



Legislation Text

File #: 56689, Version: 1

The proposed resolution accepts the award from the State of Wisconsin for the Volkswagen Mitigation Program/Transit Capital Assistance Grant in the amount not to exceed \$4,798,800 to purchase 10 replacement diesel buses in 2020. This program is structured as a zero-percent loan paid at 75% of the award amount. Should these funds be accepted, the City will see a reduction in the portion of shared revenue over the loan repayment period.

By accepting these funds, the lost shared revenue will total \$3.6 million over the loan repayment period; this translates to approximately \$359,910 annually (beginning in 2021 after receipt and scrapping of buses is complete). Shared revenue is a General Fund revenue source, the loss of this revenue may require expenditure reductions or increases in other revenue sources in Metro's 2021 operating budget and subsequent annual budgets.

Funds from this grant will reduce the number of buses purchased through GO Borrowing, which is ultimately paid back fully through local funds. The table below provides a comparison of purchasing buses utilizing the settlement funds compared to borrowing for the 10 buses.

	GO Borrowing	Settlement Funds	Difference
Year 1	546,180	359,910	186,270
Year 2	546,180	359,910	186,270
Year 3	546,180	359,910	186,270
Year 4	546,180	359,910	186,270
Year 5	546,180	359,910	186,270
Year 6	546,180	359,910	186,270
Year 7	546,180	359,910	186,270
Year 8	546,180	359,910	186,270
Year 9	546,180	359,910	186,270
Year 10	546,180	359,910	186,270
			\$1,862,700

The difference between the total lost revenue (\$3.6m) and debt service cost (\$5.46m) is \$1.86 million over the grant period.

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 \$4,798,800 to purchase 10 replacement diesel buses and dispose of the corresponding older fleet in 2020.

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 establishes a competitive statewide grant program to award \$32 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 \$4,798,800 from the State to purchase a total of 10 replacement diesel buses and dispose of the corresponding older fleet in 2020, 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 52630 that approved Metro's application and the shared revenue reduction was passed on 10/16/2018;

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 \$4,798,800 to purchase 10 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 \$3,599,100 over the 10-year payback period.