

**2009 Legislative Session**

# **Transportation Provisions and Agreements**

**Context for  
2010 Budget Planning**

**Metropolitan Council  
June 24, 2009**



# 2010 Metropolitan Council Budget Schedule

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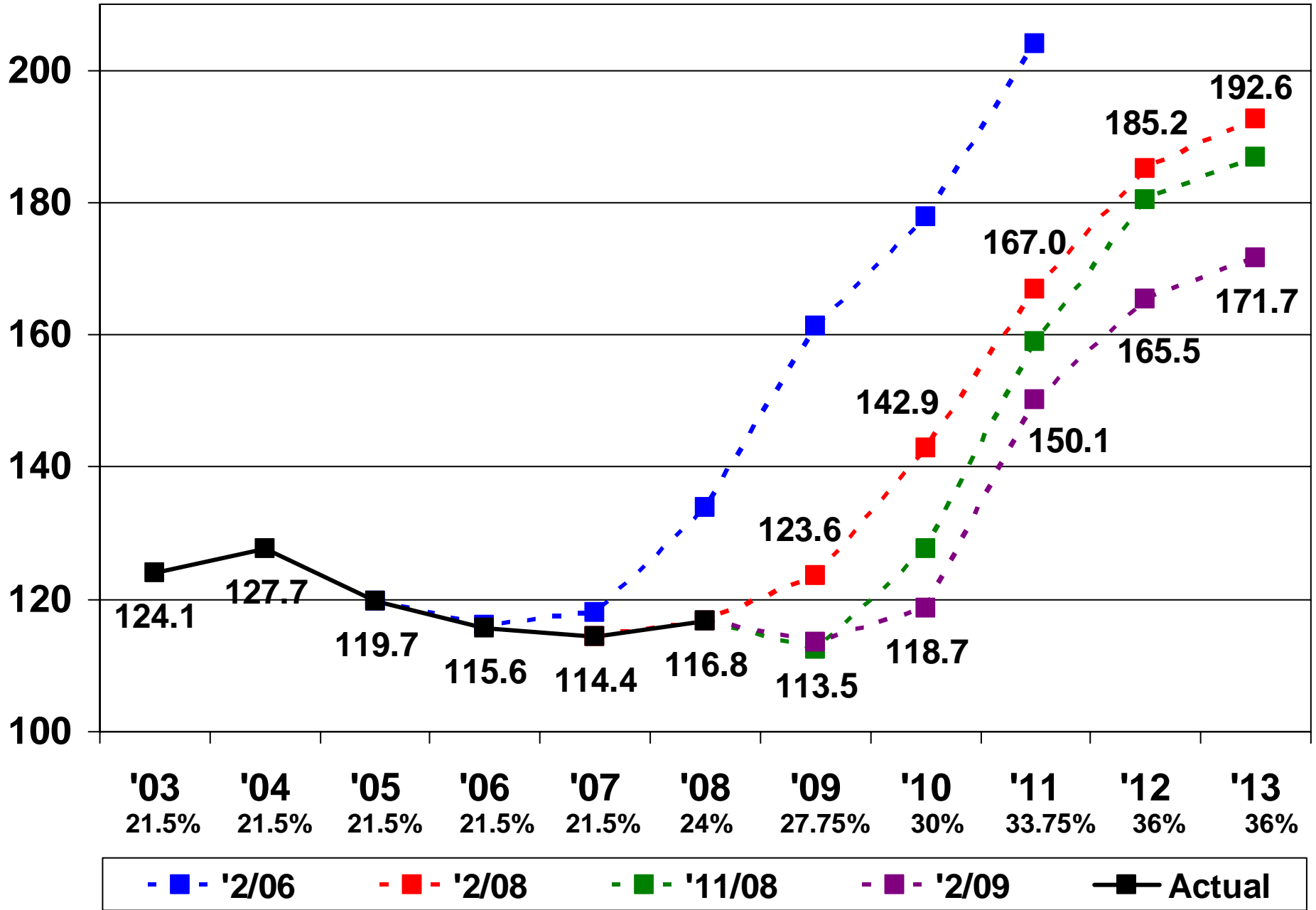
- ❖ **JUL 22**      **Presentation of Preliminary Unified Operating Budgets, Rates and Levies**
- ❖ **AUG 26**      **Adopt Preliminary Operating Budget, Rates and Levies**  
**Set Public Hearing Date**
- ❖ **SEP 9**        **Presentation of Preliminary Capital Program**
- ❖ **SEP 23**      **Set Budget and Levies for Public Hearing**
- ❖ **NOV 4**        **Hold Public Hearing (Subject to Change)**
- ❖ **DEC 9**        **Adopt Final Budget and Levies**

