Reserve Fund Balance as Percentage of Expenses	Reserve Fund Balance Range Standards as Percentage of Expenses[b]
Metropolitan Council Transit Providers				
Metro Transit Bus	$296,127,582	$15,396,825	6%	8.3-12%
Metropolitan Transportation Services	21,136,810	2,113,681	10	10-15
City-Run Suburban Transit Providers				
Maple Grove Transit	4,246,981	9,620,364[c]	227	25-35
Plymouth Metrolink	4,321,752	4,694,214	109	25-35
Prior Lake Transit	1,011,048	1,428,144	141	25-35
Shakopee Transit	1,202,470	1,630,249	136	25-35
Suburban Transit Providers Formed by a Joint-Powers Agreement				
Minnesota Valley Transit Authority	16,932,795	1,562,014	9	25-35
SouthWest Transit	8,110,084	2,672,573	33	25-35

[a] Projected operating expenses and reserve fund balances are calculated as of December 31, 2010. Projected reserve fund balances are calculated prior to the allocation of supplemental Motor Vehicle Sales Tax, which is the transit funding made available to the Twin Cities region by a 2006 constitutional amendment.

[b] The standards for reserve fund balances as a percentage of expenditures are established in the Met Council's Regional Operating Revenue Allocation Procedures.

[c] According to Maple Grove Transit officials, Maple Grove Transit has set aside $3.9 million of its reserve fund balance for capital purposes.

SOURCE: Office of the Legislative Auditor, analysis of data from the Metropolitan Council.

The suburban transit providers have disagreed with the Council's procedures and have questioned whether the procedures will result in the funds being fairly allocated among regional providers. The suburban providers also argued that the procedures would not be necessary if suburban transit providers received a formula-based amount of supplemental MVST revenue instead of the process outlined by the Council.

Transit Taxing District Challenges

Minnesota law prohibits the Met Council from levying the regional transit tax on municipalities outside of the transit taxing district unless the Council and the municipality have agreed on a "service expansion plan."[36] We found that:

- **Minnesota law implies that any municipality that joins the transit taxing district will receive additional transit services, which sets the stage for service negotiations between the Metropolitan Council and the joining municipalities.**

[36] *Minnesota Statutes* 2010, 473.4461.

Four cities have joined the transit taxing district in recent years: Columbus, Forest Lake, Lakeville, and Maple Plain. As required by law, the Council entered into service agreements with each of these municipalities. For example, the Council agreed to operate a demonstration service for a park-and-ride facility in Maple Plain, once funds are procured for the project. In its service agreement plans with Forest Lake and Columbus, the Council agreed to operate five express bus trips each weekday that start in Forest Lake and make a stop in Columbus before heading to downtown Minneapolis.

The Met Council's service agreement with Lakeville resulted in the construction of two park-and-ride facilities within the city limits—one along the I-35W South corridor and another on the Cedar Avenue corridor. In accordance with the service agreement, both of these park-and-ride facilities will receive bus rapid transit and/or express bus service. According to Met Council staff, officials from some municipalities that have been in the transit taxing district since it was first established were upset by the Lakeville service agreement because their communities do not receive this level of transit service. The ability of some municipalities to negotiate service terms as a condition of levying the regional transit capital tax gives these communities an advantage and may result in these communities receiving more transit services than other communities already in the taxing district.[37]

RECOMMENDATIONS

RECOMMENDATION

The Legislature should amend Minnesota Statutes 279B.09 to explicitly give the Metropolitan Council authority to allocate the supplemental Motor Vehicle Sales Tax revenue in the Twin Cities region.

Minnesota law does not specify how the supplemental MVST funds made available through the 2006 constitutional amendment should be allocated within the region. This lack of clarity has caused conflict between the Met Council and the suburban transit providers, which have differing opinions of how the funds should be distributed. As part of the region's Metropolitan Planning Organization and as the recipient of federal and state funding, the Met Council has substantial oversight responsibilities for transit services in the region. As such, it should explicitly have the authority to allocate the supplemental MVST revenue in the Twin Cities region.

RECOMMENDATION

The Metropolitan Council should allocate supplemental Motor Vehicle Sales Tax revenue based on the needs of the region.

[37] As with all existing transit services, services in cities entering the transit taxing district must meet regional performance standards and are based on communities' transit needs.

Distributing supplemental MVST revenue based on a formula, as proposed by the suburban transit providers, is not a regional approach and would not consider where funds are needed most in the region. Distributing supplemental MVST revenue following the approach outlined by the Met Council and based on regional priorities would ensure that providers have enough funds to maintain existing operations, while at the same time expanding the transit system through projects that will have the most impact in the region. The process established by the Met Council's procedures is appropriate and reasonable, and the Council should continue to allocate supplemental MVST revenue in this manner. It is important that data and criteria used to prioritize expansion projects align with the region's goals for transit, which are discussed in Chapter 5.

RECOMMENDATION

The Legislature should amend Minnesota Statutes 473.446, subd. 2, to extend the transit taxing district so that all communities under the Metropolitan Council's jurisdiction are included in the transit taxing district.

Met Council transit services are provided throughout the seven-county Twin Cities region, including in those municipalities that are outside of the transit taxing district. Additionally, residents from outside of the transit taxing district use park-and-ride facilities and other transit investments that are supported by the regional transit capital tax. In our view, the transit taxing district seems like an arbitrary and unjustified boundary given the jurisdiction and transit service area of the Met Council.

Furthermore, the current law leads to a negotiation process where a municipality considering joining the transit taxing district may be able to negotiate with the Met Council for transit services. We recommend, therefore, that the transit taxing district be expanded to include the Met Council's full area of jurisdiction without requiring that additional services be provided in each community.

RECOMMENDATION

Smaller city-run suburban transit providers should consider consolidating. Those suburban providers that remain should work collaboratively with the Metropolitan Council to improve bus transit service in the region.

Having multiple small providers in the region has consumed large amounts of staff time and resulted in inefficiencies in the provision of transit services in the Twin Cities region. However, suburban transit providers offer valuable services to their communities, have successfully involved local communities in transit decisions, and have introduced innovation in the region.

Weighing the inefficiencies the suburban providers introduce to the region, the positive attributes of their services, and the difficulty of dismantling the existing system, we concluded in Chapter 2 that the suburban transit providers should not

be eliminated. However, we think that some of the suburban transit providers should consider consolidating.

Natural consolidating partners already exist among the city-run suburban transit providers. Shakopee and Prior Lake share a border and already jointly operate an express bus route to downtown Minneapolis, although they continue to be separate providers. Plymouth and Maple Grove also share a border, and both providers focus on providing express bus service to downtown Minneapolis. Larger transit providers are able to offer more services than smaller providers; more frequent service and more resources provided within one organization could improve overall transit services. Prior Lake Transit and Shakopee Transit have already experienced the benefits of sharing resources through jointly operating an express bus route. Consolidating into one transit organization may eliminate some management redundancies currently in place. Additionally, having fewer suburban providers would reduce the number of providers that the Met Council must coordinate with, which may enable Council staff to focus more on other regional transit issues.

Those suburban transit providers that remain should work cooperatively with the Met Council to provide regional bus service. Specifically, the suburban providers should comply with the Council's regional transit procedures and collaborate to improve bus transit service in the Twin Cities region.

We do not recommend allowing additional cities to opt out of Metro Transit service at this time. Having new regional providers would introduce additional complexities to the regional transit system. Metro Transit should continue working with local communities to address transit needs in their areas through sector studies and other outreach efforts.

4 Transitways

"Transitways" are corridors where transit has a dedicated running way or other feature that enables transit to travel more quickly than personal vehicles, such as is the case with bus rapid transit (BRT), commuter rail, and light rail transit (LRT). In this chapter, we provide more information about transitways generally and examine how transitways are funded and developed. We discuss challenges associated with transitways and make recommendations for improvement.

TRANSITWAYS OVERVIEW

The most appropriate mode of transit (BRT, commuter rail, or LRT) for a particular transitway depends on a number of factors, such as potential ridership, corridor distance, and availability of rights-of-way along roads or rail lines. Many regions around the country, such as Baltimore, Dallas-Fort Worth, Portland, and San Diego, have a mix of transitway modes as part of their regional transit system.

Table 4.1 lists the existing transitways, those under development, and those actively being considered in the Twin Cities region. Figure 4.1 shows these transitways on a map of the region.

The Twin Cities region currently has two operating transitways: Hiawatha LRT and Northstar commuter rail.

Table 4.1 shows that only two transitways currently operate in the region: Hiawatha LRT and Northstar commuter rail. Hiawatha began passenger service in 2004, and Northstar started service in November 2009. Table 4.2 provides an overview of ridership and other operating statistics for the Hiawatha and Northstar transitways. As shown in the table, Hiawatha had operating expenditures of about $25 million and almost 10 million riders in 2009. In that year, Hiawatha LRT provided 12 percent of the rides in the Twin Cities region.

In addition to Hiawatha and Northstar, Table 4.1 shows that four other transitways in the region are in varying stages of development. The first phase of I-35W South BRT—express bus service between downtown Minneapolis and Lakeville—began in September 2009. Additional stations along the I-35W South BRT corridor, including a new station at 46th Street, are under construction or in the planning phase. Service at the 46th Street Station began in late 2010 and full BRT service with stops at every station (similar to how an LRT operates) is expected to begin in 2012. Express bus service along Cedar Avenue is currently operated by the Minnesota Valley Transit Authority (MVTA).[1] BRT service along Cedar Avenue between the Mall of America and Lakeville is under development and is expected to begin passenger service in 2012.

[1] The Met Council contracts with MVTA to provide express bus service along Cedar Avenue between Lakeville and downtown Minneapolis.

Four transitways are under development in the region and four more are actively being studied.

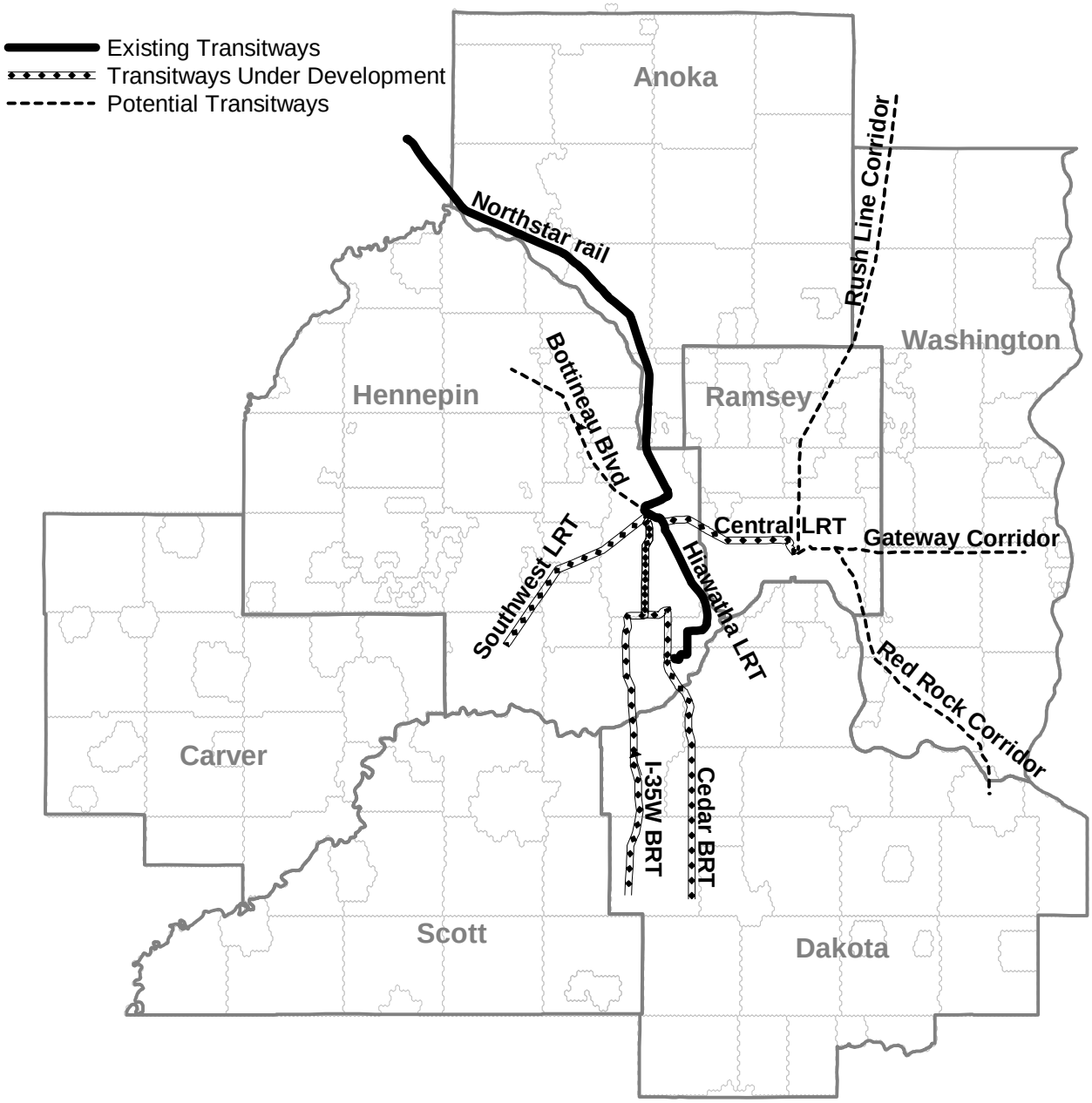
Table 4.1: Existing and Potential Transitways in the Twin Cities Region, 2010

	Mode	Description
Existing Transitways		
Hiawatha	LRT	Only existing LRT line in the Twin Cities region. Operates between downtown Minneapolis and the Mall of America.
Northstar	CR	Only existing commuter rail line in the Twin Cities region. Operates between downtown Minneapolis and Big Lake.
Transitways Under Development		
I-35W South	BRT	One of two BRT lines in the region currently under construction. Began express bus service in September 2009 between downtown Minneapolis and Lakeville. Full station-to-station service expected to begin in 2012.
Cedar Avenue	BRT	One of two BRT lines in the region currently under construction. Will operate between the Mall of America and Lakeville. Scheduled to begin service in 2012.
Central Corridor	LRT	LRT line currently under construction. Will operate between downtown St. Paul and downtown Minneapolis. Scheduled to begin service in 2014.
Southwest Corridor	LRT	LRT line currently in development. Will operate between downtown Minneapolis and Eden Prairie. Projected to begin service in 2017.
Potential Transitways		
Bottineau Boulevard	TBD	Transitway would operate between downtown Minneapolis and Maple Grove or Brooklyn Park, along Bottineau Boulevard.
Gateway Corridor	TBD	Transitway would operate between downtown Minneapolis and western Wisconsin, along the I-94 corridor.
Red Rock Corridor	TBD	Transitway would operate between downtown Minneapolis and Hastings, along Trunk Highway 61 and I-94.
Rush Line Corridor	TBD	Transitway would operate between downtown St. Paul and Hinckley, along Trunk Highway 61 and I-35E/I-35.

NOTES: Transitways are corridors where transit has a dedicated running way or other feature that enables transit to travel more quickly than personal vehicles, such as is the case with light rail transit (LRT), bus rapid transit (BRT), and commuter rail (CR). "Transitways Under Development" are currently under construction or have a selected locally preferred alternative. For "Potential Transitways," project sponsors have initiated an alternatives analysis process but have not yet identified a mode or route ("TBD" indicates the mode is to be determined). Other potential transitways that are identified in the Met Council's 2030 Transportation Policy Plan but for which an alternatives analysis process has not yet been initiated include I-35W North, Central Avenue, Trunk Highway 36, and the Midtown Corridor. This table does not include potential arterial BRT transitways or the I-394 high occupancy toll (HOT) lane.

SOURCE: Office of the Legislative Auditor.

Figure 4.1: Transitways in the Twin Cities Region, 2010



NOTES: "Existing Transitways" are those transitways currently operating. "Transitways Under Development" are currently under construction or have a selected locally preferred alternative. For "Potential Transitways," project sponsors have initiated an alternatives analysis process but have not yet identified a mode or route. Other potential transitways that are included in the Met Council's 2030 Transportation Policy Plan but for which an alternatives analysis process has not yet been initiated include I-35W North, Central Avenue, Trunk Highway 36, and the Midtown Corridor. This figure does not include potential arterial BRT transitways or the I-394 high occupancy toll (HOT) lane.

SOURCES: Metropolitan Council and Minnesota Department of Revenue.

In 2009, the Hiawatha LRT provided almost 10 million rides.

Table 4.2: Light Rail and Commuter Rail Operating Statistics, 2009

(In thousands)

	Operating Expenditures	Total Ridership	Passenger Miles	Vehicle Miles
Hiawatha light rail transit	$25,080	9,863	48,681	1,955
Northstar commuter rail[a]	7,804	82	1,950	69

NOTES: Ridership represents the number of passenger trips (boardings) on transit services. Passenger miles represent the total number of miles passengers traveled. Vehicle miles represent the total number of miles each vehicle traveled. Light rail transit and commuter rail trains may have more than one vehicle operating at a time.

[a] Northstar started passenger service in November 2009.

SOURCES: Office of the Legislative Auditor, analysis of data from the National Transit Database, 2009, and Metro Transit.

Two additional LRT lines in the region are under development—along the Central and Southwest corridors. The Central Corridor LRT is currently under construction and will operate between downtown Minneapolis and downtown St. Paul and travel through the University of Minnesota campus. Passenger service is expected to begin in 2014. The Southwest Corridor LRT is not as far along in development; it is currently projected to begin passenger service between downtown Minneapolis and Eden Prairie in 2017, although the project schedule depends on a variety of factors.

Several additional transitways are being considered for development in the Twin Cities region. For example, the Hennepin County Regional Railroad Authority is leading a study to determine the most appropriate transit mode and route for Bottineau Boulevard, a corridor that runs from downtown Minneapolis to Maple Grove or Brooklyn Park. Similarly, the Gateway Corridor Commission is leading a study to determine the most appropriate mode of transit for the Gateway transitway along I-94 East. Other transitways actively being considered by counties and corridor commissions include the Red Rock and Rush Line corridors. Whether these transitways will be built, and with what modes, is yet to be determined.

