

Agency Initiative: Regional Transit Bonding Authorization

S.F. 2371 (Sen. Jim Carlson) / H.F. 3176 (Rep. Tim Kelly)

The Metropolitan Council is seeking to amend M.S. 473.39 to allow for the authorization to issue \$82.1 million in regional bonds for regional transit capital needs.

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Why this legislation is needed

- The Metropolitan Council must receive legislative authorization to issue regional bonds for transit capital projects.
- This request is for \$40.1 million in 2016 and \$42 million 2017 of new regional transit bonding authority. The bonding authorization has been included in the Public Finance Article of the Omnibus Tax bill or the Omnibus Transportation Finance bill.
- Regional transit bonds are not state general obligation bonds, but are funded by the Metropolitan Council transit debt service levy. The levy is collected from taxpayers in the seven county metropolitan region who live in communities that are located inside the transit taxing area, all of which receive transit services.
- The issuance of regional transit bonds is timed with the cash flow requirements of the capital program. Bond issuance often occurs much later than when bonding authority is needed to begin the procurement and contracting processes.
- Regional transit bonds support the capital projects of all regional transit providers and services provided throughout the seven county metro area, including Metro Transit, Suburban Transit Providers, Metro Mobility, and Transit Link dial-a-ride.
- Fleet replacement generates the greatest demand for regional transit bond funds. Buses are replaced on fixed schedules aligned with FTA guidelines.
- Transit bonds are also used for capital preservation, park-and-ride lot expansions and improvements, transit station improvements, and other capital equipment that help the regional transit programs operate efficiently. Some capital projects are also funded using federal formula funds earned by the region or Congestion Mitigation Air Quality (CMAQ) funds and are matched 20% using RTC.
- The Metropolitan Council cannot begin the procurement and contracting process for capital projects until the funding source is authorized. Capital projects often require significant lead time from when the contracting process begins to when final product is delivered. Lead time in contracting for bus replacement is 18-24 months.
- With this legislation the Metropolitan Council will be able to continue to maintain and improve the regional public transit system through the capital improvements identified in the agency's adopted transit capital program. These bonds help enable the region's public transit system to operate efficiently. Good facilities and vehicles help retain existing riders and attract new riders. No funds are expended for any projects not identified in the Council's approved transit capital program.