# 2009 Legislative Session Beginning Transit Budget Position

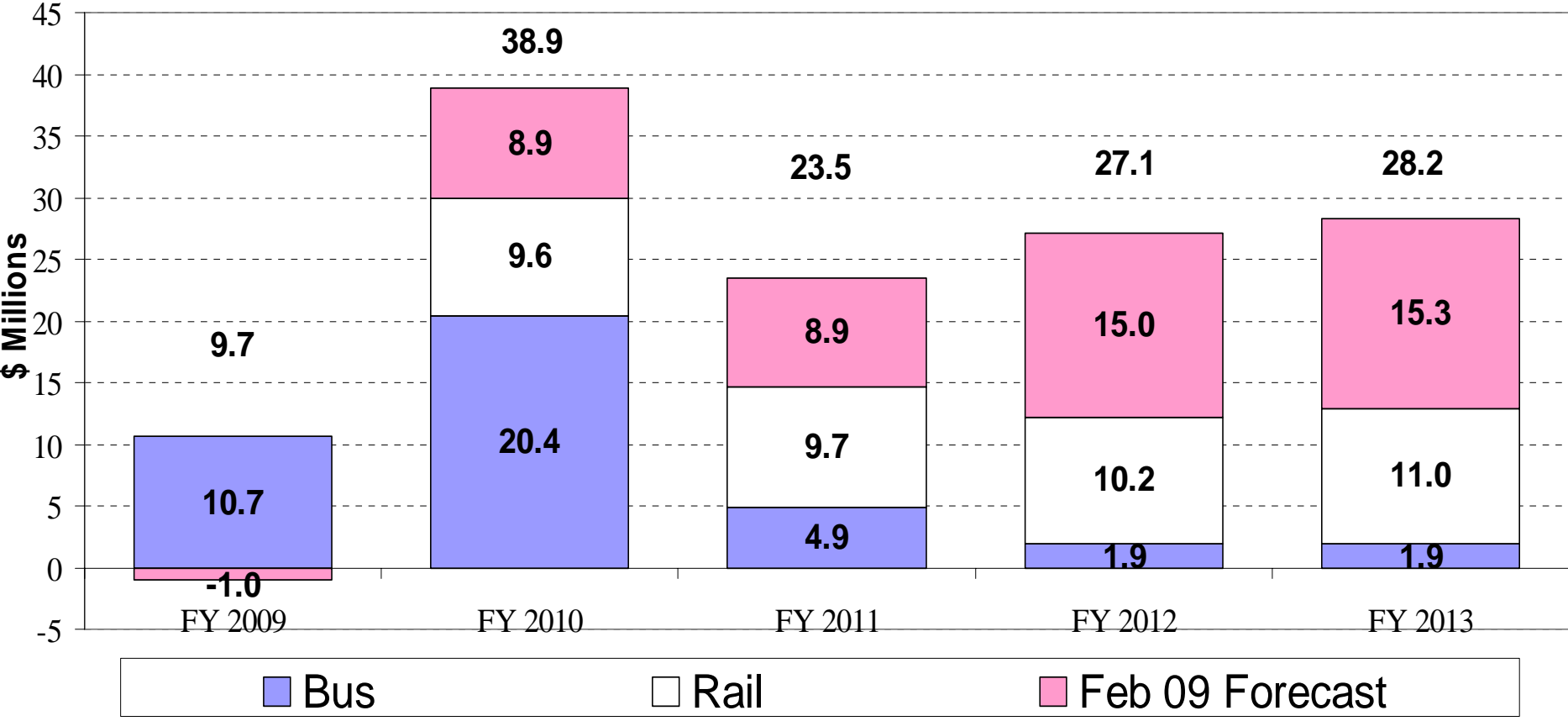
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- ❖ \$62.4 M deficit projected for SFY 2010-11
- ❖ 10 consecutive MVST forecast reductions (\$41 M)
- ❖ Uncommitted state share for rail (\$19.3 M)
  - ❖ \$14.1 M for Northstar
  - ❖ \$5.2 M for Hiawatha
- ❖ Other committed expansion (UPA / CMAQ)

