13 FINANCIAL STRATEGY

INTRODUCTION

The preferred alternatives in this study include a combination of new transit services and investment in vanpooling. These services are also supported by additional ridesharing and TDM efforts. To assess the potential for implementation of the evaluated services, a financial strategy is presented, with operating cost projections and capital improvement projects, as well as potential funding sources to pay for new services. Based on the findings, new funding sources would be required to implement the preferred services.

Existing transit providers in District 3 receive operating revenues from various federal, state and local sources. These funding programs are expected to continue in the coming years, enabling them to continue to support their existing services, with some potential expansions in funding from various sources, although reductions are also possible.

COST/REVENUE PROJECTIONS

For purposes of the financial strategy, this chapter assumes that the three most highly evaluated regional commuter bus services might be implemented, along with a future expansion of Northstar rail as far north as St. Cloud. This chapter also assumes that a District 3 vanpool program would be developed, and that an agency responsible for overseeing new commuter services might also be charged with ridematching, marketing, and implementation of some of the other commute options tools discussed in this study. The cost structures provided are based on existing operating costs for similar types of services in District 3 and adjacent communities, as well as capital costs from other MnDOT, Metropolitan Council and peer transit operations. All costs increase at an annual inflation rate of almost 3%, based on consumer price index (CPI) data for Minnesota.

Transit Operating Costs

The projected operating costs for the proposed services over a ten-year planning period (base year 2013) are shown in Figure 13-1. Annual in-service revenue hours are assumed to be held constant over the ten-year period, at about 1,300 for a Cold Spring-St. Joseph-St. Cloud route, 1,640 for a Buffalo-Minneapolis route, and 2,720 for St. Michael-Minneapolis route. Additional hours are assumed for deadheading as required. Incremental revenue service hours for Northstar rail between St. Cloud and Big Lake were assumed at 3,370 annual hours, based on the existing Northstar operating schedule. General administrative expenses were projected at 20% of the costs of providing service (assumes costs for marketing, contracting, grant writing, etc.) and were added to the costs for direct service operation. As commuter bus and rail services with a limited service schedule and few stops, no complementary paratransit services are identified.

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Figure 13-1 Projected Operating Expenses and Revenues for Proposed Services

	Fiscal Years 2013-2022									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Operating Expenses for Proposed Service										
Bus Operating Expenses (Preferred 3 Routes)	$778,500	$799,500	$821,100	$843,300	$866,100	$889,600	$913,600	$938,300	$963,600	$989,600
Cold Spring-St. Joseph-St. Cloud	$124,800	$128,100	$131,600	$135,200	$138,900	$142,700	$146,600	$150,600	$154,700	$158,900
Buffalo-Minneapolis	$225,000	$231,100	$237,300	$243,700	$250,300	$257,100	$264,000	$271,100	$278,400	$285,900
St. Michael-Minneapolis	$428,800	$440,300	$452,200	$464,400	$476,900	$489,800	$503,000	$516,600	$530,500	$544,800
Rail Operating Expenses (Northstar Extension)					$3,201,500	$3,287,900	$3,376,700	$3,467,900	$3,561,500	$3,657,700
General & Admin Operating Expense	$155,700	$159,900	$164,200	$168,700	$813,500	$835,500	$858,100	$881,200	$905,000	$929,500
TOTAL OPERATING EXPENSES	**$934,300**	**$959,400**	**$985,300**	**$1,012,000**	**$4,881,100**	**$5,013,000**	**$5,148,400**	**$5,287,400**	**$5,430,100**	**$5,576,800**
Farebox Revenues										
Bus Operating Revenue (Preferred 3 Routes)	$155,700	$316,100	$471,800	$483,800	$496,200	$576,800	$591,600	$606,800	$622,500	$638,500
Cold Spring-St. Joseph-St. Cloud	$26,300	$53,400	$79,600	$80,600	$81,600	$93,700	$94,800	$96,000	$97,200	$98,400
Buffalo-Minneapolis	$20,000	$40,500	$60,500	$62,600	$64,800	$76,000	$78,700	$81,400	$84,300	$87,200
St. Michael-Minneapolis	$109,400	$222,200	$331,700	$340,600	$349,800	$407,100	$418,100	$429,400	$441,000	$452,900
Rail Operating Revenue (Northstar Extension)					$464,000	$542,000	$620,000	$682,000	$750,200	$825,200
TOTAL OPERATING FARE REVENUES	**$155,700**	**$316,100**	**$471,800**	**$483,800**	**$960,200**	**$1,118,800**	**$1,211,600**	**$1,288,800**	**$1,372,700**	**$1,463,700**
Revenue Requirements										
Additional Revenues Required	$778,600	$643,300	$513,500	$528,200	$3,920,900	$3,894,200	$3,936,800	$3,998,600	$4,057,400	$4,113,100

