

## **BUDGET MESSAGE**

The Metropolitan Council's 2007-2012 Capital Improvement Program and 2007 Capital Program and Budget covers planned capital investments by the Council over the next six years in transit, wastewater services and regional parks and open space.

The capital improvement program and capital budget supports the Council's Mission Statement, which is:

*To develop, in cooperation with local communities, a comprehensive regional planning framework, focusing on transportation, wastewater, parks and aviation systems, that guides the efficient growth of the metropolitan area.*

*The Council operates transit and wastewater services and administers housing and other grant programs.*

### **GUIDING PRINCIPLES**

To address this mission, the 2007-2012 Capital Improvement Program and 2007 Capital Program and Budget focuses on providing facilities, vehicles and equipment that implement the development framework and support the provision of regional services. The document was developed under the following guiding principles:

- Focus on our mission
- Balance regional needs with local concerns
- Maximize Council accountability
- Involve citizens in the fulfillment of the Council's mission
- Efficiently utilized current and future regional infrastructure, services and resources
- Operate quality services in an inclusive, customer-focused and efficient manner
- Encourage innovation to improve services and programs

### **REGIONAL DEVELOPMENT FRAMEWORK**

Between 2000 and 2030, the Twin Cities metropolitan area is expected to grow by nearly 1 million people and 460,000 households. The Council's Regional Development Framework is intended to help ensure that growth occurs in a coordinated, orderly and economical manner – consistent with our legislative mandate.

The Framework emphasizes this Council's commitment to (1) work collaboratively with local governments, (2) make the most cost-effective use of new and existing infrastructure, and (3) be accountable to the public – by establishing benchmarks for measuring progress toward our goals.

In addition, the Framework contains a new transportation policy that addresses the region's growing concerns about mobility and congestion. And finally, it contains strategies to protect and manage the region's water resources – consistent with Governor Pawlenty's statewide water resources initiative.

## **2007-2012 CAPITAL IMPROVEMENT PROGRAM OVERVIEW**

The capital improvement program for transit takes steps toward increasing transit service levels and building a system of dedicated transitways. The capital improvement program for wastewater services includes investments to expand the wastewater service system to support regional growth and to meet new environmental requirements. The entire program includes significant investment to preserve existing regional investments in transit, wastewater services and parks and open space.

The planned investment in transit, wastewater services and parks and open space also enhances the region's quality of life. Transit investments support growth in the developed areas of the region, enhance transportation choices and mobility and relieve congestion throughout the region. Investments in wastewater services ensure protection of the environment while reducing costs to businesses and communities. The regional park system provides a world-class recreation open space system for the citizens of the region.

The capital program also supports coordinated planning of capital facilities between regional systems and with local governments and state agencies. The development of the transit, wastewater services and parks capital investment programs involve the Council working closely with federal and state agencies and with local governments, transit providers and park implementing agencies.

This document presents: 1) a unified 2007-2012 capital improvement program detailing capital investments and financing; 2) a fiscal impact assessment of the capital financing within the context of the region's ability to pay; and 3) a unified 2007 capital program and budget with new multi-year capital program authorizations and approved 2007 capital expenditures.

The objectives of the unified capital programming process are:

- to maintain and preserve existing capital investment in regional systems;
- to serve regional growth;
- to provide transportation alternatives;
- to ensure that the Council's capital investment plan reflects regional priorities;
- to provide a consolidated financial summary of recommended capital plans; and
- to provide information on the fiscal impacts of the capital plan.

The capital improvement program takes a prudent approach to the financial management of the Council's resources, with a commitment to maintain the Council's financial strength. The budget reflects constraints in financial resources amid growing concern of residents within this region, and other areas of the country, over the cost of government and accountability. One Council goal for the 2007 operating and capital budgets was that there be no growth in the impact of regional property taxes on typical taxpayers. The capital improvement program limits regional borrowing to levels that would assist the Council in meeting this goal.

This capital improvement program reflects a commitment to maintain and preserve regional investments in wastewater services, transit and parks and open space. The Council has a regional investment in transit and wastewater infrastructure with a net book value of \$2.2 billion (at the end of 2005) and an estimated replacement cost between \$4 to 5 billion. In addition to these investments, regional parks investments are carried on the books of local park implementing agencies. These investments need to be preserved and replaced at the end of their useful life. Of the approximately \$2.8 billion to be spent in the next six years, over \$ 990 million, or 35 percent, will be used to rehabilitate or replace existing capital facilities, vehicles and equipment.