FUNDING FOR TRANSITWAY DEVELOPMENT

As discussed in Chapter 1, transitway corridors typically require significant capital investments. For example, the Hiawatha LRT cost $715 million to design and build, Northstar commuter rail had $320 million in capital costs, and Central Corridor LRT is estimated to cost more than $950 million to design and build. We found that:

- **Capital funding for transitways comes from several sources, with the federal government accounting for the largest share.**

Federal funding for large-scale transitway projects typically pays for 50 percent of the capital costs; a local funding match is required to cover the remaining capital costs. In the Twin Cities region, the local match has been achieved using a variety of state and local sources, as shown in Table 4.3. To some extent, the variation in local funding sources is the result of local communities contributing to projects that serve their areas. For example, Hennepin County, the Minnesota Legislature, Minnesota Department of Transportation (MnDOT), and the Metropolitan Airports Commission all contributed to fund the construction of the Hiawatha LRT. Table 4.3 also shows that a different combination of funding sources was used for each of the region's three largest transitway projects. For example, MnDOT contributed to the capital costs for the Hiawatha LRT, but not the other two transitways and Ramsey County contributed to Central Corridor LRT capital costs, but not the other two projects.[2]

The Counties Transit Improvement Board (CTIB) has increased the region's capacity to develop large-scale transit projects.

As discussed in Chapter 1, the Counties Transit Improvement Board (CTIB) was created, in part, to provide a reliable funding source for part of the local match for large federally funded projects. Several people we spoke with, including Met Council staff and county commissioners, said that the creation of CTIB increased the Twin Cities region's capacity to develop these large-scale transit projects. For example, the Central Corridor LRT project would not have likely moved forward as quickly without the funding commitment from CTIB. As shown in Table 4.3, CTIB is contributing 30 percent of the funding for Central Corridor capital costs.[3]

TRANSITWAY PLANNING AND DEVELOPMENT

Transitway sponsors in the region have typically applied for federal funding to defray the costs associated with building transitways. For the region's light rail and commuter rail projects (Hiawatha, Central Corridor, and Southwest Corridor LRTs and Northstar commuter rail), the Met Council and other transit entities have applied for federal "New Starts" funding. The New Starts program is a competitive program through which the Federal Transit Administration (FTA) allocates federal funding for large-scale transit projects. New Starts projects are typically commuter rail, LRT, and BRT projects that exceed $250 million in total project costs. For the two BRT transitways currently being developed in the Twin Cities region (along I-35W South and Cedar Avenue), the region applied for and received other federal funding; project sponsors did not go through the New Starts process.[4]

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[2] Some of the variation in funding sources is due to the location of the transitway. For example, Anoka County provided funds for Northstar commuter rail because it travels through Anoka County.

[3] CTIB has also committed to fund 50 percent of the operating costs for the Hiawatha, Northstar, and Central Corridor transitways.

[4] BRT projects often do not qualify for the high-cost threshold of a New Starts program. The BRT projects along I-35W South and Cedar Avenue are being phased in over time, thus reducing the need for a large one-time capital investment provided through a New Starts grant.

Table 4.3: Transitway Capital Funding Sources

(In millions)

	Hiawatha LRT	Northstar Commuter Rail[a]	Central Corridor LRT[b]
Federal Funding	$424.0	$161.9	$478.5
Minnesota Legislature	100.0	98.6	86.1
Minnesota Department of Transportation	20.1	-	-
Metropolitan Council	-	5.9	9.6
Metropolitan Airports Commission	87.0	-	-
Counties Transit Improvement Board[c]	-	-	287.1
Anoka County[d]	-	34.8	-
Hennepin County	84.2	8.0	28.7
Ramsey County	-	-	67.0
Sherburne County[e]	-	8.2	-
Total	$715.3	$320.0	$957.0

NOTES: This table does not include bus rapid transit projects in the region. LRT is light rail transit. "-" means that entity did not provide capital funding for the given transitway project. Numbers are actual dollars and are not adjusted for inflation.

[a] The Minnesota Twins also provided capital funding for the Northstar commuter rail.

[b] Central Corridor funding amounts are projections.

[c] The Counties Transit Improvement Board was created in 2008, after the capital funds for the Hiawatha LRT had already been secured. In 2009, CTIB approved a $10 million grant to build a Northstar station in Fridley.

[d] Funding to extend the Hiawatha LRT to reach the Northstar commuter rail line is included in Anoka County's reported contribution.

[e] Northstar extends beyond the seven-county Twin Cities metropolitan area into Sherburne County.

SOURCE: Office of the Legislative Auditor, analysis of data from Metro Transit and the Northstar Corridor Development Authority.

Funding for transitways comes from a variety of sources.

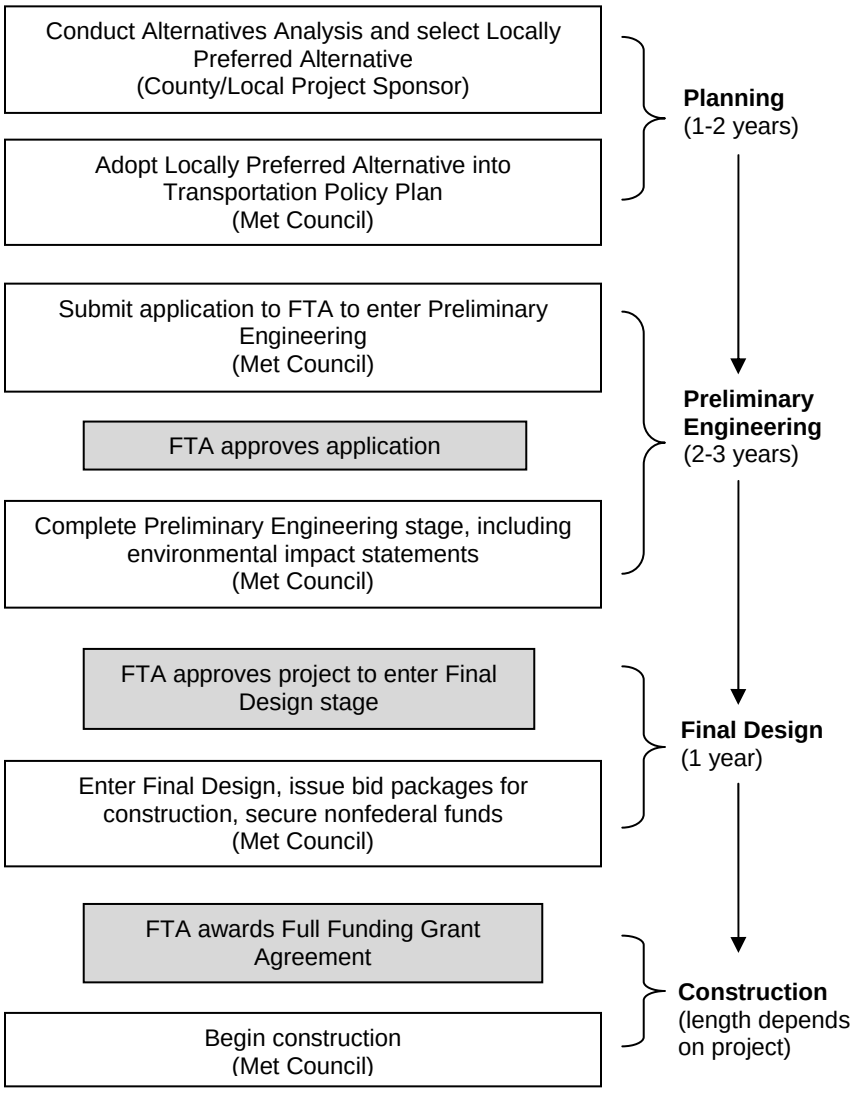
Because federal funding accounts for 50 percent of the capital investment in a New Starts transitway, the requirements associated with the federal New Starts process typically dictate how transitways are developed locally. When we examined the process for planning and developing transitways, we observed that:

- **Developing a transitway involves a number of transit organizations and typically takes several years to complete.**

Figure 4.2 outlines the New Starts planning process. As illustrated in the figure, project sponsors, the Met Council, and the FTA all play important roles in the process.

To receive federal New Starts funding, the project sponsor must complete an alternatives analysis. In the Twin Cities region, a county typically leads the

Figure 4.2: Federal "New Starts" Planning Process



The federal process for "New Starts" transit projects dictates how certain transitways are developed locally.

NOTES: FTA is the Federal Transit Administration. This figure shows the New Starts process and lead entity when the Metropolitan Council is the federal New Starts grantee and constructor. Shaded boxes indicate points where the FTA makes a decision whether to approve a project to advance to the next step.

SOURCES: Office of the Legislative Auditor and the Metropolitan Council.

alternatives analysis process for transitways in its jurisdiction, although corridor commissions or other project sponsors may also take the lead. For example, the Hennepin County Regional Railroad Authority took the lead for the Southwest Corridor alternatives analysis process, and the Gateway Corridor Commission has taken the lead for the Gateway Corridor. The project sponsors consider different routes, station locations, and modes for the transitway and ultimately

recommend a locally preferred alternative, which is identified based on local priorities but typically considers ridership and cost figures. The alternatives analysis phase typically takes one to two years to complete and can cost transitway sponsors more than $1 million.

The Met Council must adopt a transitway into its Transportation Policy Plan before the project is eligible to receive federal funding.

Once the locally preferred alternative is recommended, the Met Council must adopt the transitway into its Transportation Policy Plan before the project is eligible to receive New Starts or other federal funds. This is the first step where the Council has an official role in the corridor planning process, although Metro Transit and Met Council staff told us they are typically involved earlier as technical advisors. Once the transitway has been adopted into the Met Council's transportation plan, the Council develops and submits an application to the FTA to enter the Preliminary Engineering phase. The Met Council submitted the application for the Southwest Corridor to enter this phase in August 2010.[5]

During the Preliminary Engineering phase, the Council and project sponsors complete environmental impact statements, finalize the engineering plans, and refine the financial plans. This phase takes about two to three years to complete. Once this is done, the Council submits an application to the FTA to enter the final design stage. During the final design stage, the Council develops a final cost estimate and secures the nonfederal matching funds. Once the final design is approved, which typically takes about one year, the FTA awards the Full Funding Grant Agreement, which is a commitment of federal dollars to the project. The grant agreement for the Central Corridor LRT project is expected to be awarded in the first quarter of 2011.

Projects that seek New Starts funding must meet federal requirements. The federal government has a number of factors it considers for projects applying for New Starts funding. These factors include:

1. **Mobility improvements.** Mobility improvements include how much time potential riders will save using the proposed system and the number of transit-dependent riders using the proposed system.

2. **Land use.** Land use considers development plans around proposed stations to determine whether they would support transit.

3. **Cost effectiveness**. Cost effectiveness compares the annualized capital and annual operating costs to the projected user benefit (expressed in terms of travel time savings) of the proposed transitway.

4. **Financial plan**. The financial plan must demonstrate sufficient local financial support for the project.

Other criteria include the economic development effects, environmental benefits, and operating efficiencies that would accrue to the whole transit system as a result of the proposed project.

[5] The Hennepin County Regional Railroad Authority was also involved in the preparation of the Preliminary Engineering application for the Southwest Corridor LRT.

Construction typically commences once the Full Funding Grant Agreement has been awarded, although construction on the Central Corridor started prior to the agreement being finalized.[6] Construction itself takes several years, depending on the project. For example, the Hiawatha LRT took about four years and Northstar took two years to construct. The project timeline for the Central Corridor indicates that it will take four years to construct the Central Corridor LRT, and project plans indicate the Southwest Corridor LRT will take about three years to construct.

The two bus rapid transit projects in the region did not follow the New Starts process, took several years to develop, and involved coordination among several organizations.

Although the two BRT projects in the region (Cedar Avenue and I-35W South) did not follow the New Starts process, they have also involved a number of entities and have taken several years to develop. The Dakota County Regional Railroad Authority is the lead entity for the Cedar Avenue project and received special legislation to allow it to levy for the BRT transitway.[7] Dakota County's Cedar Avenue BRT project partners include the Minnesota Valley Transit Authority, the Met Council, CTIB, and Metro Transit. There are more than ten funding sources for the Cedar Avenue transitway, including the cities of Apple Valley and Lakeville, several federal programs, Dakota County, the Dakota County Regional Railroad Authority, and state bonds. Planning for the Cedar Avenue BRT began in the 1990s. Unlike rail transitways, BRT service can be phased in over time. Service along the transitway is scheduled to begin in 2012, and Dakota County and its partners plan to expand the service by 2030.

The Met Council is the lead entity for developing the I-35W South BRT transitway. This project implementation was advanced in part due to the availability of federal Urban Partnership Agreement funds. Project partners for the I-35W South BRT transitway include CTIB and Metro Transit. As with the Cedar Avenue transitway, the Met Council plans to phase in BRT service along I-35W South. Full BRT service along I-35W South is scheduled to begin in 2012, and the Council also plans to implement expanded service along this corridor by 2030.

TRANSITWAY CHALLENGES

Transitway projects are large, expensive, and complicated. It is not surprising then, that the planning and development of transitways involve a number of challenges. This section details the challenges in the Twin Cities region associated with planning, developing, and operating transitways, largely focused on New Starts projects.

[6] The Met Council received several Letters of No Prejudice from the FTA indicating that construction costs incurred for the Central Corridor before the final grant agreement was finalized would be eligible for partial reimbursement by federal funds.

[7] *Laws of Minnesota* First Special Session 2005, chapter 6, sec. 90.

Transitway Planning Challenges

As discussed above, several entities are involved in planning transitways in the region, including local communities, counties, the Met Council, and the FTA. As a result, we found that:

- **The process for planning transitways in the Twin Cities region is fragmented.**

Transitways are developed by counties and local stakeholders through the alternatives analysis process. Many stakeholders with whom we met, including Met Council staff, Metro Transit staff, and county commissioners, said the region depends on local initiatives to move transit projects forward. There is broad acknowledgement that these local efforts are important for gaining support for transit projects in the region. However, the local efforts are based on local, and not necessarily regional, priorities. As noted earlier, the Met Council, which is the only transit agency with regionwide responsibilities in the Twin Cities, officially becomes involved in the development of a transitway only once the local stakeholders have recommended the locally preferred alternative to the Met Council and the transitway is adopted by the Council into the Transportation Policy Plan.

The region depends on local initiatives to move transit projects forward, in part because there are no agreed-upon regionwide criteria for prioritizing potential transitways.

In addition, the region now relies on CTIB, with its own set of priorities, to provide the largest local share (30 percent of the capital costs) for federally funded projects. Although CTIB funding decisions must be consistent with the Met Council's Transportation Policy Plan, CTIB selects transitways to fund based on its own priorities, not necessarily the priorities of the region as a whole. For example, CTIB has stated it will not provide funding for BRT transit on arterial roads even though the Met Council has identified "arterial BRT" as a priority for the coming years.[8] CTIB's stated vision is "a network of connected transitways" throughout the five-county member area. This is clearly a narrower vision for transit than is held by the Met Council, which oversees transit for the seven-county metropolitan area and is not limited to transitways.

CTIB's role in identifying potential transitways complicates the planning process. For example, CTIB has published maps of potential transitways in the region that conflict with transitway maps published by the Met Council.[9] These competing maps make it difficult for policymakers and the public to understand the region's transit priorities regarding transitways. Additionally, we found that:

- **Neither the Metropolitan Council nor the Legislature has identified criteria to prioritize the development of some transitways ahead of others.**

[8] Arterial BRT is bus rapid transit service provided along existing routes with significant ridership that operate on arterial roads, such as Nicollet Avenue in south Minneapolis.

[9] CTIB's and the Met Council's maps identified different modes for some potential transitways, and the CTIB map did not include arterial BRT routes that the Council included on its map.

Beginning in 2001, the Met Council conducted an analysis of 29 proposed transitway corridors and identified which corridors could support LRT or BRT. In 2004, the Council grouped the corridors into "Tier 1" and "Tier 2" projects, based on readiness and geographic distribution. Most of the Tier 1 corridors have been developed or are under development, including Hiawatha LRT, Northstar commuter rail, Central Corridor LRT, and BRT on I-35W South and Cedar Avenue. However, the Council did not prioritize one transitway before another, nor did the Council identify what criteria should be used to prioritize the transitways. In fact, Bottineau Boulevard, identified in 2004 as a Tier 1 corridor, is further behind in the development process than Southwest Corridor, which was identified as a Tier 2 transitway.[10]

Other metropolitan areas have set priorities for transitway development.

In 2008, the Met Council published the 2030 Transit Master Study, an updated study of potential transitways that evaluated potential corridors on the basis of ridership and cost. In this study, the Council recommended some transitway corridors for additional development or study, including Bottineau Boulevard, Southwest Corridor, I-35W North, I-94 East (Gateway Corridor), and Rush Line Corridor. However, the Council did not recommend which transitway should be developed next. Several transitways, including Bottineau Boulevard and the Gateway, Red Rock, Robert Street, and Rush Line corridors, are moving forward with the alternatives analysis process. There is widespread belief among people we interviewed that the next transitway developed will be the one that is next to complete the alternatives analysis process, not necessarily the one that will most benefit the region. This is in part based on how the development of transit in the region has occurred in the past, and in part because there are no agreed-upon regionwide criteria for prioritizing potential transitways.

In contrast to the Twin Cities region's approach, other metropolitan areas have taken a broader view towards developing transit systems. The Regional Transportation District of Denver prioritized a set of transitway corridors to build a comprehensive regional transit system. Through its process, Denver's Regional Transportation District identified an order for building the transitways through 2018. Similarly, the Utah Transit Authority, with the aid of a voter-approved sales tax, accelerated the construction of five additional rail projects in the region to develop a comprehensive regional transit system. Originally planned to be completed by 2030, these five rail transitways are now scheduled to be completed by 2015.

The 2008 Legislature encouraged the Met Council to take an approach similar to the Utah Transit Authority to secure funding and required the Council to:

> [I]nitiate negotiations with the federal Transit Administration to secure federal funds for a single comprehensive program of rail transit way development, to include Rush Line, Red Rock,

[10] In 2002, the Legislature allocated funding to develop BRT along Bottineau Boulevard. For a variety of reasons, Hennepin County did not move forward with BRT in the corridor. The county has since initiated a study to evaluate an LRT transitway along the Bottineau Boulevard corridor.

