

July 15, 2010

Mayor Bill Hargis, Chair  
Transportation Advisory Board  
390 Robert Street North  
St. Paul, MN 55101

Dear Mayor Hargis,

The Metropolitan Council respectfully requests that TAB consider the following changes in distributing CMAQ funds through the next Regional Solicitation.

**Preservation: Use a portion of CMAQ funds for transit maintenance and preservation.**

Federal rules allow a portion of CMAQ funds, approximately \$5 million annually for this metro area, to be transferred to STP to establish a transit maintenance and preservation fund. This is logical given that past CMAQ-funded fleet and facility expansions translate into maintenance and preservation costs in the future.

In this region, CMAQ grants awarded since 2000 have funded about 300 buses with about 200 buses purchased and the remaining 100 programmed in upcoming years. The Council's current six-year CIP demonstrates that the region will, for the first time, not be able to fully fund the replacement of the regional fleet with traditional preservation funds primarily because the first CMAQ-funded expansion buses are coming due for replacement.

Maintaining a "state of good repair" for transit systems has been a recent focus at the federal level. In a May 18, 2010 speech, FTA Administrator Peter M. Rogoff cited the increasing backlog of deferred preservation and maintenance while 80 urban areas are seeking federal funds for new rail transit; he then stated "At times like these, it's more important than ever to have the courage to ask a hard question: if you can't afford to operate the system you have, why does it make sense for us to partner in your expansion?"

In our applications to the federal government for New Starts projects such as Central Corridor and Southwest LRT, the Council must demonstrate that it can maintain the current transit system in addition to adding the requested New Starts project. Not being able to do so will jeopardize this region's ability to secure future federal New Starts funds, as demonstrated by the FTA recently denying Sacramento its LRT funding request because of insufficient funds to support existing transit operations.

Using a portion of CMAQ funds for preservation and maintenance is also consistent with the Council's 2030 Transportation Policy Plan (TPP) which states that "the priorities for regional transportation investments are to adequately preserve, operate and maintain existing transportation systems and to make additional transportation investments on the basis of need and demand...."

The Council does not recommend a competitive process for distributing CMAQ preservation funds. Rather, the Council suggests that the preservation funds go toward regional fleet replacement given most of the growth in the regional fleet is attributable to CMAQ awards. The Council owns the regional transit fleet, including buses used by suburban providers, and is responsible for programming and funding their replacement. Fleet replacement capital costs average \$85.7 million annually in the Council's 2010-2015 CIP.

While this request applies to the next Regional Solicitation for 2015/2016 funding, the Council requests that TAB consider providing preservation funding earlier if presently programmed funds become available due to awarded projects not proceeding and the funds turned back to the region.

**Expansion Priorities: *Align CMAQ transit grants with the region's transit expansion priorities.***

CMAQ will continue to fund a significant amount of the region's transit system expansion. Over the last decade, CMAQ has been particularly successful in growing the express component of the system, which provided 14% of the region's 2009 transit rides. This growth is demonstrated by the fact that the region's park-and-ride capacity, which in 1999 was 11,730 spaces, grew to 26,775 spaces in 2009 – an increase of 14,495 spaces or 124%. More facility expansions are under construction with even more programmed for future years. The good news is that previous park-and-ride capacity shortfalls as well as longer term demand have been, for the most part, addressed. This is a significant accomplishment largely attributable to CMAQ grants. The result is that expanding park-and-ride capacity at this same rate is no longer at the same regional priority level as in the past.

Given the increasing importance of using limited transit capital and operating funds to provide the greatest benefit, the 2030 TPP adopted in January 2009 calls for the Council to create a Regional Service Improvement Plan (RSIP) to prioritize transit expansion in the region based on need and demand. The RSIP will include the suburban transit providers' service expansion plans. The RSIP will guide the Council's capital and operating investments, including local match for CMAQ capital and operating grants as well as continuing demonstration service initially funded by CMAQ.

