Minnesota Regional Transit Board: Records.

REGIONAL TRANSIT BOARD
Mears Park Centre
230 East 5th Street
St. Paul, Minnesota 55101
612/292-8789

MEETING OF THE REGIONAL TRANSIT BOARD

Thursday, February 15, 1990
Mears Park Centre Chambers
6:00 p.m.

AGENDA

1. Call to Order and Roll Call
2. Approval of Agenda
3. Approval of Light Rail Transit Development and Financial Plan
4. Public Comment

Michael J. Ehrlichmann
Chair

REGIONAL TRANSIT BOARD

ROLL CALL AND ATTENDANCE SHEET

DATE: 2/15

BOARD OR COMMITTEE: Board

Member Name	Present	Vote	Vote	Vote	Vote	Vote	Vote	Vote	Vote
		JF							
Mike Ehrlichmann	✓	no							
Doris Caranicas (P)	✓	no							
John Finley (A&F)	✓	y							
Ruth Franklin (A&F)	✓	no							
Ed Kranz (A&F)	✓	y							
Sandra Hilary (P)	✓	no							
Terry O'Toole (P)	✓	y							
Jeff Spartz (Chair-P)	✓	no							
Norbert Theis (P)	✓	y							
El Tinklenberg (Chair-A)	✓	no							
Richard Wedell (A&F)	✓	y							

6 noes

Visitors

Staff

Ex A

REGIONAL TRANSIT BOARD
Mears Park Centre
230 East 5th Street
St. Paul, Minnesota 55101
612/292-8789

February 15, 1990

The following lists recommendations upon which Council approval is conditional:

accept

a) eliminate the proposal to use 40 percent of the growth in the "fiscal disparities" tax base as a potential funding source;

adopt me

b) clarify that any regional sales tax to be pursued be a part of a broader-based package and would be pursued in conjunction with an overall regional effort;

adopt

c) include only that portion of the downtown Minneapolis alignment north of the Convention Center station in the regional core grouping (Group A);

forward as add.

d) eliminate the proposed substitution of federal funding for local contribution and replace it, if necessary, with an alternative that would proportionately reduce the state, regional and local contributions in a corridor that receives federal funding;

accept

e) establish a principle relating a local match for the incremental cost of a tunnel to the local benefits received;

f) delete reference to reimbursement for costs incurred by a local unit of government for construction of a facility prior to a regional need for the facility.

acc

METROPOLITAN COUNCIL Mears Park Centre, 230 East Fifth Street, St. Paul, MN. 55101 612 291-6359

February 15, 1990

Michael J. Ehrlichmann, Chair
Regional Transit Board
Mears Park Centre
230 East 5th Street
St. Paul, MN 55101

RE: Regional Transit Board
Draft Light Rail Transit (LRT)
Development and Financial Plan
Metropolitan Council Referral File No. 15048-1

Dear Mr. Ehrlichmann:

At its meeting on February 8, 1990, the Metropolitan Council considered the draft Light Rail Transit (LRT) Development and Financial Plan. This consideration was based on a report of the Metropolitan Systems Committee. A copy of the amended report is attached.

The Council approved the following recommendations contained in the above report:

1. Approve the Light Rail Development and Financial plan of the Regional Transit Board on the condition that the Regional Transit Board make the following changes to the plan prior to submitting the plan to the Minnesota Legislature:

   a) eliminate the proposal to use 40 percent of the growth in the "fiscal disparities" tax base as a potential funding source;

   b) clarify that any regional sales tax to be pursued be a part of a broader-based package and would be pursued in conjunction with an overall regional effort;

   c) include only that portion of the downtown Minneapolis alignment north of the Convention Center station in the regional core grouping (Group A);

   d) eliminate the proposed substitution of federal funding for local contribution and replace it, if necessary, with an alternative that would proportionately reduce the state, regional and local contributions in a corridor that receives federal funding;

   e) establish a principle relating a local match for the incremental cost of a tunnel to the local benefits received;

   f) delete reference to reimbursement for costs incurred by a local unit of government for construction of a facility prior to a regional need for the facility.

2. Request the Regional Transit Board, either as part of the final plan or of future implementation activities or plan updates to:

   a) Reevaluate implementation and funding priorities for corridors in groups B and C, during the next update of the plan, based upon weighted evaluation criteria and the most current information available every two years.

   b) quantify or further qualify the benefits and costs of LRT in each corridor and the Central Minneapolis Area to better assess how well regional objectives are met and to identify cost-sharing mechanisms and levels based on regional and local benefits, before final decisions are made on regional and local funding levels;

   c) work with the regional railroad authorities to maximize use of local matches other than general property tax including joint development or other private participation;

   d) include demonstration of short term cost effectiveness, based on an analysis of ridership and costs for a period of one year following construction, as a factor to be considered in the construction approval process;

   e) develop criteria to define when the private sector and local units of government will be expected to pay for LRT facilities.

   f) establish the local contribution for Group B and C corridors and the incremental cost of the downtown Minneapolis tunnel, at a <u>minimum</u> of 10 percent;

3. Work, in conjunction with the RTB, Transportation Study Board and Minnesota Legislature to incorporate light rail transit funding needs in the context of the overall state and regional transportation needs;

4. Develop, as input to the RTB Coordination Plan, strategies and recommendations to maximize the potential land development benefits of light rail transit;

Sincerely,

Steve Keefe

Steve Keefe
Chair

SK:ll
Attachment

cc: Steve Wilson, Metropolitan Council Staff

METROPOLITAN COUNCIL
Mears Park Centre, 230 East Fifth St., St. Paul, Minnesota 55101

REPORT OF THE METROPOLITAN SYSTEMS COMMITTEE

DATE: February 8, 1990

TO: Metropolitan Council

SUBJECT: Regional Transit Board Development and Financial Plan for Light Rail Transit, Referral 15048-1

C - SYSTEMS

BACKGROUND

The Metropolitan Systems Committee took action on the above at its February 6, 1990 meeting. The committee had previously discussed the issue on January 16 and 23. The Council has the responsibility to review and approve or disapprove the plan for conformance with its transportation plan. The RTB is scheduled to take action on February 15 and submit the plan to the Legislature.

ISSUES AND CONCERNS

Steve Wilson, Transportation staff, pointed out that a finding was inadvertently left out of the staff report sent to committee. It should be inserted as finding #31 and reads:

31. Based on MDIF geographic policy areas: the Central corridor is consistent as a "Group A" investment; the Minneapolis South (to the Minnesota River), Hiawatha, Northeast, Northwest and Southwest corridors, and the St. Paul Northwest and South corridors are consistent as "Group B" corridors; the extension of the Minneapolis South corridor across the Minnesota River, and the St. Paul Northeast corridor are consistent as "Group C" investments. However, other considerations such as cost-effectiveness may also affect final priorities.

The committee, following the staff presentation, heard from RTB Chair Erlichmann regarding the need to be sensitive to the delicate consensus achieved in preparing the plan. He said support of the counties involved should not be jeopardized if LRT implementation is the goal.

Concern was expressed that, although the St. Paul East corridor exceeds the $4.00 threshold established in the transportation policy plan, it is important to link the east metro area and to demonstrate geographic balance. Furthermore, there was concern that the rapid growth of the area was not sufficiently considered. A question was asked as to whether it would also be necessary to change the policy plan as well. The intent was not to make an amendment. The staff recommendation to move the St. Paul East line from the 20-year plan to the post-20 year plan element was consequently eliminated.

Significant discussion was held on the staff proposal to increase the required local match from ten to 20 percent. Concern was expressed that requiring local matches is not consistent with the notion of LRT as a regional system. However, it was also pointed out that if it is to be a regional system then the counties should not be responsible for implementation, particularly if they have no financial stake. Concern was also expressed that a local match would allow implementation based on whether a county could afford to build and not on the basis of established evaluation criteria, and that linking it to federal funding could encourage counties to talk directly to UMTA thereby subverting the regional process.

Based on this discussion, the staff recommendation to increase the local match to 20 percent was eliminated, but it was clarified that the action meant that the RTB's 10 percent match is still in effect.

The committee also discussed at length the "Group B" and "Group C" priorities. Concern was expressed that there are indistinct differences among some Group B and Group C corridors and that the categories should be combined. An alternative was discussed that the two groups should be re-evaluated as a part of the future plan update and then a decision could be made on which corridors belonged in Group B or C. Concern was expressed that to combine the groups eliminates any sense of priorities. It was also discussed that the evaluation criteria do not reflect any expressed weighting of criteria and it could be difficult to reach any meaningful conclusions.

The committee revised the staff recommendation by combining Group B and Group C and by changing the recommendation relating to refining priorities to include the new Group B and a reference to a weighting of evaluation criteria.

RECOMMENDATIONS

That the Metropolitan Council:

1. Approve the Light Rail Development and Financial plan of the Regional Transit Board on the condition that the Regional Transit board make the following changes to the plan prior to submitting the plan to the Minnesota Legislature:

    a) eliminate the proposal to use 40 percent of the growth in the "fiscal disparities" tax base as a potential funding source;

    b) clarify that any regional sales tax to be pursued be a part of a broader-based package and would be pursued in conjunction with an overall regional effort;

    c) include only that portion of the downtown Minneapolis alignment north of the Convention Center station in the regional core grouping (Group A);

    d) eliminate the proposed substitution of federal funding for local contribution and replace it, if necessary, with an alternative that would proportionately reduce the state, regional and local contributions in a corridor that receives federal funding;

e) establish a principle relating a local match for the incremental cost of a tunnel to the local benefits received;

f) delete reference to reimbursement for costs incurred by a local unit of government for construction of a facility prior to a regional need for the facility.

2) Request the Regional Transit Board, either as part of the final plan or of future implementation activities or plan updates to:

a) combine Group B and Group C into a single category, Group B;

b) refine the new Group B, during the next update of the plan, on the basis of cost-effectiveness, availability of funds and other regional goals, with a clear weighting of criteria, for the purposes of prioritizing regional funding and reimbursement of advance county funding;

c) quantify or further qualify the benefits and costs of LRT in each corridor and the Central Minneapolis Area to better assess how well regional objectives are met and to identify cost-sharing mechanisms and levels based on regional and local benefits, before final decisions are made on regional and local funding levels;

d) work with the regional railroad authorities to maximize use of local matches other than general property tax including joint development or other private participation;

e) include demonstration of short term cost effectiveness, based on an analysis of ridership and costs for a period of one year following construction, as a factor to be considered in the construction approval process;

f) develop criteria to define when the private sector and local units of government will be expected to pay for LRT facilities.

3) Work, in conjunction with the RTB, Transportation Study Board and Minnesota Legislature to incorporate light rail transit funding needs in the context of the overall state and regional transportation needs;

4) Develop, as input to the RTB Coordination Plan, strategies and recommendations to maximize the potential land development benefits of light rail transit;

Respectfully submitted,

Carol Flynn, Chair

METROPOLITAN COUNCIL
Mears Park Centre, 230 East Fifth Street, St. Paul, Minnesota 55101

DATE: January 31, 1990

AS AMENDED AND APPROVED BY THE METROPOLITAN COUNCIL FEBRUARY 8, 1990

TO: **Metropolitan Systems Committee**

FROM: **Transportation Division (S. Wilson, ext. 6344)**
Metro Governance Division (A. Morris, ext. 6446)

SUBJECT: **Regional Transit Board Development and Financial Plan for Light Rail Transit, Referral 15048-1**

AUTHORITY TO REVIEW

Minnesota Statutes 473.399, sub. 2 requires the Metropolitan Council to review and approve the LRT development and financial plan for conformity with its transportation plan. The Council, because of timing constraints, has 45 days to complete this review. However, future reviews of plan updates have a 90-day review period. The Regional Transit Board (RTB), following Council review, must submit the plan to the Minnesota Legislature by February 15, 1990.

