



Summary of Meeting with Peter Bell

Civic Caucus, 8301 Creekside Circle, Bloomington, MN 55437

Friday, April 18, 2008

Guest speaker: Peter Bell, chair, Metropolitan Council

Present: Verne C. Johnson, chair; Charles Clay, Jim Hetland, Paul Gilje, Jim Olson (by phone), Wayne Popham (by phone), and John Rollwagen (by phone)

A. Context of the meeting —The Civic Caucus is conducting several meetings to learn how priorities are set for highway and transit projects among various governmental jurisdictions in Minnesota, local, county, regional, state and federal. Today's meeting concerns the role of the Metropolitan Council.

B. Welcome and introduction —Verne welcomed today's thought leader, Peter Bell, chair of the Metropolitan Council. Bell was appointed chair by Governor Tim Pawlenty in 2003 and reappointed in 2007. Prior to his appointment Bell, a former consultant on alcohol and drug abuse, was executive vice president for publishing and educational services at Hazelden. Before that he was executive vice president for corporate community relations for TCF Bank, Minneapolis. He served of the University of Minnesota Board of Regents from 2002 to 2007.

C. Background on transportation role of the Metropolitan Council (information from its website) —The Metropolitan Council is responsible for regional transportation planning including aviation, highway, and transit systems as well as transit operations. The Council is the designated Metropolitan Planning Organization (MPO) for the Twin Cities metropolitan area, which means it is required by the federal government to provide a continuing, coordinated, comprehensive transportation planning process.

Federal law and regulation require that every metropolitan area over 50,000 population must have a Metropolitan Planning Organization (MPO) and a continuing, coordinated and comprehensive transportation planning process in order to receive any federal transportation funds. These regulations, which have been in place since the early 1970's, were designed to ensure that urban areas develop plans and programs that address identified transportation needs in the area, and are consistent with the overall planned development of the urbanized area. Since federal regulations require the participation of local elected officials, the Transportation Advisory Board (which consists primarily of local elected officials) together with the Metropolitan Council, composes the MPO for the Twin Cities area.

The Council must prepare a long range (20 year) transportation plan for the region every 4 years (current plan adopted December 2004.). It is also responsible for the selection of projects for federal

funding and the preparation of a three-year transportation improvement program (TIP). This is done through the Transportation Advisory Board (TAB), made up of local elected officials, and its Technical Advisory Committee. The process to develop the TIP includes broad citizen and interested group input.

1. Transit Planning —The Council performs long-range transit planning activities for implementation of the policy direction established in its 2030 Regional Development Framework and the 2030 Transportation Policy Plan, including coordination work with all transit operators in the region and working with the Minnesota Department of Transportation (MnDOT), Metro Transit and the county regional rail authorities on planning, environmental and engineering studies for several transitway corridors.

2. Highway Planning —The Council participates with MnDOT and the counties in highway planning activities to ensure implementation of the policy direction established by the Council in the Regional Development Framework and the Transportation Policy Plan. This includes participation in several interagency corridor studies and administration of the Right-of-Way Acquisition Loan Fund (RALF), which gives communities no-interest loans to purchase right-of-way for principal arterials and other trunk highways in advance of the time that MnDOT would be in a position to make the purchase.

D. Comments and discussion —During Bell's comments and in discussion with the Civic Caucus the following points were raised:

1. Transit funding sources —Bell outlined funding sources for transit funding, as essential background for understanding how priorities are set:

a. Quarter-cent sales tax —The 2008 Legislature authorized counties in the metropolitan area to levy a quarter-cent sales tax for planning, construction and operation of transitways (LRT, commuter rail, and bus rapid transit), and for construction of park-and-ride facilities. . Five counties (Anoka, Dakota, Hennepin, Ramsey, and Washington) agreed to impose the tax, which is anticipated produce about \$100 million a year. The 2008 Legislature approved a one-time appropriation of \$30 million from the tax to help cover a bus-rail operating deficit (difference between fares revenue and other available revenue from state sources and operating expenses).

b. Share of state motor vehicle sales tax (MVST) —Metro transit receives a share of revenue from the state sales tax on motor vehicles, under a constitutional amendment approved by voters in November 2006. In 2012, when fully phased in, MVST revenue is expected to yield \$500 million annually, of which highways (state, county and municipal) will receive 60 percent; metro transit, 36 percent, and non-metro transit, 4 percent. MVST originally was expected to yield \$670 million annually, but those estimates were based on more optimistic projections of price and number of vehicle purchases. MVST funds may be used for either capital or operating expense for transit.

c. State general revenues— The Legislature can appropriate funds for capital or operating expense for transit. For example, the Legislature appropriated \$70 million for the current biennium.

d. Regional property tax— The Metropolitan Council levies a property tax on the seven-county region to pay the principal and interest on bonds it issues to pay for buying buses. These funds are used primarily for capital, with a small amount for administrative expense. About \$32 million a year

now comes from the regional property tax to be used for retiring transit bonds. The Metropolitan Council also issues bonds for parks and sewers.

e. Federal funds —The federal government provides up to 50 percent of the cost of approved transit projects, including light rail. About \$450 million in federal funds is anticipated for the Central Corridor light rail project along University Avenue between the downtowns of Minneapolis and St. Paul. Federal funds are limited to capital expense for transit

f. Farebox —Passenger fares yield approximately 30 percent of the Metropolitan Council's annual transit budget of \$325 million. Fares are covering about 40 percent of the operating expense of the Hiawatha light rail line, and slightly less than 30 percent of the operating expense of buses, he said. Fare box revenues are used for operating expense.

