

FARGO-MOORHEAD METROPOLITAN COUNCIL OF GOVERNMENT

MATBUS Transit Authority Study



Information Session
September 22, 2020



Agenda

- Welcome
- Review of Key Goals and Objectives
- Study Recommendations
 - Governance
 - Funding
- Implementation Roadmap and Considerations
- General Discussion
- Next Steps

Background

Why a Transit Authority Study?

- Building on previous work:
 - 1999 Transit Authority Study
 - 2016 Transit Development Plan
- MATBUS system growth
- Regional population growth
- Funding implications following the 2020 Census



2020 Census Implications

2020 Census
Released

Fargo-Moorhead
UZA Population
Greater than
200,000

Change in
FTA 5307, STIC,
and 5339 Formula
Grant Programs

Goals and Objectives

- Existing systems we want to improve:
 - Communication among partner agencies, staff, and management
 - Decision-making processes
 - Equity – funding, representation, process
- Ability address funding gap
- Identify key considerations for implementation of new governance and funding models

Recommended Governance Alternatives

Recommended Governance Alternatives

- Long-term Recommendation: ND Authority
 - New government agency in ND
 - Taxing authority
 - Area: Fargo and West Fargo
 - Contract to provide services to Moorhead and Dilworth
 - Requires ND enabling legislation
- Interim Recommendation: Metro COG Management
 - Centralized Transit Director position to oversee policy, inter-governmental relations, and authority implementation
 - Unified MATBUS visioning, long-term planning and decision-making

Why two alternatives?

- Q: Why not stop at the interim solution? This solves a lot of the communication and decision-making problems.
- A: It doesn't solve the funding gap. Cities will have to fill in the gaps early on and will be stuck with those increased costs over the long run unless an Authority is founded to generate new revenue streams.



Long-Term Recommendation

Long-term Recommendation: ND Authority

- New government agency, requiring ND enabling legislation
- Ability to levy taxes
- Geography: Fargo and West Fargo – with growth potential
- Moorhead and Dilworth will purchase transportation under contract with the new authority
- Once established, could expand to bi-state authority

Long-term Recommendation: ND Authority

Why not a bi-state authority?

- Linking to project purpose and need
- MATBUS' ND service area has both the greatest expansion pressures and the most significant funding shortfall
- Potential to simplify City of Moorhead process and clarify role in system oversight
- ND Transit Authority does not preclude a bi-state authority

Long-term Recommendation: ND Authority

Purpose

- Provide independence for the transit agency to solve regional issues
- Unify MATBUS visioning, long-term planning and decision-making
- Improve communication and coordination
- Authority to issue levy provides potential for new, stable funding source if passed

Long-term Recommendation: ND Authority

Decision Making

- Governed by new Transit Authority Board
- Staffed by single Transit Director

What happens to existing MATBUS staff?

- Transit expansion and increased compliance areas will result in re-allocated duties
- Long-term: Management staff hired by Transit Authority
- Transit Authority oversees operations contract

Transit Authority Scope

- Appoint/elect transit authority board of directors
- Adoption of the authority strategic plan, operating agreement, and transit asset transfer agreement
- Assign the transit authority as FTA recipient for the Fargo-Moorhead metro area
- Board appoints transit director (most likely transit director housed at Metro COG, but subject to the new board's approval)
- Start collecting authorized taxation (property tax levy/sales tax/utility fee)
- Select transit operating contractor
- Transfer assets from cities to the transit authority as necessary
- Transfer transit staff from Fargo and Moorhead to new authority
- Start operations under a new operating contract between the authority and the selected transit operations contractor

Links to Funding

- For both interim and long-term models:
 - Service agreements
 - Multi-year, but reviewed annually
 - Allocated by revenue hours or similar method
 - Service agreements do not dictate level of service, but rather membership in a MATBUS system; when they agree to participate, they give control to the Transit Director (under guidance of governing board) to allocate service appropriately.
 - Requirements for prior notice of withdrawing from the service to ensure that the Transit Director can adequately budget and plan. This could be in any new service agreement
 - Local share of expenses is still the responsibility of the jurisdictions receiving transit service
 - Some funding options can be implemented without an authority



Interim Recommendation

Interim Recommendation: Metro COG Oversight

Purpose

- Provide independence for the transit agency to solve regional issues
- Unify MATBUS visioning, long-term planning and decision-making
- Improve communication and coordination
- Transit authority implementation
- Metro COG well-positioned
 - Already has bi-state, regional approach
 - Metro COG housed and operated the region's transit service in 1970s

