



## Legislation Text

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**File #:** 62710, **Version:** 1

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### **Fiscal Note**

The proposed resolution authorizes Metro Transit to enter into an agreement with the State of Wisconsin to accept funds from the Volkswagen Mitigation Program/Transit Capital Assistance Grant Program. The maximum grant amount of \$7,522,500 would be used to replace 15 diesel buses in 2022.

Acceptance of these funds will require the City to take a reduction in shared revenues from the State in an amount equal to 75% of the grant received. This reduction would be spread equally over 10 years starting the fiscal year following the grant payment. If the maximum grant amount is received in 2023, the City's shared revenues would be reduced by \$564,000 each year from 2024 to 2033. The City is paying back the previous grant award through this program starting in 2021 with a \$360,000 shared revenue reduction that will continue through 2030.

Shared revenue is a General Fund revenue source and the loss of this revenue may require expenditure reductions or increases in other revenue sources. Funds from this grant would reduce the number of buses purchased through GO Borrowing, which is ultimately paid back fully through local funds, reducing Metro's overall debt.

### **Title**

Authorizing the Transit General Manager to enter into an agreement with the State of Wisconsin and required terms to accept the Volkswagen Mitigation Program/Transit Capital Assistance Grant Program Award of funds not to exceed \$7,522,500 to purchase 15 replacement diesel buses and dispose of the corresponding older fleet in 2022.

### **Body**

WHEREAS Volkswagen Group of America admitted to violating the federal Clean Air Act from 2009 - 2016 by selling diesel engine vehicles designed to cheat on federal emissions tests; and,

WHEREAS Volkswagen partially settled its civil liability for these violations by entering into judicial consent decrees requiring the company to pay over \$2.9 billion into an Environmental Mitigation Trust Fund; and,

WHEREAS the State of Wisconsin, a designated beneficiary of the trust, will receive \$67.1 million over the next 10 years to offset the excess NOx pollution emitted by the Volkswagen vehicles; and,

WHEREAS the Wisconsin Department of Administration has developed a Beneficiary Mitigation Plan, which creates, in part, a transit capital assistance grant program. The program established a competitive statewide grant program in 2018. This second round of funding will award \$20 million in trust funds to eligible applicants for the replacement of public transit vehicles; and,

WHEREAS for Wisconsin municipalities with populations exceeding 200,000, the State requires 75% of the grant to be repaid as a zero-interest loan. The State further requires that recipients agree to a reduction in State Shared Revenues equal to the amount of the loan; and,

WHEREAS the agreement required by the State of Wisconsin requires as a condition of receiving financial assistance that the City indemnify the state and that the State informed the City that this provision is non-negotiable; and

WHEREAS APM 1-1 F. 3. states that the Risk Manager and City Attorney may authorize the indemnification of the State of Wisconsin without express approval of the Common Council when indemnification is required as a condition of receiving state or federal financial assistance;

WHEREAS Metro Transit is in need of replacing diesel buses that are nearing the end of their service life, and Metro was awarded funds not to exceed \$7,522,500 from the State to purchase a total of 15 replacement diesel buses and dispose of the corresponding older fleet, through this program; and

WHEREAS the grant/loan program reduces shared revenue to the City of Madison, but also provides a non-federal source of funding for buses; and,

WHEREAS the zero interest loan provides a 25% subsidy and reduces the City's need to borrow money for purchase of buses;

WHEREAS Resolution 60020 that approved Metro's application and the shared revenue reduction was passed on 3/31/2020;

NOW THEREFORE BE IT RESOLVED that the Madison Common Council does hereby approve Metro Transit entering into an agreement with the State of Wisconsin to accept the Volkswagen Mitigation Program/Transit Capital Assistance Grant Program Award of funds not to exceed \$7,522,500 to purchase 15 replacement diesel buses and dispose of the corresponding older fleet to the State Transit Capital Assistance Grant Program; and,

BE IT FINALLY RESOLVED that the Common Council acknowledges and approves the reduction in State Shared Revenue in a total amount up to \$5,641,875 over the 10-year payback period.