# Forecasted Met Council MVST Revenues



# March 2009 Regional Transit System Bus and Rail Imbalances



# Governor's Transit Proposal

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- ❖ General Fund appropriations at current levels
- ❖ Continued commitment to Northstar start up
- ❖ Allow flexible use of Council levies and balances
  - ❖ Up to 75% of TBRA, LCDA, Highway Right of Way
  - ❖ Allowable use of any unspent balances
  - ❖ Flexibility sunsets after 2011
- ❖ Address remaining deficit with administrative options

# 2009 Transportation Bill Events Leading to Agreement

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- ❖ Governor objects to initial conference report
  - ❖ Elimination of low income gas tax credit (tax increase)
  - ❖ Acceleration of transit MVST share (reduces MnDOT share)
  - ❖ Levy flexibility far short of Governor's proposal
- ❖ Chairs reconvene Transportation Committee
- ❖ Key provisions of agreement
  - ❖ Legislature withdrew gas tax credit proposal
  - ❖ Legislature accepted enhanced flexibility for levy uses
  - ❖ Governor accepted the acceleration of transit MVST share

# 2009 Legislative Session

## Final Bill - Transit Provisions

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- ❖ GF transit base reduction – (\$12.8M / biennium)
- ❖ Acceleration of MVST shares (12.8M for 2010-11)
- ❖ Flexible use of levies (sunsets after 2011)
  - ❖ LCDA and TBRA – up to 50% for transit operations
  - ❖ Highway Right of Way – up to 75% for transit operations
  - ❖ Allowable use of unspent account balances



# 2009 Transportation Bill Negotiated Commitments

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- ❖ Use of administrative options for remaining deficit
- ❖ Fare Increases and service reductions as last option
  - ❖ Commitment applies to the 2010-11 biennium
  - ❖ Contingent on revenues & expenses within projected range
  - ❖ No prohibiting statute language
- ❖ Use levy flexibility sparingly - preserve intended uses
- ❖ Northstar operations begin as scheduled
- ❖ Letter to chairs reflecting negotiated commitments

# 2009 Transportation Bill Administrative Budget Options

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- ❖ Service and administrative cost efficiencies
- ❖ Use of reserve balances in excess of targets
- ❖ Reallocation of discretionary funds
- ❖ Use of ARRA and ARRA-freed 5307 Funds
- ❖ Use of general purposes levy

# Implications to Council 2010 Budget Guidance

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- ❖ Hold the 2010 levy increases significantly under 2004-09 Council policy
- ❖ Honor Council framework and policy plans:
  - ❖ Increase ridership 50% by 2020...double by 2030
  - ❖ Build and operate a system of regional transitways
  - ❖ Grow and improve the base bus system
- ❖ Retain integrity of other Council programs
  - ❖ Limit application of levy flexibility to what is necessary
  - ❖ Balance use with other program demands