> Southwest Corridor, and an extension of Northstar commuter rail to St. Cloud.[11]

Met Council staff pursued such negotiations with the FTA with no success. In a letter addressed to Met Council staff dated December 18, 2009, the FTA Regional Administrator stated that although the FTA supports comprehensive regional planning of future major transit investments, the FTA must evaluate each potential transit project individually on its own merits.[12]

Although the Legislature encouraged the Met Council to develop a comprehensive transit plan for the region, we found that:

- **Existing Minnesota law prohibits consideration of all potential transitways in the region.**

Current law prohibits the study of the Dan Patch corridor for transit development.

Laws of Minnesota 2002, chapter 393, sec. 85, prohibits the consideration or study of the Dan Patch Corridor for development as a commuter rail line. The Dan Patch Corridor is a potential commuter rail corridor that runs between Minneapolis and Northfield. In 2002, the Legislature prohibited the Met Council, the Minnesota Department of Transportation, and regional railroad authorities from spending any money for "study, planning, preliminary engineering, final design, or construction for the Dan Patch commuter rail line."[13] Additionally, the Met Council was required to:

> Remove all references, other than references for historical purposes, to the Dan Patch commuter rail line from any future revisions to the council's transportation development guide and the council's regional transit master plan.[14]

Many stakeholders we spoke with disagree with the Dan Patch prohibition. Some people we interviewed noted that the prohibition regarding the Dan Patch Corridor had implications when planning the Southwest Corridor LRT, since those two corridors would potentially be parallel to each other.

Transitway Development Challenges

Once a transitway is ready to be developed in the Twin Cities region, there are other challenges. We found that:

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[11] *Laws of Minnesota* 2008, chapter 152, art. 6, sec. 8.

[12] Marisol Simon, Regional Administrator, Federal Transit Administration, letter to Arlene McCarthy, Director, Metropolitan Transportation Services, Metropolitan Council, December 18, 2009.

[13] *Laws of Minnesota* 2002, chapter 393, sec. 85, subds. 2-4.

[14] The commissioner of the Minnesota Department of Transportation was also required to "remove all references, other than references for historical purposes, to the Dan Patch commuter rail line from any future revisions to the state transportation plan and the commissioner's commuter rail system plan." See *Laws of Minnesota* 2002, chapter 393, sec. 85, subds. 2-3.

- **Each New Starts transitway that has been developed in the region—Hiawatha, Northstar, and Central Corridor—has followed a different development model.**

According to Met Council staff, there are three primary roles for each New Starts project: (1) federal grantee, (2) builder, and (3) owner-operator. There has been a different configuration of these roles for each of the three New Starts projects built in the Twin Cities region. For the Hiawatha LRT project, the Met Council was the federal grantee, MnDOT and the Metropolitan Airports Commission constructed the line, and the Met Council/Metro Transit is the owner-operator. On Northstar commuter rail, MnDOT was the federal grantee and constructed the line and the Met Council/Metro Transit is the owner-operator. For the Central Corridor LRT, the Met Council is the federal grantee and constructor, and the Met Council/Metro Transit is the owner-operator.

Having different agencies assume different roles on transitway projects has led to confusion between the region and the Federal Transit Administration.

Met Council staff said these changing roles have led to confusion between the region and the FTA. Staff said that because of the number of entities involved in transit in the region, the FTA has had to work with a number of different local representatives. Council staff said this can contribute to uncertainty about which entity is leading New Starts projects in the region. Staff said this uncertainty is likely to continue given the current project sponsors on future projects, including Hennepin County (Bottineau Boulevard); the Gateway Corridor Commission, which includes representatives from Ramsey and Washington counties and several cities along the corridor (Gateway Corridor); the Rush Line Corridor Task Force, which includes representatives from Anoka, Chisago, Pine, Ramsey, and Washington counties (Rush Line Corridor); and the Red Rock Corridor Commission, which includes representatives from Dakota, Hennepin, Ramsey, and Washington counties (Red Rock Corridor).

In addition to the number and variety of entities involved in planning and developing transitways, the different entities have varying levels of expertise. The Met Council has developed expertise in planning, building, and operating light rail and commuter rail through its experience on the Hiawatha, Northstar, and Central Corridor transitways. In 2010, the Met Council identified a New Starts Rail Projects Director to shepherd the region's New Starts transit projects through the process. While some project sponsors have experience with the New Starts process, others do not, and they will require additional technical assistance from Metro Transit and the Met Council.

As mentioned in Chapter 2, the Met Council is developing a series of transitway guidelines to increase consistency among the region's transitways. These guidelines will address a range of issues, including transitway stations, vehicles, and operations. The guidelines will also address the project development process and management. Council staff told us the guidelines will help evaluate and develop transit corridors as part of a regional system and will provide benchmarks for policymakers to use when evaluating proposed transit projects.

Transitway Operating Challenges

Once the transitways are planned and developed, they need to be operated and maintained. We found that:

- **Transit organizations in the region are not required to consider (1) the ongoing operating and maintenance obligations that result from developing transitways or (2) how transitways should be balanced with other regional transit priorities.**

As detailed throughout this chapter, a variety of organizations are involved in planning and developing transitways. The organizations involved in the beginning stages (local transitway sponsors and/or counties) are not the organizations that will ultimately be responsible for operating most transitways (the Met Council and Metro Transit). Similarly, whether funding is available for the *development* and *construction* of a transitway may not relate to whether funding is available for its *operations*.

Whether funding is available to build a transitway may not relate to whether funding is available to operate the transitway.

For example, the FTA typically provides funding for 50 percent of the capital costs of a transitway, but it does not provide funding for the transitway's ongoing operations. Similarly, county regional railroad authorities may, by law, provide up to 10 percent of the capital costs of a light rail or commuter rail transitway in the region, but Minnesota law prohibits them from contributing "any funds to pay the operating and maintenance costs for a light rail transit or commuter rail project."[15] CTIB has committed to paying for 30 percent of the costs of developing the Central Corridor and 50 percent of the net operating costs of Hiawatha LRT, Northstar commuter rail, Central Corridor LRT, I-35W South BRT, and Cedar Avenue BRT.[16] However, CTIB does not bear the burden of operating the entire transit system or ensuring there are adequate funds to do so.

By law, the state must pay for 50 percent of light rail net operating costs.[17] The state's obligation, coupled with the commitment by CTIB to cover 50 percent of the net operating costs, should mean that sufficient funds are available to cover the operating costs of Hiawatha and Central Corridor LRTs. However, in 2009 the Legislature did not explicitly fund its full share of operating costs for Hiawatha. As a result, Met Council staff told us, the Council had to make adjustments throughout the transit system to compensate for the reduced funding.

Given the region's scarce transit operating resources and unpredictable revenue sources (as discussed in Chapter 1), the Met Council and other regional transit providers will need to prioritize services. Transitway projects may or may not be a priority for the region. If the transitways are constructed, however, there will be increased pressure on the Met Council to fund their operations even though there may be other regional transit priorities, such as improving bus service throughout the region. Although the FTA requires that transitways not be built at

[15] *Minnesota Statutes* 2010, 398A.10, subds. 1-2. This limit on regional railroad authorities' contributions for operating costs was enacted when CTIB was created in 2008.

[16] Net operating costs are the operating costs that remain after subtracting fare revenue.

[17] *Minnesota Statutes* 2010, 473.4051, subd. 2.

the expense of the existing bus system, in our interviews several regional bus providers expressed concern that the operating costs for the region's rail transitways would crowd out funding for bus operations.

Additionally, staff from the Met Council and suburban transit providers told us that:

- **The development of transitways in the region has further complicated the relationship between the Metropolitan Council and suburban transit providers.**

Additional coordination is required when transitways run through the service areas of multiple providers.

In particular, staff told us the Cedar Avenue BRT transitway has required significant coordination between the Met Council and the Minnesota Valley Transit Authority (MVTA) because the corridor runs through service areas of both providers. The transitway will start in Lakeville and end at the Mall of America, both of which are in Metro Transit's service area. The bulk of the BRT route will be along Cedar Avenue through MVTA's service area. These changing jurisdictions will require additional coordination between the two providers regarding operating and funding the BRT line. Similar coordination will need to occur between the Met Council and SouthWest Transit once the Southwest Corridor transitway is developed and between the Met Council and Maple Grove Transit if the Bottineau Boulevard transitway is developed. Issues regarding the potential overlap of bus and LRT services along the Southwest Corridor and Bottineau Boulevard will need to be resolved. The Council's draft transitway guidelines include guidance for when a transitway travels through the service areas of multiple providers; the guidelines may be helpful in these corridors.[18]

In large part because of the strained relationship between the Council and suburban transit providers regarding bus service, as discussed in Chapter 3, coordination among these entities regarding transitways is also difficult. There have been numerous meetings, letters, and e-mails among the Cedar Avenue project partners regarding a variety of issues, such as the park-and-ride facilities, the type of service provided during construction, and ongoing operations. Because the relationship between the Council and MVTA is already difficult, this coordination has been more complicated than it otherwise would be.

RECOMMENDATIONS

RECOMMENDATION

The Metropolitan Council should coordinate with stakeholders to establish regional transit priorities and prioritize potential transitways for future development based on data and the needs of the region.

As the regional transit planning entity, the Met Council should lead the effort to establish transit priorities for the region. The priorities for transitways should

[18] The Council's transitway guidelines are expected to be adopted in 2011.

consider projected ridership, cost estimates, and other transit goals for the region. The Met Council should also develop a comprehensive program for developing transitways similar to what Denver and Utah have done and as was required by the 2008 Legislature. In contrast to the law, however, we recommend that the Met Council start with a blank slate and select those transitways that, based on the data, present the best opportunity for the region. Given the current economic conditions, we do not recommend that the Met Council attempt to build the entire system all at once, as was done in Utah, but we think it is important for the Council to have a comprehensive and prioritized plan.

The Council should make an effort to involve stakeholders throughout the process. Successfully implementing this recommendation requires that local project sponsors work with the Council to take a regional view of transit projects and priorities. Counties and other transitway sponsors would still be able to advocate for and evaluate potential transitway corridors and modes; project sponsors would continue to lead alternatives analysis processes and identify locally preferred alternatives. However, decisions about whether a transitway project moves forward should be based on local *and* regional priorities.

The Met Council has taken the first step toward developing a comprehensive plan through its 2030 Transportation Policy Plan and its 2030 Transit Master Study. However, we think the Council needs to go further and prioritize the corridors identified in these plans.

Developing a comprehensive and prioritized plan requires that the Met Council has the credibility to lead this initiative so that local sponsors support the end result. As the Met Council is currently structured, it may not have the necessary credibility to do so. In Chapter 2, we suggested changes to the Council's governance structure that may enhance its credibility. Establishing transitway priorities also requires clear goals. In Chapter 5, we discuss the Legislature's and the Met Council's responsibilities for identifying goals and priorities for transit in the region.

RECOMMENDATION

The Metropolitan Council should only incorporate into the region's Transportation Policy Plan those transitways that are at or near the top of the region's transit priority list.

As discussed previously in this chapter, transitways must be adopted into the Met Council's Transportation Policy Plan before a project is eligible for federal funding. The Council should only adopt into its transportation plan those transitways that are identified as regional transit priorities. By excluding from the plan transitways that are not a priority for the region, the Met Council would demonstrate that it does not "approve" of those transitways. Corridors for which

counties have completed an alternatives analysis would not be developed unless the Council revised the plan to include them.[19]

This recommendation increases the Council's role in developing transitways in the region. As with the previous recommendation, the Met Council as currently structured may not have the necessary credibility among local transit stakeholders to effectively implement this recommendation. See Chapter 2 for a discussion regarding the Council's credibility and suggested changes to its governance structure that would enhance its standing among other transit organizations in the region.

RECOMMENDATION

The Minnesota Legislature should repeal Laws of Minnesota 2002, chapter 393, sec. 85, and allow consideration of the Dan Patch corridor.

If the Met Council is expected to take a regional view in planning and developing transit, it needs to be able to consider all potential transit corridors in the region and evaluate them using objective measures to determine where development should occur. As transit corridors in the region are developed, the interconnections between the corridors become increasingly important. A full understanding of all potential corridors is important to maximize the potential of the transit system. As a result, it is important that the Met Council and other transit organizations in the region are able to consider all potential corridors, including the Dan Patch Corridor, and their potential impact on the region's transit system.

RECOMMENDATION

The Legislature should designate in law the Metropolitan Council as the federal grantee and constructor of New Starts transitway projects in the region.

Through its work on Hiawatha LRT, Northstar commuter rail, and the Central Corridor LRT, the Met Council has developed expertise on New Starts projects. It has also identified a Director of New Starts Rail Projects to help the region navigate through the federal requirements associated with these projects. To facilitate the process and to maximize the region's relationship with the FTA, the Met Council should be designated as the region's lead entity on New Starts projects. This will help the region leverage what it has learned on previous New Starts projects and improve the relationship between the region and the FTA.

Under this recommendation, counties and local transitway sponsors could still take the lead on the alternatives analysis process and identify a locally preferred alternative. Once the locally preferred alternative is adopted by the Council into

[19] The Met Council's Transportation Policy Plan is revised at least every four years and can be amended in the interim.

the region's Transportation Policy Plan, however, the Council should be the project lead.

This recommendation does not address the complexity of developing a transitway that does not go through the New Starts process. Smaller projects that are not eligible for the federal New Starts process will likely continue to be complicated and involve a number of planning and funding partners. Because each one of these projects will be unique, we do not offer a regionwide recommendation. Nevertheless, we encourage all entities involved in developing a transitway to coordinate their efforts and ensure consistency with the regional transit priorities.

RECOMMENDATION

The Legislature should not commit capital funds to a transitway development project without ensuring that operating revenues for the first five to ten years have been identified.

As discussed previously, CTIB has committed to fund 50 percent of the operating costs of the transitways it helps build. Although statutes require the state to provide 50 percent of the operating costs for LRT, the Legislature has not always followed through on this commitment. The uncertainty of transit funding and shortfalls in the state's general fund have led to concerns that the state will not fulfill its commitments to fund transitway operating costs in the future. If sufficient operating funds are not available once a transitway is developed, the Met Council (as the operator of the transitway) will need to make service and maintenance decisions that could affect transit operations throughout the region. Depending on priorities and available funding, bus or other types of service could be negatively affected by the need to accommodate transitway operating costs.

The Legislature can encourage transit entities in the region to fully account for transitway operating revenue by requiring operating revenue sources to be identified before the Legislature commits transitway capital funds. The federal New Starts application also requires documentation demonstrating that operating revenue is available for the proposed transitway project. While the commitment of future operating funds cannot be guaranteed, this requirement will help ensure that revenue sources for operating costs are identified before the region commits to building additional transitways.

5 Transit Performance

In this chapter, we evaluate the performance of transit services in the Twin Cities region. First, we discuss the goals for transit in the region and identify potential measures to evaluate how well the system addresses these goals. We then provide an assessment of the Twin Cities region's overall performance compared to peer regions in the country. Finally, we examine how well each transit provider in the Twin Cities region performed on selected measures.

GOALS FOR TRANSIT

State statutes identify a number of goals related to transit.

We reviewed state laws related to transit and transportation to determine what goals the Legislature has identified for regional transit. Table 5.1 lists the transit and transit-related transportation goals identified in law. Among the goals identified in state statute are to "assure the most efficient and coordinated use of existing and planned transit resources" and to "meet the needs of transit users."

In reviewing the transit-related laws, we found that:

- **State statutes do not sufficiently clarify or prioritize the goals of transit in the Twin Cities region.**

The goals specific to transit are vague and in some cases duplicative, as shown in Table 5.1. For example, the goal to "provide transit services . . . to meet the needs of *transit users* [italics added]" (Goal 6) seems to be a subset of the goal to provide "a comprehensive set of transit . . . services to meet the needs of *all people* in the metropolitan area [italics added]" (Goal 1). In addition, the goal to provide "a basic level of mobility for all people" (Goal 5) could be interpreted in many ways.

The state's goals for transit are scattered across two sections of Minnesota statutes. Many of the transit goals that stakeholders believe are important for the region are not identified as such. For instance, in interviews, staff from the Met Council and some suburban transit providers mentioned reducing traffic congestion (Goal 13) and safety (Goal 10) as transit goals. However, Minnesota statutes do not identify these as regional transit goals. Instead, they are identified more generally as transportation goals for the state.

Statutes do not provide direction about priorities among the transit goals. As an example, the goal of providing access to tourist locations (Goal 7) may be a lower priority than meeting the needs of transit users (Goal 6), but the law does not indicate that such a priority order exists. Similarly, it is not clear whether goals directly related to regional transit, such as the efficient use of transit resources (Goal 2), are of a higher priority than transit-related transportation goals, such as congestion mitigation (Goal 13).

Table 5.1: Transit-Related Goals in State Statutes

Goals Specific to Transit

1. Arrange to the greatest feasible extent for the provision of a comprehensive set of transit and paratransit services to meet the needs of all people in the metropolitan area
2. Assure the most efficient and coordinated use of existing and planned transit resources
3. Increase use of transit as a percentage of all trips statewide by giving highest priority to the transportation modes with the greatest people-moving capacity and lowest long-term economic and environmental cost
4. Maintain public mobility in the event of emergencies or energy shortages
5. Provide, to the greatest feasible extent, a basic level of mobility for all people in the metropolitan area
6. Provide transit services to all counties in the state to meet the needs of transit users

Goals for Transportation Related to Transit[a]

7. Encourage tourism by providing appropriate transportation to Minnesota facilities designed to attract tourists and to enhance the appeal, through transportation investments, of tourist destinations across the state
8. Ensure that the planning and implementation of all modes of transportation are consistent with environmental and energy goals of the state
9. Maximize long-term benefits received for each state transportation investment
10. Minimize fatalities and injuries for transportation users throughout the state
11. Promote accountability through systematic management of system performance and productivity through the utilization of technological advancements
12. Promote and increase the use of high-occupancy vehicles and low-emission vehicles
13. Provide a reasonable travel time for commuters[b]
14. Provide for and prioritize funding of transportation investments that ensures that the state's transportation infrastructure is maintained in a state of good repair
15. Provide multimodal and intermodal transportation facilities and services to increase access for all persons and businesses and to ensure economic well-being and quality of life without undue burden placed on any community
16. Reduce greenhouse gas emissions from the state's transportation sector

[a] Additional transportation goals not relevant to transit are not included in this table.