The RTB proposes to review the development and financial plan annually and to update it every two years, with the intent to coordinate the regional LRT plan with the RTB Five-Year Implementation Plan, which is updated and submitted to the Council every two years. Council approval of amendments to the development and financial plan are required by the above statute. Council approval the RTB implementation plan is required by Minnesota Statutes 473.161. The Transportation Development Guide/Policy Plan (Policy 10) requires that appropriate elements of the development/financial and coordination plans be incorporated into the implementation plans of the RTB.

BACKGROUND

PLANNING PROCESS

In 1987 the Minnesota Legislature gave to county regional railroad authorities the authority to conduct light rail transit planning. Subsequently, each of the seven counties in the Metropolitan Area initiated light rail transit studies of some type. In 1989, the legislature required the development of a regional plan by the RTB to provide a coordinated approach to LRT system development. The 1989 legislation also required the creation of a Joint LRT Advisory Committee made up of representatives from individual regional railroad authorities, the Metropolitan Transit Commission and Minnesota Department of Transportation to advise the RTB in the preparation of the regional plan.

The 1989 legislation requires the RTB to prepare two specific portions of the LRT regional plan:

> The Development and Financial Plan, which was prepared in consultation with the Joint LRT Advisory Committee, is to provide a staged approach to LRT implementation in the region and a strategy for financing LRT construction. It is required to contain the following:

- A staging plan;
- A ten-year development plan that includes a statement of needs, objectives and priorities; ridership projections; and long-term capital funding policies.
- A five-year development plan including policies regarding facilities ownership, policies regarding capital and operations funding, and analysis of the additional costs of tunnel construction.

> The Coordination Plan is to address a variety of other issues relating to system standards and operational policies and is to be prepared by the joint LRT Advisory Committee and submitted to the RTB for approval by July 1, 1990. The Council reviews and comments on this portion of the regional LRT plan.

The RTB will review the preliminary and final design plans prepared by the regional railroad authorities using the development and financial plan, coordination plan and RTB (five year), implementation plan as its primary basis for the review. The RTB has approval authority over preliminary and final design plans. The Metropolitan Council has review and comment responsibilities over preliminary and final design plans, as well as general environmental impacts statements relating to the LRT system development.

REGIONAL LIGHT RAIL TRANSIT DEVELOPMENT AND FINANCIAL PLAN

The development and financial plan was prepared using existing comprehensive plans and other information from the regional railroad authorities. An extensive effort was made to review assumptions used in the different studies and to reach a basis of consistency among corridors for cost and ridership information.

A financial forum was held in October, 1989, to generate discussion regarding the various financing options.

The RTB extensively used its Joint LRT Advisory Committee, which consists of officials from the county regional railroad authorities, Minnesota Department of Transportation and Metropolitan Transit Commission. On December 6, 1989, the advisory committee recommended a staging plan consisting of an $890 million, six corridor five-year first stage, with approximately $450 million additional construction in a second five-year period. Additional corridors are recommended in a 20-year plan element. The advisory committee also recommended that, in addition to state and federal sources, a regional funding source be pursued that would involve dedicating 40 percent of the annual growth in the "fiscal disparities" tax base pool. Other potential regional sources identified were a regional sales tax on gasoline and a general regional sales tax. The recommendations of the Joint LRT Advisory Committee are included as an appendix to the RTB plan.

The RTB made the following modifications to the advisory committee's recommendations:

- Three different staging groupings (Groups A, B, and C) for the various corridors proposed in the maximum ten-year plan;

- A regional sales tax as the preferred regional funding source;

- A 10 percent local contribution requirement for "Group B" and "Group C" corridors, as identified in its staging plan.

Recommended Staging Plan

The RTB adopted a three-tiered priority system for the maximum 10-year plan that is not specifically a five-year and ten-year element, but builds in flexibility of staging primarily based on construction-readiness. The groups, shown in Figure 1, are:

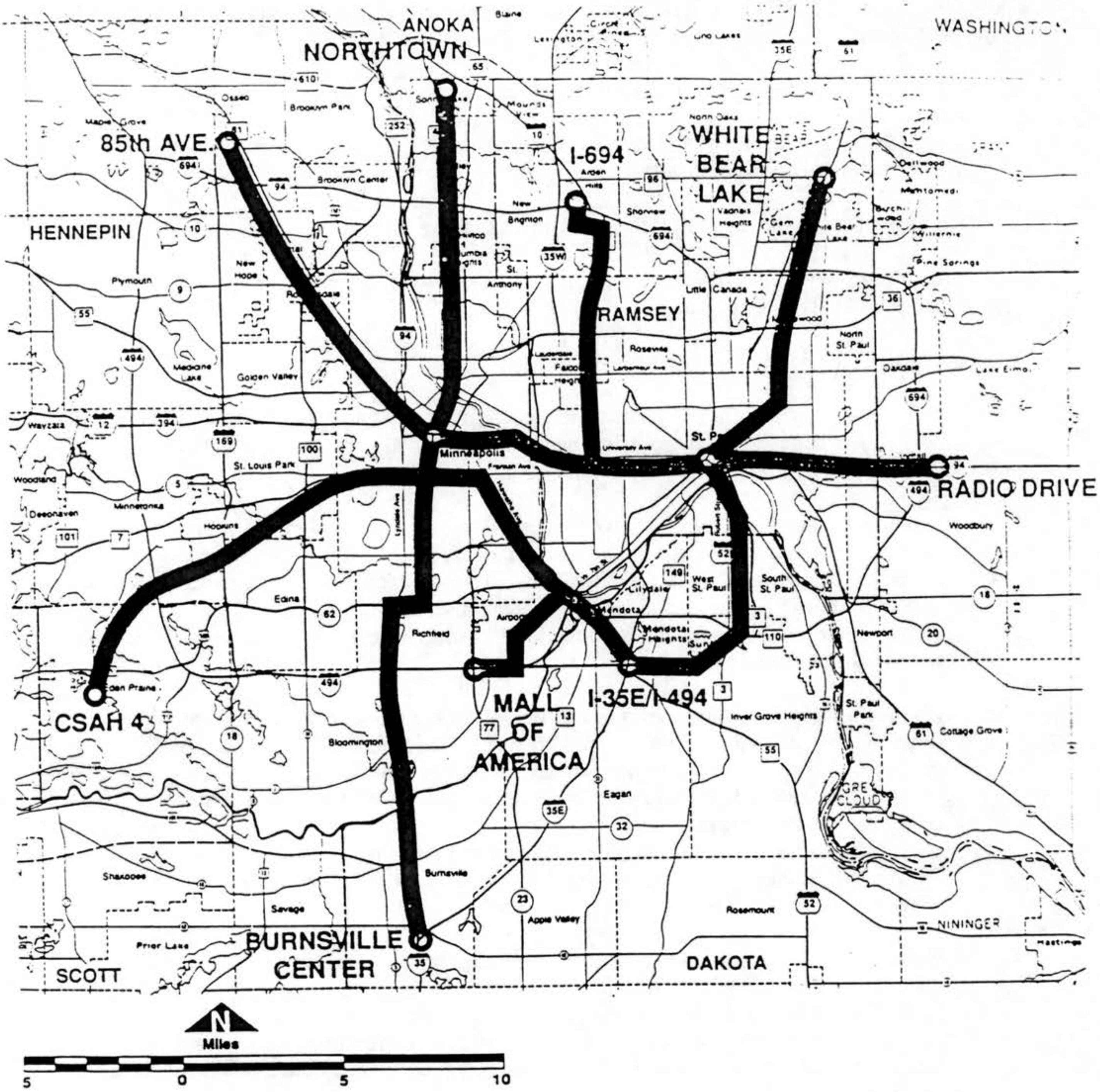
- **Group A** includes the core of the regional system: the yards and shops facility, the downtown St. Paul loop and Minneapolis tunnel, and the Central Corridor connecting the two metro centers at a cost of $340 million. It would receive priority for regional funds, be built with 100 percent state/regional funding and be built as expeditiously as possible. A sunset provision would allow construction to proceed on other corridors if the Central corridor is significantly delayed.

- **Group B** includes five other corridors: Hiawatha, to the GSA Building; Minneapolis South, to 96th St.; Minneapolis Northwest, to 63rd Ave.; Minneapolis Northeast, to Northtown via the Central/University Ave. alignment; and the St. Paul South corridor, to T.H. 110. Total cost of this group is $630 million. Corridors are not prioritized within this category and could proceed to construction when ready if all necessary approvals are obtained. A 10 percent local contribution would be required, which could be offset by any federal funding received. Furthermore, a county could proceed with 100 percent local funds and be reimbursed as state/regional funds become available.

- **Group C** includes: the Minneapolis Southwest corridor, to Hopkins; St. Paul Northeast, to I-694; St. Paul Northwest, to County Rd. C; and, extensions of the Hiawatha corridor (to the Lindbergh Terminal) and Minneapolis South corridor (to T.H. 13). The total cost of this group would be $360 million. This group could currently proceed with preliminary engineering and right-of-way acquisition, but not construction. It would, however, be funded with a mix similar to that for Group B.

A **Group D** is identified in the plan as the remainder of the maximum 20-year plan and would be eligible for generalized alignment studies, comprehensive planning and right-of-way preservation. The recommended maximum 20-year plan is shown in Figure 2.

The plan will be re-assessed annually and updated every two years to reflect changing circumstances and to coincide with the RTB Implementation Plan cycle.

