

## Attachment 4

### Establishing the CTIB Share of Transitway Operating Costs Term Sheet

The Counties Transit Improvement Board (the “Board”) has under consideration the dissolution of the joint powers agreement that is currently in place. A requirement of the Board’s action on dissolution is to have its current funding commitments assumed by individual county members in whole or in part. Certain of the funding commitments provide payment by the Board of a share of the net operating cost for the currently operating lines, including: METRO Blue Line LRT, METRO Green Line LRT, Northstar Commuter Rail, and METRO Red Line BRT. Funding commitments for future lines include: Southwest LRT (METRO Green Line Extension), Bottineau LRT (METRO Blue Line Extension), and I-35W South BRT (METRO Orange Line). This term sheet describes the provisions related to payment of the CTIB Share in 2018 and beyond for operating transitways, It will further provide the basis for establishing the CTIB Share for future lines when operations commence.

This Term Sheet is summary in nature and not intended to be a complete statement of the terms of the intended agreement/s among the parties. The parties to the agreement or agreements referred to in the Term Sheet include the Metropolitan Council as recipient of the funds described and the following counties:

METRO Blue Line LRT	Hennepin County
METRO Green Line LRT	Hennepin County & Ramsey County
Northstar Commuter Rail	Anoka County & Hennepin County

This term sheet acknowledges that the Metropolitan Council has agreed to pay 100 percent of the Net Operating Costs of the METRO Red Line BRT, and that there will be no agreement between Dakota County and the Metropolitan Council for the CTIB Share of those costs.

#### Term of Agreement

The agreement will apply to Net Operating Cost incurred beginning January 1, 2018 and ending December 31, 2022, and will automatically renew for consecutive five-year periods, as amended from time to time, unless otherwise agreed to by the parties or as provided for under “Termination” herein.

#### Definitions

Net Operating Cost, Operating Revenue and Operating Expense will have the same meaning as in the current Master Operations Funding Agreement. Relevant sections of the Master Operations Funding Agreement are reproduced below for ease of reference:

Net Operating Cost or Net Operating Costs shall be defined as the Operating Costs attributable by Council to a Grant Period less Operating Revenues. Net Operating Costs, defined herein and applicable to this Agreement, shall be derived in a manner consistent with the system of accountability agreed to by the Parties in this Agreement.

## Attachment 4

Operating Costs means the costs of operating a Transitway Service. This includes direct costs attributable to Transitway Service operations and indirect costs attributable to Transitway Service as follows:

- a. Federal A-87 Support Service Allocation: The Federal Transit Administration ('FTA') has established federal guidelines that allow support services that cannot be charged directly to be allocated between operating and capital operations per OMB Circular 122 Section A-87.
- b. Modal Allocation: The Metro Transit Modal Allocation is for joint operating expenses of Metro Transit that support both bus and rail operations, but not capital expenditures. These joint operating expenses are not included in the Federal A-87 Support Service Allocation per federal guidelines, as they only support operational needs.
- c. Metropolitan Council Allocation: The Metropolitan Council provides support services for all operations within the metropolitan Council. These support services are allocated to each Council Operating Unit.
- d. Contracted Services Overhead Allocation: The Metropolitan Transportation Services department supports contracted Transitway Service operations. These overhead costs are incurred for the administration of contracts with external providers.

The parties agree that the definition of Operating Costs does not include life cycle capital replacement needs, including rolling stock.

Operating Revenue means revenues reasonably attributable or allocable to a Transitway Service for a Grant Period, including but not limited to:

- a. Revenues attributable by Council, in consultation with Board, to operation of Transitway Service, including but not limited to passenger fares, auxiliary revenue such as advertising, metropolitan Airports Commission Service Revenue, and other miscellaneous revenues such as interest income;
- b. Any and all federal funds or other applicable funding sources or revenues available to Council that are specifically designated for operation of Transitway Service;
- c. Any and all federal funds or other applicable funding sources or revenues allocated by Council, in consultation with Board, for operation of Transitway Service.

If significant specially designated revenues for operations of Transitway Service are received from the State Legislature, the Parties agree to meet and determine the impacts on Operating Revenues and Net Operating Costs.

Proportionate Share of Shared Use Facility Costs means the allocation of Operating Costs of major shared use transitway station facilities, including park and ride facilities that serve express bus routes, according to the following methodologies:

- a. For Rail/Bus Shared Use Facilities: Operating Costs shall be allocated to each respective mode using a weighted formula, with a 50 percent weight given to ridership for each route using the facility, and a 50 percent weight given to the number of scheduled trips for each route using the facility.

## Attachment 4

- b. For BRT/Bus Shared Use Facilities: Operating Costs shall be allocated to each respective mode based on the number of scheduled trips for each route using the facility.

The Proportionate Share of Shared Use Facility Costs will be calculated for the 2018 Base Share amount, and then recalculated every three years on the facilities agreed to for each individual corridor.

Transitway Service means the operation of a light rail transit, commuter rail transit, or bus rapid transit line, currently including the Hiawatha LRT transitway (operating as the METRO Blue Line), the Central Corridor LRT transitway (operating as the METRO Green Line), and the Northstar commuter rail transitway. Transitway Service does not include the operation of Arterial bus rapid transit, regular route bus, express bus, Metro Mobility or any other transit services.

### Supplanting Prohibited

Funds provided under the agreement or agreements must supplement, and not supplant, state, federal or other sources of assistance available and such sources may not be diverted to maximize county contributions. Funds provided may only be used to pay Operating Costs of Transitway Service, and may not be used pay the cost of any non-Transitway Service directly or indirectly.