[b] This goal is related to relieving congestion.

SOURCES: *Minnesota Statutes* 2010, 174.01, subd. 2, and 473.371, subd. 2.

But the statutes do not prioritize the transit goals.

Unclear priorities allow an emphasis on one goal over others. For example, Met Council staff told us that over the last decade many transit services have been focused around congestion mitigation efforts, such as building park-and-ride facilities and adding express service. Unclear priorities can also be a factor in conflicting opinions regarding allocating resources, as discussed in Chapter 4.

Federal law also adds to the lack of clarity around transit goals.[1] Specifically, federal law requires the Metropolitan Planning Organization to consider "projects and strategies" that meet certain goals, such as protecting the environment, and allocates funding to certain areas for projects that focus on congestion mitigation and improving air quality.[2] It is not clear, however, how these federal goals compare to, or whether they take priority over, the transit goals identified in state law.

TRANSIT PERFORMANCE MEASURES

We identified measures that correspond with many of the state's transit goals, as shown in Table 5.2. To select our measures, we reviewed the Met Council's 2009 evaluation of the Twin Cities region's transit system for the measures it used, literature on transit performance measures, and available data, but our list is not exhaustive.[3] In identifying these measures, we found that:

- **No single measure is appropriate for assessing transit performance.**
- **Many factors, such as the characteristics of the service area, affect the comparability of transit systems, modes, or transit providers.**

Evaluating transit with multiple measures provides a more comprehensive view of performance.

As shown in Table 5.2, the goals of transit address three performance areas: efficiency, effectiveness, and impact.[4] Because of the number and nature of transit goals, some goals may inherently conflict with others. For example, providing access to transit for all people in the region may conflict with goals of efficiency. If the only goal of the transit system were access, then transit agencies could focus on achieving this goal regardless of the operating cost per passenger. Similarly, if the only goal were efficiency, transit agencies might be willing to sacrifice broad access to services to ensure less costly services.

Examining performance through multiple measures is useful because each measure has drawbacks. Some services may perform better on some measures but worse on others. For example, urban-local bus routes that have a high turnover in passengers tend to have lower subsidies per passenger than express

[1] An exception is that federal law requires that recipients of Federal Transit Administration funds be compliant with Title VI of the Civil Rights Act of 1964. To be compliant, agencies must ensure that services and systemwide service changes, such as the addition of a light rail service, do not have an adverse impact on minority and low-income populations.

[2] *23 U.S. Code*, secs. 134(h)(1) and 149(b). As discussed in Chapter 1, the Met Council and the Transportation Advisory Board jointly serve as the region's Metropolitan Planning Organization.

[3] *Minnesota Statutes* 2010, 473.1466(a), require the Met Council to prepare a biennial performance evaluation of the transit system. The evaluation includes operating data for each provider along with calculated measures of subsidy per passenger and operating cost per revenue hour. For additional measures, see Jason Keith Phillips, "An Application of the Balanced Scorecard to Public Transit System Performance Assessment," *Transportation Journal* (Winter 2004): 26-55; and Transit Cooperative Research Program, *Transit Capacity and Quality of Service Manual*, 2nd ed. (Washington, DC: Transportation Research Board, 2003).

[4] Impact measures demonstrate the effect of transit services on social well being, such as improving environmental quality or people's mobility.

Table 5.2: Selected Performance Measures of Transit

Goal Number	Summary of Goal	Performance Measures
Efficiency Measures		
2	Assure coordinated and efficient use of transit resources	Operating expense per hour, operating expense per mile, operating expense per passenger, operating expense per passenger mile, fare-recovery percentage,[a] subsidy per capita, subsidy per passenger, subsidy per mile, subsidy per passenger mile
3	Increase transit use by prioritizing modes with the greatest capacity and efficiency	
Effectiveness Measures		
1	Provide transit services to meet the needs of all people[b]	Passengers per mile, passengers per hour, passenger miles per mile, passenger miles per hour, ridership per capita, percentage of on-time service at time points, percentage of customers satisfied with services
6	Meet the needs of transit users	
10	Provide safe transportation	Injuries per 100,000 vehicle miles, safety incidents per 100,000 vehicle miles, fatalities per 100,000 vehicle miles, customer opinions of safety
Impact Measures		
1	Provide transit services to meet the needs of all people[b]	Percentage of population with transit services nearby, peak-to-base ratio[c]
15	Provide multimodal transportation that increases access for all people	
5	Provide a basic level of mobility	Percentage of transit-dependent people with transit services nearby, percentage of transit-dependent riders, peak-to-base ratio[c]
8	Ensure planning and implementation of transit are consistent with environmental and energy goals	Gallons of fuel consumed per vehicle hour, gallons of fuel consumed per mile, gallons of fuel consumed per passenger, gallons of fuel consumed per passenger mile
12	Promote and increase the use of high-occupancy vehicles and low-emission vehicles	
16	Reduce greenhouse gas emissions	
13	Provide a reasonable travel time for commuters (i.e., congestion relief)	Total delay,[d] annual delay per peak traveler, congestion cost,[e] congestion cost per peak traveler, percentage of commuters using transit

NOTES: Shading groups goals and their corresponding performance measures. The performance measures include those we selected based on our review of the literature and those for which we could obtain data, but our list of measures is not exhaustive.

[a] Fare-recovery percentage is the fare revenue divided by the operating expenses.

[b] The goal is listed under more than one type of measure.

[c] Peak-to-base ratio is the number of vehicles used during peak service divided by the vehicles used during midday. The ratio identifies the degree to which services are available during midday as during the peak commute hours.

[d] Total delay is the total amount of extra time all passengers spent traveling due to congestion.

[e] Congestion cost is an estimate of the cost of the lost time and fuel wasted due to congestion.

SOURCES: Office of the Legislative Auditor; Jason Keith Phillips, "An Application of the Balanced Scorecard to Public Transit System Performance Assessment," *Transportation Journal* (Winter 2004): 26-55; Texas Transportation Institute, *Appendix A Methodology for the 2009 Urban Mobility Report* (College Station, TX: Texas Transportation Institute, July 2009); and *Minnesota Statutes* 2010, 174.01, subd. 2, and 473.371, subd. 2.

bus routes that carry a smaller number of passengers longer distances.[5] Light rail service tends to carry more passengers per hour than bus service because it is located in high-ridership corridors, and light rail trains have more passenger capacity than buses. Examining multiple measures, therefore, provides a more comprehensive view of performance than relying on one measure alone.

A number of factors, such as service types or modes, may affect the performance of transit systems or providers, as shown in Table 5.3. Service types, including urban-local, suburban-local, or express bus, and modes, such as commuter rail or bus, operate in different environments and may serve different purposes. For example, urban-local bus service generally carries passengers shorter distances and is provided in high-density areas while commuter rail carries passengers long distances from outer suburbs with lower density to city centers. As such,

Several factors can affect the performance of transit systems or providers.

Table 5.3: Factors Affecting the Comparability of Transit Performance Outcomes

	Description and Outcomes Affected
Operating Environment and Service Area Characteristics	Service area characteristics include density, topography, climate, and the proportion of people dependent on transit. Factors may influence ridership and operating costs. For example, high-density areas typically have higher ridership and lower operating costs per passenger.
Service Types	Service types include urban-local, suburban-local, and express bus routes. Service types operate in certain areas and are structured differently, which may influence ridership and operating costs.
Modes	Modes are types of transit, such as light rail, bus, bus rapid transit, and commuter rail. Different modes operate in different environments and have particular purposes. Comparisons of measures, such as passengers per hour or cost per passenger, across modes may not be useful due to these differences.
Size of Operations	Operations vary based on operating budgets, service areas, fleet size, and other characteristics. Size of operations can affect cost and service structures. For example, larger agencies may benefit from economies of scale that increases the efficiency of services; smaller agencies may have more flexibility in making service decisions that may result in better performance on effectiveness measures.
Definition of Measures	Providers may define particular parameters, such as on-time performance, differently. As a result, items being compared may not be measured in the same way.
Methods of Data Collection or Reporting	Methods for collecting or reporting data may be different across providers. For example, some providers report indirect costs of routes using different methods, which can affect the comparability of performance on efficiency measures.

SOURCE: Office of the Legislative Auditor.

[5] Subsidy per passenger is the difference between operating costs and fare revenue, divided by the total number of passengers.

comparing the subsidy per passenger of commuter rail with that of urban-local bus service may not be useful. Instead, performance comparisons are most useful when made among services using similar modes and providing similar service types. While steps can be taken to improve the validity of comparisons, it is often difficult to make "pure" comparisons that hold all factors constant.

In the remainder of this chapter, we use a variety of measures to evaluate the performance of the region's transit system. We make comparisons by region and provider to gauge how well the Twin Cities region and individual transit providers have performed. To the extent possible, we compare the Twin Cities region to peer regions with similar characteristics and providers within the region based on similar service types. However, for the reasons discussed earlier, we encourage readers to view these results in the context in which the services are provided.

PEER REGION COMPARISONS

In this section, we compare the performance of the transit system in the Twin Cities region to peer regions. On most measures, we evaluate the results of the region's transit system as a whole and by mode.

Overall, we found that:

- **The Twin Cities region's transit system performed well on most measures of efficiency, effectiveness, and impact in comparison with peer regions.**

The Twin Cities region's transit system generally performed well when compared with 11 peer regions.

The following sections discuss the results of our peer region comparisons. First, we provide an overview of the peer regions that includes several key indicators of transit services. Then, we summarize the results on three types of measures: efficiency, effectiveness, and impact. More detailed results are available in an online appendix.[6]

Overview of Peer Regions

We selected 11 peer regions that were similar to the Twin Cities region in population, density, and transit modes, and that were identified as a peer region by other organizations in Minnesota.[7] The 11 peer metropolitan areas are: Baltimore, Cleveland, Dallas-Fort Worth, Denver, Phoenix, Pittsburgh, Portland, St. Louis, San Diego, Seattle, and Tampa. As shown in Table 5.4, the population of the peer regions ranged from 1.7 million (Pittsburgh) to more than 4.5 million (Dallas-Fort Worth). Density, a key factor that can affect transit productivity, ranged from fewer than 2,000 residents per square mile (Pittsburgh) to more than 4,000 residents per square mile (Denver and Phoenix). The Twin Cities region

[6] The appendix is available at: http://www.auditor.leg.state.mn.us/ped/2011/transit-app.pdf.

[7] We examined the lists of peers used by the Met Council and Transit for Livable Communities. The population and density of regions were based on the urbanized area, which is an area defined by the U.S. Census Bureau based on population density. The urbanized area of the Twin Cities is smaller than the seven-county region.

Table 5.4: Characteristics of Peer Regions and Transit Modes, 2008

	Population	Population Rank	Density	Density Rank	Regular-Route Modes Operated	Number of Transit Agencies
Dallas-Fort Worth, TX	4,556,056	1	3,238	5	Bus Light Rail Commuter Rail	2
Phoenix, AZ	3,230,269	2	4,043	2	Bus[a]	5[b]
Seattle, WA	2,894,819	3	3,036	7	Bus[c] Light Rail Commuter Rail Monorail Trolley Bus	6
San Diego, CA	2,729,329	4	3,489	4	Bus Light Rail Commuter Rail	3
Twin Cities, MN	2,437,063	5	2,725	9	Bus[d] Light Rail	8[e]
Tampa, FL	2,199,326	6	2,741	8	Bus Streetcar (Light Rail)[f]	3
Baltimore, MD	2,134,771	7	3,127	6	Bus Light Rail Commuter Rail Heavy Rail (Subway)	2
St. Louis, MO	2,102,481	8	2,536	11	Bus Light Rail	2
Denver, CO	2,077,588	9	4,165	1	Bus Light Rail	1
Portland, OR	1,774,850	10	3,745	3	Bus Light Rail[g]	3
Cleveland, OH	1,704,528	11	2,635	10	Bus/Bus Rapid Transit Light Rail Heavy Rail	3
Pittsburgh, PA	1,681,866	12	1,973	12	Bus/Bus Rapid Transit Light Rail Inclined Plane[h]	4

NOTES: Population and density are based on the census-defined urbanized areas. Density is measured by the residents per square mile. Heavy rail refers to subways and elevated rapid transit lines.

[a] Phoenix began operating light rail and bus rapid transit services in December 2008.

[b] Three of the five transit agencies in Phoenix are organized under the same regional transit system called Valley Metro.

[c] Seattle also has ferry boat service, which is not included in this analysis.

[d] Northstar commuter rail did not begin operations until November 2009.

[e] The number does not include the University of Minnesota, Northstar Corridor Development Authority, or the city of Ramsey.

[f] Streetcar service is classified as "light rail" in the National Transit Database.

[g] Operating data for Portland's streetcar service are not included in light rail because they are not reported to the National Transit Database.

[h] Inclined planes are cable-powered cars that travel up and downhill on tracks.

SOURCE: Office of the Legislative Auditor, analysis of data from the National Transit Database and U.S. Census Bureau, 2008.

ranked among the bottom third of its peers in density (2,725 residents per square mile) despite being in the top half of the peer regions in population (more than 2.4 million).

Table 5.4 also shows that all 12 regions offered regular-route bus service, and all regions, with the exception of Tampa and Phoenix, had light rail service in 2008.[8] Several regions, including Dallas-Fort Worth, Seattle, San Diego, and Baltimore, had commuter rail service in 2008 (commuter rail service did not begin in the Twin Cities region until 2009). Bus rapid transit was offered in two regions—Cleveland and Pittsburgh—in 2008.[9]

The Twin Cities region had more transit providers than any of the peer regions.

As shown in Table 5.4, all the peer regions, except for Denver, had more than one agency providing transit services. The Twin Cities region, with eight transit providers, had the largest number of agencies followed by Seattle, which had six. Most other regions had only two or three providers.

Ridership and Miles of Service

Ridership and miles of service provide a broad picture of transit use and availability in a region. Ridership counts the number of passengers that board transit services while miles of service represent the amount of service offered.[10] We compared ridership and miles of service for each peer region. We also adjusted for the population of each region by comparing the ridership and miles per capita. We found that:

- **In 2008, the Twin Cities region ranked in the middle of its peers in ridership but offered fewer miles of service than more than half of the peer regions.**

With more than 92.6 million transit riders in 2008, the Twin Cities region ranked sixth among its peers in ridership and ridership per capita, as shown in Table 5.5.[11] Seattle had the highest ridership of the peer regions with more than 165 million passengers, which was about 78 percent higher than the ridership in the Twin Cities region. Tampa, with around 27 million passengers, had less than one-third of the ridership in the Twin Cities area.

The Twin Cities region ranked eighth among its peers in miles of transit service provided. In 2008, the Twin Cities region provided around 32.7 million miles of

[8] Phoenix began offering light rail service in December 2008, and the National Transit Database classifies Tampa's streetcar as light rail.

[9] Phoenix began providing bus rapid transit in December 2008. The National Transit Database does not distinguish between bus and bus rapid transit.

[10] Passengers who transfer from one service to another to complete a trip are counted each time they board a different service. For example, passengers that ride a bus and then transfer to light rail or another bus to complete their trip are counted twice. Miles of service include the total distance traveled by transit vehicles during the time when they are available to carry passengers or in between the end of a route and departure of the next route.

[11] Data for the Twin Cities region's transit system include regular-route transit services provided by Metro Transit, Metropolitan Transportation Services, the suburban transit providers, the University of Minnesota, Northstar Corridor Development Authority, and the city of Ramsey.

Table 5.5: Ridership and Miles of Service, Twin Cities Region and Peer Regions, 2008

	Ridership	Ridership Rank	Ridership per Capita[a]	Miles of Service	Miles Rank	Miles per Capita[b]
Seattle	165,226,800	1	57	63,816,700	1	22
Baltimore	117,755,300	2	55	38,252,300	4	18
Portland	110,306,900	3	62	34,235,400	6	19
San Diego	102,145,600	4	37	36,073,000	5	13
Denver	99,157,400	5	48	47,993,300	2	23
Twin Cities[c]	92,632,000	6	38	32,650,700	8	13
Dallas-Fort Worth	73,257,100	7	16	38,877,300	3	9
Phoenix	70,177,800	8	22	32,749,900	7	10
Pittsburgh	67,193,600	9	40	27,171,700	10	16
Cleveland	56,830,900	10	33	22,462,800	11	13
St. Louis	55,081,500	11	26	27,345,200	9	13
Tampa	27,205,500	12	12	17,642,300	12	8

NOTES: Ridership represents the number of passenger trips (boardings) on transit services. Miles of service are miles incurred during the time when a vehicle is expected to carry passengers and in between the end of a route and departure of the next route.

[a] Ridership per capita is the number of boardings per the population of the urbanized area in 2008.

[b] Miles per capita are the miles of transit service offered per the population of the urbanized area in 2008.

[c] Figures for the Twin Cities region include regular-route services provided by Metro Transit, Metropolitan Transportation Services, the suburban transit providers, the University of Minnesota, Northstar Corridor Development Authority, and the city of Ramsey.

SOURCE: Office of the Legislative Auditor, analysis of data from the National Transit Database and U.S. Census Bureau, 2008.

In 2008, the Twin Cities region ranked in the middle of its peers in ridership but ranked lower in miles of service offered.

service. Seattle ranked first among the peers on the measure and provided almost double the number of miles of the Twin Cities region. All five regions with higher ridership than the Twin Cities area also provided more miles of service. Notably, the Twin Cities region had higher ridership than two peer regions (Dallas-Fort Worth and Phoenix) that provided more miles of service. When adjusting for population size, the Twin Cities region was among the middle of its peers in miles per capita.

Between 1998 and 2008, the Twin Cities region increased the amount of transit services provided by nearly 9 million miles.

We examined the change in the miles of service offered in the Twin Cities region and its peer regions over the past decade and found that:

- **From 1998 to 2008, the Twin Cities region ranked among the top third of its peers in the miles of transit service added.**

From 1998 to 2008, the Twin Cities region increased the amount of transit service provided by nearly 9 million miles, which was a larger increase than 8 of the 11 peer regions. Phoenix added more miles of service than all other peer regions (18 million miles); Denver and Seattle both added more than 12 million

miles. On the other end, Cleveland provided about 4 million fewer miles of transit service in 2008 than in 1998.