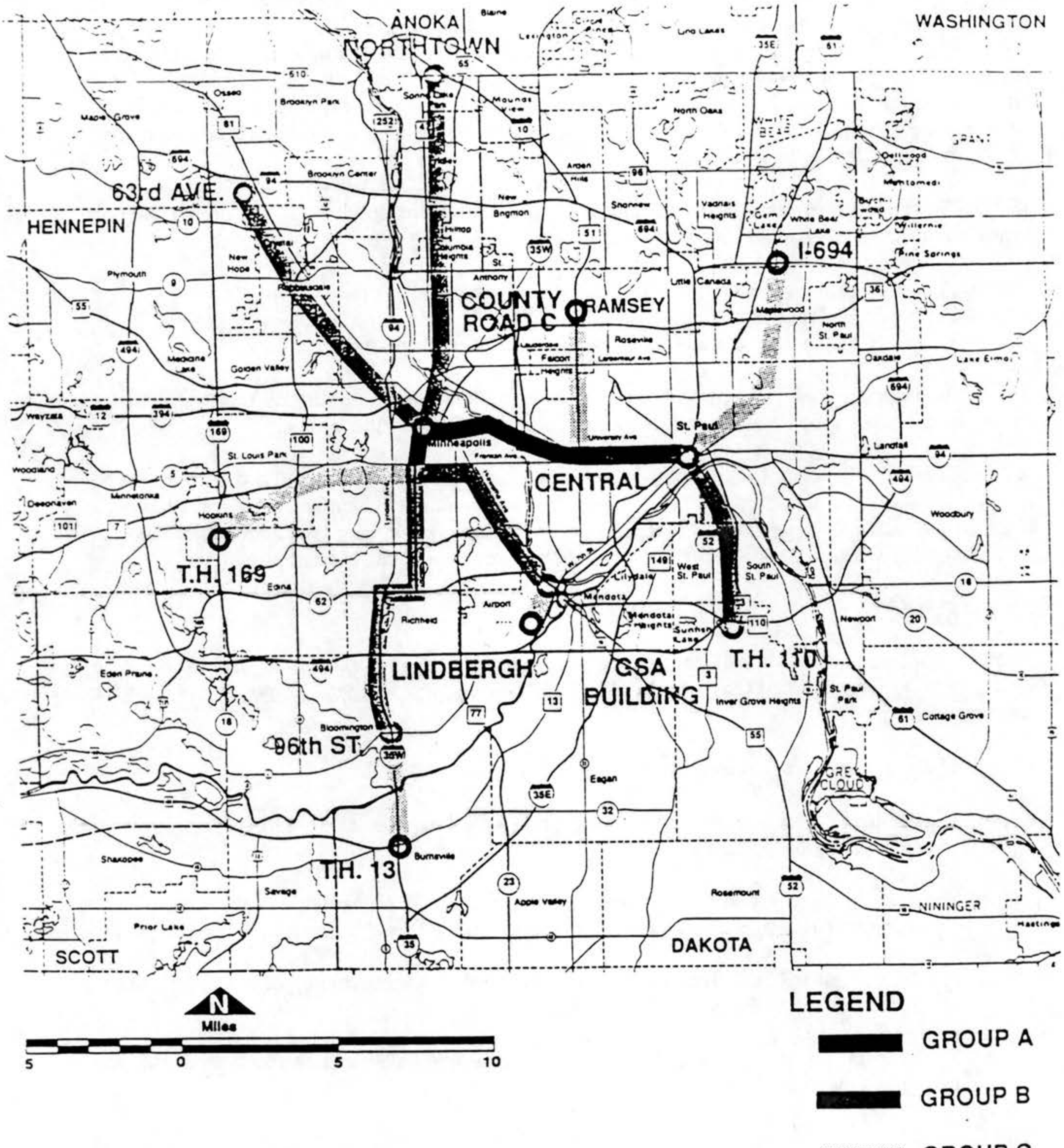


LIGHT RAIL TRANSIT DEVELOPMENT AND FINANCIAL PLAN

MAXIMUM 20 - YEAR LRT PLAN

FIGURE 1

SRF/BRW/SPRINGSTED



LEGEND

GROUP A

GROUP B

GROUP C

LIGHT RAIL TRANSIT DEVELOPMENT AND FINANCIAL PLAN

LRT STAGING PLAN

FIGURE 2

SRF/BRW/SPRINGSTED

Recommended Financial Plan

Capital funding for the system would involve federal, state, regional and local sources. The plan sets goals of at least 20 percent federal and 30 percent state funding for the ten year plan. Federal funding should be pursued for corridors that are strongest in meeting federal eligibility requirements to maximize potential federal funding. Regional railroad authorities can offset their local match requirement with any federal funds received. Corridors that meet technical performance thresholds and have obtained environmental and design approvals would be eligible for up to 50 percent state/federal funds.

The RTB proposes to seek authorization from the legislature for a regional tax to support construction of LRT. The RTB's priorities for regional funding are:

1) Regional sales tax for broad-based transportation purposes;
2) RTB debt service levy;
3) 40 percent of the annual growth in the "fiscal disparities" tax base.

The RTB proposes that any regional tax include a method for feathering or redistribution for those counties that receive limited short or mid-term benefit from the system.

A local share of 10 percent is required for Group B and C corridors, although this share would not be required for those corridors receiving federal funding. Counties could proceed with construction using 100 percent local funding, if approvals have been obtained, and then be reimbursed for Group A and B corridors as state and regional funds become available.

ANALYSIS

The Development and Financial Plan, as adopted by the RTB, is substantially consistent with the Transportation Development Guide/Policy Plan (TPP) of the Metropolitan Development Guide for several reasons:

- The plan proposes a staged approach to LRT implementation;

- The Central corridor is proposed as the first phase line, consistent with the high priority placed on it by the Council;

- The ten and twenty year plan elements were determined primarily on a measure of cost effectiveness (total annual cost per passenger) identified by the Council;

- A local match for Group B and C corridors demonstrates local commitment and introduces geographic equity to financing the system;

- The plan proposes a mix of federal, state, regional and local funding sources be used for LRT implementation.

The Council's TPP considers light rail transit a viable component of the regional transit system because, in some corridors, it can help achieve certain regional objectives more effectively than buses. These objectives include: improving the cost effectiveness of the transit system and overall transportation system; reducing congestion and the need for additional highway facilities; providing better service to transit dependent people; and allowing for intensification of development along major transportation corridors and in the downtown areas.

This analysis focuses on areas where the plan needs to be revised in order to be consistent with the Council's transportation plan, and in areas where the RTB plan could be strengthened to be more fully consistent with the Council's plan.

Attached are the comments of the Transportation Advisory Board, which reviewed the plan in January, 1990. The comments of the TAB have been taken into consideration in this review.

STAGING CONSIDERATIONS

The LRT system development plan element of the RTB plan can be considered from three main perspectives:

- The 20-year plan element
- The 10-year (Group A,B,C) plan element
- Treatment of the Central Minneapolis Area (Tunnel vs. At-Grade)

Policy 2, Strategy C contains the major LRT-related policy principles of the Transportation Development Guide/Policy Plan (TPP). It states that light rail transit should serve the metro centers, initially be limited to the fully developed area and should be implemented in corridors where it can be cost- effective, serve transit dependent populations and relieve congestion and staged primarily based on cost-effectiveness. Furthermore, the policy calls for an equitable, minimum established regional/local share of funding.

Each of the corridors in the RTB light rail transit development and financial plan directly serves at least one metro centers. Each of the routes in the maximum ten year plan is located within the fully developed area, with the exception of a "Group C" extension of the Minneapolis South corridor into Burnsville.

TWENTY YEAR PLAN ELEMENT

The RTB identifies a "maximum 20-year plan" (Groups A, B, C and D), although such a plan is not required by legislation. This plan includes a total of ten corridors with a total cost of approximately $1.8 billion.

The St. Paul East corridor, included in Group D, would have a year 2010 annual cost per passenger of $5.19, which is in excess of the $4.00 per passenger maximum cost threshold contained in Policy 2, Strategy C of the TPP. Therefore, it lacks sufficient potential to be considered in the 20-year plan.

TEN YEAR (GROUP A,B,C) PLAN ELEMENT

The RTB Development and Financial Plan does not identify distinct five and ten year staging elements. Instead, the plan recognizes that some flexibility is needed to accommodate the different implementation readiness of corridors as well as financial considerations. Corridors within the ten-year plan are stratified into Groups A, B, and C with different funding requirements and permissible implementation stages.

Group A

The Central corridor, which is the basis of Group A, has been a high priority corridor for the Council for several years on the basis of its cost-effectiveness and other regional benefits. This priority was recognized by the Council in the LRT Feasibility Study (1981), University Ave./Southwest Corridors Study actions (1985) and the Long-Range Transit Analysis (1986) as well as the 1988 TPP. It is also consistent with the Metropolitan Development and Investment Framework to have this corridor in Group A, due to its service to both metro centers.

Also contained in Group A are the "regional core" facilities to be used by all corridors, including the maintenance and storage facilities, which are proposed to be located in the former Hiawatha Coachyard site near the southeast corner of I-94 and TH 55 southeast of downtown Minneapolis, and the distribution systems for Central Minneapolis and downtown St. Paul. The Central Minneapolis facility, assumed in the plan to be a tunnel, covers an area from downtown Minneapolis extending to 29th Street. As proposed in the RTB plan, Group A would cost $340 million and have a total cost per passenger of $2.95.

Although the cost of Group A includes these core facilities which will accommodate future LRT corridors, Group A needs to be as cost-effective as possible on its own.

If only the downtown portion of the Central Minneapolis routing (as far south as the to the Convention Center station) is constructed in the initial (Group A) phase of implementation, the Group A capital cost would be reduced by about $80 or $120 million, depending on whether an at-grade or tunnel routing is used. This would improve the initial cost-effectiveness of Group A from $2.06 or $2.35 per passenger for the at-grade and tunnel options, respectively. The Central Minneapolis routing is discussed in detail separately in this review.

The cost-effectiveness of Group A will also be influenced by the selection of an alignment in the Central Corridor, which will be determined during the course of the current first phase preliminary design/environmental impact study for the corridor to be completed around the end of 1990. The TPP states the need to select cost-effective alignments within corridors.

Group B

Group B includes five additional corridors (Hiawatha, Minneapolis Northwest, Minneapolis Northeast, St. Paul South, and I-35W South) that could be constructed within the ten-year stage. No priority is established among corridors, and construction could proceed if conditions of approval established by the RTB, such as provision of local match and completion of approved engineering and environmental documentation, are met.

The potential exists for the RTB to refine priorities within Group B to further establish an LRT system staging based on regional priorities. For example, Table 1 shows each of the corridors in the ten year plan compared with evaluation measures relating to Policy 2 of the TPP. On the basis of annual cost per passenger, corridor congestion and transit dependent evaluation measures, the Central corridor is clearly appropriate in the first stage of LRT system development. The Minneapolis South and Hiawatha corridors also perform above average in all measures.

All of the Group B corridors are within the fully developed area, and are therefore consistent with the Council's MDIF.

Refined priorities within Group B would also ensure that the most cost-effective lines are constructed. The RTB plan's proposed $1.3 billion in ten years is ambitious. In the event that funding falls short of expected levels, regional priorities would be met first. The RTB plan allows Group A and B corridors to be advanced to construction using local funding, with reimbursement from the RTB as state and regional revenues become available. Funding Principle #5 of the TPP discourages reimbursement of local contributions to advance project implementation. This principle was established to prevent the undermining of regional priorities. MDIF policy on cost sharing does not anticipate reimbursement for local costs incurred by construction of facilities earlier than the region needs them. To be consistent with the MDIF policy on cost sharing and with Funding Principle #5 of the TPP the RTB should revise its plan to provide for regional assumption of the regional share of debt service costs at the time the facility is needed to meet regional needs.

The Minneapolis South (I-35W) corridor, included in Group B, is currently being studied in a joint highway/transit EIS. A decision on a preferred alternative is expected in late 1990. The decision whether to build LRT in that corridor and on what alignment it would be build will be made as part of the EIS. This corridor was placed in the highest priority grouping by the Council's 1986 Long-Range Transit Analysis and would warrant strong similar consideration if LRT is to be built in that corridor.

The RTB plan is to be reviewed annually and updated every two years as part of the RTB implementation plan update. The plan includes a re-evaluation mechanism to reconsider corridors and priorities as more detailed studies are completed. Priority groupings could be re-evaluated to reflect more detailed information and a higher emphasis on cost-effectiveness. The process and criteria for this plan update are to be developed in the RTB's light rail Coordination Plan.

Forthcoming detailed studies, such as new ridership estimates and selection of alignments within certain corridors, could greatly affect the cost-effectiveness of a corridor and therefore its priority grouping. Alignments are being determined in preliminary design studies and environmental impacts statements for the Central, Hiawatha, Minneapolis South, Southwest, Hennepin Northwest, and Anoka/Hennepin Northeast corridors, with substantial new information to be gathered in 1990. Additional cost and ridership studies will be conducted in the St.Paul South corridor as part of the Dakota County Regional Railroad Authority's Comprehensive Plan study. Detailed operating plans and ridership estimates will provide a gauge of the impact on the regional transit operating deficit, which needs to be considered in the reassessment.

TABLE 1

COMPARISON OF PERFORMANCE MEASURES FOR TEN-YEAR PLAN CORRIDORS

ANNUAL COST PER PASSENGER

\$1.60-\$1.70	Central
\$2.00	Hiawatha (to GSA Building)
\$2.20	Minneapolis South (to 82nd St.)
\$2.50	Minneapolis Northwest Minneapolis South (to 96th St.) Minneapolis Southwest
\$2.60	St. Paul Northwest
\$2.90	St. Paul Northeast
\$3.00	Hiawatha (to Lindbergh Terminal) Minneapolis Northeast (Central Ave.) St. Paul South
\$3.20	Minneapolis South (to T.H. 13)
\$3.30	Minneapolis Northeast (University Ave.)

TRANSIT DEPENDENTS

(HIGH)

Central
Minneapolis South

(MODERATE)

Hiawatha
Minneapolis Northeast
Minneapolis Northwest
Minneapolis Southwest
St. Paul Northeast
St. Paul Northwest

(LOW)

St. Paul South

HIGHWAY CONGESTION/ NEW TRANSIT RIDERS

(VERY HIGH)

Minneapolis South

(HIGH)

Central
Minneapolis Northeast

(MEDIUM)

Hiawatha
Minneapolis Northwest
Minneapolis Southwest
St. Paul Northwest
St. Paul South

(LOW)

St. Paul Northeast

The 1990 Census and Travel Behavior Inventory, along with periodic reassessments of the Council's socioeconomic forecasts, will also provide new information that will be available for future plan updates.