The 2009 Regional Solicitation process represented the first time the Council did not agree to provide the local match for all proposed CMAQ projects as requested by project sponsors. This reflects the reality that some CMAQ project proposals are not high regional priorities and that the CMAQ process and regional priorities are not aligned. Future Council funding for a CMAQ project will likely be contingent upon that project being identified in the top tier of regional expansion priorities in the RSIP.

The Council requests that the next CMAQ solicitation place greater priority on funding transit expansion projects that are top regional priorities based on need and demand and also meet the CMAQ eligibility guidelines. These are not in conflict given that the CMAQ eligibility guidelines require that: a project increases capacity; would likely result in an increase in transit ridership and a potential reduction in congestion; and, that the project's emission benefits are quantifiably estimated.

**Timing:** *Consider implementing a shorter, more flexible solicitation process*

The regional solicitation currently provides funding for projects that will not be constructed or implemented for 4 to 5 years. While this timing works well for the advance planning and design necessary for highway and other road projects, it often does not work well in planning for and implementing transit projects.

The transit environment has been in a period of change that could not have been predicted 4 to 5 years ago. These changes have had major impacts on anticipated funding revenues as well as the regional transit priorities and needs. The decline in anticipated operating revenues is attributed primarily to the following:

- The statewide MVST funding has experienced an unforeseen decline. MVST makes up the largest share of regional transit operating revenues (44% in the Council's proposed 2011 transit operating budget). This has been offset somewhat by the increase in MVST due to the 2006 constitutional amendment dedicating 100% of MVST to transportation. That five-year phase in will be complete in 2012.
- The Legislature has reduced the state general fund appropriation to the Council over the last several sessions in response to competing needs and declining revenues. In the 2010 session alone, transit operating appropriations were reduced by \$1.625M in SFY2010, \$23.209M in SFY 2011 and a permanent reduction of \$7.265M for SFY2012 and beyond. A large anticipated state shortfall in the next biennium may bring additional general fund appropriation reductions.
- The Legislature has not fulfilled its statutory commitment to fund 50% of rail operating costs with state appropriations, funding only a portion of Hiawatha and not funding Northstar at all. For 2011, this equates to \$8.925M (\$2.1M for Hiawatha and \$6.825M for Northstar) that the Council must fund with other transit operating revenues. As a comparison, the average annual operating costs for an express bus is in the ballpark of \$100,000 (before crediting fare revenue) so a significant amount of bus service could have been added with the same operating funds.

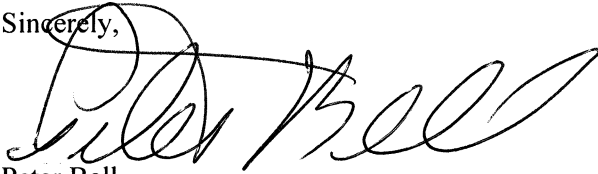
As a result, many of awarded CMAQ applications that expected and indicated operating funds would be available to implement the project are now finding that operating funds are not available.

While operating funds have declined in recent years, the region has benefited from unexpected capital funding. The \$133 million award of federal UPA funds in 2007 and the 2009 ARRA funds, each with a large transit component, are positive examples of how quickly the transit funding environment can change. The UPA project provided funding for numerous park-and-rides, buses and transit technology improvements which might have otherwise been CMAQ-funded. Another example is the 2008-2010 recession which has had significant impact on transit demands and needs. These realities demonstrate that setting transit funding priorities 4 to 5 years in advance is a difficult exercise.

Other projects that are candidates for CMAQ funds such as Active Traffic Management (ATM) signal timing applications do not require the same longer lead time as highway construction projects. While planning should be done well in advance, a process that can be flexible should circumstances change in the intervening years would be beneficial. The Council considers it unwise to leave CMAQ funds unspent as circumstances change and push unspent funds out 4 to 5 years to future solicitations. For these reasons, the Council requests that TAB review its current solicitation process and determine whether a shorter timeline and/or revised process might be more applicable to transit and better address near term transit priorities.

As TAB and its technical committees work towards developing the 2011 Regional Solicitation over the next several months, your consideration of the Council's recommendations is greatly appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter Bell". The signature is written in a cursive style with a large, prominent initial "P".

Peter Bell

Chair

Metropolitan Council