Ridership by Mode

As noted earlier in this chapter, all peer regions offered bus service in 2008 and most offered one or more types of rail service. When we looked at ridership on the different modes of transit, we found that:

- **Compared with its peer regions, the Twin Cities region had a higher percentage of ridership on bus service than rail, partly due to having fewer route miles of light rail than most peers.**

In 2008, the share of riders on bus service compared with other modes was higher in the Twin Cities region than most other peer regions. Approximately 89 percent of the transit rides provided in the Twin Cities region were by bus compared with only 61 percent in San Diego, as shown in Figure 5.1. Several peer regions, including Portland, Dallas-Fort Worth, and St. Louis, provided less than 70 percent of rides by bus with the remaining portion of rides supplied mostly by light rail. Only Tampa and Phoenix, which provided bus service only, had a larger share of bus rides than the Twin Cities region.

In 2008, the Twin Cities region had the second fewest light rail route miles among the peers that offered light rail service.

Light rail service likely provided a smaller proportion of the rides in the Twin Cities area partly because the region had fewer light rail route miles. The Twin Cities region, with 24.4 miles, had the second-fewest route miles of light rail of the 10 peer regions that offered light rail. In 2008, San Diego, with 152.4 miles, and Portland, with 95.9 miles, were the peer regions with the most route miles of light rail.

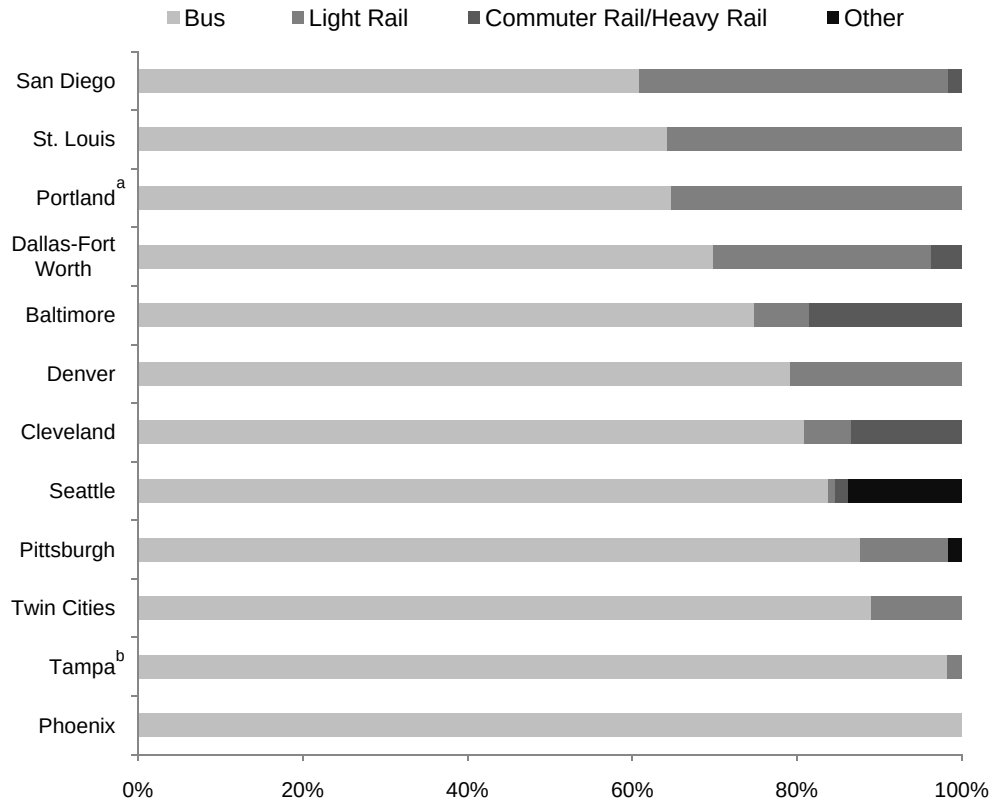
Efficiency Performance

As discussed in the beginning of this chapter, several of the statutory goals of transit address service efficiency. To assess the efficiency of transit in the Twin Cities region compared with its peers, we examined its performance on the efficiency measures listed in Table 5.2. These efficiency measures, such as operating cost per hour or per passenger, identify how well a transit system utilizes operating funds to provide services. Some of these measures also identify the extent to which a transit system generates fare revenues in relation to its operating costs and ridership. Such measures include fare-recovery percentage, which is the fare revenue divided by the operating cost, and subsidy per passenger, which is the subsidy—the operating expenses minus the fare revenue—divided by the total number of passengers.

In examining the performance of the Twin Cities region and its peers on measures of efficiency, we found that:

- **In 2008, the Twin Cities region's transit system performed better than most of its peers on efficiency measures.**

Figure 5.1: Percentage of Ridership by Transit Mode, Twin Cities Region and Peer Regions, 2008



NOTES: Ridership represents the number of passenger trips (boardings) on transit services. "Other" includes inclined plane, trolley bus, or monorail. Bus rapid transit service is included in bus since the National Transit Database does not identify it as a separate mode.

[a] Operating data for Portland's streetcar service were not reported to the National Transit Database.

[b] The National Transit Database classifies streetcar service in Tampa as "light rail."

SOURCE: Office of the Legislative Auditor, analysis of data from the National Transit Database, 2008.

In 2008, the Twin Cities region provided a higher share of its transit rides by bus compared with most of its peer regions.

The Twin Cities region performed well on efficiency measures that examine operating cost per passenger and per passenger mile.

On efficiency measures that examine the operating cost per service consumed, the Twin Cities region was among the top third of peer regions with lower expenses per passenger and passenger mile.[12] The Twin Cities region as a whole had an operating cost of $3.24 per passenger and $0.65 per passenger mile. San Diego had both the lowest operating costs per passenger ($2.59) and per passenger mile ($0.54) of all regions. Dallas-Fort Worth had the highest cost per passenger ($5.36) while Pittsburgh had the highest cost per passenger mile ($1.04).

[12] Full results on efficiency measures for peer regions are available in an online appendix located at: http://www.auditor.leg.state.mn.us/ped/2011/transit-app.pdf.

In 2008, passenger fares covered a relatively high percentage of transit operating costs in the Twin Cities region.

The Twin Cities region performed near the top of its peers on several efficiency measures that consider fare revenue. Overall, fare revenue in the Twin Cities region accounted for 31 percent of operating costs. The region ranked behind only San Diego, which had a 35 percent fare-recovery percentage. All other regions had fare-recovery percentages of 26 percent or lower. The Twin Cities region's fare structure likely contributed to its performance on these measures. In 2008, the Twin Cities region had a higher base bus fare than the national average and, unlike most other regions in the country, the Twin Cities region charged a higher fare for peak-hour service.[13]

Partly due to its higher fare-recovery percentage, the Twin Cities region, with a subsidy per passenger of $2.24 and subsidy per passenger mile of $0.45, ranked behind only San Diego ($1.68 and $0.35, respectively) in having the lowest subsidies. Dallas-Fort Worth had the highest subsidy per passenger ($4.65) and subsidy per passenger mile ($0.82) among the peer regions.

When compared with a subset of peers by mode, the Twin Cities bus system performed well on most efficiency measures, and the region's light rail service performed better than more than half of its peers. Specifically, the Twin Cities region's bus system generated higher average fares and required lower subsidies than most of its peers. Additionally, the region's light rail ranked either third or fourth out of ten regions on all measures of efficiency. Light rail service in San Diego and Denver, regions that provided the most miles of light rail service among all of the peers, outperformed light rail in the Twin Cities region on all efficiency measures.

Effectiveness Performance

While there are many ways to measure transit effectiveness, we focus on service use, on-time performance, customer satisfaction, and safety.

Service Use

To assess whether the transit system meets riders' needs, we examined measures of "service use," which indicate the extent to which the services provided in a region are utilized.[14] We compared the performance of the Twin Cities and peer regions' transit systems overall and by mode and found that:

- **In 2008, the Twin Cities region's transit system ranked higher than most peers on measures of service utilization.**

[13] In 2008, the adult base fare in the Twin Cities region was $1.50 from January to September and was raised to $1.75 in October. The average adult base cash fare in the nation was $1.43 in 2008. In the same year, less than 4 percent of bus systems charged higher fares for peak periods and around 17 percent of bus systems charged higher fares based on distance traveled or zones. See American Public Transportation Association, *2010 Public Transportation Fact Book* (Washington, DC: APTA, April 2010), 23, http://www.apta.com/resources/statistics/pages/transitstats.aspx, accessed October 20, 2010.

[14] The service-use measures we examined include passengers per hour, passengers per mile, passenger miles per hour, and passenger miles per mile.

The Twin Cities region's bus system ranked among the top three peer regions on all "service-use" measures.

The Twin Cities region's transit system as a whole performed among the top third of its peer regions in 2008 on measures of service use, such as passengers per mile of service provided.[15] When comparing bus performance alone, the Twin Cities region was among the top three regions on all service-use measures we analyzed. For light rail, the Twin Cities region ranked first among its peers in the miles passengers traveled on light rail per the miles of light rail service provided. On other service-use measures, the region's light rail ranked third or fourth out of the ten peer regions that offered light rail service.

On-time Performance and Customer Satisfaction

We also examined how well transit services met transit riders' needs by assessing the on-time performance of Metro Transit's services and customer satisfaction of all providers in the region. On-time performance indicates whether the bus system operated according to schedule, which we calculated by comparing actual departure times to scheduled departure times at certain points along bus routes. We considered a bus to be on time if it left a particular timepoint no more than one minute early and no more than five minutes late.[16] Due to data concerns, we limited our analysis to Metro Transit's bus service.[17] For customer perspectives, we examined responses from the customer satisfaction surveys conducted by each provider. Since each provider's survey asked different questions and were conducted in different years, we provide more detailed results for only Metro Transit's survey in this section and discuss other providers' results later in the chapter.

We found that:

- **Metro Transit's bus service generally operated according to schedule, and most riders who responded to surveys were satisfied with transit services in the region.**

For the most part, Metro Transit's bus routes operated on time from February to June 2010. Specifically, Metro Transit's buses adhered to the schedule 88.7 percent of the time, which was close to, but did not meet, Metro Transit's goal of 89 percent. While no national standard for on-time performance is available, according to transit industry ranges, Metro Transit's results were near the top of the range (85.0 percent to 89.9 percent) where a regular customer would

[15] Full results on service-use measures for peer regions are available in an online appendix located at: http://www.auditor.leg.state.mn.us/ped/2011/transit-app.pdf.

[16] Buses that were more than 30 minutes early or late departing from a timepoint were not counted.

[17] The source of on-time performance data is Metro Transit's Automatic Vehicle Locator system. Because the implementation of this technology is still in progress for many of the suburban transit providers and Metropolitan Transportation Services, we were unable to obtain reliable information for their routes. Minnesota Valley Transit Authority uses a different Automatic Vehicle Locator system, and the data were not comparable to Metro Transit's.

experience, on average, about three late buses every two weeks.[18] Metro Transit's performance by route type varied slightly, with lower adherence to scheduled times (84.9 percent) for express routes. On the whole, Metro Transit's on-time performance was acceptable, but even a small improvement would be beneficial to customers, especially for those riding express routes.

Most riders who responded to surveys were satisfied with Metro Transit's services.

Another gauge of whether services met riders' needs is customer opinions of transit services. Customer satisfaction surveys from each of the transit providers in the Twin Cities region found that transit riders who responded were generally satisfied with the transit services they received. For example, Metro Transit's customer satisfaction survey found that 90 percent of bus customers and 95 percent of light rail customers responding to surveys agreed or strongly agreed that they were satisfied with Metro Transit's services.[19] A high percentage of bus customers responding to questions about on-time performance agreed or strongly agreed that morning rush-hour service ran on schedule (81 percent); however, fewer (72 percent) were in agreement when asked about afternoon rush-hour service.

Safety

To assess whether transit services provided in the Twin Cities region offered a safe means of transportation, we compared the performance of the region to its peers on a number of safety measures. We also examined Metro Transit's customer survey responses to questions about safety. We found that:

- **In 2009, the Twin Cities region's bus system was among the safest of its peers; however, from 2005 to 2009, the light rail system ranked among the bottom half of its peers on safety measures.**

The Twin Cities region's bus service had among the fewest safety incidents of the peer regions.

In 2009, the Twin Cities region's transit system as a whole had fewer safety incidents and injuries per 100,000 miles than most of its peers.[20] The region's bus service, in particular, had the second-lowest safety incident rate of all peer regions and had lower injury and fatality rates than two-thirds of its peer regions.

However, from 2005 to 2009, the region's light rail system had more incidents, injuries, and fatalities per 100,000 miles of service than more than half of the

[18] This range is the third of six estimated ranges of on-time performance. The top two ranges of on-time performance include 95.0 to 100.0 percent (one late transit vehicle every two weeks) and 90.0 to 94.9 percent (one late transit vehicle every week). The ranges assume a regular customer makes five round trips per week and does not make any transfers. See Transit Cooperative Research Program, *Transit Capacity and Quality of Service Manual*, 2nd ed. (Washington, DC: Transportation Research Board, 2003), 3-47, http://www.trb.org/Main/Blurbs/Transit_Capacity_and_Quality_of_Service_Manual_2nd_153590.aspx, accessed November 3, 2010.

[19] For information about Metro Transit's customer surveys, see http://www.metrocouncil.org/directions/transit/transit2009/SurveyMar09.htm, accessed November 19, 2010.

[20] A safety incident includes collisions; derailments; fires; hazardous spills; and other occurrences, such as theft or vandalism, suicides, and other security events. Commuter rail was not included in this analysis. Full results on safety measures for peer regions are available in an online appendix located at: http://www.auditor.leg.state.mn.us/ped/2011/transit-app.pdf.

peers that have light rail service. Over the five years, the region had seven fatalities from light rail, although none of the fatalities were light rail passengers. When compared with its peers, the Twin Cities region's light rail had the second-highest fatalities per 100,000 miles of service during this time period.

Customer responses to Metro Transit's survey questions about safety indicate that most respondents felt that transit services were safe. For example, 92 percent of bus customers and 98 percent of light rail customers who responded to the relevant survey questions said they felt drivers operate vehicles in a safe manner. However, lower percentages of customers who responded to survey questions (less than 70 percent) felt safe waiting for or riding transit services in the evening.

Impact Performance

Impact measures, such as the percentage of the transit-dependent population with access to transit services, identify the effects transit has on communities. We examined performance on several types of impact goals outlined in statutes, including access, congestion mitigation, and energy consumption.

Access

Several of the state's transit goals are about increasing people's access or mobility.

Several of the transit goals in statute are about access, including goals to increase "access for all persons," provide a "basic level of mobility," and arrange comprehensive services "to meet the needs of all people."[21] To determine how well transit in the Twin Cities region met these goals, we examined measures that indicated whether the general population and the transit-dependent population had reasonable access to transit services. For these measures, we analyzed service data from the Twin Cities region and peer regions, population data from the 2000 U.S. Census, and survey data from Metro Transit.

Access for the General Population

One indicator of access to transit services is the extent to which people have transit services relatively close to where they live. In the seven-county Twin Cities region, we identified the percentage of the population with regular-route transit services provided near their home in 2010.[22] We defined nearby transit services as a bus stop within one-quarter mile or a light rail or commuter rail stop within one-half mile of a resident's neighborhood.[23] Also, to assess whether the level of transit services met the needs of residents, we examined responses to Metro Transit's survey of potential customers. We found that:

[21] *Minnesota Statutes* 2010, 174.01, subd. 2(2), and 473.371, subd. 2.

[22] We examined the entire seven-county region even though regular-route services are currently mostly offered within the transit taxing district, as noted in Chapter 3.

[23] We defined neighborhood according to census block groups, which are areas defined by the U.S. Census Bureau that vary in size but generally contain between 600 and 3,000 people.

- **Most residents of the Twin Cities region had access to regular-route transit; however, transit services were limited for many residents, especially midday or on weekends.**

In 2010, almost 84 percent of residents in the Twin Cities region had some transit services nearby, as shown in Table 5.6. In the Portland, Oregon area, more than 90 percent of residents lived within one-half mile of transit services—a relatively high proportion of which is light rail service.[24] In Maricopa County, Arizona, which includes the Phoenix metropolitan area, only 56 percent of residents lived within one-quarter mile of a bus route.

Almost 84 percent of residents in the Twin Cities region had access to nearby transit services in 2010, although access varied by county.

Table 5.6: Population and Access to Transit Services in the Twin Cities Region, by County, 2010

				Percentage of Population with Access to:[b]	
	Population	Percentage of Total Population	Density[a]	One or More Transit Trips	One or More Weekend Transit Trips
Anoka	298,084	11.3%	704	68.1%	41.9%
Carver	70,205	2.7	197	40.5	0.0
Dakota	355,904	13.5	625	71.8	45.7
Hennepin	1,116,200	42.2	2005	95.2	66.4
Ramsey	511,035	19.3	3281	97.6	86.3
Scott	89,498	3.4	251	43.0	5.3
Washington	201,130	7.6	513	61.9	14.9
Total	2,642,056	100.0%	940	83.7%	56.9%

[a] Density is measured by residents per square mile.

[b] Access is defined as at least one or more bus stop within one-quarter mile or a light rail or commuter rail stop within one-half mile of a resident's neighborhood.

SOURCE: Office of the Legislative Auditor, analysis of 2010 trip-planning data from Metro Transit and 2000 Census data from the U.S. Census Bureau.

Within the Twin Cities region, the percentage of residents with transit services close to where they live differed by county and mostly corresponded with population and density. For instance, Table 5.6 shows that Hennepin and Ramsey counties had the highest populations and densities of counties in the region and subsequently also had much higher percentages of residents with access to transit (more than 95 percent). On the other end of the spectrum, Carver and Scott counties had the lowest populations and densities in the region

[24] As mentioned previously, we defined access as the population in a census block group that lives within one-quarter mile of a bus stop or within one-half mile of a rail station. Therefore, the measure of access for Portland may be slightly less restrictive than the measure used for the Twin Cities region.

and had smaller percentages (41 and 43 percent, respectively) of their population with access to regular-route transit.[25]

However, only 57 percent of residents in the Twin Cities region had access to nearby transit service on the weekends.

