

**Summary of Meeting
Civic Caucus
Friday, July 7, 2006
8301 Creekside Circle, Bloomington, MN**

Guest speaker: Peter Bell, chair, Metropolitan Council

Attendance: Verne Johnson, chair; Chuck Clay, Paul Gilje, Jim Hetland (by phone), John Mooty (by phone), Jim Olson (by phone), Clarence Shallbetter

Context of today's meeting--The Civic Caucus is holding several meetings with individuals and groups interested in and affected by a proposed state constitutional amendment to be voted on in Minnesota in November 2006. The amendment would permanently dedicate the state's motor vehicle sales tax (MVST) to transit and highways. Currently, the Legislature by law dedicates slightly more than one-half of MVST revenues to transit and highways. If passed, transit would be guaranteed at least 40 percent of MVST revenues. The Legislature could by law give transit a higher percentage. The balance would be distributed among state highways (up to 37.2 percent), county highways (up to 17.4 percent), and municipal highways (up to 5.4 percent). Such percentage numbers might not be recognized by some people who know that the constitution requires that the highway user trust fund must be divided 62%-29%-9% among state, county and municipal highways. Those percentages were applied against the 60 percent of MVST that would be deposited in the highway user trust fund to come up with 37.2%-17.4%-5.4%.

Today we are meeting with Peter Bell, chair of the Metropolitan Council. The Metropolitan Council operates the transit system in the Twin Cities metropolitan area and would receive the bulk of the MVST revenues dedicated to transit.

A. Welcome and introduction--Verne welcomed Peter Bell and explained a goal of the Civic Caucus to use new technology to enable the Caucus to provide information and education to much larger numbers of people than would be possible in face-to-face meetings. Moreover, many people today find it very difficult to attend meetings.

Paul introduced Bell, noting strong connections among the people present with the Metropolitan Council and the Citizens League. Exactly 40 years ago this summer Chuck was chairing a League committee that led to the establishment of the Metropolitan Council. Verne and Paul served as staff for that League committee. Jim H. was a member of the committee and later became the Metropolitan Council's first chair. We're now pleased to be meeting with Peter Bell, the current chair. Peter previously served on the board of the Citizens League and his son, Brian, is on the staff of the Citizens League today.

Before his appointment as chair of the Metropolitan Council Peter Bell served as executive vice president for publishing and educational services at Hazelden, Center City, MN. Before that he was executive vice president for corporate community relations for TCF Bank, Minneapolis. He is a member of the University of Minnesota Board of Regents.

B. Comments by Peter Bell--In Bell's remarks and in discussion with the Civic Caucus the following points were made:

1. Metropolitan Council on solid footing--Bell said it is good to be with people today who were present at the founding of the Council and who are still interested in preserving the Council's traditions. The Council is strong financially, with a AAA bond rating. In 1994 the Legislature gave the Council operating authority over transit and waste water. Previously, the Council had no operating authority. With a \$300 million budget and 70 million riders, the Council runs the 11th largest transit system in North America. The Council wants to increase ridership by 50 percent to the year 2020 and by 100 percent to the year 2030. Unfortunately, the Council's hasn't been able to grow transit ridership over the last four years. During that time ridership has been flat at 70 million riders.

It runs a \$100 million waste treatment program for the seven county area, and he's proud to say that the Mississippi River water is cleaner downstream from the treatment plant than it is upstream. Control of the sewers is the major way the Council influences growth. Constant tension is present over two competing goals, the efficient use of the infrastructure and the right of cities to do as they please. The Council needs to manage growth by using its authority over installing sewer lines and treatment plants. The wastewater system is self-sustaining through hook-up charges and charges back to the municipalities for their discharge.

While not operating parks, the Council plays a major role on land acquisition. The Council needs to grow the metropolitan system from 53,000 acres to 70,000 acres and from 188 miles of trails to 900 miles of trails over a 30 year period. That will require some \$100 million. Bell is working in partnership with the Trust for Public Land to obtain private contributions to supplement public funding and accelerate acquisition efforts.

2. Transportation is Bell's No. 1 priority--Congestion is the biggest issue facing the Council, he said. Unlike many other government services, there's wide agreement on three points dealing with transportation: (a) the system needs major improvement, (b) it's the role of government to make the improvements, and (c) we really know what to do. By contrast, in the case of K-12 inner city education, agreement does not exist on points b and c.