Interim Recommendation: Metro COG Oversight

Decision Making

- New Transit Director position
 - Employee of Metro COG, report to Metro COG Executive Director and Metro COG Policy Board – primary venue for local government partner input
 - “CEO” for transit to oversee and coordinate decisions for internal MATBUS operations
 - Negotiator – with municipalities, community partners (e.g., higher ed.)
 - Single point of contact for management and operations approvals and proposals
 - Unified approach to capital and service planning
 - Mandate to best serve the region, rather than jurisdictions
 - Hiring decisions for MATBUS staff
- Governed by Metro COG Policy Board
 - Advised by Transportation Technical Committee

Interim Recommendation: Metro COG Oversight

MATBUS Staff

- New Transit Director position
 - Direct and oversee performance all MATBUS staff
 - First recommendations on hiring, career and compensation decisions for MATBUS staff
- What happens to existing MATBUS staff?
 - Option 1: Remain employees of the Cities of Fargo and Moorhead
 - Until creation of Transit Authority
 - Option 2: Re-hired by Metro COG
 - If Transit Authority becomes infeasible
 - Enables Transit Director to enact MATBUS' vision

Financial Alternatives

Assumptions

- Cumulative impact of becoming a TMA yielding approximately a \$1.2 million operating funding gap assuming Fall 2019 levels of operations
- The largest portion of the funding gap consists of federal dollars designated for the North Dakota portion of the MATBUS service area
- Our understanding is that the State of Minnesota will likely continue its commitment to funding a similar share of operating expenses

Assumptions

- Funding scenarios generally assume 21 percent increase in service by 2027 and a 43 percent increase in service by 2037.
 - A corresponding growth in operational funding would require an additional \$2.3 million to \$4.6 million annually, based on the 2018 MATBUS operating budget of \$10.8 million (Fargo and Moorhead combined).
 - Estimates established by 2018 Facility Study and ongoing TDP
- Capital funding changes result from two funding shifts:
 - FTA Section 5307 limits to operating dollars
 - Change in FTA 5339 funding tier
 - \$530,000 in federal dollars each year, requiring 20% match

Evaluation Criteria and Considerations

- Annual Revenue Potential
- Ability to Address Funding Gap
- Ease of Implementation
- Need for Local and/or State Legislation
- Equity
- Economic Risk

Evaluation Criteria and Considerations

- Estimated annual revenues (FY2023-2027) for the preferred alternative
- Ability to replace or supplement existing mechanisms
- Ability to support expanded transit service identified in regionally adopted planning documents
- Outcomes of 20-year funding horizon
- Ability to “braid” or match other funding sources and leverage funding through preferred governance model
- TAC Input

Linkage to Governance Model

Can be done
independent of
Transit Authority

- Fare Increase
- Advertising
- Local Property Tax
- Local TNC Fee
- County Income Tax
- Transit Utility

Transit Authority
Benefit

- Transit Assessment District
- Regional Property Tax
- Sales Tax

Other Revenue Sources

- Current:
 - Advertising – Fargo received \$259,673 in bus advertising in 2018, but it was as high as \$421,722 in 2017. It also received \$2,710 in bus bench advertising in 2018. Bus shelter advertising should be considered.
 - Concessions and Vending – Fargo received \$7,326 in vending machine revenue in 2018.
- Potential:
 - County Wheel Tax – would require state enabling legislation.
 - Local Gas Tax – would require state enabling legislation.
 - On-street parking fees – currently not allowed under North Dakota state law. If this changes in the future, MATBUS should attempt to receive a portion of the revenues.

Conclusions/Discussion

- While no single financial alternative is perfect, a North Dakota Transit Authority with the ability to levy a **sales tax or property tax millage** has the **greatest potential to address current and future funding needs.**
- A sensible approach would be to pursue this as a long-term solution, while implementing several **other locally adoptable interim solutions**
- Discussion: **Which concepts should be carried forward as the preferred alternative?**

Implementation Roadmap

Implementation Tasks

Governance

- Appointment of ND Transit Authority Board
- Board Representation
- Asset Ownership

