Missouri Regional Transit Proposal – Joint Meeting
Service and Finance Subcommittees

July 2, 2008 Meeting Minutes
Ed Quick, Chair, Clay County Presiding Commissioner
Craig Porter, Chair, Clay County Commissioner

Attendees:
Clay County – Ed Quick
Clay County – Craig Porter
Clay County – Dave Peironnet
KCATA Staff –Jared Gulbranson, Dan O'Connor, Dick Jarrold
Clay County – Larry Larson
Platte County – Daniel Erickson
Kansas City – Traci Gleason
Kansas City – Kendrick Blackwood
HNTB – John Dobies
RTA – Ron McLinden
MARC Staff – Mell Henderson, Gerri Doyle, Karen Clawson
Oppenheimer – Matthew Webster
Burlington Northern Santa Fe Railroad – Steve Forsberg

Summary of Key Discussion Points:

1. Population and employment density near Smart Moves transit corridors.
2. Sales tax rates between communities and Kansas and Missouri.
3. Federal funding for large transit projects.
4. Funding mechanisms most often used to support transit funding models from other cities.
5. Governance mechanism created to fund regional transit must incorporate financial considerations.

General Consensus Points:

1. Must have conversations with railroad properties before making choices between service modes.

Next Steps:

1. MARC staff will begin to flesh out a few different scenarios
2. Committee members and MARC staff will work together to bring railroad representatives and TranSystems Corporation representatives to discuss rail opportunities
3. KCATA will provide Oppenheimer paper summarizing financing mechanisms used by other regions

Once the group introductions were completed, Mr. Henderson began walking the committee through the large packet of information provided by MARC staff and ATA consultants. Mr. Henderson asked that the group consider the information packet as a work in progress. The group reviewed the principles/objectives developed by the Technical and Finance sub-committees. Mr. Henderson continued by indicating the information was designed to begin the process of creating a proposal that is technically and financially sound. Information is to walk the group through the issues of equity and functionality.

Mr. Quick asked whether population and other data were from the census, and if the numbers were actual or projections. Staff indicated that the 2004 demographic information was a projection. The next census would probably be available in 2011.

Mr. Webster walked the committee through the Regional Sales Tax distribution data he provided. The information included a summary of the taxes imposed among several cities in the region and peer cities. Summary Point: There is a great deal of variety in sales taxes among the cities. A variety of other taxing districts are also spread throughout the region. Tax rates are very similar between Kansas and Missouri communities in our region, and Mr. Webster indicated that he didn't believe that a transit sales tax would disadvantage Missouri-side communities.

Mell discuss the visuals for employment and population. In general, the densest residential areas are in the core of the city. A boundary drawn around potential transit corridors revealed that the densest employment corridors are found in the central part of Kansas City. Mr. Quick asked whether large Clay County employers, such as Ford Motor Company and Cerner were served by the regional corridors. Neither employer is directly served by regional corridors.

Once through the general background information, the group began walking through two service assumptions presented to the group. Mr. Henderson indicated that the two scenarios presented to the committee represent bookends of service coverage. The first scenario included only light rail and the second scenario included the initial starter line and other rapid transit corridors with service provided by buses.

Mr. Dobies walked the group through the base assumptions used to create the service scenarios. The bus scenario assumptions are based on the premise that denser areas should receive more service and as density decreases service levels will decrease accordingly. Bus Rapid Transit(BRT) Urban is defined as MAX service currently operated by KCATA in the Main Street corridor. MAX service is very frequent with at least 20 hours of service per day, seven days a week. These corridors have advanced features such as signal priority, dedicated lanes and customer information at stations. BRT Suburban is applied to service that would operate on highway and arterial services. Suburban service would have frequent rush hour and some midday, weekends and evening service. These corridors would also employ techniques to allow services to get around congestion and provide upgraded amenities and passenger information at stations. Express bus would serve the lower density areas, such as Kearney and Platte City. Express services would provide the most service during weekday rush hours, but some corridors could have minimal midday, night and weekend service, as well. Park and ride lots would provide access points to these services.