Assumes bus services implemented 2013; Northstar rail extension operational 2017
Fares based on average revenue of $0.15 mile through 2017; Assumes bus fare increase (13%) in 2018
2013 Hourly service costs: $60 for Intra-District bus routes; $90 for Inter-District bus routes; $950 for passenger rail
Assumes one R/T deadhead for Cold Spring-St. Cloud; one for St. Joseph-St. Cloud; one for Buffalo-Minneapolis Service; three for St. Michael-Minneapolis service
Assumes 3% inflationary increment

Assuming full bus service is initiated in fiscal year (FY) 2013, total operating costs for the regional commuter routes is about $934,000. With a proposed service expansion on Northstar rail operational by FY 2017, costs increase dramatically to $4.9 million, due to nearly $3.8 million in rail operating costs along the corridor between Big Lake and St. Cloud (does not include costs for existing Northstar rail operations). It is assumed that Northstar Link services would be discontinued and those costs could be reallocated to the rail operation, offsetting about $400,000 in current costs which could be used for rail (not shown in Figure 13-1). By FY 2022, assuming no changes in service levels, estimated operating costs for the three bus services and rail extension are assumed to be $5.6 million.

Operating Revenues

Fare revenues are projected based on ridership levels, assuming each of the preferred services achieves the low range of its projected ridership (based on the ridership estimation tool used for this study) within three years of implementation. Thus, FY 2013 fare revenues for the commuter bus services are nearly one-third of FY 2015 revenues. FY 2015 fare revenues are projected at almost $472,000, based on a fare of $0.15 per mile, resulting in a proposed fare of $2.75 on the Cold Spring-St. Joseph-St. Cloud route, $5.50 on the Buffalo-Minneapolis route and $5.00 on the St. Michael-Minneapolis route.[1] Depending on the route, ridership is projected to increase each year, at about 1% annually for the Cold Spring-St. Joseph-St. Cloud route (the route would achieve its "high" ridership estimate within 10 years), 4% annually on the Buffalo-Minneapolis route, and 3% annually on the St. Michael-Minneapolis route.

For the commuter bus routes, the fare revenue projections assume a fare increase in five years (FY 2018) — about $0.25 to $0.50 on the various routes — representing a 13% increase, to $0.17 per mile. Additional fare increases would be assumed beyond FY 2022, but could be proposed more often depending on system performance and revenue generation requirements for the commuter services to achieve the proposed performance standards.

Revenues for the Northstar extension assume modest ridership initially (about 46,000 annually from St. Cloud and Becker), with ridership increasing by more than 75% between FY 2017 and FY 2022. A $10 one-way average fare is assumed in this corridor based on current Northstar rail and Link pricing structures, netting more than $460,000 in fare revenues during the first year of operation. For bus and rail services, total annual fare revenues are projected to increase from $960,000 in FY 2017 to $1.46 million by FY 2022.

Based on the operating cost and revenue assumptions, additional operating revenues will be required. The projected gap in revenues ranges from $513,500 in FY 2015 to a high of $4.1 million by FY 2022, with operation of buses and rail services. The source of these revenues is likely to include federal, state and new local funds, as well as some private funding. Given the uncertainty surrounding potential future federal and state funding, regional commuter transportation services may need to rely heavily on local funds for operations.

Operating Performance

Figure 13-2 illustrates some of the performance-based operating characteristics of the projected services based on presumed operating costs and farebox revenue generation.

[1] This $0.15 fare per mile is based on a review of peer regional commuter bus systems conducted by Nelson\Nygaard for purposes of establishing a basis for a preliminary fare structure for these costing assumptions.