# Implications to Council 2010 Budget Guidance...Cont.

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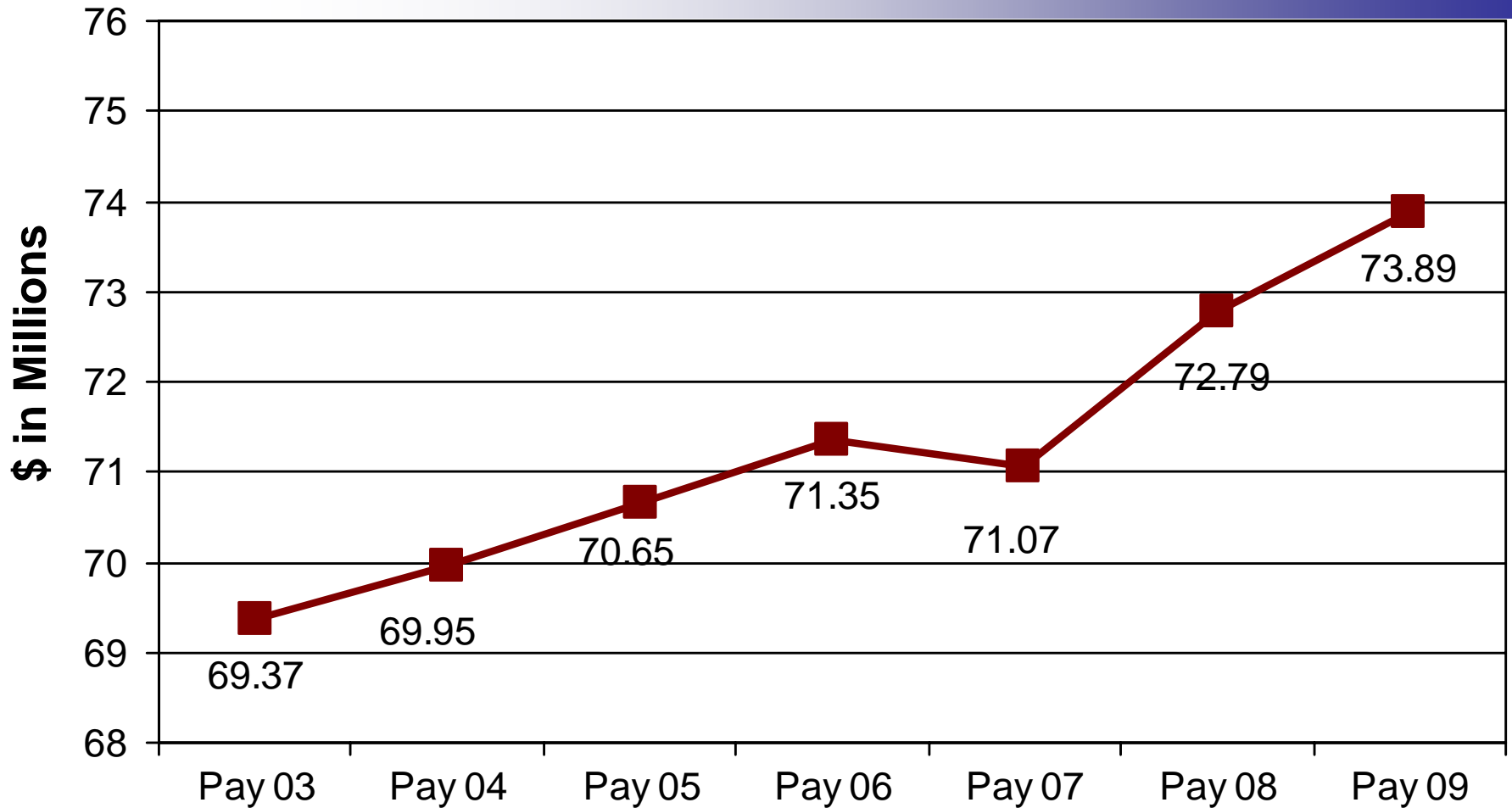
- ❖ Recognize inherent volatility of transit budgets
- ❖ Bring a long term view to budget planning
  - ❖ Incorporate a multi-year planning horizon
  - ❖ Develop a balanced transit budget over 4 years
  - ❖ Develop a range of solutions to mitigate structural gaps
  - ❖ Use one-time funds as a bridge to structural solutions
- ❖ Build reserves to Council targets (policy)
- ❖ Preserve AAA bond rating