4. Transportation agreement requires support in four areas--To get something adopted in Minnesota on transportation you need to satisfy four interest groups, greater Minnesota (the part outside the metro area), the metropolitan area, transit supporters and road supporters. With those four interest groups satisfied, the rest is straightforward. With transit the questions are (a) can we build it, (b) will they ride it, and (c) can we run it efficiently.

5. Slowing the growth of congestion--Traffic congestion is a by-product of a vibrant economy. Congestion will get worse no matter what we do. We want to slow the growth of congestion.

6. Importance of dedicated funding--You need dedicated funding, Bell said, because the planning and budgeting framework covers so many years. Without dedicated funding, long term planning is very difficult. The gasoline tax is dedicated to roads. Transit now gets 21.5 percent of the motor vehicle sales tax (MVST) that is dedicated by law. If the transportation amendment is approved by voters this fall, transit's share of MVST will grow to at least 40 percent. Currently metro and non-metro transit receive about \$124 million a year from MVST. Assuming the amendment passes, and after a five-year phase-in, transit will receive another \$116 million.

In discussion Bell clarified that in today's meeting when he talks about "transit", he is not talking about carpools, vanpools or taxis that aren't operated by the Metropolitan Council.

7. Portion of transit's needs that would be met by the amendment-- Passage of the MVST amendment would meet much of transit's needs. However, another \$140 million still would be needed to complete the light rail line between Minneapolis and St. Paul, referred to by Bell as the "central corridor". If the amendment doesn't pass, the central corridor will be in deep trouble, he said. If MVST fails, either a radical restructuring of transit or another source of revenue will be needed.

8. Expense estimates are rising--The central corridor expense estimate had been \$840 million; now the estimate has risen to \$930 million. The federal government potentially would pay one-half the expense. However, the federal government employs a strict measurement known as the cost effective index (CEI) that takes into consideration three factors: riders, hours saved, and cost of the project. A certain score is required by the federal government to approve preliminary engineering. A more stringent level of the index is necessary for the federal government to approve construction. Using \$930 million as cost of the project instead of \$840 million makes it that much more difficult to get to the next planning stage, which would help insure federal funding. Consequently, the Metropolitan Council is exploring ways to trim expenses from the central corridor. About \$70 million would be saved if the light rail were terminated at 4th and Cedar in downtown St. Paul instead of at the old train station on the edge of downtown. About \$55 million could be saved if landscaping were trimmed along University Avenue in St. Paul. About \$175 million could be saved if a tunnel were not built beneath the University of Minnesota campus.

9. A "structural" deficit in transit--Referring to overall transit needs of the Metropolitan Council, Bell said transit had a \$60 million deficit going into the Legislature. The Legislature funded \$40 million of that deficit, leaving \$20 million to be handled in "structural" ways by the Metropolitan Council--fare increases and reductions in bus routes.

10. Controversy over increasing the gasoline tax--Acknowledging the need for funds for highways as well as transit, Bell doubts the Legislature will approve an increase in the gasoline tax unless changes are made in the distribution of the share of the gasoline tax that is apportioned to counties. While the overall percentage of the gasoline tax that counties receive is mandated by the constitution at 29 percent, the legislature by law decides how that share is

apportioned among counties. Metropolitan area counties think that the non-metropolitan counties receive too large a share under present law.

11. Operating the North Star commuter line--Bell said that the North Star commuter line from Minneapolis to Big Lake--for which the Legislature included \$60 million in its bonding bill in 2006--will be the responsibility of the Minnesota Department of Transportation (MnDOT). MnDOT will contract with the Metropolitan Council to run the line. In response to a question Bell said a decision has yet to be made over whether that means the line will be operated by employees of the Metropolitan Council who are part of the Amalgamated Transit Union.

12. Role of counties is paying the operating deficit for rail lines--Referring to the existing Hiawatha LRT line, Bell said that Hennepin County and the Metropolitan Council have reached mutual agreement that each would pay one-half of the operating deficit of Hiawatha. Currently, fare box revenues cover about 30 percent of operating expense, leaving an operating deficit of 70 percent. Thus, Hennepin County and the Metropolitan Council share equally in covering that deficit.