The cost-effectiveness of corridors in Group B will also be influenced greatly by growth in each corridor. While all corridors in the ten-year plan appear to demonstrate cost-effectiveness potential for the year 2010 horizon forecast, it is less certain how cost-effective each corridor will be if implemented within the next ten years. How quickly growth occurs in certain corridors will determine when LRT is warranted. For example, the St. Paul South corridor has a year 2010 forecast over twice the current number of transit riders in the corridor. This LRT ridership is based in part on the forecasted development for the rapidly developing Dakota County area. If the growth in Dakota County continues at its current pace, this corridor may be justifiable within the ten years of the Group B staging; however, if for some reason the rate of growth slows then the corridor may not be cost effective.

It will therefore be important to include in its evaluation criteria a measure of short-term cost effectiveness based on ridership estimates and operating costs for the period following the beginning of operations in a corridor. Some start-up period will be needed to allow ridership to stabilize following the beginning of operations, but a corridor should demonstrate cost-effectiveness in terms of ridership and cost once it is stable, and not just be cost-effective for a year 2010 planning horizon. This measure will help ensure that LRT lines are constructed where they serve existing development, as required by the MDIF.

Group C

According to the RTB plan, Group C corridors could complete preliminary engineering and environmental studies, and right-of-way acquisition, but not proceed to construction. It allows further implementation planning in corridors with some potential without committing shorter term construction funding. The preliminary design and environmental studies will assist in future plan re-evaluations for priority, and right-of-way acquisition preserve implementation opportunities. However, only the minimal level of study necessary to resolve major issues should be conducted at this time. Engineering and environmental studies conducted too far in advance of implementation may become outdated.

The St. Paul Northeast corridor is located in the developing area of the region. An investment rank of "Group C" is consistent with the MDIF. Extension of the I-35W corridor across the Minnesota River as a Group C investment is also consistent, since Burnsville is a developing area. All other Group C corridors are located in the fully developed area and serve regional business concentrations. Based on MDIF geographic policy criteria, these corridors should continue to be given additional consideration.

The Hiawatha corridor extension is proposed to serve the Minneapolis-St. Paul International Airport. Such an extension should only be considered once a decision is made regarding the future of the region's major airport. The need for, and timing of, an extension of LRT in the I-35W corridor into Dakota County is appropriately considered as part of the I-35W study currently underway. These extensions should be evaluated based on the cost effectiveness of alternative termini for both short term and long term LRT development.

TREATMENT OF THE CENTRAL MINNEAPOLIS AREA (AT-GRADE VS. TUNNEL)

The RTB plan includes a tunnel from the north end of downtown Minneapolis to the vicinity of 29th Street south and Portland Ave. According to most recent estimates, the tunnel would cost an estimated $163 million, compared to $77 million for the comparable at-grade alternative. The tunnel, proposed for "Group A", would cover not only the downtown service area but a portion of south Minneapolis.

The Hennepin County Regional Railroad Authority is studying at-grade and subway options for the "Central Minneapolis Area" as part of the environmental impact statement for its LRT system. The final EIS, including selection of a preferred alternative in this area, is expected to be completed this spring. An east/west tunnel option was ruled out early in the EIS process due to poor geologic and other conditions. The EIS is documenting in detail the benefits and costs of a subway versus at-grade solution. The discussion of at-grade versus tunnel solutions in the RTB plan is based primarily on the Hennepin County EIS.

The legislation requiring the LRT Development and Financial Plan also requires that additional costs attributable to any below grade construction be included in the plan.

Alignment Alternatives

A number of at-grade and/or tunnel staging options could be considered to determine a more optimal solution that weighs present and future advantages and disadvantages. Four such options are shown in Table 2.

Regardless of whether an at-grade or tunnel option is selected by HCRRA as its preferred alternative, it would be most cost-effective, and therefore most consistent with the TPP, to start only with the downtown Minneapolis piece of the Central Minneapolis Area routing. It is unnecessary to construct the alignment south of downtown until future corridors are built.

Table 3 demonstrates the potential cost-effectiveness, measured in total cost per passenger. A full tunnel option constructed now would not be very cost effective if only one of a few corridors are built into downtown Minneapolis. An at-grade solution or, to a lesser extent a shortened tunnel, could be cost-effective with a small number of corridors. However, as the number of corridors increases, the difference between at-grade and tunnel cost-effectiveness diminishes. Additionally, the overall cost-effectiveness improves as Group A costs are allocated among additional corridor riders, except as the less cost-effective Group C extensions are included. Furthermore, as the number of corridors increases, at-grade street impacts increase for at-grade LRT options and operational capacity problems arise with short tunnel options.

Benefits, costs and risks are associated with both at-grade and subway solutions. The major benefits of a subway, compared to an at-grade solution are that: LRT operating costs would be lower due to higher speeds; a common alignment in South Minneapolis could serve three LRT corridors; LRT system capacity, reliability and safety are maintained regardless of street traffic levels; the LRT system causes environmental impacts that are more thoroughly mitigated with a tunnel; and, a subway could serve as a focal point for regional system, enhancing interconnection among corridors.

TABLE 2

CENTRAL MINNEAPOLIS AREA CONSTRUCTION OPTIONS

OPTION	ESTIMATED CAPITAL COSTS (MILLIONS) PRESENT	FUTURE	TOTAL	COMMENTS
1. Complete At-Grade Now	$77	--	$77	- Corridors from South may not be operational for several years - Some ridership in areas south of downtown - Potential long-term traffic/operational risk for multiple corridors
2. At-Grade Downtown Now Complete to 29th Street Later	$40 (approx)	$37 (approx.)	$77	- Cost-effective initial solution - Potential to determine traffic/operational impacts of at-grade - Southern approach built only when needed
3. Tunnel Downtown Now Complete to 29th Street Later	$82 (approx)	$81+ (approx)	$163+	- Slight additional cost of re-starting tunnel construction - Reduced risk of over-investment if LRT system does not fully develop - More cost effective initially than full tunnel
4. Complete Tunnel Now	$163	--	$163	- High initial cost - Highest risk of over-investment if LRT system development does not occur - Option included in RTB plan - Potential under-use of southern portion in initial stage

TABLE 3

COMPARISON OF AT-GRADE AND TUNNEL COST-EFFECTIVENESS
TOTAL ANNUALIZED COST PER PASSENGER

DEVELOPMENT SCENARIO	AT-GRADE		TUNNEL	
	Downtown Only	Full	Downtown Only	Full
Group A	$2.06	$2.32	$2.35	$2.94
Group A plus 1/2 Group B	$2.28*	$2.39	$2.41*	$2.67
Group A plus Group B	$2.34**	$2.41*	$2.42**	$2.58
Group A plus Groups B and C	$2.59***	$2.65**	$2.65***	$2.78

* Possible street/operational impacts
** Probable street/operational impacts
*** Major street/operational impacts

However, the extent to which these advantages offset the additional $86 million cost of a tunnel depends on several factors that are not known at this time, mainly that the tunnel constructed now would go under-utilized if LRT system development does not occur as planned or that street traffic levels do not materialize to the extent to which they would have caused serious conflicts with LRT operations.

Much of the regional benefit of a tunnel would be derived from its use by multiple LRT corridors. Street traffic impacts are also related to the number of LRT lines using a given at-grade route. It is uncertain if or when LRT will be built in several of the corridors that would use the downtown Minneapolis tunnel.

The decision of whether to build a tunnel, particularly the extension to 29th Street, should be linked to the decision of whether LRT is selected as the preferred alternative in the I-35W corridor. I-35W would be a third corridor approaching from the south that could share a common routing through a tunnel rather than use its own elevated structure on the freeway right-of-way. Both the Hiawatha and Southwest corridors have their own alternative at-grade routing options that they could use, if necessary. Furthermore, the higher speeds of the I-35W corridor are more consistent with tunnel operations than an at-grade solution.

Funding Considerations

The RTB development and financial plan includes the entire Central Minneapolis Area in the "Group A" category, which means that not only would the entire segment be constructed in the first phase, but it would be funded entirely with state and regional sources.

The following funding of the Central Minneapolis Area would be more consistent with Council policy (Policy 9 and Funding Principles 2 and 10 of the Transportation Policy Plan) regarding "who benefits and who pays" for different portions of the Central Minneapolis Area" and how a tunnel, if built, would be financed:

- The downtown area, which is the area north of the Convention Center station, would be included in Group A (Regional/State funding);

- The remaining south-central Minneapolis portion would be included in Group B (State/Regional/Local funding);

- If a tunnel routing is selected, an additional local match based on the difference in cost between at-grade and tunnel alignment costs, would be required for both the downtown area and south-central Minneapolis portion;

For example, if the $77 million at-grade solution is constructed, the downtown half (about $40 million) would be funded with state and regional funds; the remainder (about $37 million) would require a local share (about $7.4 million at 20 percent match requirement). If the tunnel, which costs an additional $86 million, is selected, then an additional local match ($17.2 million at 20 percent match) would be needed. If only the downtown portion were constructed first, no local match would be required for the at-grade; and if a downtown tunnel was constructed as part of the initial system the local share for that portion of the tunnel would be about $8.6 million if a 20 percent match is used.

As discussed above, it is unnecessary to build the entire segment in the initial stages. The downtown portion is clearly a part of the "core system" of Group A. The southern segment of the alignment would serve as an approach for corridors from the south and is therefore more appropriately funded with the local match required in Groups B and C. Furthermore, if a tunnel is built, an element of local financial participation in funding the additional cost of a tunnel should be included.

As discussed in the economic issues section of this review, the benefits of the tunnel compared to the at-grade solution need to be assessed so that the additional cost can be shared between the regional and local governments in proportion to the benefits received. However, it may not be possible to completely assess how much of the tunnel is a "local" benefit versus a "regional" benefit.

A local contribution would reflect local benefits specific to the tunnel and could encourage local initiatives to ensure the success of the tunnel. One benefit, reduced traffic impacts, will mainly affect traffic on local streets. A regional benefit that has been quantified is an estimate that higher speeds in a tunnel would result in a $2.7 million annual operating cost reduction for the four corridors identified in the HCRRA Stage I draft EIS. This amounts to about 1/3 of the annualized incremental cost of the tunnel ($86 million). This does not include cost savings attributable to the I-35W or Anoka/Hennepin Northeast corridors, but it also does not include additional operating costs associated with subway stations.

<u>FINANCIAL ELEMENT ISSUES</u>

The RTB plan establishes a system-wide goal of funding from the following sources:

- Federal (20 percent)
- State (30 percent)
- Regional (40 percent)
- Local (10 percent)

The actual mix of funding for a given corridor or staging group will vary. The <u>TPP</u> (Policy 9) notes the responsibility of federal, state, regional, and local governments as well as the private sector in providing for transit funding.

FEDERAL FUNDING

Federal funding for transit capital projects has become increasingly difficult to obtain in past years. However, the possibility exists that a different federal funding strategy may emerge as a result of the forthcoming new Surface Transportation Act.

Funding Principle 4 of the <u>TPP</u> advocates using federal funds to advance regional priorities. However, the federal funding process is perceived as too long, demanding and cumbersome given the low probability of actually receiving funds. For that reason the RTB proposes that county regional railroad authorities, which are responsible for implementation, be allowed to credit federal funding received against their required local match. However, this particular incentive is contrary to the need for equity in local contributions, as discussed below. Furthermore, it is unclear how this substitution would be accomplished without increasing the state and regional shares of the system cost.

STATE FUNDING

No specific state funding source is identified in the RTB plan, with the intent that the State Legislature can best determine which of its funding sources to use. The plan does state that motor vehicle excise funds should be reserved for general transit operations needs and not be used for LRT capital funding.