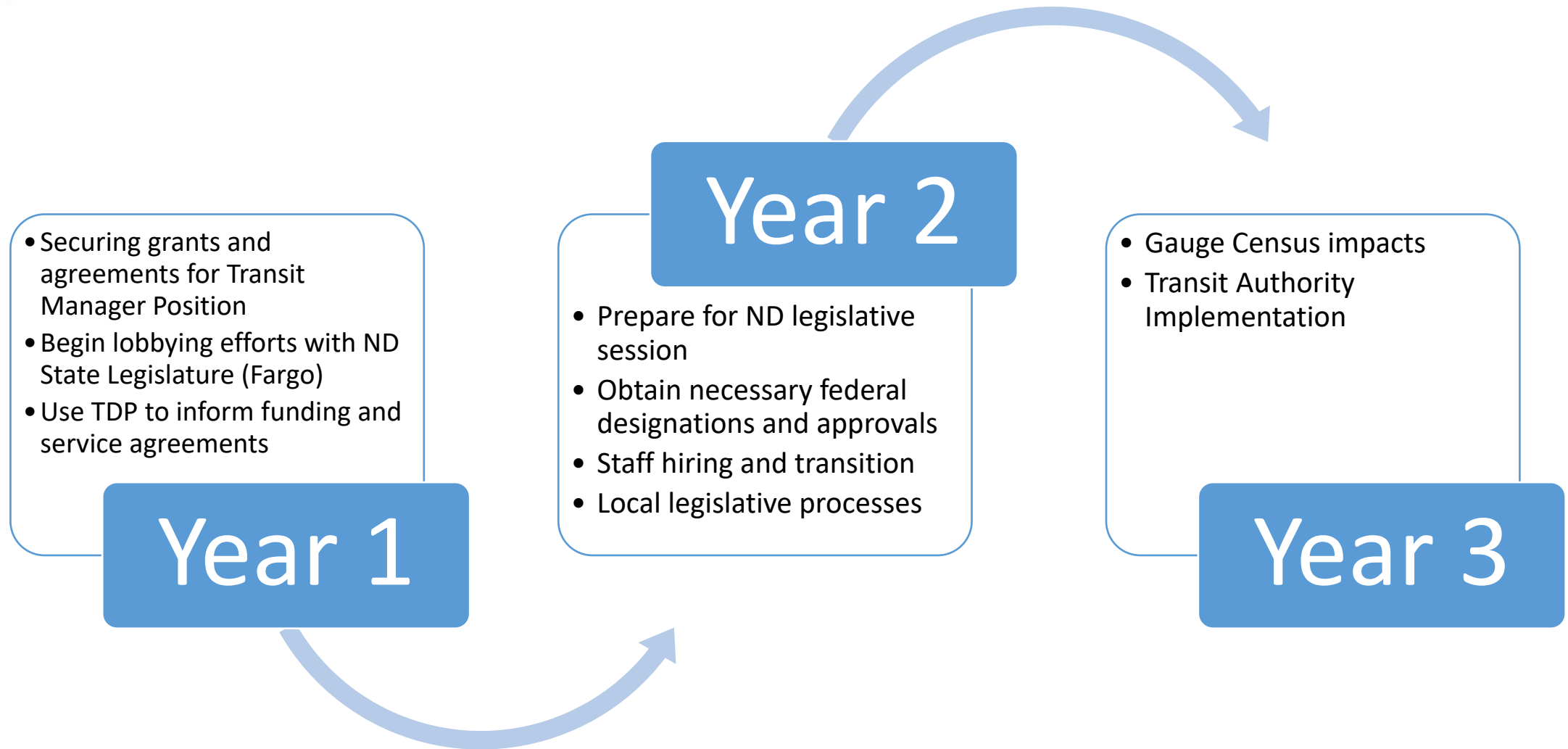
Management and Operations

- Transit Director
- Agency Reorganization

Funding

- Local, near-term funding decisions
- Taxing Authority

Implementation Phasing – In Progress



Transition Process

- Who's involved?
 - Transit Director, Metro COG Policy Board, Metro COG staff, Local leadership in ND
- Drafting a transit authority strategic plan
 - Identify objective, consensus issues to be addressed and implemented
 - Revisit funding splits for shared capital purchases and state of good repair investments relative to decision responsibility and benefits
- Drafting operating agreements with partner jurisdictions

Tasks

- Drafting asset transfer agreements
 - From cities to the authority
 - Clauses on insurance and liability.
- Confirming the authority purchase Moorhead's share of ownership
 - Charge back the capital cost as an element of the new operating agreement
- Drafting an organizational structure and board composition.
 - Determine criteria for representation and qualifications: by jurisdiction, at-large, or funding share
 - Appointed or elected – ultimately, will be up to the legislature
 - Draft human resource, employment, compensation and benefits policies of transit authority staff

Tasks

- Finalize preferred financial alternative implementation plan for revenue collection
- Draft backup policies in the event the North Dakota legislature is unwilling to pass enabling legislation
 - Metro COG will need to consider becoming the permanent owner and operator of MATBUS through an intergovernmental agreement.

Legislative Considerations

Legislative Guidance Memo

- Metro COG Articles of Association will need to be updated to allow for implementation of transit projects.
- An authority that levies a sales tax is much more challenging legislatively when compared to other funding mechanisms like property taxes.
- Closest example of an authority model in North Dakota is an Airport Authority – a similar governing body would be most consistent with the recommendations of this study.
- Build off existing model allowed in ND Joint Powers Act.

Questions?