# Council Levy Policy 2003-09

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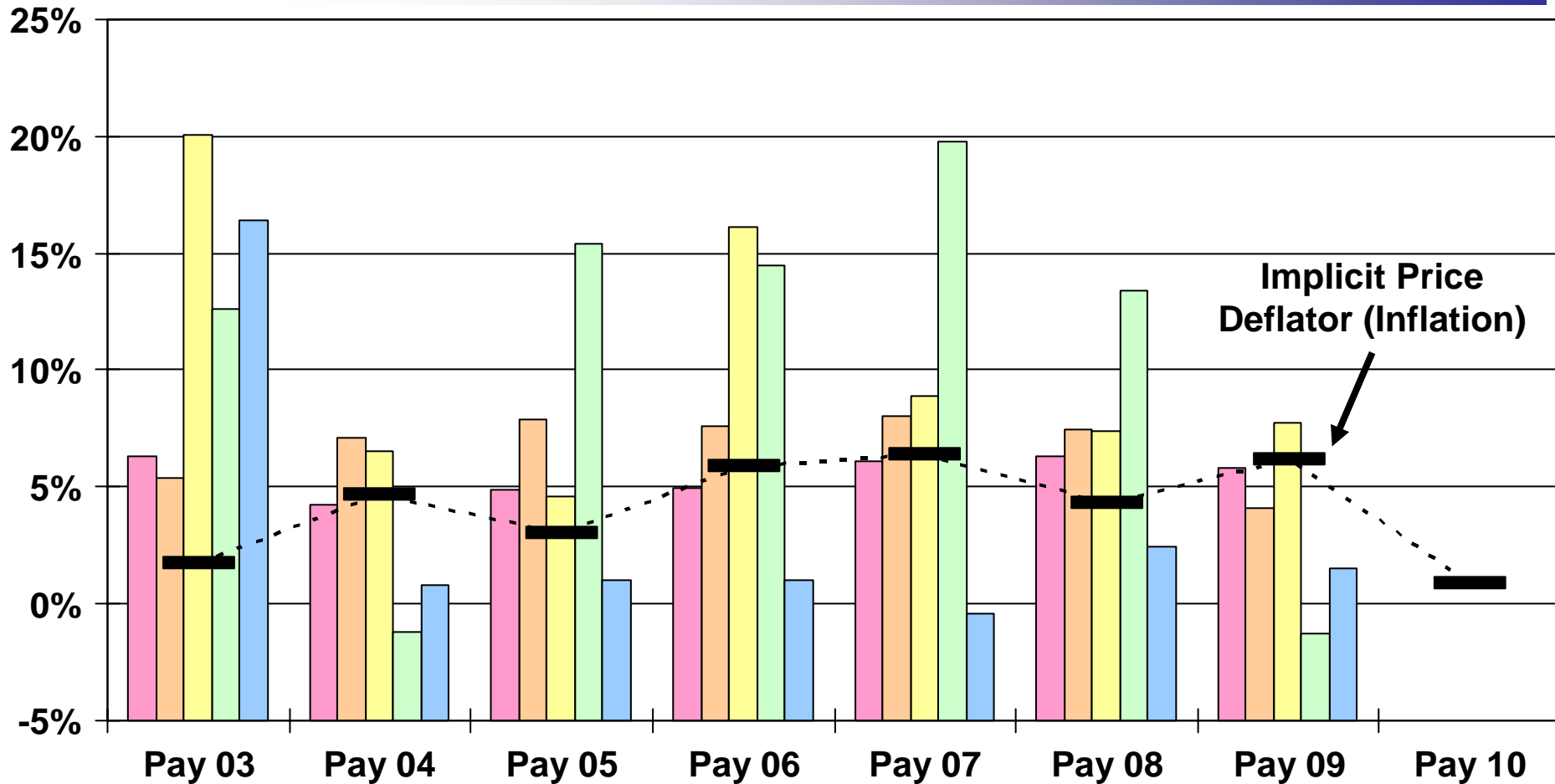
- ❖ 1% adjusted annual increase
- ❖ Adjustments applied for taxing district expansion
- ❖ Exception in 2007 with 2008 catch up
- ❖ Council levy outcomes 2004-09:
  - ❖ Increases held significantly below inflation
  - ❖ Increases are lowest among regional taxing authorities
  - ❖ Share of regional levies has declined by 30%
  - ❖ Levy cost to homeowner has declined by 20-30%