The TPP identifies the need for additional transportation expenditures in the region. Therefore, it is important that whatever state funding is received not be a diversion of existing funds already received by the region.

A legislatively established Transportation Study Board is reviewing the transportation needs and funding opportunities in the State. A recommendation from the Board is expected in January, 1991. It would be appropriate for the Council and RTB to work with the Legislature and Transportation Study Board on how light rail transit funding might be accommodated in the overall state and regional transportation funding picture.

REGIONAL FUNDING

Regional Sales Tax

The RTB plan proposes a regional sales tax for transportation as the first priority regional funding source for LRT.

The Metropolitan Development and Investment Framework supports regional agencies meeting additional revenue needs, to the extent possible, through user fees, expansions of other existing sources or by new benefit-related excise taxes. In the event that a long-term financing source can not be obtained in time to begin construction of Group A projects, the RTB could, with bonding authority from the legislature, use its current capital debt service property tax levy mechanism to begin generating funds.

Under current Council policy, consideration of a broad-based tax such as a regional sales tax should be within the context of a broad range of regional service or infrastructure needs, not just those for transportation purposes as proposed in the RTB plan. Therefore consideration would need to be given to a more comprehensive funding package which includes other regional needs the Council has determined are being provided in a cost-effective manner and for which no alternative user fees or benefit-related funding sources are available.

Fiscal Disparities

The LRT plan proposes the fiscal disparities program as the third priority of three potential regional revenue sources for LRT. The fiscal disparities program is a tax base sharing program created by the 1971 Legislature as a way for local governments in the seven-county area to share in the resources generated by the growth of the area. Under the program, 40 percent of the growth in commercial/industrial tax base (assessed value) in each municipality or township since 1971 is contributed to a region-wide pool. This pool is redistributed to municipalities and townships based on the relative fiscal capacity of each jurisdiction, measured in terms of market value per capita. The program has not equalized commercial/ industrial tax base per capita among area jurisdictions, but it has narrowed the disparity in tax bases significantly from what they would have been in the absence of the program.

The RTB proposes that 40 percent of new growth in the fiscal disparities pool after a base year (ie 1990) be used to support the construction of LRT. All of the growth in the pool between 1971 and 1990, plus 60 percent of the new growth after 1990, would continue to be distributed to taxing jurisdictions.

The use of fiscal disparities as a regional funding source for LRT is not in conformity with the Council's TPP and is inconsistent with the program's legislative intent and Council position statements on fiscal disparities. The TPP states that the Council does not support the use of fiscal disparities to fund transportation facilities. In addition, the Council made strong statements against proposed uses of fiscal disparities as a funding source in its 1984 review of the Minneapolis convention center and its 1985 review of the Bloomington megamall.

Because of the way that the RTB's use of fiscal disparities would impact individual taxing jurisdictions and individual taxpayers, use of fiscal disparities is also inconsistent with the Council's economic evaluation criteria on equity. Under the proposed use of fiscal disparities, tax contributions would be based on the market value per capita of a jurisdiction, with less wealthy communities paying more on a per capita basis than wealthier communities. Tax contributions would bear no relationship to the level of services received. This is inconsistent with the equity principles that 1) payments should bear a relationship to services received and 2) payments should bear a relationship to an individual or community's ability to pay.

LOCAL FUNDING

The RTB plan proposes that a 10 percent local match be required for Group B and Group C corridors. The plan does not require the local match to be a property tax, therefore incentives exist for the counties to pursue joint development or similar cost-sharing or private participation arrangements. County costs for right-of-way acquisition could be considered a local match.
A regional railroad authority could also offset this requirement by obtaining federal funding for a corridor.

Policy 2, Strategy C of the Transportation Policy Plan requires a "regional/local" match, but no specific amount is given. The primary concern is stated that the source be equitable and fair;
Policy 9 says financing should be the responsibility of federal, state, regional and local governments, users and the private sector. Funding principle #2 says that users and other beneficiaries should pay whenever possible.

A local match provides a geographic element to the funding package that more explicitly relates to the equity issue of who benefits and who pays. This is particularly important when a broad-based regional funding source is used that is not geographically sensitive. A local contribution provides recognition that local as well as regional benefits are received. A higher local match strengthens the local commitment to LRT by further encouraging cost-effective lines and implementation strategies.

As discussed below, a more thorough analysis of benefits and costs is needed to better assess the equitable level of local contribution. However, in the abscence of such information an initial local match of 20 percent is justifiable.

The local match requirement provides further incentive to pursue federal funding, the regional goal for which is 20 percent of the system costs. While the concept of providing the credit as an incentive is valid, the loss of a local contribution to a line is contrary to the concept of equity regarding local benefits and costs. A county receiving a federally funded line would receive the benefit of that line without paying in proportion to those benefits. Furthermore, the system-wide regional contribution would have to increase to make up for "lost" local funding, therefore other areas would be penalized for the incentive given to one county.

While it may be the most equitable to not allow any substitution of federal for local funding, an alternative that would maintain a sense of equity of funding while providing sufficient financial incentive to the regional railroad authorities would be to proportionately reduce the state, regional and local contributions to any line receiving federal funding. For example, assume a particular line would be funded at 30 percent state, 50 percent regional and 20 percent local funds. If that corridor received 20 percent federal funding, the remaining contributions would be reduced by 20 percent, to 24 percent state, 40 percent regional and 16 percent local. On a typical $150 million LRT line, the net savings to the regional railroad authority would be $6 million in this example, sufficient to offset the added costs of applying for federal funds. Furthermore, that county's residents would benefit from their reduced contributions through the state and regional mechanisms.

A higher local match would provide more incentive to pursue private sector cost-sharing and joint development opportunities that are believed capable of offsetting 5-15 percent of system capital costs. Since the potential to use these strategies is generally highest in the downtown areas, it would be appropriate to permit regional railroad authorities to credit revenues from any arrangements in Group A against future Group B or C local matches.

Even under a worst case scenario (no growth in tax base, no federal or private contributions to offset a local share, and all Group B and C lines built at same time), a 20 percent local match would require less than the full taxing authority of each regional railroad authority. A higher local match provides a more direct relationship between the implementation control of the regional railroad authorities and their financial responsibilities for the LRT system.

To increase the local match requirement from 10 percent to 20 percent would also reduce the burden on a broad-based source of regional funding (such as a sales tax), allowing that source to be used for not only LRT but other needed regional services and improvements. An increase to 20 percent would lessen the estimated annual average required from a regional source from $56.6 million to $44.2 million. If funding comes from a sales tax, a $44.2 million contribution would be about 1/4 of a cent, based on current revenues generated.

ECONOMIC ISSUES

The RTB plan was reviewed against the Council's investment review and economic evaluation criteria included in the Metropolitan Development and Investment Framework and Transportation Policy Plan. The review procedures and criteria were developed to guide the Council's decisions on regional investments by helping it determine whether proposed regional investments are carrying out its policy priorities.

LIGHT RAIL TRANSIT SYSTEM COSTS AND BENEFITS

For a major regional investment such as light rail transit, a major question is whether there is a reasonable match between who benefits from the system and who pays for it, both by geographic area and by population or special group. The MDIF investment review process calls for the Council to determine regional need based on a careful examination of regional benefits and costs for major investments.

The Council has a number of policies that it uses in reviewing major investments. Under its equity criteria, proposals are to be reviewed to ensure equity in the provision of services and equity in the payment for those services. The Council calls for maximum use of user fees to ensure that the primary beneficiaries of a regional service pay their fair share of the cost. The MDIF cost-sharing policies and TPP funding principle #10 were developed to ensure that local units of government and the private sector pay a share of the costs of regional investments in relation to the benefits they receive.

The RTB plan makes no significant attempt to identify who benefits from LRT or, where possible, to quantify the benefits because there was little information on benefits in county plans. There are a wide variety of beneficiaries of light rail transit that should help pay for LRT. It is not possible to quantify all benefits or determine the exact match between funding contributions and benefits for each beneficiary. However, an attempt should be made by the RTB to identify those groups who benefit from LRT and quantify those benefits where possible to help the Legislature, Council and RTB to make decisions on who should pay for LRT. Among the beneficiaries are:

- Transit users. Transit users are primary beneficiaries in terms of improved travel times and accessibility, and pay a portion of the costs of the system through fares. There is no information in the plan on what fares would be or what proportion of the annualized costs fares would cover. If fare policies are to be part of the RTB's Coordination Plan, the RTB should include an analysis of the relationship between fares, transit user benefits, costs of competing transportation modes and ability to pay.

- Highway users. Highway users benefit from reduced congestion in highway corridors served by LRT, and the RTB plan proposes that highway users pay a portion of the costs of the system through motor vehicle excise taxes. The RTB should identify where congestion will be reduced and estimate the amount of reduction.

- Downtown businesses. Retailers, employers and property owners in the central business districts benefit from LRT through improved accessibility to their facilities and reduced congestion in the downtown areas. The RTB should analyze whether these benefits are significant enough to justify additional taxes on downtown businesses, over and above the taxes the whole region pays for the system.

- Businesses surrounding LRT stations. Retailers and employers in close proximity to LRT stations also benefit from the improved accessibility to their facilities provided by LRT. The RTB should analyze whether these benefits are significant enough to justify additional taxes on these businesses, over and above the taxes the whole region pays for the system.

- Highway funding agencies. Because LRT transit reduces or delays the need to add additional capacity (lanes) in some highway corridors, the state and federal government benefit from LRT through reduced funding requirements for highway construction. This is one reason for state and federal funding of LRT, in addition to the general purpose of creating an integrated transportation system in the region.

- Local governments. If development occurs around LRT stations, local units of governments will benefit from the additional tax base created. The RTB should determine how local units of government should contribute to the costs of LRT given the tax benefits they are likely to receive.

The RTB plan proposes to ensure geographic equity through the feathering or redistribution of regional taxes. The use of a LRT taxing district and a well designed feathering system can ensure geographic equity. The Council will review any feathering or redistribution formula to ensure that there is a reasonable relationship between the benefits particular areas of the region (e.g., rural service area) receive and the tax contributions they are expected to make.

The same equity criteria that apply to the system as a whole apply to the tunnel proposed for downtown Minneapolis. The tunnel issue is addressed in detail in other sections of the LRT plan review. From an economic standpoint, Council policy calls for an analysis of the regional need for a tunnel and an analysis of the regional benefits. What are the regional benefits of the tunnel and is there a reasonable balance between the contribution the region is asked to make toward the cost of the tunnel and the benefits received by the region?

The Council's policy plans include a number of mechanisms to facilitate cost-sharing of facilities like the tunnel. The MDIF policy on local/regional cost-sharing encourages sharing of costs for regional facilities between regional and local levels of government when the Council has determined there is a regional need for the facility but a local unit of government wants a larger or more costly facility or wants the facility built sooner than the Council has determined is needed. Council policy does not support regional reimbursement of local costs for constructing a facility prior to the regional need for the facility.

Funding principle #10 in the TPP says that the RTB should agree only to cost-sharing arrangements or contributions consistent with Council policies, that regional funding contributions should not significantly delay other programmed regional facilities and that the RTB should develop criteria to define when the private sector or local unit of government will be expected to pay for services or facilities.

Hennepin County is in the process of reviewing tunnel and at-grade options for downtown Minneapolis and a corridor between the Convention Center and 29th and Lyndale. The RTB should attempt to identify and, where possible, quantify the regional and local benefits of the tunnel option before decisions are made on the funding mix for the incremental cost of the tunnel. Based on this information, the Council can determine if there is a regional need for the tunnel and use its cost-sharing policy as a means for the Council/RTB and Hennepin County to negotiate a cost-sharing agreement that reflects the Council's financing or timing concerns.

ABILITY TO PAY/EFFICIENCY

Council policy calls for an analysis of financing proposals with regard to ability to pay and economic efficiency. Under the Council's equity criteria, financing proposals should be analyzed to ensure that fares and taxes are equitable in terms of the ability of individuals and groups to pay for the service. Measures of ability to pay should be based on individual income, individual wealth, property values or a community's tax base or revenue generating capacity.

