



Transit Advisory Committee

December 15, 2022

Available Resources: Federal Funding Levels and State Revenue Forecast |

Current and forecast funding for Transit in Greater Minnesota

Impact of Bus Delivery Delays, Cost Increases and Uncertainty |

Discuss the impact of bus delivery delays on the four-year program.

Investment Priorities Moving Forward |

Interactive discussion of trade-offs and investment strategies.

Setting the Framework

Keep in Mind

- This is not a true “balance sheet” approach to discussing use of available funds.
- Budget Targets are set annually based on available state and federal funds.
- There are other revenue sources and expenditures that are not accounted for in our discussion

Setting the Framework

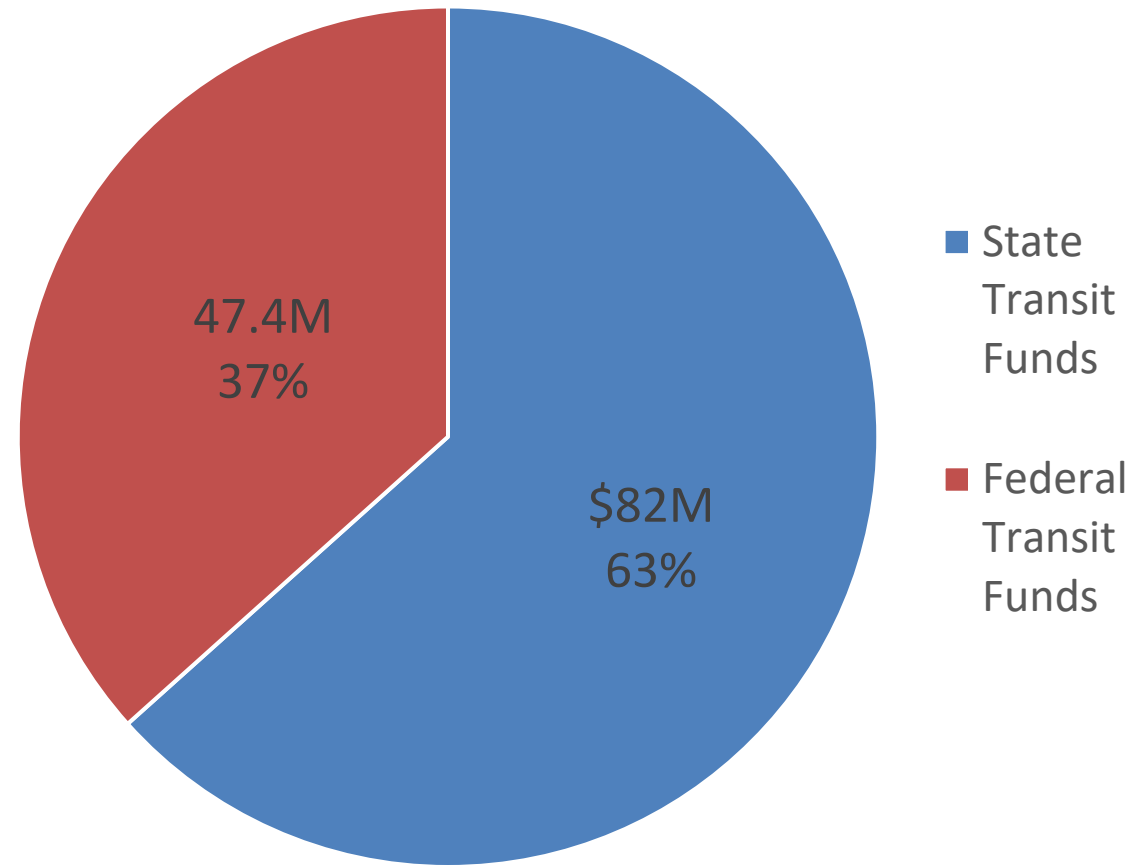
Keep in Mind

- OTAT is able to carry balances forward from year to year within limits
- Presenting revenue and expenditure information across three different fiscal years.
 - State (July to June)
 - Federal (October to September)
 - Local (January to December)

Setting the Framework

Ultimately ,we must balance revenues and expenditures over time. Today's discussion is about how to best sustain transit service in Greater Minnesota

The Source of OTAT Managed Funds (2022)



2022 State Funds Broken Down

Greater Minnesota Transit Account-\$65M

Established Formula

Motor Vehicle Sales Tax

Leased Vehicle Sales Tax

General Fund- \$17M

Set in the biennial budget.

