

Management Committee

Meeting date: December 13, 2017

For the Metropolitan Council meeting of December 13, 2017

Subject: Adoption of Policy 3-2-7 State Transit Funding Allocation

District(s), Member(s): All

Policy/Legal Reference: MS Sections 16A.88, 297B.09 and 473.388

Staff Prepared/Presented: Nick Thompson, Director, MTS (651-602-1754); Paul Conery, Director of Budget and Operations (651-602-1374)

Division/Department: Transportation

Proposed Action

That the Metropolitan Council adopts Policy 3-2-7 State Transit Funding Allocation.

Background

The State of Minnesota provides funding for metropolitan area transit operations through general fund Appropriations and 36 percent of the money collected and received under MS Chapter 297B Sales Tax on Motor Vehicles. The Council is responsible for allocating state funding among regional transit providers and services.

The existing regional revenue allocation procedure includes language governing allowable expense budget growth, budgeting of MVST, other income, operating reserve balances and operating versus capital expenses. Although the procedure accomplishes its financial objective of allocating state revenues in an equitable manner, and is regionally considered basically fair, it restricts the freedom of individual transit providers to manage their services or incent them to improve efficiencies or increase non-state revenues.

Rationale

Council Policy 3-2-7 State Transit Funding Allocation provides individual transit providers the freedom to manage their services by replacing the existing regional allocation procedure, and allocating a portion of available state funding to Replacement Service Municipalities. It shares the benefits and risks of state funding with all providers and sets the expectation for timely and accurate reporting.

Thrive Lens Analysis

The policy promotes prosperity and represents the efficient and effective stewardship of transit funding based on balancing investments among existing services in the region. It promotes stewardship by incenting all providers to improve efficiencies and maximize alternate funding sources because they retain 100% of the benefit of their actions.

Funding

There is no impact on total state funding for the regional transit system.

Known Support / Opposition

There are varying degrees of support.

Transportation Committee

For the Metropolitan Council meeting of December 13, 2017

Subject: Adoption of Policy 3-2-7 State Transit Funding Allocation

Proposed Action

That the Metropolitan Council adopts Policy 3-2-7 State Transit Funding Allocation.

Summary of Committee Discussion/Questions

Nick Thompson presented this item. Luther Wynder (Executive Director, MVTA) provided some comments that there was no mitigation or compromise with this policy and that while some reports needed are detailed out at the beginning of the year, there are instances when data is needed with a short turnaround time. Wynder added that with small number of staff it is hard to compile with short deadlines. Thompson and Paul Connery answered several questions from Council members: what reporting requirements are being asked (general requirements by State; have provided but not timely; this year saw a lot of data requests from legislative audit – which wasn't foreseen), if express route fare increase, providers would receive increase revenues (current model – providers have to share revenues above Council's fund balance policy with others depending on needs; new model – providers would retain all revenue received), do suburban transit providers have Metro Transit branding on buses (no – maybe Met Council; buses are owned by Council but have their own branding and could put advertising on them), regarding one of the proposals was to create a lump sum to replenish reserves - clarification on why reserves were hit (yes reserves were hit due to Council balance policy – at the end of the year, reserves are leveled off), is Metro Transit gaining or losing money as a result of new policy (since Council would be providing more money than is required by law, MTS & Metro Transit will have less revenue in the short term), have provided stayed up to date with statutory requirements (currently don't have 2016; reported to Legislature this year with 2014 data), will block grants shift in future years (no, this would be a block grant that once calculated will be the allocation moving forward), any other discussions on how to help providers with getting reporting requirements (beyond notifying and requesting data, didn't think of other ways to help providers; hope is for the financial withholding due to late data would never come to flourish; clarification that the money would be held back only until data is received).

Several Council members thanked Nick and Paul for their work and liked the simplicity of this new policy. McCarthy had expressed concerns with the policy regarding providers keeping all revenues.