The Council's efficiency criteria considers whether the proposed financing system creates incentives for desireable individual behavior. Financing proposals should be analyzed to determine whether the fare and taxing policies will lead to better use of regional service by the public.

The RTB Plan includes little information on fare policies or structure. When fare policies are addressed in the Coordination Plan, the RTB should include as part of the plan an analysis of the impact of fare policies on the ability of individuals and groups to pay the fares and on the incentives or disincentives that the fare policy creates to use transit versus other transportation modes.

PRIVATE SECTOR FINANCING

The RTB Plan discusses private sector financing briefly but does not specifically address how the RTB will encourage private participation in the financing of light rail transit. The Council's Transportation Policy Plan encourages private sector participation and, under funding principle #10, encourages cost-sharing where facilities directly benefit one or a small group of property owners, where facilities are needed to develop a specific parcel of land , where facilities are needed prior to programmed construction or where facilities must be modified in some way to meet the needs of a small number of property owners.

Funding principle #10 directs the RTB to develop criteria to define when the private sector will be expected to pay for services or facilities. The RTB should explain in its LRT Plan when these criteria will be developed.

FINANCIAL SUMMARY

The Regional Transit Board's Light Rail Transit Regional Development and Financial Plan proposes a ten-year light rail transit plan for the region. The ten-year plan includes the construction of approximately 80 route miles in nine corridors, at a capital cost of $ 1.3 billion. The plan also includes a twenty-year plan with additional corridors and extensions to corridors added to the system.

Table 4 summarizes the capital financing plan for the ten-year plan, based on 1) the RTB's recommendations and 2) the recommendations of Council staff. The RTB's financial plan and Council staff both assume that federal funding will cover 20 percent of the capital costs of the system and state funding will cover 30 percent of the costs. The plan doesn't propose seeking federal funding for Group A projects. Federal funding would be concentrated on Group B corridors, which are the most likely to receive federal funding.

Table 4
LRT Plan
System Capital Costs and Funding

	Total	Federal		State		Regional		Local	
	Cost	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
RTB Recommendation:									
Group A	340,000,000	0	0.0%	102,000,000	30.0%	238,000,000	70.0%	0	0.0%
Group B	630,000,000	200,000,000	31.7%	189,000,000	30.0%	178,000,000	28.3%	63,000,000	10.0%
Group C	360,000,000	66,000,000	18.3%	108,000,000	30.0%	150,000,000	41.7%	36,000,000	10.0%
Total-10 Year Plan	1,330,000,000	266,000,000	20.0%	399,000,000	30.0%	566,000,000	42.6%	99,000,000	7.4%
Annual Average	133,000,000	26,600,000		39,900,000		56,600,000		9,900,000	
Council Staff Recommendation:									
Group A:									
Core*	217,000,000	0	0.0%	65,100,000	30.0%	151,900,000	70.0%	0	0.0%
CBD Tunnel Increment	42,000,000	0	0.0%	12,600,000	30.0%	21,000,000	50.0%	8,400,000	20.0%
Subtotal-Group A	259,000,000	0	0.0%	77,700,000	30.0%	172,900,000	66.8%	8,400,000	3.2%
Group B:									
5 Corridors	630,000,000	200,000,000	31.7%	189,000,000	30.0%	115,000,000	18.3%	126,000,000	20.0%
To 29th At-Grade	37,000,000	0	0.0%	11,100,000	30.0%	18,500,000	50.0%	7,400,000	20.0%
To 29th Tunnel Increment	44,000,000	0	0.0%	13,200,000	30.0%	22,000,000	50.0%	8,800,000	20.0%
Subtotal-Group B	711,000,000	200,000,000	28.1%	213,300,000	30.0%	155,500,000	21.9%	142,200,000	20.0%
Group C	360,000,000	66,000,000	18.3%	108,000,000	30.0%	114,000,000	31.7%	72,000,000	20.0%
Total-10 Year Plan	1,330,000,000	266,000,000	20.0%	399,000,000	30.0%	442,400,000	33.3%	222,600,000	16.7%
Annual Average	133,000,000	26,600,000		39,900,000		44,240,000		22,260,000	

*Central Corridor, St. Paul CBD,
Mpls CBD (at grade), Yards and Shops

Note: Under the RTB plan, the regional share of funding would increase to the extent that Regional Rail Authorities substitute federal funds for the local match requirement.

The share of the $1.3 billion cost of the ten-year plan proposed to be funded with regional revenues depends on the level of local match. The RTB proposes a 10 percent local (county) match on Group B and Group C projects, or total local funding of $ 99 million. Assuming the goal of 50 percent federal and state funding is achieved, the regional share of the cost would total $566 million, of $56.6 million annually on average. Council staff is recommending a 20 percent match on Group B and Group C projects, on the incremental costs of a Minneapolis tunnel and on the costs of the corridor between the Minneapolis convention center and 29th/Portland. Using this funding mix, the local share of the system would be $222.6 million and the regional share would be $442.4 million, or an annual average of $44.24 million.

The RTB plan allows counties to substitute federal funding for the local matching requirement, as an incentive for Regional Rail Authorities to pursue federal funding. To the extent that federal funds are substituted for local funds, the local share would decrease and the regional share would increase. In addition, if the region does not achieve the goal of 50 percent federal and state funding, either the regional share would have to increase or capital spending would have to be reduced.

REGIONAL DEBT

The Metropolitan Development and Investment Framework says that the Council will monitor factors that affect bond ratings of the metropolitan agencies. If the region finances light rail transit construction with long-term debt, the Council would have to issue between $450 million and $550 million in bonds over the next ten years. This is a significant amount of debt issuance for the region. At the end of 1989, regional agencies had approximately $700 million outstanding long-term debt in general obligation and revenue bonds.

Whether light rail transit will require the issuance of regional debt depends on the regional revenue source selected by the Legislature and on capital financing decisions. If a regional sales tax or other broad-based tax is authorized to fund LRT and other regional services, the region could potentially fund LRT construction on a pay-as-you-go basis rather than issuing debt. Whether pay-as-you-go would be possible depends on the regional revenue generated annually and on annual LRT capital requirements. Alternatively, regional debt could be issued to finance construction with a regional property tax, regional sales tax or other broad-based regional tax used to pay debt service costs. The decision might also be made to issue long-term debt for portions of the system (i.e., right-of-way, station costs, track costs) on a service life basis rather than a funding availability basis. Bonding for facilities with long service lives achieves the equity objective of having future generations pay for facilities they will use.

Table 5 shows annual debt service requirements for all regional agencies between 1993 and 2002. The table shows existing debt service and debt service for long-term debt issuances currently planned by regional agencies. The majority of the planned new debt would be issued for sewer and airport projects. The Council plans to issue approximately $650 million in sewer debt over the next thirteen years and MAC has plans to issue approximately $250 million in airport debt (assuming construction of maintenance facilities for NWA). Projected annual debt service requirements for light rail transit are based on the RTB plan, with the Council issuing $566 million in regional debt; $119 million annually in 1992 and 1993 for the Group A projects, $30.6 million annually between 1994 and 1996 and approximately $47 million annually between 1997 and 2001 to complete financing of the regional share of the $1.3 billion system.

Annual regional debt service for light rail transit would reach approximately $ 58 million by the year 2002 after ten years of debt issuance. LRT debt service would reach one-third of annual regional debt service in the year 2002 and represent 23 percent of the total regional debt service during the ten year period. The table is based on the RTB recommendation of a 10 percent local matching requirement for Group B and Group C projects. If regional funding were based on the Council staff recommendation, regional debt service for LRT during the 1993-2002 period would be $90 million, or 25 percent lower.

TABLE 5
EXISTING AND PROJECTED
REGIONAL DEBT SERVICE

1993-2002
(in $ Millions)

Year	Airports	Sewers	Other	Subtotal	LRT	Total
1993	$ 36	$ 52	$ 19	$ 107	$ 12	$ 119
1994	41	56	20	117	24	141
1995	41	60	21	122	27	149
1996	41	61	20	122	30	152
1997	41	63	19	123	33	156
1998	38	66	19	123	38	161
1999	38	69	19	126	43	169
2000	35	72	18	125	48	173
2001	35	71	13	119	53	172
2002	32	75	12	119	58	177
10-Year Total: 1993-2002	$ 378	$ 645	$ 180	$ 1,203	$ 366	$ 1,569

REGIONAL TAX IMPACTS

Regional taxpayers will pay a significant share of the costs of LRT, regardless of the funding mix. Light rail transit users are expected to pay for approximately 65 percent of the operating costs of the system, with taxpayers funding operating subsidies and financing the capital costs of the system through federal, state, regional and local taxes.

Regional taxes for capital costs will depend on the final capital financing system approved by the Legislature. The RTB plan as submitted projects that regional taxes will finance approximately 43 percent of the capital costs of the ten-year plan, or an annual average of $56.6 million. The Council staff recommendation, with a higher local match, projects that approximately one-third of the ten-year capital costs, or $44.2 million annually, will be financed with regional taxes.

If the regional share of the capital financing were raised through a regional sales tax, the region's approximately 850,000 households would pay an average of $52 to $66 annually to support LRT capital costs. These estimates are somewhat high because they don't take into account that an undetermined portion of the regional sales tax would be paid by non-residents.

If the regional share of the capital financing were raised through a regional property tax, the tax impact on residents would depend on how the state tax system distributes property taxes between residential and other properties and on the feathering system established by the RTB. In 1988, residential properties paid approximately 57 percent of the gross property taxes in the region. If this share remained constant, residential properties would pay between $25 million and $32 million annually to support LRT, depending on the levels of regional and local funding. Commercial/industrial and other properties would contribute the balance of the property tax levy for LRT. Residential property would pay an average of $30 to $38 annually per household to support LRT capital costs.

MDIF ANALYSIS (Steve Schwanke)

The MDIF sets a general direction for future development patterns and establishes guidelines for making decisions about major regional facilities of which LRT is one. The strategy emphasized in the MDIF is to manage regional resources to serve a steadily growing and aging population. Meeting the service and facility needs of already developed areas is the MDIF's top investment priority. A second investment priority is given to facilities that are sized in accord with Council forecasts and that support staged and contiguous urban development.

MDIF geographic policies that affect Council investment decisions are discussed below. Facilities and services needed to support urban development are located within the Metropolitan Urban Service Area (MUSA). Regional facilities will generally not be provided in the rural area. Within the MUSA, geographic policy areas have been developed to prioritize investment decisions. The RTB document includes both a 10 and 20 year plan for potential LRT corridors. Only the 10 year plan is reviewed herein because the MDIF has a planning horizon for the year 2000.

The two metropolitan centers are Minneapolis and St. Paul. Because of their diversity, focal point for the region and extent of existing investment, the Council is committed to healthy metropolitan centers. Regional facilities serving the metropolitan centers will receive the Council's highest investment priority.

The fully developed area includes the central cities of Minneapolis and St. Paul, and first and second-ring suburbs. To protect existing investments in this area, reinvestment takes top priority and supersedes expansion needs in the developing area.

Regional Business Concentrations are areas with a large employment base and/or are areas that have large sales volumes. The Council supports continued growth and increased densities in regional business concentrations and gives investment priority second only to the fully developed area.

The developing area is that part of the region currently experiencing the greatest amount of new urban development. Investments are made in regional facilities at the time, place and size needed to support urban development at a level consistent with regional population and employment forecasts.

All nine of the LRT corridors in the 10 year plan are within the MUSA. Minneapolis and St. Paul are connected by the central corridor. This corridor receives the highest investment priority because of the Council's commitment to the two metropolitan centers. A "Group A" investment rank for the central corridor is consistent with the MDIF.

With the exception of the St. Paul northeast corridor, the remaining corridors are in the fully developed area. Of these corridors, the Minneapolis south (to the Minnesota River), Minneapolis northwest, Minneapolis northeast, St. Paul south, and Hiawatha (to the GSA building) corridors have a "Group B" investment rank in the RTB plan. This is consistent with the MDIF's investment priority for fully developed areas.

