

Committee Report

Transportation Committee



Committee Meeting Date: September 25, 2023

For the Metropolitan Council: October 11, 2023

Business Item: 2023-224

Orange Line Operating Grant Agreements with the Funding Transitway Counties

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute final operating grants agreements for the METRO Orange Line for the period of December 1, 2021 to September 30, 2023 with the Funding Transitway Counties of Hennepin County and Dakota County.

Summary of Transportation Committee Discussion/Questions

Metro Transit Finance Senior Manager Steve True presented this item. There were no questions or comments from Council members.

Motion by Morales, seconded by Chamblis. Motion carried.



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Orange Line Operating Grant Agreements with the Funding Transitway Counties

District(s), Member(s):	All
Policy/Legal Reference:	Income/Grants Policy FM 15-1, and 2023 Minn. Laws ch. 68, art. 3, § 35
Staff Prepared/Presented:	Lesley Kandaras, General Manager, 612-349-7513 Edwin D. Petrie, Director Finance, 612-349-7624 Steve True, Senior Finance Manager 612-349-7701
Division/Department:	Metro Transit

Proposed Action

That the Metropolitan Council authorize the Regional Administrator to negotiate and execute final operating grants agreements for the METRO Orange Line for the period of December 1, 2021 to September 30, 2023 with the Funding Transitway Counties of Hennepin County and Dakota County.

Background

In March 2018 the Parties executed a Master Operations Funding Agreement for Transitway Service (Council Contract No. 18I017) and subsequently executed one or more annual operating grant agreements under which the Counties provides funding to support Council transitway services. The Transitway Service means the operation of a county-sponsored transitway, including but not limited to light rail transit, commuter rail transit or bus rapid transit lines. The Master Operations Funding Agreement covers the METRO Blue Line, METRO Green Line, and Northstar commuter rail transitways (the "Transitway Services").

The METRO Orange Line began operations in December of 2021. Since that time, the Council staff have been in negotiations with County staff from Hennepin and Dakota Counties to establish an operating funding agreement for the METRO Orange Line with no final funding agreement being executed.

December 1, 2021 to September 30, 2023 METRO Orange Line Operating Grant Agreements:

Hennepin County \$2,917,947
Dakota County \$475,015

The 2023 session law¹ requires the Council to impose a regional transportation sales and use tax and to use the sales tax revenue for guideway and busway operating and capital maintenance costs specified in the legislation; and article 3, section 35, paragraphs (b) and (c) of the 2023 session law state:

(b) By September 30, 2023, a political subdivision must pay to the Metropolitan Council:

(1) all outstanding obligations through September 30, 2023, under the terms of an executed master operating funding agreement for each guideway or busway; and

(2) 50 percent of the net operating costs from December 1, 2021, through September 30, 2023, for each guideway or busways that: (i) began revenue service after December 1, 2021; and (ii) is not covered by an executed master operating funding agreement.

(c) As of October 1, 2023, all agreements between the Metropolitan Council and other political subdivisions under which the other political subdivisions provide funds to the Metropolitan Council for guideway or busway operating costs are terminated.

The actual net operating costs for METRO Orange Line guideway or busway operations through September 30, 2023 will not be known until sometime after September 30, 2023, when the 2023 session law requires the County to pay the Council all outstanding obligations under the terms of the Master Operations Funding Agreement. The METRO Orange Line final operating grant agreements with Hennepin and Dakota Counties will include language about how final payments and reconciliations under the operating grants through September 30, 2023 will be made and the agreements will be closed out.

Rationale

County grant funds contribute to the operating budgets for the METRO Orange Line operations. These operating grant agreements will provide net operating subsidy funding for the METRO Orange Line and will detail how final payments and reconciliations under the final operating grant agreements will be made and the agreements will be closed out.

Thrive Lens Analysis

Stewardship – Operating funding demonstrates efficient and effective management of public financial resources of both the Council and Counties.

Funding

County Funding is included as part of the 2023 Operating Budgets adopted by the Council on December 14, 2022.

Small Business Inclusion

These are income subsidy agreements for METRO Orange Line Operations.

¹ 2023 Minn. Laws ch. 68, art. 3, §§ 29, 33-35 (codified at Minn. Stat. §§ 297A.9915, 473.4051, and 473.4465).