The cost-sharing arrangement for the operating deficit on the Hiawatha line is also contemplated to be implemented for the central corridor and the North Star line, he said. Adjustments will be made in the cost-sharing when more than one county is involved. For example, the central corridor line would be located in both Ramsey County and Hennepin County. Ramsey County and the Metropolitan Council would share equally in the operating deficit for 70 percent of the line (the portion that lies in Ramsey County.) Hennepin County and the Metropolitan Council would share equally in the operating deficit for the other 30 percent of the line (the portion that lies in Hennepin County.)

13. Funding capital and operating expense with MVST--Returning to the point that the Metropolitan Council needs long-term dedicated funding for transit capital, Bell acknowledged that MVST funds would be used both for capital and for the operating deficit. He also said that it is difficult to project MVST revenue accurately. MVST revenue comes from the tax on the sales of vehicles, which can fluctuate from year to year.

14. Rationale for bonding for capital needs for transportation--It was noted in discussion that transportation capital projects, such as the interstate highway system, were paid for with current revenues, not borrowing. It was recognized that transportation infrastructure wears out and needs to be rebuilt. Bonding produces more up-front dollars, but substantially increases long-term expenses, building in higher costs for future taxpayers. Bell replied that needs are so great today that funding requires a mix of current revenues and long-term bonding for roads and transit. He also referred to the current taxing capacity of the state. Bonding allows you to do more now at existing tax levels. Moreover, he said, annual costs for transportation are rising faster than other costs in the economy. So by building today you save some money.

15. Connection between dedicated funding and long-term capital needs--Bell said he serves on the University of Minnesota Board of Regents. He can

make a case that the U of M needs long-term dedicated funding because of its capital projects. A member pointed out to Bell that supporters of other services are seeking dedicated funding, irrespective of their needs for capital, such as the supporters of an amendment for natural resources. It was also pointed out that services such as K-12 education could be expected to seek dedicated funding if the transportation amendment is adopted.

16. Confusion between dedicated funding and a constitutional amendment--Bell said that he is arguing principally for dedicated funding for transit, whether from the constitutional amendment (which he supports) or in some other way. It might be possible for the Legislature to provide dedicated funding by law, he said.

17. Interest of non-metropolitan counties in transit--Bell said that the metropolitan area's impact extends significantly beyond the seven counties that are included in the jurisdiction of the Metropolitan counties. He said he meets frequently with leaders of the non-metropolitan counties, the "collar counties", that border the metropolitan counties. He sees a need for someone--possibly the Council--to build park and ride lots in the collar counties to serve metropolitan area commuters.

18. Comprehensive transportation policy plan for the metro area--A member asked whether it would be better for the Metropolitan Council to prepare a comprehensive policy plan for transit and highways in the metropolitan area. Such a plan would cover all transit and highway needs and all revenue sources, without segregating revenue sources by mode of travel. Then the Council could intelligently set priorities on all forms of transportation. Bell said that currently the Metropolitan Council staff and the MnDOT staff meet together and develop a comprehensive plan for roads and transit. It was through such discussions that the proposed 40-60 split of MVST revenues between transit and highways was developed. He said further that the Council wants to encourage much more ridership on bus and rail throughout the metro area. Maybe we can get 4-car families to become 3-car families, or 3-car families to become 2-car families, he suggested. He also said that people can use the rail and bus to take trips to the fair or to the stadiums.

19. Non-metropolitan skepticism about the MVST amendment--Bell acknowledged that some non-metropolitan interests fear that the Legislature in coming years will give more than 40 percent of MVST revenue to transit, because of the growing representation of the metropolitan area in the Legislature.

20. In defense of MVST--In response to a member's comment that the MVST proposal is being offered in desperation because transit and highways need funds so much, Bell said that voters like a clear line between a tax and the activity. Voters don't like all their money going into one pot for distribution. They can see that the sales tax on their purchases of motor vehicles will go directly to fund transit and highways.

During discussion over consequences if the amendment passes--or if it doesn't pass--Bell and the others present agreed that it is difficult to say. If the

measure passes, will legislators say, "You don't need any more now"? If it fails, will legislators say, "The people have spoken"?

21. Other revenue sources--As alternatives to using MVST revenue, other options for transportation revenue that are user fees or direct measurable benefits from improvements, not general taxes, were suggested to Bell. Those options include capturing a portion of the increase in value of land adjoining highway interchanges and transit stations, tolls, and wheelage taxes as well as increases in the gasoline tax, licenses and transit fares.

C. Thanks--Verne expressed the thanks of the Civic Caucus for Bell's detailed and impassioned presentation of the transportation needs of the region and the importance of the MVST proposal.