Figure 13-2 Projected Performance

	Fiscal Years 2013-2022									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Cost (fully loaded, including administrative and non-revenue hour) Per Passenger										
Cold Spring-St. Joseph-St. Cloud Bus	$15	$8	$5	$5	$6	$6	$6	$6	$6	$6
Buffalo-Minneapolis Bus	$73	$37	$25	$25	$25	$25	$25	$24	$24	$24
St. Michael-Minneapolis Bus	$23	$12	$8	$8	$8	$8	$8	$8	$8	$8
Northstar Extension (Incremental) Rail					$83	$73	$65	$61	$57	$53
Farebox Recovery Ratio										
Cold Spring-St. Joseph-St. Cloud Bus	0.2	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Buffalo-Minneapolis Bus	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5
St. Michael-Minneapolis Bus	0.2	0.4	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7
Northstar Extension (Incremental) Rail					0.1	0.1	0.2	0.2	0.2	0.2
Operating Cost Per Service Hour										
Cold Spring-St. Joseph-St. Cloud Bus	$60	$62	$63	$65	$67	$69	$71	$72	$74	$76
Buffalo-Minneapolis Bus	$90	$92	$95	$98	$100	$103	$106	$109	$111	$114
St. Michael-Minneapolis Bus	$90	$92	$95	$98	$100	$103	$106	$109	$111	$114
Northstar Extension (Incremental) Rail					$1,057	$1,085	$1,115	$1,145	$1,176	$1,207
Passengers Per Service Hour										
Cold Spring-St. Joseph-St. Cloud Bus	8	15	23	23	23	24	24	24	25	25
Buffalo-Minneapolis Bus	2	5	7	7	7	8	8	8	8	9
St. Michael-Minneapolis Bus	8	17	25	25	26	27	27	28	29	30
Northstar Extension (Incremental) Rail					14	16	18	20	22	24
Revenue per Boarding/Assumed Fare										
Cold Spring-St. Joseph-St. Cloud Bus	$2.75	$2.75	$2.75	$2.75	$2.75	$3.00	$3.00	$3.00	$3.00	$3.00
Buffalo-Minneapolis Bus	$5.50	$5.50	$5.50	$5.50	$5.50	$6.00	$6.00	$6.00	$6.00	$6.00
St. Michael-Minneapolis Bus	$5.00	$5.00	$5.00	$5.00	$5.00	$5.50	$5.50	$5.50	$5.50	$5.50
Northstar Extension (Incremental) Rail					$10.00	$10.00	$10.00	$10.00	$10.00	$10.00

Overall costs per passenger after three years of operation range from about $5 on the Cold Spring-St. Joseph-St. Cloud route to $25 on the Buffalo-Minneapolis route (FY 2015). With increased ridership over time, costs per passenger are projected to decline on the Northstar rail extension from more than $80 in FY 2017 to just over $50 in FY 2022. Even with high costs on rail, within three years of operation, all of the services evaluated achieve the farebox recovery standards established (.15 for regional commuter rail services and .25 for regional express bus services). All of the bus services are projected to have very high cost recovery.

Only the passengers-per-service-hour standard proves to be inconclusive with regard to performance for the Buffalo-Minneapolis service, which is why the proposed service operating parameters are as limited as they are. For a regional commuter service, the standard is to achieve at least 15 passengers per hour, but the projections show only 9 within the 10-year period. Optimistically, this ridership could increase beyond the projections, but this illustrates the concerns about potential ridership in this corridor. At 24 passengers per service hour in FY 2022, Northstar rail service comes close to achieving the proposed standard, but it should be noted that the performance is calculated only for the incremental service between Big Lake and St. Cloud, so when additional ridership on the line is taken into account, the service should achieve the standard along the overall length of the corridor.

Average fares are also shown in Figure 13-2.

Capital Costs

For purposes of this study, capital costs fall into two primary categories: passenger facilities and vehicles. Capital costs could also include technology investments and operations/maintenance/fueling facilities, but the utility of these items is not integral to this commuter study and it is assumed that operations facilities exist within District 3 to accommodate vehicles and staff required to operate the commuter services.

Figures 13-3 and 13-4 summarize the costs for proposed improvements to all park-and-ride facilities, assuming the majority of improvements are made within FY 2013 to meet the operations needs of the commuter bus services that would serve those facilities. Additional enhancements construction of facilities in Nisswa, Albany, Maple Lake and Isanti are assumed to occur in a second phase, in FY 2014. The third phase of park-and-ride improvements/construction is programmed for FY 2016 at the Becker and St. Cloud facilities, to serve the needs of the Northstar rail expansion. Overall costs for the park-and-ride facility improvements and for new construction is projected at $18.5 million over the ten-year study horizon.

The other major capital expense is track improvement. Northstar's track improvement costs, at about $1.4 million per mile (in FY 2016 $) are low compared with costs absorbed by agencies in other communities, based on a review of some peer data, which can run more than $10.0 million per mile. Total FY 2016 cost for easement/track improvement is projected to be less than $38.0 million.