Transit services in the Twin Cities region were more limited on weekends and during weekday nonpeak hours. Only 57 percent of residents in the Twin Cities region lived in areas with nearby weekend transit service. In many suburban areas of the region, regular-route bus service was offered only during weekday peak hours; therefore, no midday service was available. Also, when comparing the amount of service available during nonpeak weekday hours with the peak hours, the Twin Cities area provided relatively fewer services during the nonpeak hours than other regions.[26]

Since people only consider transit as a viable option if the service goes where they need to travel and in a reasonable amount of travel time, we also examined the extent to which survey respondents agreed that transit was a transportation option for them. In a 2009 survey by Metro Transit of potential transit riders who currently drive to work, around 55 percent said that the lack of routes near their home or destination or the walk to the bus stop had "some" to a "heavy" influence on their decisions to not ride the bus.[27] Additionally, for more than 62 percent of the respondents, travel time had "some" to a "heavy" influence on their decisions to not commute by bus.

Access to Transit Services for Transit-Dependent Households

For transit-dependent households, defined as those that do not have a vehicle, transit can be an essential mode of transportation. As another measure of access, we identified whether transit-dependent households in the region had access to weekday and weekend regular-route transit services. To evaluate the goal of mobility, we used the number of available transit trips in an area as a proxy for the frequency of service and number of routes. While data were not available to make direct comparisons with other regions, we used the Portland region's access rate of 90 percent as a benchmark. We found that:

- **In the Twin Cities region, most areas with high percentages of transit-dependent households have transit services nearby; however, some of these areas have relatively few transit services available.**

Only a small percentage of households in the Twin Cities region (8.5 percent) did not have a vehicle, as shown in Table 5.7. Almost 96 percent of these transit-dependent households lived near some transit services, but a smaller percentage

[25] As mentioned in Chapter 1, regional dial-a-ride service is available in all locations in the region where regular-route services are not available.

[26] This is measured through the peak-to-base ratio, which is calculated by dividing the number of vehicles in use during maximum service (peak) by the number of vehicles in use during midday (nonpeak). The Twin Cities region had a ratio of 2.59, while most peer regions had ratios of fewer than 2.0.

[27] Metro Transit conducted a survey of 1,165 potential transit riders from around the seven-county Twin Cities region in 2009. Respondents were screened and commuters who drove to work and did not indicate that they would never take a bus in their commute were identified as potential riders.

Table 5.7: Transit-Dependent Households and Access to Transit Services in the Twin Cities Region, by County, 2010

	Total Households	Transit-Dependent Households	Percentage of Transit-Dependent Households	Percentage of Transit-Dependent Households in Region	Percentage of Transit-Dependent Households with Access to:[a] One or More Transit Trips	Percentage of Transit-Dependent Households with Access to:[a] One or More Weekend Transit Trips
Anoka	106,428	4,911	4.6%	5.6%	91.1%	77.7%
Carver	24,356	846	3.5	1.0	36.9	0.0
Dakota	131,151	5,447	4.2	6.3	82.9	68.4
Hennepin	456,129	48,930	10.7	56.2	99.2	92.1
Ramsey	201,236	23,666	11.8	27.2	99.4	95.8
Scott	30,692	959	3.1	1.1	42.3	2.2
Washington	71,462	2,332	3.3	2.7	70.9	23.9
Total	1,021,454	87,091	8.5%	100.0%	95.8%	87.1%

NOTES: Households include all persons who occupy a housing unit. Transit-dependent households are those that do not have a vehicle.

[a] Access is defined as a bus stop within one-quarter mile or light rail or commuter rail stop within one-half mile of a resident's neighborhood.

SOURCE: Office of the Legislative Auditor, analysis of 2010 trip-planning data from Metro Transit and Census 2000 data from the U.S. Census Bureau.

Transit-dependent households in Hennepin and Ramsey counties were more likely to have nearby transit services than those in Carver and Scott counties.

(87 percent) lived in areas that also had transit services on the weekend in 2010.[28] As noted earlier, in the Twin Cities area, the nonpeak bus service was less available than the peak service compared with other regions. Fewer services during the midday may have disproportionately impacted transit-dependent riders, who, according to Metro Transit's customer survey, were the majority of riders during this time.

More than 80 percent of transit-dependent households in the region lived in either Hennepin or Ramsey county. Nearly all of the transit-dependent households in these counties had some transit services nearby and almost all also had service available on the weekend. A smaller percentage of transit-dependent households in Anoka and Dakota counties had nearby transit services available (78 percent) and an even smaller percentage (68 percent) had access on the weekend. Carver County had very few transit-dependent households, and no regular-route transit services were available in the county on the weekends. (As noted earlier, in 2010, pre-arranged dial-a-ride service was available regionwide in areas that were not served by regular-route transit.)

To assess whether transit services help provide basic mobility for transit-dependent households, we used the number of trips available in an area as a

[28] While we do not have national standards for access to transit for transit-dependent riders, as noted earlier, 90 percent of Portland area's residents had nearby access to transit services. Therefore, the Twin Cities region performed fairly well in providing transit-dependent residents access to at least some transit services.

proxy for frequency of service and multiple routes. For the most part, areas with high concentrations of transit-dependent households were more likely to have access to higher levels of transit service than other areas. For example, 67 percent of the areas in the region with the highest concentrations of transit-dependent households (more than 30 percent) had more than 2,000 weekly transit trips available nearby. However, 7 percent of areas where 17 to 30 percent of the households were transit dependent had 500 or fewer trips available per week.

Congestion Mitigation

Express bus routes and commuter rail are among the transit services provided, in part, to help mitigate congestion.

Although not explicitly mentioned in statute, one of the goals of transit suggested by transit providers and Met Council staff we interviewed was relieving traffic congestion.[29] Some transit services in the Twin Cities region, such as express routes and commuter rail, have been designed, in part, to address this goal and are among several strategies the region is using to address congestion.[30] Since 2002, the region has expanded the capacity of park-and-ride facilities and the number of express routes serving them to help mitigate congestion.

To gauge how well the Twin Cities region performed on minimizing congestion, we compared the performance of the region with a subset of the peer regions on several measures of congestion.[31] These measures estimate the delay in travel for all vehicles during peak periods due to congestion and the cost of the congestion in both the value of the time and fuel wasted due to the delay. To gauge the degree to which transit may have an impact on congestion, we also examined the share of workers in the Twin Cities region that travel to work using transit compared with the share commuting to work by transit in the peer regions. We found that:

- **The Twin Cities region ranked around the middle of its peers on measures of congestion.**

The Twin Cities region ranked fifth out of nine peer regions on most measures of congestion. From 2002 to 2007, the amount of time the average peak traveler in the Twin Cities region was delayed during rush-hour travel did not change substantially nor did the rank of the Twin Cities region among its peers on this measure change over this time. In other words, for the average traveler, the delay from congestion in the Twin Cities metropolitan area neither worsened nor improved.

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[29] Goal 13 in Table 5.1 is related to reducing congestion.

[30] For a description of other congestion mitigation efforts, see Metropolitan Council, "TDM Evaluation and Implementation Study" (St. Paul, MN: Met Council, August 2010), 9-28, http://www.metrocouncil.org/planning/transportation/TDMStudy.pdf, accessed November 12, 2010.

[31] Congestion is closely related to population size, so we used a subset of the peer regions that were most similar in population to the Twin Cities region. These regions are: Baltimore, Cleveland, Denver, Pittsburgh, Portland, San Diego, St. Louis, and Tampa. See Texas Transportation Institute, *Appendix A Methodology for the 2009 Urban Mobility Report* (College Station, TX: Texas Transportation Institute, July 2009).

In 2007, congestion cost the Twin Cities region $1.1 billion in lost time and fuel wasted, which was slightly higher than the average of its peers.[32] The San Diego region had the highest cost of congestion ($1.8 billion) while Cleveland had the lowest ($0.2 billion). In the same year, the average annual cost of the delay for the peak traveler in the Twin Cities region was $812. The cost per traveler increased 21 percent from 2002 due to an increased cost in the value of time and fuel wasted. In four other regions, however, the cost per peak traveler increased at higher rates than in the Twin Cities region.[33]

From 2005 to 2007, about 5 percent of workers in the Twin Cities region commuted to work by transit.

The Twin Cities region was also near the middle of its peer regions in the percentage of workers commuting to work by transit. From 2005 to 2007, about 5 percent of workers in the Twin Cities region commuted to work by transit. In comparison, nearly 8 percent of workers in Baltimore commuted to work by transit from 2005 to 2007 and only 1.3 percent of workers in Tampa used transit for their commute.

Energy Consumption

Another statutory goal of transit is to ensure consistency with state energy and environmental goals, which include efficiently using energy resources and minimizing the environmental impact of energy use.[34] Studies have shown that transit usage in the United States has helped increase energy efficiency and lessen carbon dioxide emissions by reducing the amount of gasoline that would have been consumed had transit passengers driven personal vehicles.[35]

To assess the extent to which bus transit in the Twin Cities region efficiently used energy resources and minimized its environmental impact, we examined Metro Transit's efforts to use technological advances to meet these goals.[36] We also examined Metro Transit's bus performance compared with peer agencies on several measures of fuel efficiency, as listed in Table 5.2 under Goal 8.[37] We found that:

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[32] Texas Transportation Institute, *Performance Measure Summary-Minneapolis-St. Paul, MN* (College Station, TX: Texas Transportation Institute, July 2009), http://mobility.tamu.edu/ums/congestion_data/tables/minneapolis.pdf, accessed October 14, 2010.

[33] The four regions are: Baltimore (31 percent), Tampa (30 percent), Portland (30 percent), and Denver (26 percent).

[34] *Minnesota Statutes* 2010, 116D.02, subd. 2(9); 174.01, subd. 2(10); and 174.03, subd. 7.

[35] See Linda Bailey, *Public Transportation and Petroleum Savings in the U.S.: Reducing Dependence on Oil*, prepared for the American Public Transportation Association (Fairfax, VA: ICF International, 2007); and Todd David and Monica Hale, *Public Transportation's Contribution to U.S. Greenhouse Gas Reduction*, prepared for the American Public Transportation Association (McLean, VA: Science Applications International Corporation, 2007).

[36] We limited our analysis to Metro Transit (including the express bus service provided through contract with Maple Grove Transit) because it was the only provider in the Twin Cities region to directly operate bus service.

[37] Due to data limitations, this analysis includes only bus service directly operated by Metro Transit and the larger transit agencies of the peer regions and excludes Phoenix.

- **Metro Transit's bus operations utilized technologies to reduce fuel consumption and performed better than most of its peers on fuel efficiency measures.**

In 2008, Metro Transit used biodiesel to power its entire fleet, and in 2010, the agency had almost 100 hybrid buses.

Of the 11 peer agencies, Metro Transit was one of only two agencies that used biodiesel blends to power its entire fleet in 2008.[38] Biodiesel, compared with petroleum-based diesel, produces fewer carbon dioxide emissions and other pollutants.[39] Several peer agencies utilized other clean fuels, such as compressed natural gas or liquefied natural gas, for a portion of their vehicles.[40] According to the American Public Transportation Association, biodiesel and natural gas were only about 28 percent of the total fuel consumed by bus vehicles in 2008.[41]

Similar to some of its peer agencies, Metro Transit has adopted technology to reduce energy consumption by replacing some of its fleet with hybrid vehicles. In 2010, Metro Transit utilized 97 hybrid buses, which represented about 11 percent of its fleet; it plans to have 150 hybrids by 2012. According to the Met Council, hybrid vehicles, while more expensive to purchase, produce 90 percent fewer emissions, have 28 percent better fuel economy, and are quieter than the buses they replace.[42] While some peer transit agencies, such as those in Seattle and Denver, also use hybrid vehicles, the American Public Transportation Association found that in 2008 only 4.9 percent of bus vehicles used in the nation were hybrids.[43]

On measures of fuel efficiency, Metro Transit bus service ranked higher than more than half of the 11 peer agencies for having the lowest fuel consumption per passenger mile and per passenger.[44] In 2008, Metro Transit consumed about .02 gallons of fuel per bus passenger mile, which was about half the consumption of fuel per mile of the average car in the United States.[45]

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[38] The other agency is Tri-County Metropolitan Transportation District from Portland, Oregon. The King County Department of Transportation – Metro Transit Division from Seattle also used biodiesel fuel, but only for less than 7 percent of all the fuel it used in 2008.

[39] U.S. Department of Energy, "Just the Basics: Biodiesel," (August 2003), http://www1.eere.energy.gov/vehiclesandfuels/pdfs/basics/jtb_biodiesel.pdf, accessed November 4, 2010.

[40] These include San Diego Metropolitan Transit System, Denver Regional Transportation District, Pinellas Suncoast Transit Authority (Tampa), Bi-State Development Agency (St. Louis), the Greater Cleveland Regional Transit Authority, and Dallas Area Rapid Transit.

[41] See American Public Transportation Association (APTA), *2010 Public Transportation Fact Book* (Washington, DC: APTA, April 2010), 18, http://www.apta.com/resources/statistics/pages/transitstats.aspx, accessed October 20, 2010.

[42] Metropolitan Council, *Twin Cities Transit System 2009 Transit Evaluation* (March 2010), 104.

[43] See American Public Transportation Association (APTA), *2010 Public Transportation Fact Book* (Washington, DC: APTA, April 2010), 18, http://www.apta.com/resources/statistics/pages/transitstats.aspx, accessed October 20, 2010.

[44] Full results on energy consumption measures for peer regions are available in an online appendix located at: http://www.auditor.leg.state.mn.us/ped/2011/transit-app.pdf.

[45] The Bureau of Transportation estimates the average fuel economy of a passenger car in 2008 to be 22.6 miles per gallon, which translates to about .04 gallons per mile.

INTRA-REGIONAL COMPARISONS

We also compared the performance of bus transit providers within the Twin Cities region.

In addition to comparing the Twin Cities region as a whole to peer regions elsewhere in the country, we also compared the performance of bus service of transit providers within the region to one another. As discussed in Chapter 3, the eight bus providers in the region are: the Met Council providers (Metro Transit and Metropolitan Transportation Services), the city-run suburban transit providers (Maple Grove Transit, Plymouth Metrolink, Prior Lake Transit, and Shakopee Transit), and the suburban transit providers formed by joint-powers agreements (the Minnesota Valley Transit Authority and SouthWest Transit).[46]

We examined the performance of bus providers in 2009 according to a set of efficiency and effectiveness measures for which we had data available by provider and route type.[47] To improve the comparability of the results, we examined the performance of providers by service type. However, as shown earlier in Table 5.3, many factors outside a transit provider's control can impact performance, so we express caution in drawing conclusions based solely on these results. We first provide an overview of the service types in the region and then examine the performance of providers on express and suburban-local bus services.

Overview of Service Types

The Twin Cities region offered 225 bus routes in 2009. Different route types serve different transportation needs in the region. Express service is primarily offered to transport commuters from suburban areas into downtown Minneapolis and downtown St. Paul during peak hours. Urban-local and some suburban-local services tend to provide shorter trips within communities, provide service throughout the day and on weekends, and serve a higher proportion of transit-dependent riders.

In 2009, urban-local routes served 78 percent of the bus passengers in the region, express routes served 16 percent, and suburban-local routes served 6 percent, as shown in Figure 5.2.[48] The figure also shows that urban-local routes traveled 60 percent of the miles of bus transit service in the region, compared with 14 percent of suburban-local routes, and 26 percent of express routes. Urban-local routes also provided the most hours of service.

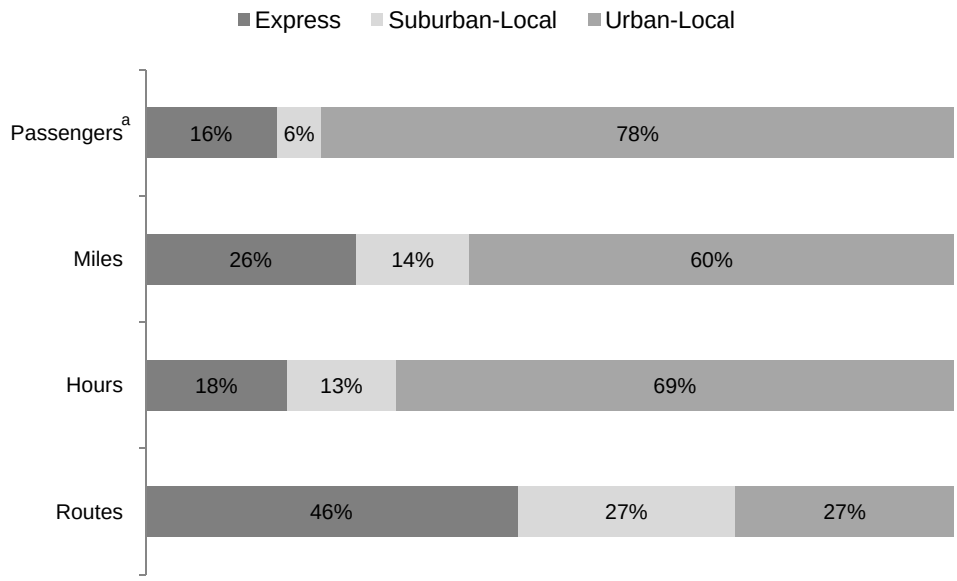
In 2009, Metro Transit served the highest share of passengers in the region using urban-local and express bus services, and it served a large portion of suburban-local passengers. As shown in Figure 5.3, Metro Transit served nearly

[46] The data in this section do not include regular-route services provided by the University of Minnesota, the Northstar Corridor Development Authority, or the city of Ramsey and do not include special bus services, such as service to the Minnesota State Fair.

[47] We were unable to make comparisons on impact measures, but performance on access—a type of impact measure discussed earlier—identified variation among the counties in the Twin Cities region.

[48] Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

Figure 5.2: Bus Services by Route Type in the Twin Cities Region, 2009



NOTES: Data do not include special bus services, such as Minnesota State Fair, or service provided by the city of Ramsey, the Northstar Corridor Development Authority, or the University of Minnesota.

[a] Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

SOURCE: Office of the Legislative Auditor, analysis of Metropolitan Council data, 2009.

