

Adoption of Policy on State Transit Funding Allocation

Transportation Committee Meeting
December 11, 2017
Management Committee Meeting
December 13, 2017



Background

- In 2017 statute changed regarding allocation of MVST
- Required adoption of new policy by the Council with implementation effect January 1, 2018
- The new allocation is required to remain in effect until the end of SFY19 and replaces allocation process that has been applied to all regional providers since CY08
- Council staff engaged Suburban Transit Providers (STPs) in development of new policy framework with goal of implementing a permanent change supported by all providers

Existing MVST Revenue Allocation Model

- Created in cooperation with all providers
 - MVST increased from 21.5% to 36%
 - Provide a way to allocate the new revenue for expansion
 - Although most don't like it, it is understood and considered basically fair
- Allocates State funding in order of:
 - Meet current obligations,
 - Meet future obligations by building reserves to maximum, and
 - Regionally prioritized expansion and capital investments.
 - Once in 10 years the model showed \$3 M available but it wasn't sustainable
- Takes into account revenues, expenses and fund balances
- Non-State revenues, expenses and fund balances are provider inputs
- Restricts funding to operations and limits growth to 3.15%



New Policy: Allocation of State Transit Revenues

State Revenue types and primary uses

- State Appropriations: Federal and State mandates **first**
 - Metro Mobility, Blue Line, Green Line and Northstar
- MVST used for Bus system and regional planning
- Green Line Extension receives no State Funding

Order of Priorities

1. Preserving service required to meet federal and state mandates
2. Preserving existing service that meets regional performance standards
3. Prioritized service expansion and capital investments

Goals for Changing the Allocation Policy

Desired Outcomes

- Independence from
 - Revenue Allocation Procedure
 - 3.15% Budget Growth
 - Single Reserve Policy
 - 95% Budgeting Rule
 - 1% Other Income
 - Operating only investment
 - Sharing individual provider changes and efficiencies
- Allocation by Block Grants

Principles

- Simple
- Fair
 - Based on current data
 - Preserve Service
 - Financial Need
 - Something for Everyone
 - Long-Term Stability
 - Shared Financial Risk \ Benefit
- Timely, Accurate Reporting

Options / Proposals Considered

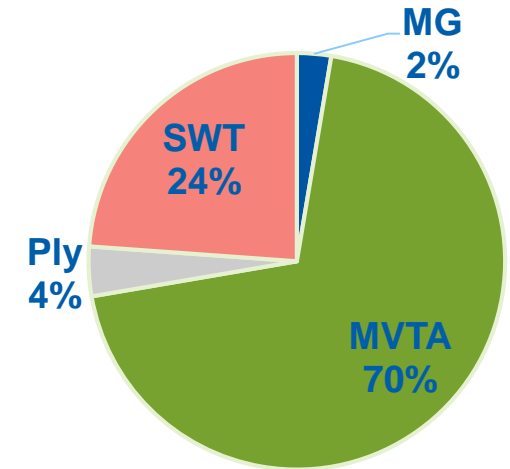
Existing procedure/previous statute allocated \$1.317 M

RA-MVST Scenarios	CY 2017 Amount (000s)	% of Min
OPTION 1: Statutory Minimum of 0.35% of Statewide Total under subd 4a	2,737	100%
OPTION 2: Status Quo – All policies and rules remain intact	2,737	100%
OPTION 3: Provide 4.3% of RA-MVST after mandates + State Funds	4,875	178%
<i>Other Proposals</i>		
STP Proposal #1: Change 3.74% to 6.26% under subd 4	19,431	710%
STP Proposal #2: Provide 5.5% of RA-MVST \$6.3M in One-Time	6,235	228%
During Session: Change 3.74% to 4.3% under subd 4	4,319	158%
Total MVST allocated by share of total subsidy need	3,768	138%

DRAFT Breakdown of CY 2018 – Bus System & Planning

Provider	Statutory MVST*	RA-MVST*	State GF	Total State Funding
Met Council	138,681	108,042	33,495	280,218
Maple Grove (MG)	2,973	129	40	3,142
MVTA	14,320	3,382	1,048	18,750
Plymouth (Ply)	4,406	186	58	4,650
Southwest Transit (SWT)	7,019	1,158	359	8,536
Total STPs	28,718	4,855	1,505	35,078
Bus System Total	167,399	112,897	35,000	315,296

Block Grant Allocation**



35,078 to Suburban Providers is 11.12% of available State Funding (historic average is 10.51%)

* Statutory and RA-MVST amounts are subject to actual MVST performance, good or bad

** Block grant allocation % per provider are preliminary



New Allocation Process

Desired Outcomes

- ✓ • Independence – *Since percentages are set, no need for regional policy on:*
 - Revenue Allocation Procedure
 - 3.15% Budget Growth
 - Minimum Reserve Policy
 - 95% Budgeting Rule
 - 1% Other Income
 - Operating vs Capital
 - Sharing individual provider changes and efficiencies

- ✓ • Block Grants to STPs – *With independence from above, block grants can work that are based on service and need*

New Allocation Process

Principles

- ✓ • Simple – *Percentages are set so it becomes automatic*
- ✓ • Fair:
 - We Are Where We Are – *Based on the most recent accepted information (2017)*
 - Preserve Service– *All Providers have the opportunity to be successful (Fare increase, reserve balances and operating efficiencies kept by provider)*
 - Financial Need – *75% of allocation*
 - Something for Everyone – *25% of allocation*
 - Long-Term Stability – *Manageable with no big surprises*
 - Shared Financial Risk \ Benefit
 - *RISK – Not enough General Fund for mandates reduces RA-MVST*
 - *BENEFIT – Overfunded mandates allocated using RA-MVST rates*
- ✓ • Required Reporting- *Payment of discretionary financial assistance held back from any transit service provider not in compliance with established reporting requirements.*

Proposed Action

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