Regional commuter bus services could be provided by a contractor operating its own vehicles or an agency operating vehicles already owned by that agency. Thus, bus purchases may be not be required, but Figure 13-5 shows proposed bus purchase costs and vehicle replacement needs within the ten-year timeframe if they are required. The figure assumes new buses purchased in FY 2013 for the operation of Cold Spring-St. Joseph-St. Cloud service would be cutaways, at $74,000 per vehicle, that would be replaced as ridership increases by heavy-medium duty buses in FY 2018 (based on MnDOT's five-year replacement schedule for this vehicle type). The larger

Figure 13-3 Facilities, Capital Cost Projections

	Fiscal Years 2013-2022									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Park-and-Ride Facilities and Improvements	$3,011,800	$373,000		$15,102,600						
Track Improvements/replacement				$37,800,000						
TOTAL CAPITAL EXPENSES (Excludes Vehicles)	**$3,011,800**	**$373,000**	**$0**	**$52,902,600**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Assumes Northstar rail extension operational in 2017

Cost per mile of track improvement based on 2007 Northstar costs (projected to 2017), from Anoka County

Figure 13-4 Park-and-Ride Facilities Cost Projections

	Parking Lot + Bus Circulation	Land Acquisition	Lights	Signage	Rail Facility	Security Cameras	Bicycle Racks	Trash	Shelters	Total Estimate
Nisswa Park-and-Ride	$79,000	$90,000	$4,200	$800						$174,000
St. Cloud Rail/Park-and-Ride	$1,000,000	$1,050,000	$33,600	$2,100	$6,000,000	$40,000	$1,200	$600	$36,000	$8,163,500
Albany Park-and-Ride			$4,200							$4,200
St. Joseph Park-and-Ride	$415,200	$600,000	$16,800	$1,100		$12,000	$400	$300	$24,000	$1,069,800
Cold Spring Park-and-Ride	$6,000		$6,300	$700		$4,000	$400	$300	$12,000	$29,700
Albertville Park-and-Ride	$175,400	$150,000	$6,300	$700		$4,000	$400	$300	$12,000	$349,100
St. Michael Park-and-Ride	$415,200	$520,000	$12,000	$1,100		$12,000	$400	$300	$24,000	$985,000
Maple Lake Park-and-Ride				$800						$800
Rockford Park-and-Ride				$1,400		$12,000	$400	$300	$12,000	$26,100
Buffalo Park-and-Ride	$178,000	$350,000	$6,300	$1,100		$4,000	$400	$300	$12,000	$552,100
Isanti Park-and-Ride	$79,000	$110,000	$4,200	$800						$194,000
Becker Rail/Park-and-Ride	$341,000	$520,000	$12,600	$800	$6,000,000	$40,000	$400	$300	$24,000	$6,939,100
TOTAL CAPITAL OUTLAYS	**$2,688,800**	**$3,390,000**	**$106,500**	**$11,400**	**$12,000,000**	**$128,000**	**$4,000**	**$2,700**	**$156,000**	**$18,487,400**

Costs vary depending on location and specific site requirements. Per unit costs from MnDOT and facility development projects in the Metropolitan Council area were used.

Land acquisition costs: basic land value assumptions from Greg Thompson, MnDOT District 3

Figure 13-5 Bus Service - Vehicle Purchase Option, Capital Cost Projections

	Fiscal Years 2013-2022									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Bus Vehicle Expenses (Optional: If Vehicles are Purchased)	$3,935,500	$0	$0	$0	$0	$692,300	$0	$0	$0	$0
Cold Spring-St. Joseph-St. Cloud	$222,000					$692,300				
Buffalo-Minneapolis	$1,591,500									
St. Michael-Minneapolis	$2,122,000									
TOTAL BUS CAPITAL EXPENSES	**$3,935,500**	**$0**	**$0**	**$0**	**$0**	**$692,300**	**$0**	**$0**	**$0**	**$0**

Annual inflation rate for all costs is assumed to be 3%.

Vehicle capital purchases assume acquisition of one spare for each service.

Vehicle replacement for cutaway (medium-light duty) bus after 5 years; for other vehicles after 12 years.

Assumes replacement of cutaway buses on Cold Spring-St. Cloud Route with Heavy-Medium Duty buses in Year 5.

Vehicle costs, except over-the-road coaches, from MnDOT Office of Transit. Costs for coaches from Minnesota Intercity Bus Network Study, 2010, assuming inflationary increment.

Figure 13-6 Rail Service - Vehicle Purchase Option, Capital Cost Projections

	Fiscal Years 2013-2022									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Rail Vehicle Expenses				$61,229,300						
TOTAL VEHICLE CAPITAL EXPENSES	**$0**	**$0**	**$0**	**$61,229,300**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

Annual inflation rate for all costs is assumed to be 3%.

Assumes Northstar rail extension operational in 2017

Rail vehicle costs based on 2007 Northstar vehicle purchase costs, from MnDOT, assuming inflationary increment

buses are $202,000 each. Service on the Buffalo-Minneapolis and St. Michael-Minneapolis routes would be provided by over-the-road coaches at a cost of about $530,000 per vehicle. The total purchase price for vehicles to operate service beginning FY 2013 is $3.9 million. Due to this high cost, it would be beneficial to pilot the service using vehicles that are already owned or operated by agencies or contractors within District 3.