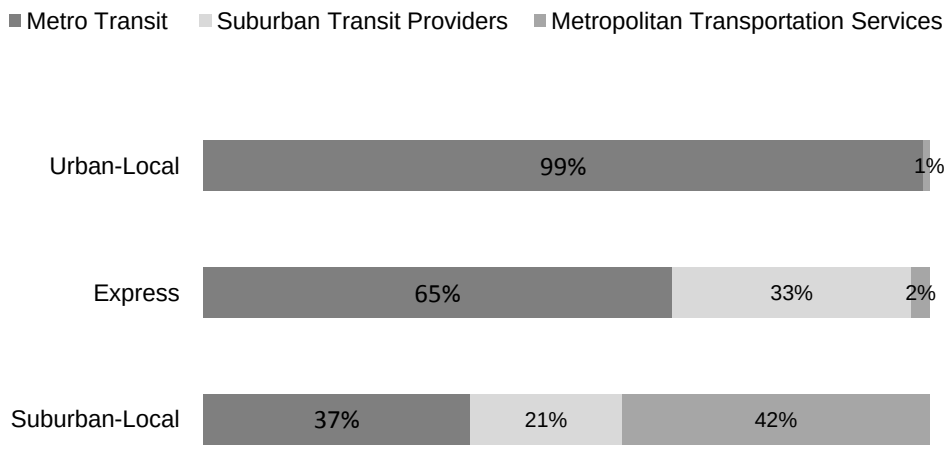
In 2009, urban-local bus routes served the majority of passengers and offered the majority of miles and hours of bus service in the region.

all urban-local passengers, 65 percent of express passengers, and 37 percent of suburban-local passengers. Suburban transit providers served about one-third of the express passengers in the region and 21 percent of suburban-local passengers. Metropolitan Transportation Services, which mostly offers suburban-local routes, served 42 percent of suburban-local passengers in the region.

Express Routes

All providers in the region offered express bus routes in 2009. As noted in Chapter 3, in 2009, the number of express routes offered by providers ranged from 1 joint express route provided by Shakopee Transit and Prior Lake Transit to 56 routes offered by Metro Transit, not including those it provided through

Figure 5.3: Route-Type Passengers Served by Provider in the Twin Cities Region, 2009



NOTES: Data do not include special bus services, such as Minnesota State Fair. Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

SOURCE: Office of the Legislative Auditor, analysis of Metropolitan Council data, 2009.

In 2009, Metro Transit provided the majority of urban-local and express bus rides in the region.

contract for Maple Grove Transit.[49] The route lengths of providers also varied, and SouthWest Transit provided 11 of the 20 longest bus routes in 2009.[50] We examined the performance of express bus service by provider according to a set of efficiency and effectiveness performance measures for which we had data available.[51]

Efficiency Performance

In examining the express bus performance on efficiency measures by provider, we found that:

- **Metro Transit's express bus service performed better on most efficiency measures than other providers in the region.**

[49] Metro Transit's 56 express routes include one route provided jointly with Metropolitan Transportation Services.

[50] The route length ranged from 8 miles to 36 miles in one direction. The 20 longest express routes were each 23.9 miles or longer.

[51] Efficiency measures we examined in this section include operating cost per hour, operating cost per mile, operating cost per passenger, fare-recovery percentage, subsidy per passenger, and subsidy per mile. Effectiveness measures we examined were passengers per hour and passengers per mile. We were unable to obtain passenger miles—the distance traveled by passengers—by route type and provider, which provide another useful view of transit performance.

Metro Transit's express bus service was provided at the lowest cost per passenger and with the highest fare-recovery percentage of all providers in the region in 2009.

In examining the express service Metro Transit provides—both through contract for Maple Grove Transit and on its own routes—it performed better than other providers in the region on almost all of the efficiency measures we evaluated.[52] Specifically, Metro Transit's express bus service and those it provided through contract for Maple Grove Transit were provided at the lowest cost per passenger and with the highest fare-recovery percentage of all regional providers in 2009.[53] Metro Transit's express service also had a lower subsidy per passenger than other providers in the region, as shown in Table 5.8. While the express service Metro Transit provided for Maple Grove Transit had the lowest subsidy per mile, its own express routes had higher subsidies per mile than the express service of Plymouth Metrolink and the Minnesota Valley Transit Authority.

Metro Transit staff told us that with the addition of light rail and commuter rail, Metro Transit has been able to leverage administrative costs, which has allowed them to minimize administrative cost increases in all three modes of operation, including bus service. Metro Transit staff noted that if Metro Transit bus, light rail, and commuter rail were operated separately, each mode would require separate administrative staff and related costs.

The suburban transit providers vary in the size of their express operations, which may affect their performance on efficiency measures. In 2009, the Minnesota Valley Transit Authority (MVTA), the largest suburban transit provider, performed better on several efficiency measures than the other suburban providers that did not contract with Metro Transit for express service. For instance, MVTA's subsidy per passenger for express bus service was $2.84. All other suburban transit providers (with the exception of Maple Grove Transit) and Metropolitan Transportation Services had subsidies per passenger of $3.83 or more. MVTA and Plymouth had the lowest subsidy per mile of the suburban providers (not including Maple Grove Transit) at $3.90, while the three other suburban providers and Metropolitan Transportation Services had subsidies per mile of more than $4.50.

SouthWest Transit, Shakopee Transit, and Prior Lake Transit had higher costs per hour and mile and higher subsidies per passenger and mile than other providers in the region in 2009. However, as noted earlier, SouthWest Transit provided many of the longest bus routes in the region. While not all longer express routes had higher subsidies than shorter routes, some components of operations, such as fuel and driver costs, can be higher for longer routes, especially those with longer travel times. Also, Shakopee Transit and Prior Lake Transit each had only one shared express bus route and few local routes, so the overhead costs for each provider were allocated onto a small number of routes.

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[52] The express service Metro Transit provided for Maple Grove Transit performed the best on all efficiency measures except for one, and Metro Transit's own express service performed second to its express service for Maple Grove Transit on three of the six measures.

[53] Full results on efficiency measures for express bus service of each Twin Cities region provider are available in an online appendix located at: http://www.auditor.leg.mn.us/ped/2011/ped/transit-app.pdf.

Table 5.8: Performance on Selected Measures by Transit Service Type and Provider, 2009

	Operating Expenses (thousands)	Passengers[a] (thousands)	Subsidy per Passenger[b]	Subsidy per Mile[b]	Passengers per Hour
Express Bus					
Maple Grove (operated by Metro Transit)	$ 2,799	709	$ 1.41	$ 2.29	43
Metro Transit	36,875	7,467	2.61	4.49	36
Metropolitan Transportation Services	2,086	289	4.75	4.58	24
Minnesota Valley Transit Authority	8,936	1,720	2.84	3.90	34
Plymouth Metrolink	2,205	349	3.83	3.90	21
Prior Lake Transit	521	48	7.77	6.73	23
Shakopee Transit	686	92	5.04	8.91	26
SouthWest Transit	6,703	898	4.96	5.89	31
Express Bus Total/Average	$ 60,812	11,572	$ 2.89	$ 4.43	34
Suburban-Local Bus					
Maple Grove	$ 141	20	$ 6.97	$ 8.39	13
Metro Transit	6,851	1,445	3.81	7.53	33
Metropolitan Transportation Services	8,299	1,664	4.03	3.28	12
Minnesota Valley Transit Authority	6,045	669	8.04	5.23	12
Plymouth Metrolink	855	57	14.92	7.94	10
Prior Lake Transit	30	1	20.22	3.42	2
Shakopee Transit	319	23	12.93	3.19	4
SouthWest Transit	645	52	10.65	10.57	14
Suburban-Local Bus Total/Average	$ 23,185	3,933	$ 4.95	$ 4.77	15
Urban-Local Bus					
Metro Transit	$186,361	55,230	$ 2.42	$ 7.84	42
Metropolitan Transportation Services	2,206	482	3.51	5.13	19
Urban-Local Bus Total/Average	$188,568	55,713	$ 2.43	$ 7.79	42
Metro Transit–Light Rail	$ 23,113	9,863	$ 1.34	$12.92	157
Metro Transit–Commuter Rail[c]	$ 7,608	333	$19.36	$89.74	57

NOTES: Subcategories may not sum to totals due to rounding. Bus data do not include services for special events, such as the Minnesota State Fair. Results on additional performance measures are available in an online appendix located at: http://www.auditor.leg.mn.us/ped/2011/ped/transit.app.pdf.

[a] Passengers are counted each time they board vehicles no matter how many vehicles they use to travel from their origin to their destination.

[b] Subsidy is the operating cost minus the passenger fare revenue.

[c] Commuter rail figures include data from January to June 2010 (except passengers per hour, which includes data through September 2010) since commuter rail service began operations in November 2009.

SOURCE: Office of the Legislative Auditor, analysis of data provided by Metropolitan Council and Metro Transit., 2009

Effectiveness Performance

When examining the measures of service use, including passengers per hour, passengers per mile, and customer satisfaction, we found that:

- **The performance of express bus service providers on measures of service utilization was mixed; however, customers responding to surveys were generally satisfied with the services they received.**

In 2009, Metro Transit's express routes served the most passengers per hour (including the service provided for Maple Grove) of all providers and served the second-highest number of passengers per mile among all providers in the region.[54] Shakopee Transit, which was in the middle of providers in the number of passengers per hour, served the highest number of passengers per mile.

Across all regional providers, very high percentages of express bus riders indicated their satisfaction with transit services.

All providers in the Twin Cities region have conducted customer satisfaction surveys since 2003.[55] While the survey data for each provider were not comparable due to different methodologies, questions, and response choices, all surveys asked a question about overall satisfaction with services. For all providers, very high percentages of express bus riders surveyed indicated their satisfaction with transit services. For example, 99 percent of SouthWest Transit survey respondents were satisfied or very satisfied overall with services, and 97 percent of the Minnesota Valley Transit Authority's survey respondents said that the service they received met or exceeded their expectations. Similarly, about 90 percent of Metro Transit's express passengers who responded to surveys agreed or strongly agreed that they were satisfied with transit services.

Suburban-Local Routes

We also compared the performance of each bus provider in the region using measures of efficiency and effectiveness for their suburban-local routes. In 2009, suburban-local routes represented only 14 percent of the bus transit miles traveled in the region and amounted to only 9 percent of bus operating costs.

We found that:

- **Regional providers' performance on suburban-local service was difficult to compare due to variations in service.**

Different providers offer different levels of suburban-local bus service.

Different providers offer different levels of suburban-local service. In 2009, Metropolitan Transportation Services provided many more suburban-local routes than Metro Transit but served a somewhat similar percentage of passengers, as shown earlier in Figure 5.3.[56] Some providers, such as Prior Lake Transit and Shakopee Transit, had very few local routes. Plymouth Metrolink, Maple Grove Transit, and Shakopee Transit did not collect fares for their local "feeder" routes because all of the feeder riders paid a fare when they boarded the express bus route. With the exception of one SouthWest Transit route that was discontinued in 2009, Metro Transit, Metropolitan Transportation Services, and the Minnesota Valley Transit Authority were the only providers that offered suburban-local service on weekends.

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[54] Full results on effectiveness measures for express service of each Twin Cities region provider are available in an online appendix located at: http://www.auditor.leg.mn.us/ped/2011/ped/transit-app.pdf.

[55] Maple Grove Transit conducted its most recent survey in 2003; Metro Transit's most recent survey, which included responses from riders of Metropolitan Transportation Services' routes, was conducted in 2008; and the Minnesota Valley Transit Authority, SouthWest Transit, Plymouth Metrolink, and Prior Lake Transit/Shakopee Transit conducted their most recent surveys in 2009.

[56] In 2009, Metropolitan Transportation Services provided 22 suburban-local routes, Metro Transit operated 4, and the two providers jointly provided 3 routes.

Likely due to variations in service, the performance on efficiency measures varied across providers from one measure to the next in 2009.[57] For example, Metro Transit's and Metropolitan Transportation Services' suburban-local routes had lower costs and subsidies per passenger than the suburban-local routes provided by the suburban transit providers, but Metro Transit's service required a higher subsidy per mile than one-half of the providers in the region, as shown in Table 5.8. At the same time, Shakopee Transit had higher subsidies per passenger than most providers but had the lowest subsidy per mile of all providers.

On measures of effectiveness, Metro Transit's suburban-local routes served a substantially higher number of passengers per hour and per mile than the other providers in 2009. Specifically, Metro Transit's suburban-local routes served 33 passengers per hour while the other providers ranged from 2 to 14. However, some of the suburban areas served by Metro Transit, such as Brooklyn Center, had higher densities than some areas served by the suburban transit providers, which likely contributed to the productivity of their suburban-local routes. Also, Metropolitan Transportation Services, which contracted for routes that were not cost-effective for Metro Transit to operate, ranked near the middle of all providers in the region in its performance on effectiveness measures for its suburban-local routes.

RECOMMENDATIONS

RECOMMENDATION

The Legislature should clarify the goals and priorities of transit in the Twin Cities region.

Clear and identifiable goals for the Twin Cities region's transit system would help focus stakeholders on the purpose of providing transit in the region. Clarity from the Legislature about the goals for the transit system as a whole is especially important because the region has many organizations involved in transit governance, many of which only focus on one part of the system. Therefore, we suggest that the Legislature clarify and consolidate the goals specific to transit in statute.

Because some goals inherently conflict with others, it would be useful for the Legislature to prioritize goals for transit. The goals for transit should guide decisions about what services to provide and what the services should achieve. As such, identifying priorities will help in making decisions about where to allocate the region's scarce transit resources.

[57] Full results on efficiency and effectiveness measures of each Twin Cities region provider are available in an online appendix located at: http://www.auditor.leg.mn.us/ped/2011/ped/transit-app.pdf.

RECOMMENDATION

The Metropolitan Council should work with stakeholders to adopt a set of measures that examine the performance of the transit system as a whole, according to the goals outlined in statute.

The transit providers in the region should work with the Metropolitan Council to identify such measures and ensure that data are comparable across the providers in the region.

Once the Legislature has clarified the goals of transit, the Met Council should work with transit providers and other stakeholders in the region to develop a set of measures that comprehensively evaluates how well the transit system is meeting its goals. Any single measure will have drawbacks and can only assess progress toward certain goals, so we encourage the Met Council and stakeholders to select a set of measures that can provide a comprehensive perspective of the transit system's performance.

The transit providers in the region should work with the Met Council to identify appropriate performance measures and standard definitions to allow for measurement of the region's system as a whole. Given the distrust among providers in the region discussed throughout this report, it may be difficult to agree on which measures to include. Additionally, the number of different transit organizations under the current transit governance structure makes evaluating the performance of the transit system more difficult. However, it is important for providers to work together to develop a set of measures that will help legislators, stakeholders, and the public understand the extent to which the system is meeting its goals. For such measures to be useful, it is crucial that data be collected in a similar manner across providers.

As noted earlier, the Met Council is already required by statute to prepare a performance evaluation periodically. We recommend that once the goals are identified and measures are selected, the performance evaluation include an assessment of the region's transit system according to the complete set of transit performance measures that are identified.

List of Recommendations

- The Legislature should restructure the governance of the Metropolitan Council. (pp. 41-49)
- Although several governance structures have merit, we recommend the Legislature follow Option 2, which calls for a mix of appointed and elected Council members serving staggered terms. (pp. 41-49)
- Separating Metro Transit and the Metropolitan Council would provide some benefits but would also likely present drawbacks. Given the current structure, Metro Transit and the Council should not be separated. (p. 50)
- Given the current structure of the Metropolitan Council and the taxing authority of the Counties Transit Improvement Board (CTIB), CTIB should not be eliminated. (p. 51)
- Given federal requirements and the current structure of the Metropolitan Council, the Transportation Advisory Board should not be eliminated. (pp. 51-52)
- The suburban transit providers should not be eliminated, although there are opportunities for consolidation. (p. 52)
- The Legislature should amend *Minnesota Statutes* 279B.09 to explicitly give the Metropolitan Council authority to allocate the supplemental Motor Vehicle Sales Tax revenue in the Twin Cities region. (p. 73)
- The Metropolitan Council should allocate supplemental Motor Vehicle Sales Tax revenue based on the needs of the region. (pp. 73-74)
- The Legislature should amend *Minnesota Statutes* 473.446, subd. 2, to extend the transit taxing district so that all communities under the Metropolitan Council's jurisdiction are included in the transit taxing district. (p. 74)
- Smaller city-run suburban transit providers should consider consolidating. Those suburban providers that remain should work collaboratively with the Metropolitan Council to improve bus transit service in the region. (pp. 74-75)
- The Metropolitan Council should coordinate with stakeholders to establish regional transit priorities and prioritize potential transitways for future development based on data and the needs of the region. (pp. 91-92)
- The Metropolitan Council should only incorporate into the region's Transportation Policy Plan those transitways that are at or near the top of the region's transit priority list. (pp. 92-93)

- The Minnesota Legislature should repeal *Laws of Minnesota* 2002, chapter 393, sec. 85, and allow consideration of the Dan Patch corridor. (p. 93)

- The Legislature should designate in law the Metropolitan Council as the federal grantee and constructor of New Starts transitway projects in the region. (pp. 93-94)

- The Legislature should not commit capital funds to a transitway development project without ensuring that operating revenues for the first five to ten years have been identified. (p. 94)

- The Legislature should clarify the goals and priorities of transit in the Twin Cities region. (p. 122)

- The Metropolitan Council should work with stakeholders to adopt a set of measures that examine the performance of the transit system as a whole, according to the goals outlined in statute. (p. 123)

- The transit providers in the region should work with the Metropolitan Council to identify such measures and ensure that data are comparable across the providers in the region. (p. 123)

Metropolitan Council

January 13, 2011

Mr. James Nobles, Legislative Auditor
Office of Legislative Auditor
658 Cedar St.
St. Paul, MN 55155

Dear Mr. Nobles

The Metropolitan Council greatly appreciates the considerable time and effort that have gone into the preparation of your report on "Governance of Transit in the Twin Cities Region." You and your staff have been extremely thorough and professional in undertaking this task, and the report contains a number of findings and recommendations with which we fully agree.

We do, however, believe your proposals to restructure Council governance require further study and broader discussion for reasons outlined below.