Greater Minnesota Transit Account Forecast

| 2022 February Forecast | |
|------------------------|--------------|
| State Fiscal Year | |
| 22 | \$69,000,000 |
| 23 | \$72,000,000 |
| 24 | \$71,000,000 |
| 25 | \$72,000,000 |
| 26 | TBD |



| 2022 December Forecast |
|------------------------|
| \$65,000,000 (actual) |
| \$64,000,000 |
| \$63,000,000 |
| \$63,000,000 |
| \$64,000,000 |

2022 General Fund Proposal

- In February of 2022, the State surplus exceeded **\$9 billion**
- The Governor's supplemental budget proposal included an additional **\$7M/year** in General Fund
- The supplemental budget was not passed, and the estimated surplus has grown to **\$17.6B.**
- Reasonable to expect that Governor's budget will include the **\$7M/year** request in 2023 Biennial Budget proposal.

State and Federal Funding 2023-2026

Projected State and Federal Funds Available: \$ **520.0M** (excluding 5307)

| State Fiscal Year | Available Grantable State Funds | | Available Grantable Federal Funds | | | | |
|-------------------|---------------------------------|-----------------------------|---|---|--|---|-----------------------------|
| | Transit General Fund | GMTA Fund (Transit MVST) | Section 5311 - Rural Transit Assistance | Section 5339 - Capital Bus and Bus Facilities | Flexible FHWA STP (Surface Transportation Program) | Direct Approp. to Small Urbans - Section 5307 | Total Federal Transit Funds |
| 22 | \$17,749,000 | \$65,000,000 | \$14,155,904 | \$4,282,000 | \$8,000,000 | \$11,871,000 | \$38,308,904 |
| 23 | \$17,749,000 | \$64,000,000 | \$18,402,675 | \$5,566,600 | \$8,000,000 | \$15,432,300 | \$47,401,575 |
| 24 | \$17,749,000 | \$63,000,000 | \$18,770,729 | \$5,677,932 | \$8,000,000 | \$15,740,946 | \$48,189,607 |
| 25 | \$17,749,000 | \$63,000,000 | \$19,333,851 | \$5,848,270 | \$8,000,000 | \$16,213,174 | \$49,395,295 |
| 26 | \$17,749,000 | \$64,000,000 | \$19,720,528 | \$5,965,235 | \$8,000,000 | \$16,537,438 | \$50,223,201 |

Investment Categories

Operations

Vehicle Replacement

Facilities and Large Capital

New Service

Marketing/Technology/Planning Support

Determining Investment Levels

| | Operations | Vehicle Replacement | Facilities/ Large Capital | New Services | RTCC | Marketing/ Technology/Planning Support |
|-------------|------------------|-------------------------------------|---|-----------------|-------------------------------------|--|
| 2020 | \$ 92.07M | \$ 8.00M | \$ 5.00M | \$ 3.50M | \$ 0.50M | \$ 3.00M |
| 2021 | \$ 95.14M | \$ 9.00M | \$ 5.00M | \$ 3.50M | \$ 0.50M | \$ 2.00M |
| 2022 | \$ 108.5M | \$ 9.00M | \$ 6.00M 7.50M | \$ 1.60M | \$ 0.50M 0.20M | \$ 2.00M |
| 2023 | \$ 113.9M | \$ 9.00M 13.4M | \$ 6.00M 7.50M \$8.60M | \$ (?) | \$ 0.50M 0.18M | \$ 2.00M TBD |
| 2024 | \$ (?) | \$ 9.00M | \$ 6.00M 7.50M | \$ (?) | \$ 0.50M | \$ 2.00M |
| 2025 | \$ (?) | \$ 9.00M | \$ 6.00M 7.50M | \$ (?) | \$ 0.50M | \$ 2.00M |