Northstar service is operated using refurbished train sets. Rail vehicle expenses are projected to be $61.3 million in FY 2016 for the purchase of coaches (nearly $3.0 million each and locomotives at about $3.25 million each). Total costs for vehicles to provide the additional service between Big Lake and St. Cloud are projected at $61.2 million.

VANPOOL AND RIDESHARE PROGRAM COSTS

Implementation of vanpools is assumed to be part of a complete commuter service program but could be conducted independent of the other regional rideshare and guaranteed ride home program initiatives discussed in Chapter 11. For purposes of this study, rather than having an entity purchase vanpools, it is assumed that vanpools would be acquired through a vanpool leasing company, such as VPSI or Enterprise. Under such a program, a leased vanpool typically includes the cost of a van, maintenance, full insurance (including liability, medical, uninsured motorist, and comprehensive/collision). Fuel is typically not included in the cost of a vanpool leasing program, but a lead agency in District 3 could incentivize vanpool use by offering some fuel benefits, and up to $5,000 annually in fuel benefits or other incentives are assumed in the projected operating costs. The monthly costs for the vans themselves would be paid by the participating vanpoolers and/or employers and usually vary based on the size of the vehicle. An estimate from Enterprise leasing obtained for this study assumed a 12 passenger van traveling 55 to 75 miles round trip each day would be $1,215 per month. With 12 passengers, each individual's vehicle cost would be $102. An estimate for fuel would range from $423 to $577 depending on the miles (estimated at $4.40 gal), so the total monthly cost per-person cost could be about $136 to $149 per person.

Costs shown in Figure 3-7 assume that start-up of a vanpool program would require about .35 full-time employee equivalents (FTE) during the first year (assumed as FY 2014) and about .25 FTE in subsequent years. Additional commuter service programs would require varying levels of effort from staff and operations costs attributed to incentives and marketing tools. The importance of a GRH program was addressed in this study, and the assumption is that such a program would require increased funding in transportation costs to cover the guaranteed rides home. Additional costs are assumed for rideshare program administration and marketing — something which is currently done by TRC and the Metropolitan Council — and for information and assistance to be provided in commuter options trip planning and employer outreach. Chapter 14 talks about the role of a proposed Transit Coordinating Council, which could be housed under the lead commute services entity, so administrative costs for staffing such a council are also assumed.

There would be some basic capital requirements (office equipment, computers), but these are assumed to be available from the lead agency or entity managing the regional commuter services effort.

Figure 13-7 Non-Transit Commuter Services Basic Operating Cost Assumptions

	Fiscal Years 2013-2022									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Non-Transit Regional Commuter Programs (Combined)	$82,000									
Rideshare Program Administration and Marketing		$26,265	$27,053	$27,865	$28,700	$29,561	$30,448	$31,362	$32,303	$33,272
Vanpool Program Administration and Marketing		$34,711	$21,748	$22,401	$23,073	$23,765	$24,478	$25,212	$25,969	$26,748
Guaranteed Ride Home(GRH) Program		$33,561	$34,002	$47,022	$48,433	$49,886	$51,382	$52,924	$54,511	$56,147
Management of Transit Coordinating Council		$8,446	$8,699	$8,960	$9,229	$9,506	$9,791	$10,085	$10,388	$10,699
Information/ Commuter Options Trip Planning/ Employer Outreach		$21,115	$21,748	$22,401	$23,073	$23,765	$24,478	$25,212	$25,969	$26,748
TOTAL COSTS	**$82,000**	**$124,098**	**$113,251**	**$128,649**	**$132,508**	**$136,483**	**$140,578**	**$144,795**	**$149,139**	**$153,613**

Notes/Assumptions:

Vanpools are not purchased, but are provided via a contract with a vanpool leasing company such as Enterprise or VPSI

$82,000 for TRC baseline funding in 2012 for providing future annual rideshare program operating costs

3% inflationary increment

Additional staff hours (10% FTE) for GRH program implementation in Year 1 (FY 2014); initial GRH reimbursements at $4,000 (FY 2014), increasing to $12,000 FY 2015, and $24,000 FY 2016; ongoing increases based on CPI growth.