Costs: Capital costs very different by mode. BRT has much higher capital costs for stations and infrastructure improvements. Capital costs for express service corridor includes primarily the buses to operate and the construction of a park and ride lot.

Mr. Porter asked for clarification on an acronym. DMU stands for Diesel Multiple Units. These train sets are a hybrid between commuter and light rail. This technology runs on diesel fuel and does not require overhead electricity lines.

Mr. Porter enquired about commuter rail assumptions. Generally assume that services would use existing track. Commuter Rail new construction includes acquiring right-of-way and building new track. New track exclusive would include taking a existing lanes and converting them to rail. Mr. Porter took the initiative to contact the Union Pacific Railroad and had lunch with some representatives. They had an interesting conversation about the commuter rail project in Salt Lake City. The UP representatives estimated that new track on their right of way would cost about $6 million. He asked for a clarification between that number and the commuter rail numbers provided in the assumptions.

Mr. Jarrold stated that new DMU track in urban areas is very similar to light rail. Mr. Dobies stated that no DMU is assumed in the base scenarios. There are many options and iterations possible.

Discussion of the scenarios presented to the committee. Staff developed two scenarios as bookends to begin framing the conversations. Option A is all bus with the starter project as a spine. Option B is all light rail. Mr. Webster walked through the financial assumptions associated with Option A –Light Rail-Rapid Transit mix. He indicated that Option A could be financed with a 15-year, ½ cent sales tax if the region received 50 percent capital match from the federal government. Operating costs consume about 50 percent of the funding once the system is fully operational.

Mr. Quick asked for clarification on the federal funding assumptions in this proposal and asked if it relies on earmarks.

Mr. Jarrold provided clarification on the funding process used by the Federal Transit Administration (FTA). Funding from the FTA flows to local jurisdictions differently than the highway funding. FTA money for large projects comes to cities through earmarks. If federal funding is not given to Kansas City, then the funding would go to another community, not necessarily a Missouri community. Prior to earmarking, transit money went to the big cities and very little came to smaller cities because it was hard for small properties to compete with cities like New York.

Mr. Quick asked what would happen if the region did not get federal funding or less funding than assume.

Mr. Porter asked what would happen to federal funding if Kansas City built their portion first.

Mr. Jarrold stated that financial projections have always assumed a light rail spine would receive a 50 percent capital match from the federal government. Federal funding assumptions are not impacted by the source of local funding. Mr. Erickson asked whether the system would be restructured to accommodate light rail and if there would be additional funding from that. Mr. Jarrold indicated that he did not believe the system configuration would free any funding that could be redirected. Other cities experiences indicate that demand for connections to light rail increases significantly once the system is operational, so all funds freed would be applied to new service.

Mr. Larson indicated that revenue from the farebox did not contribute significantly to the revenue stream. Mr. Jarrold indicated that farebox revenue would be assumed to increase to 20 percent along rail lines. Mr. Webster indicated that some cities have very sophisticated systems for collecting fares.

Mr. Erickson asked if the financial projections included assumptions about development around the transit lines. Mr. Webster indicated that the current scheme does not assume any capture of development benefits being returned to the regional transit system. Some systems do this.

Mr. Henderson stated that the direction from the sub-committees so far is that the local service will be the responsibility of local jurisdictions. Local governments will probably get more pressure to add service and connections.

The spreadsheet detailing services for Option A attempts to allocate services to the three counties. There are some inconsistencies in service distribution across categories. For instance, Platte County receives an appropriate share of the service miles, but the cost share allocated to Platte County is low because there is no rail proposed west of North Oak.

LRT assumptions were presented to the group. The objective of the exercise was to show how much mileage the region could buy with a ½ cent transit tax. Option B assumes that light rail would extend from North Oak and MO 152 to Bannister and I-435. The region could not purchase the full 25 miles of light rail without assuming the federal capital match is bumped up to 53 percent.

Mr. Henderson stated that the spreadsheet shows the distribution of service between counties. Option B does not include any rail in Platte County. Staff really needs the committee to provide direction and guidance on locations that must be included in the regional system.