### Source of Funding

Unless otherwise determined at the sole discretion of each county, the source of funding is taxes imposed under Minnesota Statutes § 297A.993. Payment in any year is subject to annual appropriation of each county.

### CTIB Share

The CTIB Share of Operating Costs in any year will be the sum of the Base Share and the Non-Annual Share.

### Base Share

The Base Share is for annual Operating Costs incurred for the normal day to day operations of Transitway Service. These costs can include:

- Labor and Benefits
- Contracted Services including Professional and Technical Services
- Materials, Parts and Supplies including Fuel, Repair Parts and Repair Supplies
- Other Expenses including Utilities, Insurance, Leases and Rentals, Advertising, Training
- Allocated Expenses including Modal Allocations, A-87 Federal Allocations, Metropolitan Council Allocations, Contracted Service Allocations

## Attachment 4

The CTIB Base Share will be the following amounts in 2018, increased by 3.15% in each year thereafter, unless adjusted from time to time as specified herein.

METRO Blue Line/Green Line LRT*	\$ 25,051,223 [placeholder]
Northstar Commuter Rail	\$ 7,127,181

\*Note: The LRT Base Share will be adjusted to account for the Proportionate Share of Shared Use Facility Costs at the Mall of America Station.

### Non-Annual Share

Some Operating Costs do not occur annually, but rather are scheduled programs that are necessary to maintain the normal operation of the Transitway Service. An amount for non-annual Operating Costs (the "Non-Annual Share") will be included in the annual CTIB Share and accounted for separately. These costs can include:

- Labor Training costs for Rail Overhaul Programs
- Rail Grinding Program
- Station Rehabilitation Programs – BRT or Rail
- Tile Grouting

The Non-Annual Share will be the following amounts in 2018, increased by 3.15% in each year thereafter, unless adjusted from time to time as specified herein.

METRO LRT Operations	\$ 750,000
Northstar Commuter Rail	\$ 150,000

Expenditure of amounts on deposit in the account for the Non-Annual Share will be subject to review and reconciliation by the contributing counties and specifically budgeted as such by Metropolitan Council prior to the expenditure. In the event amounts on deposit in the account for the Non-Annual Share accumulate to an amount in excess of twice the annual contribution amount at the end of any given year, the amount of such excess will be distributed back to the county, or proportionately to the counties, that provided funding for the year just ended. In the event, there is a scheduled, non-annual Operating Cost planned for a Transitway Service that exceeds the yearly contribution amount for the Non-Annual Share, the parties agree to discuss a potential adjustment to the Non-Annual Share.

### Annual True-up of Base Share

- Year-End Operations and Financial Report. On or about July 15 of each year, Council shall present to County/ies for its review and comment an audited year-end operations and financial report ("Year-end Operations and Financial Report") for the prior calendar year. This prior year audited Year-end Operations and Financial Report will be presented on or about July 15th of each subsequent calendar year and will include variances for actual versus budget revenue and expense financial results.

## Attachment 4

- b. Reconciliation/Surplus Monies. Within thirty (30) days of publication of Council's annual Certified Financial Report, any surplus moneys provided to Council by County/ies for Transitway Services and any interest earnings generated by County's/ies' contribution to Council of funds shall be returned to County/ies in proportion to the contributions of County/ies upon completion of operations authorized by an Operating Agreement. If the Operating Agreement is terminated for any reason and any balance remains after all operating costs are paid, said balance will be owed to County/ies within thirty (30) days of publication of Council's annual Certified Financial Report.

### Manner of Payment

Each calendar year beginning January 1, 2018, the Metropolitan Council shall invoice the counties on a quarterly basis, and the counties shall make equal quarterly payments in February, May, August, and November.

### Separate Accounts

Payments received as and expenses charged against the Base Share will be accounted for separately from payments received as and expenses charged against the Non-Annual Share.

### Budgeting and Reporting

The agreement or agreements may include budgeting and reporting information similar to that described in the Master Operating Agreement Section 5, or as agreed to by the parties. The parties agree to meet at least annually to review the annual budget and expenditures of the Base Share and the Non-Annual Share.

### Service Levels

The Metropolitan Council will not make decisions about material service changes and frequency levels without due regard for, and the timely involvement (at least 60 days) of, the counties paying for the operating subsidies for such service.

### Reopening Conditions

The intent of the parties is to provide a more streamlined, predictable method of providing the subsidy; however, all parties realize that there is no way to anticipate all future circumstances and agree that there may be a need to make adjustments from time to time. Any party may request consideration of specific circumstances; however, the following items will be cause for reopening terms of the agreement.

- a. A significant change to Operating Revenues, including but not limited to a fare increase.
- b. A material service change is proposed that results in 25% or more change in daily in-service hours of a Transitway Service.
- c. A new Transitway Service commences operations, for the purposes of establishing the Base Share and Non-Annual Share for the new Transitway Service.

## Attachment 4

- d. An extension to an existing Transitway Service or the addition of a new station on an existing Transitway Service.
- e. The Legislature modifies the Minnesota Statutes § 297A.993 sales tax base.
- f. An unforeseen circumstance occurs that results in significant on-going costs to the Transitway Service.

### Termination of the Agreement

The agreement or agreements are subject to termination in the event:

- a. A transitway ceases to operate
- b. Legislature eliminates the Minnesota Statutes § 297A.993 sales tax or restricts its use to preclude payment under the agreement/s
- c. The parties agree to terminate the agreement