This capital improvement program also reflects a commitment to serve regional growth and provide improved transit service in the region. The capital improvement program for wastewater services includes capital projects that provide capacity expansions to meet regional growth, as well as projects that improved treatment quality to meet environmental goals. The parks and open space capital improvement program provides for land acquisition and the development of new park facilities to meet recreational needs in the region. The transit capital improvement program includes elements to preserve existing transit investments and advance transit improvements included in the Transportation Policy Plan.

## **CAPITAL PROGRAM ISSUES**

### **TRANSIT**

The transit capital improvement program proposes investing over \$ 1.7 billion over the next six years in transit equipment and facilities. This investment will enable the Council's Metro Transit Division and other transit providers to provide safe and reliable transit service, including \$ 487 million to preserve the bus and rail system, \$ 217 million to expand transit and advance the transit element of the Transportation Policy Plan and \$ 1 billion to build a system of dedicated transitways, including \$ 848 million for Central Corridor light rail and \$ 153 million for other transitways.

In addition to these capital expenditures that can be funded from anticipated federal, state and regional funding, the Council has identified additional capital investments that are needed to advance the transit element of the Transportation Policy Plan but which will not be implemented without securing new funding.

Implementation of the transit capital improvement program will require the financial support of federal and state governments. The program assumes that a significant portion of the capital improvement program will be financed with federal capital funds. The program also requires the financial support of the state, both in providing authorizations for regional bonding and providing state funds to support portions of the program.

The Council and Transportation Division face a number of funding issues in implementing its six-year plan.

- The Council proposes issuing \$ 242 million in regional bonds over the next six years. The Council currently has legislative authorization for \$ 119.8 million and will need additional authority of \$ 123 million to complete the program.
- The Council needs to secure additional financial support from the state and local regional rail authorities to finance dedicated transitways.
- The Council will need to aggressively pursue available federal capital funding. The new federal surface transportation authorization, known as SAFETEA-LU, provides highway and transit funding authority through 2009. From a national perspective, SAFETEA-LU provides an inflation-adjusted increase in transit funding of 16 percent over TEA-21, the last six-year funding authorization. The Council needs to maximize any formula funding available from the new federal authorization package and aggressively compete for discretionary funding.

## ENVIRONMENTAL SERVICES

The Environmental Services Division proposes investing \$ 991 million over the next six years to provide improvements to the regional wastewater system to maintain existing facilities, meet new environmental requirements and provide new sewer service capacity.

Approximately \$ 456 million of the six-year program will be invested in rehabilitation and replacement of existing facilities. The remaining \$ 535 million will provide for system expansion and quality improvements in the treatment plants and interceptors. In the six-year period, major capital investments will be made in:

- treatment plant improvements at the Blue Lake Plant,
- treatment plant improvements at other treatment plants, including Metro, Hastings, Seneca, Empire and St Croix,
- interceptor improvements throughout the system, with major investments in the Blue Lake Plant area and the northeast and northwest sectors,
- major interceptor rehabilitation,
- expansion of the Empire treatment plant,
- relocation and improvements at the Hastings treatment plan, and
- extension of regional interceptors to Elko-New Market and potential expansion of wastewater facilities to other rural centers.

## PARKS AND OPEN SPACE

The Parks and Open Space capital improvement program proposes investing \$ 105 million over the next six years on the regional recreation open space system to rehabilitate existing facilities, purchase land and develop regional parks, park reserves and trails. The program is based on the *Regional Recreation Open Space Capital Improvement Program* developed by the Metropolitan Parks and Open Space Commission and on funding decisions by the Legislature. The 2007-2012 capital improvement program for parks assumes \$17.5 million a year in new funding (\$10.5 million state or local, \$7 million regional) to acquire and preserve regionally significant natural resources. The main issue facing the Council with respect to the regional recreation open space system is maintaining legislative support of state funding and regional bonding for the system. The Legislature has supported a state/regional partnership over the last several years that has financed the regional parks capital improvement program with 60 percent state funding and 40 percent regional funding, but at a level lower than \$17.5 million per year.