Millions of Dollars

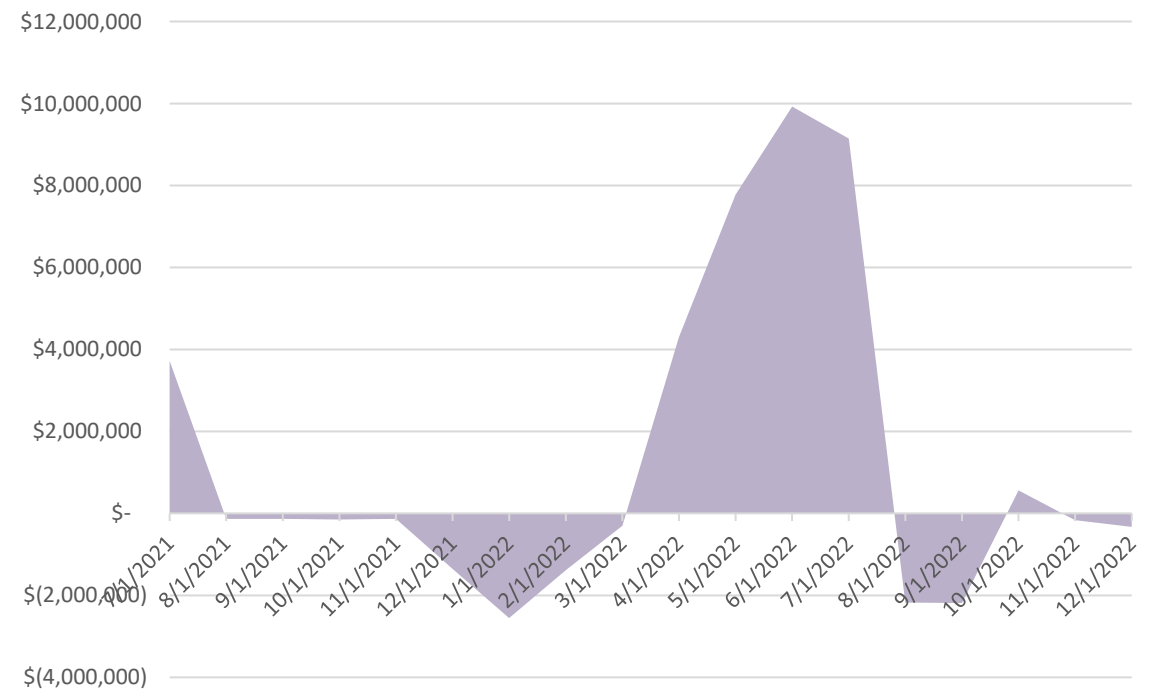
Bus Shortages: The Cost of Delay

| Year of Vehicle Award | # of Vehicles Awarded | Delivered | | |
|-----------------------|-----------------------|-----------|-----------|-------|
| | | 2022 | 2023 | 2024+ |
| 2020/21 | 177 | 11 | 37 | 129 |
| 2022 | 50 | | | 50 |
| 2023 | 51 | | | 51 |
| Additional cost: | | | \$ 68,000 | ??? |

Account Balance Policy

- Not less than 10 percent of the total annual Transit Assistance Fund balance forward from the previous year; and
- Not more than 20 percent of the total annual Transit Assistance Fund balance forward from the previous year.

Greater Minnesota Transit Account Balance Policy



Priorities Moving Forward

Revenue Enhancements for Fiscal Sustainability in 2024 and Beyond

1. Make the case for increased General Funds in light of decreased Motor Vehicle Sales Tax.
2. Propose inclusion of Greater Minnesota Transit Facility Projects in 2023 Bonding Bill
3. Apply for Additional Competitive Federal Grant Programs. (Requires State Match)

Possible Investment Strategies for Fiscal Sustainability in 2024 and Beyond

1. Hold operating contracts flat in 2024
2. Return to 15% local share for Rural Transit Operating Contract in 2024.
3. Increase local share to 20% on vehicle replacement from 10%
4. Reduce size of Facilities and Large Capital Program by deferring projects to future years
5. Reduce Vehicle Replacement budget target to \$8M in 2024.

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Thank you again!

Mark Nelson