The St. Paul northeast corridor is located in the developing area of the region. An investment rank of "Group C" is consistent with the MDIF.

Consideration should be given to including the Minneapolis southwest, St. Paul northwest, and the Hiawatha (to the Minneapolis-St. Paul Airport) corridors in the "Group B" investment category. All three corridors are located in the fully developed area. Each of the corridors serve a regional business concentration: Minneapolis southwest, West lake/Excelsior Blvd.; St. Paul northwest, Rosedale/Highway 36; and Hiawatha, the Airport/I-494. Based on geographic policy criteria, a "Group C" investment rank for these corridors is not consistent with the MDIF. However, other considerations, such as the cost-effectiveness of the respective corridors, may affect their final ranking.

Population, household, and employment forecasts will be used as a key determinant in making final decisions on the timing, staging, and location of LRT facilities. When forecasts are used for long range planning, in advance of actual implementation or commitments to a course of action, it is important to monitor the accuracy of these forecasts over time.

Current Council forecasts are almost five years old. The recent rapid growth in the region has made it clear that revisions are needed, but this cannot reasonably be done until the 1990 census results are available in 1991. At that time, current growth trends can be accurately established as a new basis for forecasting. Until this is done, however, priorities regarding the staging and location of future LRT lines, especially where forecast differences are not currently large, should be viewed as very tentative and should be carefully reviewed when the LRT development and financial plan is updated every two years.

OTHER ISSUES

The RTB plan generally states the benefits and costs of light rail transit, but each corridor has specific benefits and costs that should be documented. The Council has, in its review of regional railroad authority comprehensive plans, identified the need for more detailed information regarding operating cost, ridership and revenue information. Since the RTB, because of legislative requirements, extensively used the existing studies prepared by the regional railroad authorities it was expected that this information would not be available for this plan.

The RTB should also consider some of the indirect benefits of LRT as well. For example, a corridor that attracts 5000 daily new transit riders could avert the need to build a large parking garage in downtown Minneapolis and therefore about $25 million of other transportation investment and allow a more productive use of scarce land in the downtown areas.

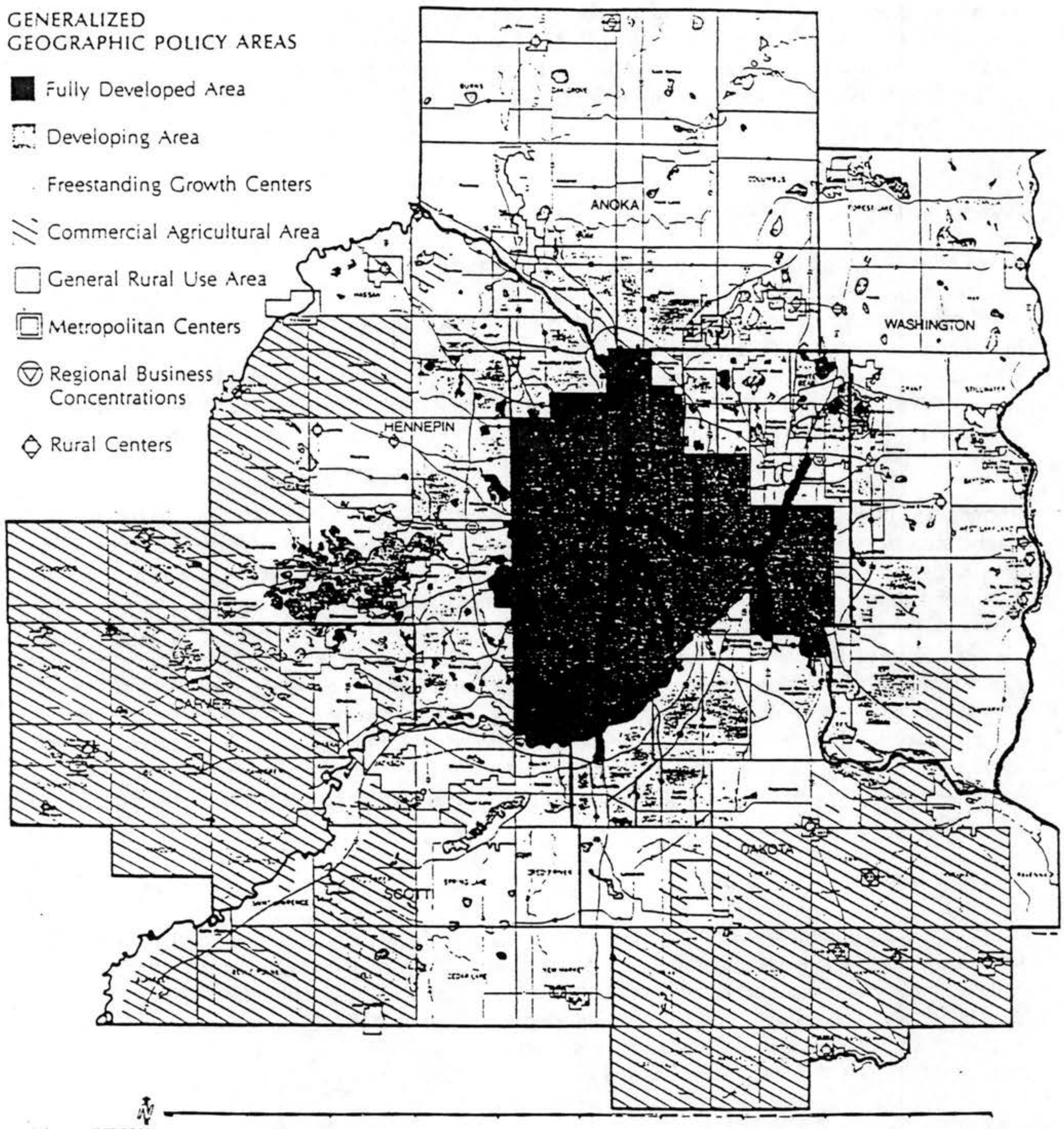


FIGURE 3

RELATIONSHIP OF TEN-YEAR (GROUP A,B,C) CORRIDORS TO MDIF POLICY AREAS

Another benefit of LRT is its ability to support travel demand management techniques in congested areas. The Council has strongly advocated mitigating transportation impacts through travel demand management (TDM) strategies such as encouraging transit and ridesharing, alternative work schedules and growth management. Because regular route transit has such strong market potential and is generally the most efficient way to serve the metro centers, LRT should be viewed as a tool to assist employers and developers in encouraging transit use. TDM will not replace the need for LRT or vice versa, and TDM will be critical to mitigate transportation impacts in the metro centers until such time as the LRT system is sufficiently developed.

Policy 2, Strategy C of the TPP contains a performance evaluation measure stating that the total capital costs of an LRT line in a corridor should be recovered equal an all-bus alternative within the economic life of the facility. The information available to the RTB for this plan was not detailed enough to permit this analysis. This criteria should be included in future plan updates to ensure corridors are in conformity with this criteria.

Comparing impacts of LRT and bus alternatives is not sufficiently achieved within traditional environmental review processes. The federal Urban Mass Transportation Administration requires certain comparisons and measures of effectiveness as part of its alternatives analysis process. While the RTB may not want to require all of the UMTA measures, it should reviewsome essential information needs to ensure that regional railroad authorities adequately address regional concerns and sufficiently document regional transit system impacts such as ridership, cost, operating subsidy and accessibility.

COORDINATION ISSUES

Certain unresolved issues that have implications for staging and financing will be more considered as part of the LRT Coordination Plan. That plan will address: implementation approach (eg.-turnkey vs. traditional, etc.); ownership; funding and planning responsibilities; general design standards and performance specifications; operating plan and philosophy; process for updating regional LRT plan; and land development coordination.

Coordinated development of transportation facilities and land use is a primary goal of the Metropolitan Council. Certain land use patterns are more compatible with encouraging transit use, such as higher density office and residential areas. It would be beneficial to the region's development pattern and transit system to guide the development and redevelopment in LRT station areas in a manner that encourages transit ridership.

The roles and responsibilities for LRT planning and implementation need to reflect the degree of financial participation in the system. It is appropriate to explore the adequacy of the existing roles and responsibilities in light of the adopted LRT system financial package. Among the areas to be considered are the federal, state and regional funding approval mechanisms, and local roles such as developing cost sharing packages.

FINDINGS AND CONCLUSIONS

1. The RTB plan generally conforms to the Council's Transportation Development Guide/Policy Plan by proposing staged LRT development based in part on cost-effectiveness, and proposing a mix of federal, state, regional and local funding. However, certain changes are needed with the RTB plan to bring it into full conformity with the Council's plan.

System Development\Staging

2. The 20-year plan element identifies a potential light rail transit route in the St. Paul East corridor. The $5.19 total annual cost per passenger estimate exceeds the $4.00 per passenger threshold of Policy 2, Strategy C of the TPP and therefore should not be included in the 20-year plan.

3. Selecting the Central corridor as the highest priority corridor is consistent with the TPP due to the high cost-effectiveness, service to transit dependents and congestion relief potential. However, selection of a cost-effective alignment within the corridor and in downtown Minneapolis is also needed.

4. Only the downtown portion of the central Minneapolis area should be included within Group A. This would improve the cost-effectiveness of the initial system stage and be more consistent with the concept of Group A as the regional core system.

5. The potential exists for the RTB to refine priorities within Group B as part of future updates of the plan to further establish an LRT system staging based on regional priorities. Additional prioritizing on a regional basis would ensure the most cost-effective use of regional funds and enable the RTB to establish a reimbursement of advanced local funding that is consistent with Funding Principle #5 of the TPP.

6. The Minneapolis South and Hiawatha corridors, among the Group B corridors, clearly perform above average in terms of cost-effectiveness, transit dependent service and congestion-relief potential. A decision on whether to build light rail transit in the Minneapolis South corridor will be made in late 1990 as part of the I-35W environmental impact statement.

7. The RTB needs to include in its evaluation criteria a measure of short-term cost effectiveness based on ridership estimates and operating costs for the period shortly after the beginning of operations in a corridor. This measure will help ensure that LRT lines are constructed first where they serve existing development, as required by the Metropolitan Development and Investment Framework, and be built only once they will be cost-effective.

8. Only the level of study necessary to resolve major issues should be conducted at this time in Group C corridors. Engineering and environmental studies conducted too far in advance of implementation may become outdated.

9. The Hiawatha corridor extension to MSP International Airport should be considered as a part of the decision regarding the future of the region's major airport, and the extension of LRT in the I-35W corridor into Dakota County is appropriately considered as part of the I-35W study currently underway.

Central Minneapolis Tunnel vs. At-Grade

10. At-grade and tunnel options each have advantages and disadvantages. Less expensive at-grade solutions may ultimately generate significant impacts and/or require a future tunnel that be more expensive than if one had been initially built. However, a costly full tunnel, in initial staging, may not be cost effective, particularly if few LRT corridors are ultimately built. The Hennepin County Regional Railroad Authority will be selecting a preferred alignment this spring as part of its Environmental Impact Statement.

11. An at-grade solution or, to a lesser extent a shortened tunnel, could be cost-effective with a small number of corridors. However, as the number of corridors built increases, the difference between at-grade and tunnel cost-effectiveness diminishes.

12. A tunnel, particularly an extension to 29th Street, would become more cost-effective if LRT is selected as the preferred alternative in the I-35W corridor. I-35W represents a third corridor approaching from the south that share a common routing rather than its own elevated structure. furthermore, the higher speeds of the I-35W corridor are more consistent with tunnel operations.

13. The southern portion of the Central Minneapolis Area, from the convention center to 29th Street, and the incremental cost of a tunnel, if built, should be subject to a local match requirement or cost sharing based on consideration of regional versus local benefits to be the most consistent with Council policy (Policy 9, Funding Principle 2 and Funding Principle 10 of the Transportation Policy Plan).