Additional 10% FTE staff hours for vanpool program implementation in Year 1 (FY 2014)

FUNDING STRATEGY

Public transit funding in Minnesota comes from state, local, and federal funds. MnDOT administers state and federal funds in District 3 and for all of Greater Minnesota Operating funds come from four primary sources: fare revenues, miscellaneous revenues (leases, contracts, etc.), Federal Transit Administration (FTA) formula funds (Sections 5307 and 5311) and special-purpose funds, and the State Motor Vehicle Sales Tax (MVST).

Capital funds come from a wider variety of federal, state, regional, and local sources. With the exception of FTA Section 5307 and state funding formula allocations, most other capital funding sources are one-time, competitive grants.

Formula funds are projected to remain constant or even decline in the short-term. Discretionary funds are competitive, are not guaranteed, and tend to be used for capital improvement projects. No new federal or state funds are anticipated even with reauthorization of the new federal transportation bill expected in 2012. In this current economic climate of fiscal austerity it is challenging for many transit agencies to fund their current operations and planned capital improvement projects. Implementing new services, especially any service outside of an existing transit agency, will likely require additional funding sources.

Potential funding sources that can be pursued in District 3 for both transit operations and capital investments are presented in Figure 13-8. The figure first presents federal funding opportunities followed by potential revenues derived from state, regional and local sources. It then reviews opportunities for generating private funds.

Federal Funds

The Federal Transportation Bill which passed in 2005 is known as the “Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users “SAFETEA-LU” and was originally set to expire in 2009; however it has been extended until a new six year federal transportation bill is approved. Central Minnesota's transit operators have received funding under all of the programs described in the following section, and it is anticipated that these programs will continue when a new bill is approved in 2012.

The next Federal Transportation Act is likely to provide significantly less funding than in 2005. Current revenues into the Federal Highway Trust Fund are not enough to maintain current levels of funding, and it appears unlikely that Congress will agree to an increase of the federal fuel excise tax to provide additional funding.

For urbanized areas — St. Cloud and the southern portions of District 3 — FTA Section 5307 funds are apportioned for operating and capital projects (and typically fund 80% of the costs for capital projects, 50% for operations). St. Cloud Metro Bus has received both capital and operating funds under Section 5307, and it is likely that this will continue to be a source of capital and operating funds in the future, as well. All preventive maintenance is considered a capital cost.

MnDOT administers the non-urbanized area formula program (Section 5311), which is used by most of the rural transit operators in District 3. Transit funding in Greater Minnesota has also been allocated from Job Access and Reverse Commute (Section 5316) funds and New Freedom (Section 5317) funds. In addition to these, funds are available for specific projects from the various discretionary programs, such as the New Starts program, which is used to fund new fixed guideway transit operations, including the Northstar commuter rail project. Congestion

Mitigation and Air Quality Improvement (CMAQ)/Surface Transportation Program (STP) program funding has also been used in District 3. Since these funding sources are not formula-based or guaranteed, it would be necessary to apply for these competitively awarded funds.

State, Regional, and Local Funds

As shown in Figure 13-8, the primary state revenue sources for transit (and commuter transportation) are the MVST — which allocates at least 40% of revenues to transit, with 4% of the total tax fund going to Greater Minnesota transit — along with the Minnesota State General Fund. In some jurisdictions, local transportation sales tax measures have funded transit enhancements, along with a motor vehicle excise tax.

Major capital investments (usually for highways, but potentially also for transit improvements) can also be funded by bonding. General obligation bonds (GO Bonds) must be authorized by the Minnesota State Legislature to finance construction of projects allowing them to be paid off over a 20-year period. GO Bonds were used for the Northstar commuter rail corridor.

In 2001 the Minnesota State Legislature passed a law that now prohibits the use of property tax levies for metropolitan transit operations. Minnesota also does not allow for traffic impact fees, which are often used in other states to support new commuter transit services or local shuttle operations. Minnesota allows for a motor vehicle excise tax, which can be used to fund special transportation projects, such as HOV lanes, new transit facilities, or other projects or programs that have voter support. This could generate limited funding for some special commuter enhancements. Likewise, a local transportation sales tax could be levied, if approved by voters, for potential capital investments.

Private Funds

Direct or in-kind contributions can provide important marginal support for transit services. It is common, for instance, for retailers and merchants to financially contribute to a local downtown shuttle service, and major employers often contribute significantly to transit linking job sites to major rail or bus connections. These contributions can include direct annual contributions for operating costs, or contribution of capital facilities such as passenger benches and shelters.