2. Too few dollars for bus operations; too many dollars for rail construction?— Bell has concerns about revenue as a result of the 2008 Legislature's authorizing counties a quarter-penny sales tax, mainly for rail and transitways construction.

The federal government won't allow its funds to be used for transit systems that cut back on regular bus service to help pay for new rail construction, Bell said. Thus an anticipated \$450 million for the Central Corridor could be in jeopardy if the federal government found that Metro Transit in the Twin Cities area was reducing bus service to find money to fund LRT.

Currently, Metro Transit is short of funds for bus operations, partly because MVST revenue is lower than projected. The Legislature—with apparent county support—was very specific that the quarter-penny sales tax shouldn't be used for bus operations. But what happens, he asked, if Metro Transit is short on dollars from other funds and can't tap into the sales tax revenue? If Metro Transit needs to cut bus service, the result could be that federal matching dollars for rail construction won't be forthcoming.

Rail can be justified, he said, for the Central Corridor, for a Southwest Corridor, and for Bottineau Boulevard to the North, along with bus transitways for 35W and Cedar Avenue. Beyond these routes it is very hard to make a case for light rail, he said.

We've got a system where the bus does all the heavy lifting, and he's worried that the sales tax receipts will be inefficiently used.

Rail projects need the support of the Metropolitan Council, he noted, because such projects must be consistent with the Council's transportation policy plan.

It doesn't make sense to have two power centers for transit, endlessly bickering over who will pay the operating expense, he said.

3. Current ridership figures discussed— About 89.3 million passengers rode transit in the metro area in 2007, including the Metropolitan Council's metro transit, six independent suburban systems, contracted routes, and Metro Mobility, Bell said. About 77 million passengers were for the Metropolitan Council's metro transit. Bell expects metro transit to increase to 80 million passengers this year.

4. Bus is the "workhorse" of the transit system —The bus is and will remain the workhorse of the transit system, Bell said, and he is very worried about over-funding rail construction and under-funding bus operations. We're close to spending \$1 billion on the Central Corridor and conceivably would need to cut buses on existing routes, which is "dumb", he said.

5. Relative need for the Central Corridor —Bell said the Twin Cities area needs a rail "spine", which is what the Central Corridor LRT route would be, connecting the two downtowns, he said. Other routes can feed into it. Asked what need the Central Corridor route will fill, Bell replied that the Metropolitan Council simply could not put enough buses on the street to serve projected ridership in 2020 and beyond. In an alternatives analysis, it was determined that even if the Council invested in bus rapid transit, it could accommodate no more than 31,200 riders per day. LRT is projected to serve 38,000 riders per weekday in 2020 and 44,000 riders in 2030 (and could accommodate even more by going from two-car to three-car trains).

Continuing the discussion of needs, Bell was asked whether congestion relief is part of the equation. He replied that his first goal is effective transportation for transit-dependent individuals. It is vital for a strong economy that we provide access for people to jobs, health care, and schools. Congestion relief is an important, but secondary objective.

6. Directing development not a big objective for the Central Corridor —It was noted that some others have said the main goal of the Central Corridor LRT is to influence development Bell said there are many more effective ways to guide development than LRT. The main objective is to provide transportation, he said.

7. Challenges to assumptions on effectiveness of the Central Corridor in providing improved transportation — Bell said he is unaware of challenges to the effectiveness of the Central Corridor in improved transportation that appear in an analysis of the Central Corridor by a local volunteer, Scott Halstead. Halstead has claimed only marginal improvements of speed and transit capacity from the Central Corridor LRT.

8. Critical importance to LRT of maintaining bus service —Responding to a question on clarification, Bell emphasized that the metro area will forego millions of dollars in federal aid for rail if the area is forced to reduce bus service to balance its operating budget.

Members pointed out to Bell that Congressman Jim Oberstar has pledged that the criteria for rail systems in metropolitan areas will be rewritten in 2009. Bell replied that irrespective of who has political control of Congress and the Presidency, there are far too many applications—and others expected—to ever receive the funding that will be sought. Thus, it always will be necessary to set priorities and that will require criteria.

9. Bell still optimistic about funding bus service —Notwithstanding the difficulties, Bell said he is optimistic that Metro Transit will be able to fund operating expenses without cutting service, through a combination of increased fares, dipping into reserves, and getting some additional help from the Legislature.