# Certified Council Levy Amounts (1% Adjusted Annual Growth)



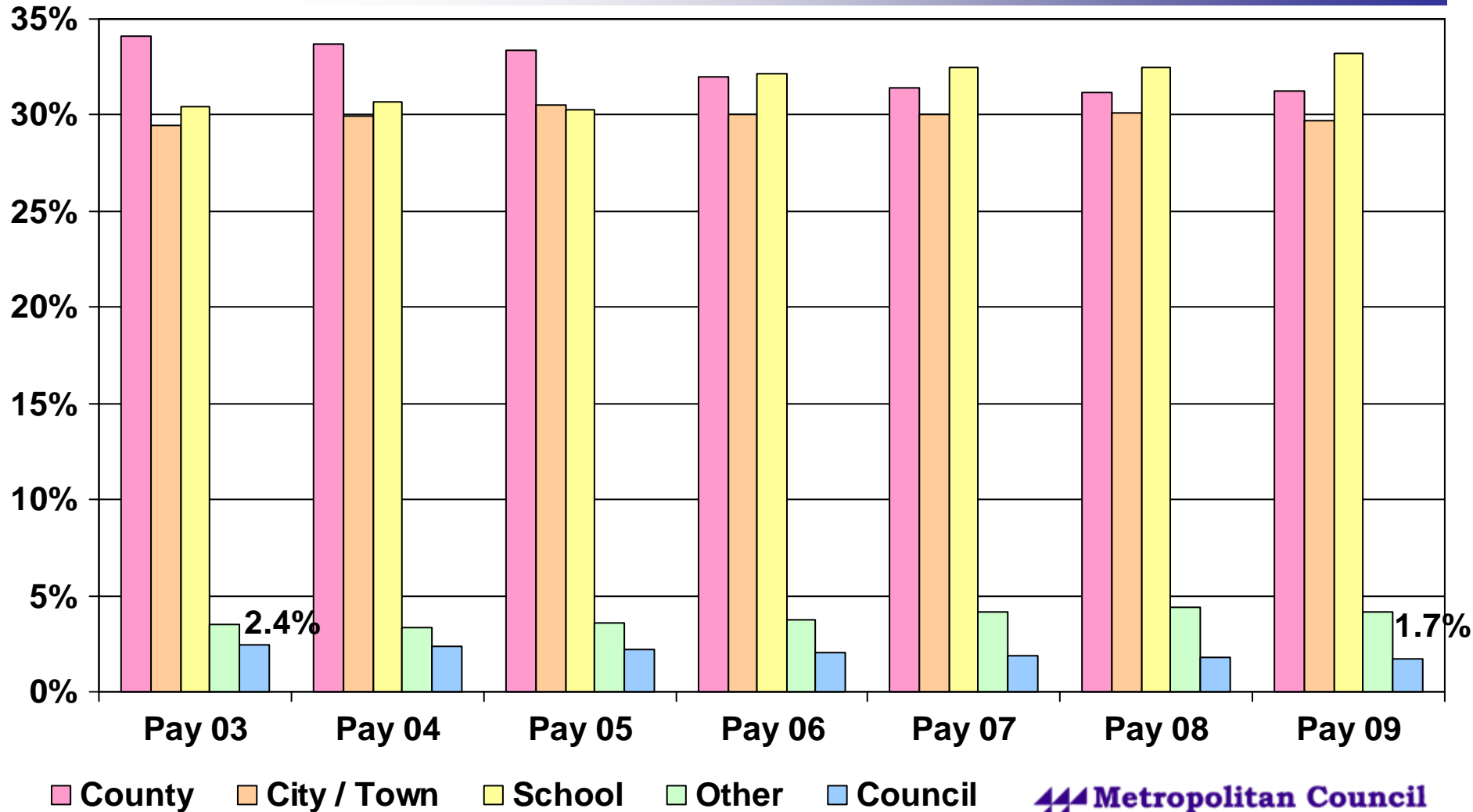
# Annual Levy Increases

## Local Government Comparisons



■ County   
 ■ City / Town   
 ■ School   
 ■ Other   
 ■ Council

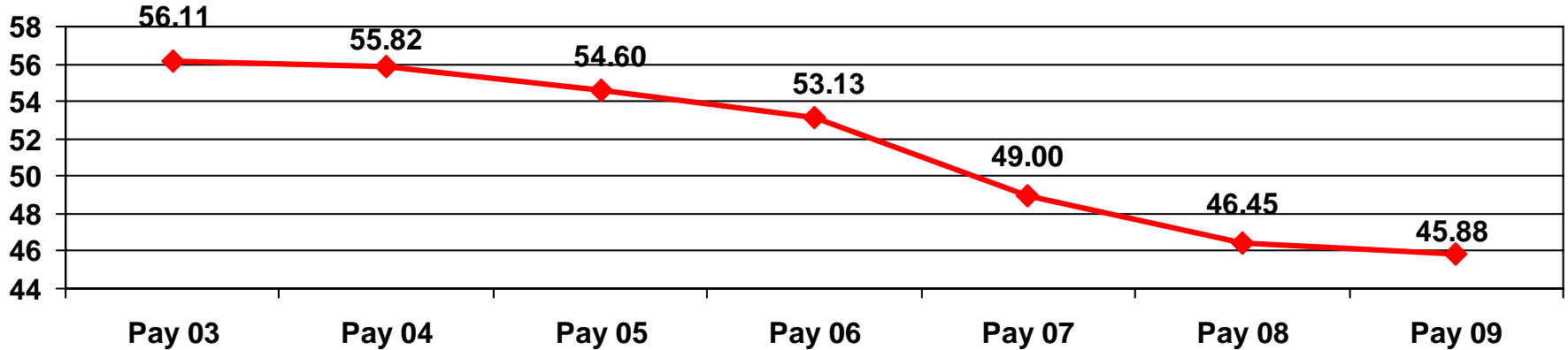
# Reduction in Council Share of Total Regional Levies



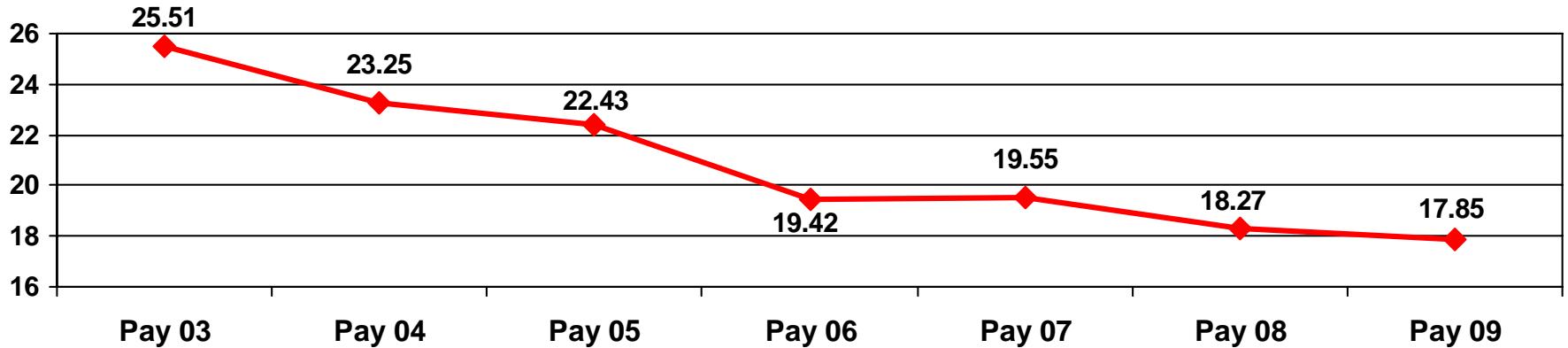


# Council Levy Cost to Taxpayer (For Home Currently Valued at \$250K)

## Inside Transit District



## Outside Transit District



# 2010 Application of Levy Policy

(2.05% total increase)

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73.89 2009 Total Levies

.74 Base Increase (1%)

.77 Adjustments (1.05%): Lakeville,  
Columbus, Forest Lake

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\$ 75.40 2010 Levies (2.05% increase)

\$ in Millions

# Planning Guidance for 2010 Levies

(0.86% Increase)

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\$ 73.89	2009 Total Levies
<u>.63</u>	0.86% Implicit Price Deflator (est.)
\$ 74.52	Total 2010 Levies

\$ in Millions

# Implications of Levy Guidance

(0.86 % Increase)

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- ❖ Levy increases significantly below the application of the 2004-09 policy (2.05%)
- ❖ Levy increases below the transit expansion adjustment factor (1.05%)
- ❖ No real dollar increases (slight decreases) to districts other than the expansion communities
- ❖ Accelerated decreases in real dollar cost to homeowners outside the expansion communities

# Discussion

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