Financial/Economic Analysis

14. Light rail transit funding needs to be considered as part of the overall state and regional transportation funding strategies to be developed by the Transportation Study Board and Legislature.

15. Under current Council policy, consideration of a broad-based tax such as a regional sales tax should be within the context of a broad range of regional service or infrastructure needs, not just those for transportation purposes as proposed in the RTB plan.

16. The use of fiscal disparities as a regional funding source for LRT is not in conformity with the Council's TPP and is inconsistent with the program's legislative intent and Council position statements on fiscal disparities.

17. A local match provides a geographic element to the funding package that more explicitly relates to the equity issue of who benefits and who pays, particularly when a broad-based regional funding source is used that is not geographically sensitive. Benefits and costs should be assessed as completely as possible to ensure that the local match fairly reflects local benefits received.

18. Even under a worst case scenario (no growth in tax base, no federal or private contributions to offset a local share, and all Group B and C lines built at same time), a 20 percent local match would require less than the full taxing authority of each regional railroad authority. It would also provide additional incentive for a regional railroad authority to pursue joint development and private sector participation in the system, and reduce the burden on the broad-based regional funding source. A higher local match also provides a more direct relationship between the implementation control of the regional railroad authorities and their financial responsibilities for the LRT system.

19. It would be inconsistent with Policies 2, 9 and Funding Principle 2 of the Transportation Development Guide/Policy Plan to allow federal funds received to be credited against the local match because it would be contrary to the concept of local contribution equity.

21. The RTB needs to better identify individuals, groups and geographic areas benefiting from LRT and to identify and, where possible, quantify the benefits received by each group or area.

22. The RTB needs to identify and, where possible, quantify the regional and local benefits of the tunnel option in Minneapolis before final decisions are made on the funding mix for the incremental costs of the tunnel.

23. The RTB should develop criteria to define when the private sector and local units of government will be expected to pay for services or facilities.

24. The RTB plan assumes regional funding of $566 million for the $1.3 billion, ten-year capital plan. County substitution of federal funds for local match would increase the regional funding required.

25. The regional share of the ten-year capital costs in the RTB plan average approximately $66 annually per household. A regional sales tax would be paid by regional residents and, to a lessor extent, non-residents. A regional property tax would be paid by residential, commercial/industrial and other property owners.

26. Reimbursement for local funds used to construct a facility prior to the regional need for the facility is inconsistent with MDIF policy on cost sharing and Funding Principle #5 of the TPP.

Coordination/Other

27. The RTB plan generally states the benefits and costs of light rail transit, but each corridor has specific benefits and costs that should be documented. Policy 2, Strategy C of the TPP contains a performance evaluation measure stating that the total capital costs of an LRT line in a corridor should be recovered equal to an all-bus alternative within the economic life of the facility. The information available to the RTB for this plan was not detailed enough to permit this analysis.

28. The RTB should ensure that regional railroad authorities adequately address in their planning studies regional concerns and sufficiently document regional transit system impacts such as ridership, cost, operating subsidy and accessibility.

29. Coordinated development of transportation facilities and land use is a primary goal of the Metropolitan Council. Certain land use patterns are more compatible with encouraging transit use, such as higher density office and residential areas. It would be beneficial to the region's development pattern and transit system to guide the development and redevelopment in LRT station areas in a manner that encourages transit ridership.

30. The roles and responsibilities for LRT planning and implementation need to reflect the degree of financial participation in the system. It is appropriate to explore the adequacy of the existing roles and responsibilities in light of the adopted LRT system financial package. Among the areas to be considered are the federal, state and regional funding approval mechanisms, and local roles such as developing cost sharing packages.

31. Based on MDIF geographic policy areas: the Central corridor is consistent as a "Group A" investment; the Minneapolis South (to the Minnesota River), Hiawatha, Northeast, Northwest and Southwest corridors, and the St. Paul Northwest and South corridors are consistent as "Group B" corridors; the extension of the Minneapolis South corridor across the Minnesota River, and the St. Paul Northeast corridor are consistent as "Group C" investments. However, other considerations such as cost-effectiveness may also affect final priorities.

RECOMMENDATIONS

That the Metropolitan Council:

1. Approve the Light Rail Development and Financial plan of the Regional Transit Board on the condition that the Regional Transit board make the following changes to the plan prior to submitting the plan to the Minnesota Legislature:

   a) eliminate the proposal to use 40 percent of the growth in the "fiscal disparities" tax base as a potential funding source;

   b) clarify that any regional sales tax to be pursued be a part of a broader-based package and would be pursued in conjunction with an overall regional effort;

   c) include only that portion of the downtown Minneapolis alignment north of the Convention Center station in the regional core grouping (Group A);

   d) eliminate the proposed substitution of federal funding for local contribution and replace it, if necessary, with an alternative that would proportionately reduce the state, regional and local contributions in a corridor that receives federal funding;

   e) establish a principle relating a local match for the incremental cost of a tunnel to the local benefits received;

   f) delete reference to reimbursement for costs incurred by a local unit of government for construction of a facility prior to a regional need for the facility.

2) Request the Regional Transit Board, either as part of the final plan or of future implementation activities or plan updates to:

   a) Reevaluate implementation and funding priorities for corridors in groups B and C, during the next update of the plan, based upon weighted evaluation criteria which include the amount of local match and the most current information available.

   b) quantify or further qualify the benefits and costs of LRT in each corridor and the Central Minneapolis Area to better assess how well regional objectives are met and to identify cost-sharing mechanisms and levels based on regional and local benefits, before final decisions are made on regional and local funding levels;

   c) work with the regional railroad authorities to maximize use of local matches other than general property tax including joint development or other private participation;

   d) include demonstration of short term cost effectiveness, based on an analysis of ridership and costs for a period of one year following construction, as a factor to be considered in the construction approval process;

   e) develop criteria to define when the private sector and local units of government will be expected to pay for LRT facilities.

f) establish the local contribution for Group B and C corridors and the incremental cost of the downtown Minneapolis tunnel, if constructed, at a <u>minimum</u> of 10 percent;

3) Work, in conjunction with the RTB, Transportation Study Board and Minnesota Legislature to incorporate light rail transit funding needs in the context of the overall state and regional transportation needs;

4) Develop, as input to the RTB Coordination Plan, strategies and recommendations to maximize the potential land development benefits of light rail transit;

dcp2a

METROPOLITAN COUNCIL Mears Park Centre, 230 East Fifth Street, St. Paul, MN 55101 612 291-6359

TRANSPORTATION ADVISORY BOARD

January 19, 1990

Mr. Steve Keefe, Chair
Metropolitan Council
230 East Fifth Street
Mears Park Centre
St. Paul, Minnesota 55101

CHAIRMAN'S OFFICE

RE: Review of Draft Light Rail Transit Regional Development and Financial Plan (90-1)

Dear Mr. Keefe:

At the January 17, 1990 meeting of the Transportation Advisory Board, the Board reviewed the Draft Light Rail Transit Regional Development and Financial Plan prepared by the Regional Transit Board. The Board approved the following comments from its LRT Task Force and from its Technical Advisory Committee (enclosed).

- Endorsed the review comments of the Technical Advisory Committee.
- The TAB is in general agreement with the RTB's LRT Development and Financial Plan and recommends the implementation of it be aggressively pursued.
- There is a need for a dedicated metropolitan transportation fund to implement LRT and to maintain a balanced multi-modal transportation system.
- A regional sales tax is appropriate to fund the construction of light rail transit in the region.
- Additional revenue sources beyond the Motor Vehicle Excise Tax (MVET) may be needed to fund the operating subsidy of LRT.
- If LRT is included in the alterative selected by the Minnesota Commissioner of Transportation for I-35W EIS, the Minneapolis South Corridor should proceed to final design and implementation on a schedule that delays neither LRT implementation or I-35W implementation.

TAC/TRANSPORTATION ADVISORY BOARD
ACTION REQUEST

NO: 90-1

DATE: 1/10/90

TO: Transportation Advisory Board

FROM: Technical Advisory Committee

SUBJECT: RTB's LRT Regional Development and Financial Plan

MOTION

That the Transportation Advisory Board find the RTB's LRT Regional Development and Financial Plan generally consistent with the Metropolitan Council's Metropolitan Development Guide, but the plan should address the attached concerns and comments.

ROUTING

TO	ACTION REQUESTED	DATE COMPLETED
TAC	Approve/Recommend	1/10/90
TAB/LRT Task Force	Recommend	1/16/90
TAB	Approve	1/17/90
Metropolitan Council	Approve	

dcbacbo

o Relative to the preparation of the Regional Light Rail Coordination Plan, neighborhood groups should be included in the local comprehensive plan review, an evaluation process that will be needed to address light rail transit planning and development.

These comments are forwarded to the Metropolitan Council for approval.

Sincerely,

Emil Brandt

Emil Brandt
Transportation Coordinator

EB:dpf

cc: Sally Evert, Chair, Transportation Advisory Board
Nacho Diaz, Manager, Transportation Planning
John Rutford, Referrals Coordinator

Development Plan:

1. The plan is generally consistent with previous regional studies and priorities and with the Metropolitan Council's Transportation Policy Plan. The TAC has the following specific comments:

   a) The staging plan concept, as presented in the Plan (A, B, C), is needed and should be followed as LRT development proceeds.

   b) Building Group A (Central Corridor) prior to others is the most important aspect of the staging plan. The Central Corridor appears to be superior to other corridors and will serve as the backbone of the LRT system. Build first those portions of Group A needed to provide a fully operational system. There is a need to further evaluate tunneling as an essential element of a fully operational system.

   c) Re-evaluating Groups B and C at the two-year evaluation process is an important part of the development planning.

2. The St. Paul East Corridor in the 20 year plan does not meet the $4.00 annual cost per patron threshold.

Financial Plan:

1. The TAC generally supports the plan's financial component with the following comments:

   a) "Pay as you go" development of an LRT system should be examined and compared with long-term bonding in a future refinement to the financial plan.

   b) Reliance on fiscal disparities is inconsistent with the Transportation Policy Plan.

   c) A regional sales tax would be consistent with the Metropolitan Council's policies only if used to fund regional needs in addition to transportation. However, the TAC and TAB are on record supporting a regional sales tax for transportation purposes only.

   d) Regional taxes used to support development of LRT should be feathered or redistributed in consideration of the benefits received. The present feathering system for transit operating costs is inadequate to address this.

   e) Endorse the RTB's proposal to fund LRT operational costs through the transit portion of the Motor Vehicle Excise Tax (MVET). However, note that increased MVET funding is required and existing and future MVET funds are needed for operating the bus system and Metro Mobility in addition to LRT.

f) LRT is only one part of an integrated transportation system. New transportation funding is needed at the state and regional level to adequately fund development of an LRT system. Existing transportation funds should not be diverted.

Suggestions for the Coordination Plan:

The RTB should consider the following comments in its development of the LRT Coordination Plan to be prepared by July 1, 1990:

1. Local comprehensive plans should be evaluated regarding LRT stations which encourage economic development and redevelopment. The Coordination Plan should recommend means to ensure smooth and timely coordination of these elements.

2. To ensure timely development and coordination of regional LRT, the RTB should investigate the need for and form a process similar to that available to Mn/DOT to obtain municipal approval of construction plans.

3. The LRT Coordination Plan should recommend establishment of a back-up LRT Implementation Authority to ensure timely, regional development and coordination of Group A.

MOTION3

REGIONAL TRANSIT BOARD
Mears Park Centre
230 East 5th Street
St. Paul, Minnesota 55101
612/292-8789

MEETING OF THE REGIONAL TRANSIT BOARD
Thursday, February 15, 1990
Mears Park Centre Chambers
6:00 p.m.

AGENDA

1. Call to Order and Roll Call
2. Approval of Agenda
3. Approval of Light Rail Transit Development and Financial Plan
4. Public Comment

Michael J. Ehrlichmann
Chair

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