Mr. Porter indicated that the members need to keep in mind that we need a system that works. Need to talk with the railroads before we can talk about commuter rail options. However, if the region has to wait seven years for service, thinks the committee has made a mistake. Citizens are looking for transit alternatives today. Mr. Henderson agreed that the committee could look at 15-year increments if the terms of the tax seem too restrictive. The more rail that we build, the less funding there is for service in other corridors. Group needs to discuss the mix of technologies and the service area coverage.

The group discussed the notion of transfers and how those affect potential ridership. ATA suggested retaining the concept of transit centers from the original Smart Moves to provide safe, comfortable connection points for customers. The group discussed whether these capital requirements were included in the planning costs, and Mr. Dobies stated that they tried to capture the costs for different types of service including some terminals.

Mr. Jarrold asked the group to consider that the discussions to date have not included any funding for local service. Not everyone can drive to a Park & Ride, so local connections can be critical. He asked the group if it was reasonable to assume that local communities will be able to pay for local services.

Mr. Quick stated that it is very important to know if the railroads are interested. The group began a discussion of the various railroad properties and lines around the region. The group discussed the Kansas City Terminal Railway and the high costs associated with getting into downtown Kansas City. Mr. Dobies noted that most of the assumptions include rush hour only service. There may be an opportunity get some reverse service or midday service. Mr. Porter indicated that he believes we must be talking to the railroads today, but that we are a long way from commuter rail, so that the region should start with bus service. Group determined that for the next meeting they would like to talk to TranSystems Corporation which does a lot of work with for Class 1 railroads, including the Kansas City Terminal Railway. Would also like to get representative from UP and KCS at those.

Mr. Larson asked for clarification on the infrastructure cost assumptions, and further asked if there are other funding vehicles that could be used to finance stops and infrastructure. For instance, CID's around the stations could help pay for the costs of stations. Mr. Webster discussed research that he conducted in other cities. He noted that there are a variety of funding vehicles that could use to foster development and create station stops. The mechanism depends a great deal on the location of the

Mr. Dobies indicated that the light rail costs include storage facility and stops. The per-mile cost for BRT also includes stations and stops. Express would include park and ride lots at the ends of the route.

The group discussed development opportunities around transit stops and whether service mode affected development. In general rail investments attract more development. They are viewed as longer-term and fixed than BRT investments. Mr. Webster indicated that ultimately need direction from political leaders regarding incentives for development. St. Louis is a notable example of city with no direct economic development on the light rail alignment.

Mr. Larson asked how other cities fund transit. In particular, Portland does not use sales tax as a funding source. Mr. Webster replied that state governments in some areas provide more support for transit. Other areas use property tax to support transit. However, in this area property taxes are very unpopular. He indicated that he thinks there are opportunities for Kansas City and St. Louis to work together to seek more state funding. ATA offered to circulate a financing summary prepared for the Kansas City Council to the committee.

Mr. Webster indicated that he is seeking guidance from the committee on whether there is an inclination to go beyond a 15-year tax. Governance is looking at Regional Investment District, TDD statutes and the county transportation authority. TDD's are scattered throughout the three counties. The Governance Sub-Committee review group is assuming that a transit TDD would overlay all the other TDD's and collect the tax from everyone. Mr. Webster didn't know the legislation allowed for a TDD to overlay another TDD.

Mr. Webster offered the following comment to the group regarding financing. Ultimately, the regional investment district is about raising adequate funding to build and operate a regional system. Issuing debt at the lowest possible interest rates is critical to this effort, and it is important to get a complete review of the mechanism for the collection of revenue, the ownership of the transit assets and the mechanics of bond issuance prior to making final decisions regarding the regional financial structure. Very few law firms in the state provide these types "bond counsel" of legal services. Consequently, it is very important to include financing considerations in discussions of the regional funding mechanism.

The group discussed the two scenarios presented, but there was no consensus on direction. To move forward MARC staff will work to set up a meeting with railroad representatives to discuss rail alternatives with them. Mr. Peironnet noted that we should also think about how to capture right-of-way to preserve corridors, such as the Rock Island. Mr. Henderson told the group that MARC has been working with a group to preserve the Rock Island right-of-way, and would try to get a representative from that group to attend the next meeting, also.

Next meeting – no date set.