Figure 13-8 Primary Funding Sources for District 3 Commuter Transportation Operations and Capital Investments

Program Fund Source	Funding Purpose	Allowable Use of Funds	Applicability for District 3 Service and Capital Enhancements	Comments
Federal Fund Sources				
FTA Section 5307	Transit funding for urbanized areas; distributed to regions on urbanized area (50,000+) formula.	50% of operating costs and 80% for capital costs	May be used to fund operations and capital purchases related to commuter bus services; may also be used for planning.	Formula funding could be shared among jurisdictions to provide regional commuter service. This is a primary federal funding source for Metro Bus.
FTA Section 5309 Capital Program (Congressional Earmarks)	Provides federal funds for bus and bus facilities and New Rail Starts.	Transit capital projects	Potential for funding replacement vehicles, new transit centers, rail, and future bus capital requirements.	Work with Congressional delegation to secure federal funding for high priority large-scale capital projects in the transportation bill. Projects may be positioned to receive "earmarks" in the next funding cycle if they are high profile and have local and regional support.
FTA Small Starts	To fund corridor-based bus projects that cost less than $250M, and no greater than $75M.	Transit capital projects	Potential for funding bus capital investments.	Small Starts funding is very competitive, and has high administrative and reporting requirements. Projects with transit supportive policies, economic development and strong local commitment are strong competitors.
FTA Section 5311	Enhance access for those living in non-urbanized areas and improve public transportation systems in rural and small urban areas.	50% of operating costs and 80% for capital costs	Formula based funding, apportionment by area; may be used to fund rural commuter bus services.	Funds are distributed on a formula basis to rural counties throughout the country. A portion of 5311 funds is set aside for a Tribal Transit Program, which provides direct federal grants to Indian tribes to support public transportation on Indian reservations.
FTA Section 5311(f)	Funds public transit projects that serve intercity travel needs in non-urbanized areas.	50% of operating costs and 80% for capital costs	Regional intercity transit could potentially be used to serve commuter needs in specific corridors, on specific runs	5311(f) services currently operate in Minnesota.
FTA Section 5316 Job Access and Reverse Commute (JARC) Program	Provides funding for local programs that offer job access for low-income individuals.	50% of operating costs and 80% for capital costs	Potential for new service that is oriented for low income residents to travel to work sites.	JARC funds are distributed to states on a formula basis, depending on that state's rate of low-income population, and then are awarded within the state following a competitive process. St. Cloud Metro Bus used JARC funding to establish Route 75.

Program Fund Source	Funding Purpose	Allowable Use of Funds	Applicability for District 3 Service and Capital Enhancements	Comments
FTA Section 5317 New Freedom Program	To support new public transit services beyond ADA requirements, including transportation to and from employment.	50% of operating costs and 80% for capital costs	Potential for new service that is oriented to people with disabilities to overcome barriers for traveling to work sites.	New Freedom funds are distributed to states on a formula basis, and then are awarded within the state following a competitive process.
Congestion Mitigation and Air Quality Improvement Program (CMAQ)	Funds projects and programs in air quality nonattainment and maintenance areas.	80% to 100% of costs	May be used for transportation systems management and operations that mitigate congestion and improve air quality, including busway and shoulder operations, carpool/vanpool vehicles, and transit vehicles.	May be available for inter-district services operating into Minneapolis. CMAQ funding decisions are made by the Metropolitan Council.
Surface Transportation Program (STP)	Flexible funding for highways, roads, transit capital projects, and bus terminals and facilities.	80% to 100% of costs	Used primarily for highway safety and facility projects. Could be used for buses, intermodal facilities, including park-and-ride facilities in District 3.	STP funds have been used for a number of highway projects and to purchase buses for operators in District 3.
TIGGER (Recovery Act)	Federal funding program for transit agencies pursuing projects to reduce energy consumption or greenhouse gas emissions.	Capital projects only	Potential for vehicle replacements or other capital Infrastructure improvements.	This program was part of the 2009 American Recovery and Reinvestment Act. It is unclear if this program will be part of a reauthorization of the Federal Transportation Act.
State, Regional and Local Fund Sources				
Safe Routes to School (SRTS) Grant Funding Program	Projects to increase safety and accessibility for students to use sustainable forms of transportation to get to school.	Capital projects only	Funds could be used to pay for infrastructure improvements.	Any District 3 transit provider could partner with school districts and submit a SRTS grant application for infrastructure and other related improvements.