Following is our response to your major findings in the order presented in the report summary:

Complexity and Fragmentation: We agree that the current transit governance structure is enormously complex and fragmented, and that this has led to some tensions among various agencies. Over time, however, the Met Council and the Counties Transit Improvement Board (CTIB) have developed an effective working relationship to advance a number of transit improvements – most notably the Central Corridor LRT Project. The relationship with the suburban transit providers is fundamentally different because of the Council's oversight function, which the report acknowledges.

Coordination: As the report observes, the process of coordinating regional transit service is "time consuming and inefficient" because of the multiple transit providers. The inefficiencies include duplication of staff, procurement and fleet inefficiencies, and the extraordinary amount of time required for coordination, training and oversight. The Council appreciates the report's finding that we acted appropriately in developing regional policies and procedures to provide for greater regional equity, efficiency, consistency and transparency in the delivery of transit services, and that the suburban providers should comply with these policies.

Council Credibility: The report says the Met Council lacks "credibility" as a result of the current method of Council member selection. However, this concern appears to come from a few agencies with scopes and priorities that may differ from those of the Council. The Council believes our agency has considerable credibility with CTIB, the Transportation Advisory Board, the Minnesota Department of Transportation, federal agencies and other regional partners. Council partnerships with these and other entities helped the region secure the Urban Partnership Agreement, HUD Sustainable Communities and Living Cities grants.

Transit Resources: There is no question that "transit resources have been unpredictable." Transit revenues from the Motor Vehicle Sales Tax (MVST) have fallen short of the out-year forecasts virtually every year since 2003, when this funding source was used by the Legislature to replace the property tax for transit operations.

Supplemental MVST: We agree that the Met Council should be given explicit statutory authority to allocate "supplemental" MVST dollars, based on *regional* needs.

Transit Priorities: The Council acknowledges the need to more clearly establish regional priorities for the development of future transitways. However, we believe the prioritization of transit investments must balance the needs of all transit users, not just commuters, and encompass the entire family of transit services –including express and local regular routes, dial-a-ride and ADA services.

Transit Governance: The report recommends changes in Council structure as a "first step" in changing transit governance, but proposes no "next steps" to reduce the fragmentation that impedes the efficiency of the region's system of transit operations and funding. As your report correctly points out, the current structure has resulted in differing priorities, overlapping service and planning, and duplicative administrative functions and expense, and general confusion over roles and responsibilities. Any change in the regional transit governance structure should create a path toward further consolidation and streamlining to address the fragmentation issue.

Despite the shortcomings in the transit governance structure, we agree with your finding that "the Twin Cities region's transit system has performed well on most measures of efficiency, effectiveness and impact in comparison with 11 peer regions." "Efficiency" is conspicuously absent from the governance principles used in Chapter 2. The Met Council has placed a premium on the efficiency of our operations, and strongly believes that any proposed changes in the governance structure be advanced with the clear goal of maintaining and enhancing efficiency.

In conclusion, the Council agrees that the transit governance structure should be thoroughly examined and discussed, and we sincerely hope that this report will initiate that debate. The discussion must include the new Council, Governor Dayton, legislators and others who have a stake in regional transit and other matters of regional significance. It also must weigh the impact of any governance changes on the Council's taxing authority and other statutory responsibilities, including long-range growth planning, housing, Livable Communities grants, operation of the regional wastewater system, and planning and development of the regional parks system.

I look forward to being engaged in these discussions, and working with our regional partners on governance reforms that will make the Council and our region's transit system even more efficient and effective.

Susan Haigh

Sincerely,
Susan Haigh
Chair, Metropolitan Council

COUNTIES Transit Improvement BOARD

Anoka County | Ramsey County
Dakota County | Washington County
Hennepin County | Metropolitan Council

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January 13, 2011

Mr. James Nobles
Office of the Legislative Auditor
State of Minnesota
Room 140 Centennial Building
658 Cedar Street
St. Paul, MN 55155-1603

Dear Mr. Nobles:

The Counties Transit Improvement Board ("CTIB") offers the following comments on the Office of Legislative Auditor's report on the *Governance of Transit in the Twin Cities Region* ("Report"). In sum, the CTIB strongly supports the Report's basic recommendation that the Metropolitan Council should be re-structured to include local elected officials.

We are, however, very concerned with certain key findings that we believe seriously mischaracterize the inefficiencies of the governance system and overstate the disagreement and conflict over our region's priorities for transitway implementation. We think that meshing or combining the analysis of the very different roles of CTIB as a major funding partner and of the suburban transit providers may lead to inappropriate conclusions by readers of this Report. Moreover, we believe that the Report overlooks the fundamental realities that the Legislature authorized counties to create CTIB for the specific purpose of advancing transitway development, in part by providing authority to create impose a quarter-cent sales tax. We firmly believe that CTIB has succeeded in meeting the statutory directive. Our comments below address each of these points.

1. **The Report fails to acknowledge that CTIB has very successfully performed the role envisioned by the Legislature and state statute and filled a void in transit leadership from the Metropolitan Council and the Governor.**

We believe it is fair to assert that CTIB has performed as envisioned and directed by the law, i.e., it has operated efficiently to invest significant sums of money to expand the transitway system and to elicit even larger sums of federal funds in a very short time on the region's top priority corridors. Far from merely making the system "more fragmented," the creation of CTIB actually allowed major investment in the expansion of the transit system to occur. As acknowledged in the Report, there would be no Central Corridor project without the funds provided by CTIB. No other governmental entity, including the Metropolitan Council, was willing to make the $315 million in transit investments that CTIB has authorized since its creation in 2008. One more body with a clear vision, consistent with the Council's, as provided by the law, and the political will to gather the resources needed to make the vision a reality should be viewed as a positive, not a negative.

It is important to note that funding transit projects that can cost up to $1 billion is not an easy task. It is not merely a technical or engineering undertaking requiring certain professional knowledge or expertise; it requires the political commitment to raise and secure the necessary funds. Over the last decade, funding of transit has been the problem. CTIB was created by the Legislature and the Counties to address that very specific issue.

CTIB members understand that CTIB's existence creates some need for additional coordination and staff time to responsibly manage grants with CTIB funds. Good stewardship of public resources demands nothing less. Simply handing the funds over to an appointed Metropolitan Council that has no accountability to the voters would seem to undermine basic notions of clear lines of responsibility. Finally, the tradeoff of coordination for the critically needed capital and operating funds, huge sums of additional federal funds for the region and improvement in the effectiveness of the transit system seems, on balance, to be a huge win for the region. As a measure of our success, according to Metropolitan Council sources, two-thirds of the recent increases in ridership came from transitways.

2. The Report consistently overstates the differences between the Metropolitan Council and CTIB's priorities for transitway implementation.

While it is fair to say that there is a difference between the Metropolitan Council and CTIB regarding the speed at which transit ridership should increase, in the short and medium term, there are virtually no major differences on priorities. Specifically:

a. There have been and are no major differences between the Council and CTIB on Central as the next LRT line, Cedar and I-35W South as the priority BRT lines, Northstar as the first commuter rail line and Southwest as the third LRT line.

b. The fact that the Counties Transit Improvement Board developed a different map that shows another transit vision for the region is likewise a serious overstatement. A comparison of the maps would demonstrate that, in fact, relatively minor differences exist. The region's vision, as reflected in both maps is a system of high quality transitways that will connect Minneapolis, St. Paul, the U of M, Eden Prairie, the airport, the Mall of America, Dakota County, Washington County, Anoka County and eventually, St. Cloud. There is little argument about that. There are understandable disagreements about timing and sequencing in the long term, but the key points that need to be connected are known and shared.

c. In Chapter 4, the Report finds that the process for planning transitways is fragmented. It is true the lines are studied independently in the early stage of project development, but the statement shows a misunderstanding of the alternatives analysis process in which the local stakeholders analyze the best alternative to meet their needs. This is a very inclusive process, paid for by the local government (typically the regional railroad authorities, not the Metropolitan Council), and ultimately approved by the Council. This process should not be viewed as a negative but as a truly participatory method of addressing local needs in the regional context.

d. Chapter 4 also asserts that fragmentation results because CTIB has a "narrower vision" for transitways that it funds. The Metropolitan Council, in fact, includes a broader array of services for which it is responsible (specifically including "arterial BRT" and regular route bus service). CTIB shares the Council's vision, but excludes arterial BRT from eligibility for funding simply because it lacks sufficient funds to build out the entire system. We believe that posture is consistent with the direction of statute to CTIB to expand transitways and not supplant pre-existing funding by the Council. It has chosen to fund major transitways while still advocating funding for the buildout of the balance of the system. CTIB fully supports the development of arterial BRT; the Board simply believes that aspect of the system should be funded by the Council. Thus, there is no difference in vision. The difference is a product of limited resources.

e. Longer term goals and priorities for the region remain a matter of considerable debate. We would contend that sufficient study has not yet been undertaken to make the bulk of those decision, though the counties are engaged in a number of studies (e.g., Gateway, Bottineau, Robert Street), and phased development (Rush, Red Rock) at this time. Excluding potential corridors form the Policy Plan at this early stage, as recommended on page 17 in Chapter 4, will impede the very lengthy development process. It takes many years to develop a corridor; starting the process early should be encouraged in order to ready the corridors for funding as the need becomes clearer.

f. On page 12, in Chapter 4, the Report asserts, based on conversations with Metropolitan Council staff, that each of the operating transitways has followed a different development model, causing confusion at the Federal Transit Administration ("FTA"). This observation fails to acknowledge that dramatic differences in federal programs and policies existed at key moments in the development of the various transitways. It should come as no surprise that the projects evolved in difference ways. The region as been successfully opportunistic in seeking federal funds. The Urban Partnership (UPA) project on 35W South and Cedar Avenue, which netted the region over $130 million in federal funds, is a prime example of this pattern. A lockstep approach would likely have squandered this great opportunity for the region.

g. The Report finds that transitway organizations are not "required" to consider on-going operating and maintenance costs that result from developing transitways. CTIB is not required but it does in practice consider the operating "tails" of each of its transitway investments. The requirement that CTIB provide 50 percent of the operating costs of transitways in which it invests makes consideration of operating costs a necessity.

   We agree that it is essential that sufficient operating revenue for transitways be available without degrading the rest of the transit system. It is in fact required by the federal government for New Starts projects. Currently, CTIB tracks operating costs associated with the transitways in which it invests and builds into its Long-Term Financial plans our long-term commitment of 50 percent of the net operating subsidy of these transitways. The recommendation and text discussing this issue (Chapter 4, pp. 18-19) does not acknowledge our solid work on this issue.

h. Finally, it should be noted that CTIB has formally adopted a two-armed strategy for advancing transit in the region. First, it uses the proceeds of its sales tax to invest in high priority transitway improvements and to cover half of their net operating subsidy. Second, CTIB actively advocates for a wider range of projects, including arterial busways, transit operating support, investment in key transportation hubs, etc. So, far from abandoning the council's broad plans and strategies for transit, CTIB embraces and advances them, sometimes more vigorously than the Council can or does.

3. We agree that the Metropolitan Council should be re-structured to better address transit governance; and the Council should include county commissioners and other local elected officials. The representation and process for appointment will require significant thought and discussion.

We have some concerns, however, about the discussion in the Report relating to governance in Chapter 2. The Report identifies and defines 9 principles for effective transit governance. It is not clear, however, how these broad principles were operationalized to support the evaluation of the current transit governance structure.

No discussion is given to whether these principles, which make sense from an administrative and policy standpoint, are achievable in the current political context. Was it possible to establish a common, strategic vision, with stability and effectiveness developed through consensus given the deep divisions between the legislative and executive branches of the state? The Report failed to acknowledge that transit systems develop over decades and require consistent political (policy) and economic (dedicated revenues for capital and operations) support or run the risk of performing poorly or stalling completely. Development and operation of transit systems cannot be turned "on" and "off," and trying to do serves neither transit nor other transportation interests.

We agree with the appointment of local elected officials to the Council, not just county commissioners. City participation is essential, and not just by the Mayors of Minneapolis and St. Paul. The latter reflects old thinking and flawed politics. The two options offered for appointment of county commissioners to the Council, however, fly in the face of the basic concept of equity (articulated in the one-person-one-vote ruling of the courts). To give Scott and Carver Counties (with about 8% of the region's population combined) the same representation as Hennepin and Ramsey Counties (nearly 60%) is unjust and potentially unconstitutional. A more equitable option that we believe should be included in the report would be to grant

the Governor (or the counties) the authority to appoint local elected officials to the Council within the existing structure of districts. That would assure equal representation while providing the increased voice for local elected officials that you seek.

The suggestion that inclusion of all counties on the Council would lead to easier collaboration between the Council and CTIB (Chapter 2, page 22) might be true; then again, maybe not. There is so much attempted collaboration between the Council and CTIB that in other places in the report it is identified as time-consuming and inefficient. You can't have it both ways. It is important to note that CTIB includes five of the seven counties and contains over 90 percent of the region's population.

Finally, we would note that the reported concerns that the Council has an internal conflict of interest seem to elevate the problems of the opt-outs (much less than 10 percent of the region's rides) to too great a level of influence. Thus we agree with the recommendation on pages 2-25 and would suggest that it be strengthened by adding the descriptor "significant" before the word drawbacks.

In closing, the Counties Transit Improvement Board thanks you for the opportunity to discuss the complex issues of transit governance with you. We hope that our comments have been helpful; and we look forward to further discussion of the issues during the legislative session.

Sincerely,

Peter McLaughlin, Chair
Counties Transit Improvement Board

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January 13, 2011

James Nobles
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Dear Auditor Nobles,

On behalf of the Suburban Transit Association, I would like to thank you and your staff for the extensive work and exhaustive effort that went into preparing the report on Governance of Transit in the Twin Cities Region. We recognize what a huge undertaking this was. Judy Randall, Emi Bennett and Julie Trupke-Bastidas conducted themselves in a most professional manner throughout the entire process and were a pleasure to work with. Our members appreciated meeting collectively, as well as individually, with your office and applaud their collective efforts.

We would like to amplify the many positive outcomes of the regional transit system and take this opportunity to expand upon and respond to the OLA's Major Findings and Key Recommendations and other recommendations in the report.

- We are very pleased that your study has confirmed that the region's transit system has performed well on measures of efficiency and effectiveness on a comparative basis with other peer regions. The report also recognizes that transit operations are well-coordinated among the regional providers resulting in seamless, high quality service to transit users. Transit riders are pleased with the services of all providers and ridership has increased throughout the region. We believe that the efficiency and effectiveness of our regional bus transit system is, in part, a result of the competitive nature among providers that has led to valuable innovations and other regional transportation benefits.

- We acknowledge that the administration of transit governance in the region is complex; however, this is a common characteristic of most regional transit systems, including those in the cities/regions that were used for peer review purposes, and is not unique to the metropolitan area. While complex, the region has benefited from expanded services, reduced congestion, and regional innovations as a result of the suburban providers' presence and initiatives. We believe an important role of the regional planning agency should be to build consensus among the various stakeholders, which would help mitigate the complexities of the governance structure.

- We believe that the relationship between the suburban providers and the Metropolitan Council has been strained due to the scarce financial resources, which has further hampered planning of our future services. We also believe a lack of consensus over regional allocation of funding among the region's bus-transit providers and between the different modes of transit has exacerbated and highlighted these conflicts.

- As a member organization, we have not taken a position on the form of Metropolitan Council governance, although the city councils of our member cities may choose to do so. Still, we recognize the opportunities for governance consolidation presented in the report as a potential benefit to the region.

- We appreciate the report's recognition of the important role that the suburban transit providers play within the regional transit system through your recommendation that the suburban providers continue in operation. Our ability to stay close to the needs of our riders and communities has increased ridership in areas previously underserved, has brought innovative transit solutions to the region and has reduced congestion on the regional highway and road system. We will continue to look for areas to improve the efficiency and effectiveness of our operations between and among the various suburban providers and Metro Transit.

- We strongly agree with the report's recognition that the Legislature, and by association other funding bodies, should not commit capital funds to transitways without first ensuring that operating revenues for the first 5 to 10 years have been identified. As the report also highlights, funding resources for transit services are scarce and likely to become scarcer. Funding capital investments in transitways without committing the corresponding operating funding is likely to aggravate the already difficult funding allocation process among existing providers.

- We believe that suburban providers should receive a proportional share of the "supplemental" MVST revenue. However, if the Metropolitan Council is given authority to allocate the "supplemental" revenue, in order to ensure accountability and transparency in its decisions relating to revenue sharing, the governance changes recommended by the report should first be enacted.

- We are concerned with the report's recommendation to expand the transit taxing district. While we recognize the issues raised in the report relating to the inequitable allocation of transit services through the negotiated expansion process that currently exists, expanding the transit district without providing the additional capital and operating funding necessary to provide transit services to areas in which the district was expanded would simply create new inequities.

Thank you once again for all of your hard work and for the opportunity to participate in your process and comment on your report. We look forward to discussing this report with legislators.

With best regards,

Tom Furlong

Tom Furlong
Chairman
Suburban Transit Association

Forthcoming Evaluations

Medical Nonemergency Transportation, January 2011
Environmental Review and Permitting, February 2011
Civil Commitment of Sex Offenders, February 2011

Recent Evaluations

Agriculture
"Green Acres" and Agricultural Land Preservation Programs, February 2008
Pesticide Regulation, March 2006

Criminal Justice
Public Defender System, February 2010
MINNCOR Industries, February 2009
Substance Abuse Treatment, February 2006
Community Supervision of Sex Offenders, January 2005
CriMNet, March 2004

Education, K-12, and Preschool
Alternative Education Programs, February 2010
Q Comp: Quality Compensation for Teachers, February 2009
Charter Schools, June 2008
School District Student Transportation, January 2008
School District Integration Revenue, November 2005
No Child Left Behind, February/March 2004
Charter School Financial Accountability, June 2003
Teacher Recruitment and Retention: Summary of Major Studies, March 2002

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MnSCU Occupational Programs, March 2009
Compensation at the University of Minnesota, February 2004
Higher Education Tuition Reciprocity, September 2003

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Renewable Energy Development Fund, October 2010
Biofuel Policies and Programs, April 2009
Energy Conservation Improvement Program, January 2005

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Natural Resource Land, March 2010
Watershed Management, January 2007
State-Funded Trails for Motorized Recreation, January 2003
Water Quality: Permitting and Compliance Monitoring, January 2002
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