Motion by Barber, seconded by Commers and passed, with McCarthy voting against.

Transportation Committee

Meeting date: December 11, 2017

For the Metropolitan Council meeting of December 13, 2017

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Policy/Legal Reference: MS Sections 16A.88, 297B.09 and 473.388

Staff Prepared/Presented: Nick Thompson, Director, MTS (651-602-1754); Paul Conery, Director of Budget and Operations (651-602-1374)

Division/Department: Transportation

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Background

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Rationale

Council Policy 3-2-7 State Transit Funding Allocation provides individual transit providers the freedom to manage their services by replacing the existing regional allocation procedure, and allocating a portion of available state funding to Replacement Service Municipalities. It shares the benefits and risks of state funding with all providers and sets the expectation for timely and accurate reporting.

Thrive Lens Analysis

The policy promotes prosperity and represents the efficient and effective stewardship of transit funding based on balancing investments among existing services in the region. It promotes stewardship by incenting all providers to improve efficiencies and maximize alternate funding sources because they retain 100% of the benefit of their actions.

Funding

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Known Support / Opposition

There are varying degrees of support.

State Transit Funding Allocation

Section/Number: 3-2-7	Total Pages: 2
Dept. Responsible: Fiscal Services	Effective Date: 01/01/2018
Special Note:	Last Revision Date: 12/13/2017
	Last Review Date:
	Revision No.

I. Policy

The Metropolitan Council shall allocate funds it receives from the State of Minnesota for metropolitan area transit operations to Council activities and replacement service municipalities established under Minnesota Statutes (MS) Section 473.388.

State General Fund Appropriations are allocated:

As directed in law, then
 State obligations to Metro Mobility, Blue Line, Green Line and Northstar CR operations, then
 Regional bus and planning services.

Motor Vehicle Sales Tax Revenues are allocated:

As directed in law, then
 State obligations not funded by State General Fund Appropriations, then
 Regional bus and planning services.

Replacement Service Municipalities defined under MS Section 473.388 are collectively allocated:

Financial assistance under MS Section 473.388 Subdivision 4, and
 Supplemental financial assistance in an amount equal to 4.3% percent of:

- 1) 14.5% of total statewide MVST revenues, plus
- 2) State General Fund Appropriations not directed in law, minus
- 3) State funding needed to meet federal and state obligations.

Payment of supplemental financial assistance not directed in Statute shall be held back from any transit service provider not in compliance with established reporting requirements.

II. Purpose of policy

This policy establishes the responsibilities and expectations for the allocation of funding received from the State of Minnesota for metropolitan area transit operations.

III. Background and reasons for policy

The State of Minnesota provides funding for metropolitan area transit operations through General Fund Appropriations and 36% of the money collected and received under MS Chapter 297B Sales Tax on Motor Vehicles. The transit system in the metropolitan area includes the services provided by the Council and replacement service municipalities. The Council is responsible for allocating funding among all service providers.



For the period between January 1, 2018 and June 30, 2019, the minimum supplemental financial assistance to be allocated to replacement service municipalities is defined in MS Section 473.388 Subdivision 4a as 0.35 percent of the total state revenues generated from taxes imposed under MS Chapter 297B.

Allocation of supplemental financial assistance between individual replacement service municipalities shall be in the manner determined by agreement of the replacement service municipalities. The allocation methodology may specify eligibility based on a municipality's transit service operating reserve. Absent an agreement between the replacement service municipalities, the Regional Administrator shall determine the amount to be allocated to a replacement service municipality.

IV. Implementation/Accountability

The Regional Administrator shall establish the framework and accountability for the effective implementation of the policy.

The Council shall publish the State Transit Funding Allocation policy, implementing procedures, financial information and reporting requirements on the Council's website.

Implementing Procedures:

- 3-2-7a State Transit Funding Allocation

Links:

Revision/Review Tracking

Date	Revision No.	Review Only – No changes
	1	