Bell said he would like very much to expand bus service. Plans for such expansion, still unfunded, have been prepared by Brian Lamb, general manager of Metro Transit. However, at the present time

there's no way to provide the money. Earlier, when MVST was anticipated to yield much more than now anticipated, the Metropolitan Council hoped to use MVST funds for bus expansion.

10. Difficulty in expanding the geographic area of the Metropolitan Council —In response to a question Bell acknowledged that need for urban services, including transit, extend beyond the seven-county borders of the Metropolitan Council. He doesn't see any way politically for the Council to be enlarged geographically at this point. Nevertheless, he is hoping that some park and ride lots along with bus routes will be able to be established outside the seven-county area.

11. Dual transit policy structure problematic —Bell was asked whether it would be possible in the Twin Cities area to maintain a permanent arrangement with the county joint powers board responsible for rail transit and the Metropolitan Council responsible for bus transit. He said he is concerned there would be ongoing disagreement between the two organizations over what should be built. Moreover, he believes the region must have an integrated transit system.

The Metropolitan Council will be able to pay, perhaps, 50 percent of the operating expense for rail service that is built with the metro counties' new quarter-cent sales tax revenue source, he said. If the Council refuses to share in the operating expense, counties might want to go totally independent, which would be problematic for the region, he said. Bell acknowledged that the counties, having been made responsible for levying the new sales tax, have a legitimate right for some policy involvement..

For the time being Bell thinks the best strategy for dealing with questions about transit governing structure is to pause and let things sort themselves out. As chair of the Metropolitan Council, Bell said he has a seat on the county joint powers transit board.

A Civic Caucus member recalled that the Metropolitan Council was deliberately created in 1967 without giving membership to local units of government, including counties. An earlier Metropolitan Planning Commission was made up of local officials and, as a consequence, lacked the ability to develop an areawide consensus.

Bell replied that he doesn't fault the counties for pushing, now, for more transit revenue, because the need is severe. He only faults the counties for pushing for only capital and operating funds for transitways, not for bus operations.

12. Federal priority-setting criteria will remain —Discussing again a likely change in a cost-effectiveness index used by the Federal Transit Administration to rank various proposed rail transit projects, Bell said that currently there probably are \$7 in requests for every \$1 available. So regardless of who is in charge in Washington, D.C., there'll be a significant priority-setting process. If more money is made available, more requests will be forthcoming.

Bell said that a shortcoming of the federal process currently is that receipt of funds is an all-or-nothing experience. Either a metro area meets criteria and, thereby, receives a 50 percent grant, or it receives nothing. Bell thinks that some higher-priority projects could receive as much as 60 percent and lower-priority projects, as little as 40 percent. Such flexibility would help some metropolitan areas, including the Twin Cities, because they wouldn't have to take extraordinary measures to fit the federal criteria. Currently, major adjustments have been made in the Central Corridor, for example, to meet all federal requirements.

13. Need for Central Corridor project —The group returned to a brief discussion of the need for the Central Corridor project. It was noted that Bell said earlier that buses can't accommodate a projected total of 44,000 passengers a day in the Central Corridor. When the LRT is built in this corridor, Bell agreed that some of the LRT passengers will have been previous passengers on bus routes (on University Avenue and on I-94), although some bus routes on University Avenue and I-94 will remain. Bell said he didn't have at his fingertips the number of LRT riders who previously would have been riding the bus. He said that LRT is more eco-friendly and also offers more economic development potential.

14. Likelihood for legislative approval of Central Corridor —Bell thinks an agreement can be reached before the close of the 2008 session to produce the \$70 million needed for LRT construction. Each one-year delay will add \$45 million to the price tag, because of inflation, he said. He took note of the fact that the University of Minnesota prefers a new northern route, instead of a surface route through the middle of campus. He said this would be a very major change in the alignment very late in the process. As a result, a compelling case must be made to justify such a change. He hopes to work something out with the University.

15. Use of pricing strategies for freeways —Bell said he supports tolls and other ways of using pricing to encourage more efficient use of freeways in the Twin Cities area.

16. Elect the Metropolitan Council? —The Metropolitan Council has taxing power, regulatory power, and policy power, Bell noted. It has a budget of \$700 million a year, and, therefore, is the third or fourth largest unit of government in the state. Its bonds outstanding for all purposes are about \$1 billion, and the Council has a AAA credit rating. He can understand why some people advocate that the Council should be elected. Bell opposes election. The Council would become a super-government, competing with the Legislature. Moreover, he said, election would likely make the Council more parochial. Elected members each would insist, more than members do now, that their respective districts receive specific projects. He predicts that the Council would end up with earmarking by members, a phenomenon that now is common with the Legislature and with Congress.

Bell said he also would oppose changing the Council into a council of governments, with its representatives being made up of county and municipal elected officials.

17. Thanks —On behalf of the Civic Caucus, Verne thanked Bell for his cordial, detailed, and comprehensive discussion today.