Program Fund Source	Funding Purpose	Allowable Use of Funds	Applicability for District 3 Service and Capital Enhancements	Comments
Motor Vehicle Sales Tax (MVST) (2006 Constitutional Amendment allocated at least 40% of revenues to transit - 36% percent to metropolitan transit; 4% to greater Minnesota transit.)	Transit operations in metropolitan areas and for rural providers. This is one of the primary transit funding sources in Minnesota, but revenues have declined over the past several years.	MVST funds may be used for operating transit services.	Potential funding source for new regional commuter transit services.	A shrinking pool of MVST funds has impacted transit agencies across the state. Nevertheless, this is one of the most likely funding sources for transit operations in District 3.
Minnesota State General Fund	Primarily used for transit operations.	Transit allocations from the State General Fund have been used to offset some of the lost revenues from MVST funds.	Potential funding source for new regional commuter transit services.	Potential competition with other priorities.
Local Transportation Sales Tax	Counties generate sales tax revenues to fund high priority transportation projects such as street/road improvements, transit enhancements or other projects of significance.	A sales tax of 0.5% can be assessed based on approval by the electorate. Funds can be used primarily for capital purposes (for a specific project)	Capital investments in selected District 3 counties could include transit improvements such as HOV lanes, new transit facilities, or other projects or programs that resonate well with the voters.	A one half-cent sales tax increase may not be politically popular for many of the potential capital investments (park-and-ride facilities, HOV lanes) that may be most appropriate in some of District 3 counties. This is not an ongoing source of funds.
Motor Vehicle Excise Tax	Motor vehicle excise tax revenues can be used to fund special transportation projects, including transit enhancements or other transportation projects of significance.	A $20 excise tax on the sale of motor vehicles can be assessed in greater Minnesota counties, is approved by the electorate. Funds must be used primarily for capital purposes (for a specific project).	Investments in selected District 3 counties could include transit improvements such as HOV lanes, new transit facilities, or other projects or programs that resonate well with the voters.	This is not an ongoing source of funds. Motor vehicle excise taxes in most of the rural District 3 counties would generate very small amounts for transit capital investments.

Program Fund Source	Funding Purpose	Allowable Use of Funds	Applicability for District 3 Service and Capital Enhancements	Comments
State General Obligation (GO) Bonds	Allow for the repayment of costs over a long period of time (20 years), reducing the immediate impact of costs for a capital project.	Are used primarily to fund new facilities	GO Bonds could be used for the extension of Northstar rail to St. Cloud, and could also be used for major capital investments (passenger facilities, maintenance facilities).	May be an appropriate mechanism to balance the costs of a major capital project in District 3.
Private Sector Sources				
Public/Private Partnerships	Direct or in-kind contributions can provide important marginal support for transit services. Public/private partnerships can increase overall funding by leveraging "outside" dollars.	Flexible	Support operations and/or pay for capital improvements.	Examples of public/private partnerships exist for universities/colleges, retailers, hospitals, employers, and other institutions. These can include a university or employer transit pass program, ways to fund shelter installation and maintenance, and also direct operations of feeder bus services, subscription bus services and vanpool programs.
Universal Transit Passes	To provide unlimited rides for low monthly fees, absorbed entirely or partially by employers, schools, or developers.	Flexible; helps fund service improvements especially to employers, schools or entities contributing funds.	Can be an effective way to provide a stable source of income with large employers such as offices in Downtown St. Cloud, the VA Medical Center, etc. May be appropriate for regional bus services to St. Cloud State University (SCSU), St. Cloud Technical & Community College (SCTCC), or Central Lakes College (CLC). Would also be a tool for Northstar rail to encourage student ridership.	The principle of employee, school or residential transit passes is similar to that of group insurance plans – transit agencies can offer deep bulk discounts when selling passes to a large group, with universal enrollment, on the basis that not all those offered the pass will actually use them regularly. Metro Bus already has agreements with SCSU and SCTCC for student to ride without paying a fare.
Retail and Merchant Contributions	Retailers may share in the cost of transportation improvements especially if one-time capital improvements or contributions.	Flexible	Primarily capital projects; also operations in some situations.	May require agreement between transit operator(s) and private interests – public/private partnerships.
Employer Contributions	Employers may share in the cost of transportation improvements if beneficial to their employees.	Flexible	Primarily capital projects; also operations especially to subsidize transit passes or vanpools.	Employers sometimes are willing to underwrite transportation to support their workers getting to/from their worksite.

CONCLUSIONS

Transportation providers in District 3 have had success in securing federal, state and regional funds for capital investments and should continue to pursue these funding sources. However, without having the ability to dedicate new local funding to commuter services by collecting additional tax revenues, initiating new services in District 3 will be challenging because there are significant gaps projected between operating costs and fare revenues. Consequently, political and financial support from the jurisdictions that directly benefit from new commuter bus or rail services will be crucial to successful implementation.

To help pay for capital improvement projects, discretionary capital grants to cover a portion of infrastructure needs and other investments will be essential. However, given the expectations for a fiscally constrained environment in the near future and possibly longer-term, as well as the competitiveness of discretionary capital funds, it may not be realistic to expect that government funding alone will be sufficient.