Metropolitan Public Transportation Authority Interlocal Agreement Update June 8, 2026

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Phase One Roles

Transition Period

City

CATS Personnel
Debts
All Assets
Operations
Legal Risk
Operating Revenue
Fund Balance

MPTA

Policy and Governance
Sales Tax Revenue
Operational Control
Transition Activities

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Phase Two Roles

Shared Services Period

City

Encumbered Assets
Debts

MPTA

Policy and Governance
CATS Personnel
Sales Tax Revenue
Operations
Transition Activities
Legal Risk
Operating Revenue
Unencumbered Assets
Fund Balance

Phase Three

Ongoing Relationship

City

Debts

Encumbered Assets

MPTA

Policy and Governance
CATS Personnel
Sales Tax Revenue
Operations
Transition Activities
Legal Risk
Operating Revenue
Unencumbered Assets
Fund Balance

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PILA Provisions of Note

- Employees
- Phase One Operations
- Legal Risk
- Payment of Operations and Debt

Employees

Phase One

City remains employer of record through Phase One

Hiring timing subject to agreed alternative arrangements

Phase Two

MPTA hires all full-time CATS personnel

Compensation and retirements benefits no less than base offered by City

Comparable benefit plan cost

Phase One Operations

- MPTA enters into contracts related to the transition activities
- City enters into all operational contracts (including capital projects)
  - City provides a list of contracts needing Council approval
  - MPTA identifies contracts on the list for MPTA review
  - City seeks Council approval for contracts where MPTA has approved
  - In all cases, MPTA review will not negatively impact operations

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Legal Risk

Phase One	Phase Two	Phase Three
• City continues operating CATS • **Legal risk is paid from CATS funds** • City restricted from expanding beyond budgeted or approved commitments • **No CATS liability falls on the City's General Fund**	• MPTA pays for **all CATS legal risk** • City and MPTA address legal risk that is shared • Invoices for Phase One Operations paid through CATS funds or new sales tax revenue from MPTA • **No CATS liability falls on the City's General Fund**	• MPTA remains fully responsible for CATS legal risk • Final debt, grant, and asset-transfer issues are resolved • **No CATS liability falls on the City's General Fund**

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Obligations in Phase One

- Operations
  - The City will pay CATS operations from transit funds
  - City retains operating reserve
- Debt Service
  - MPTA will transfer funds to City for debt service as due
  - City maintains the debt reserve
- Payment Obligations
  - MPTA will provide to City sufficient funds to pay operations without using operating reserve

Appendix

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Section 1.01(a)(ii), 1.01(d), 1.01(h)(ii), 1.01(l), 2.12

Schedule of Assets, Contracts, Material Liabilities, Grants

MAY 7TH LANGUAGE

There was no requirement to create a detailed schedule of all assets and identify encumbered assets and liabilities by deadline.

CURRENT LANGUAGE

The parties must now create a schedule of all assets by a specified date, identify encumbered assets, describe the encumbrances, and estimate when they will end.

Section 1.01(c)(ii)

City Contracting Authority

MAY 7TH LANGUAGE

The MPTA broadly delegated authority to the City for contracts related to operations, subject to stated exceptions.

CURRENT LANGUAGE

The MPTA now authorizes and directs the City to enter and administer contracts subject to a detailed approval process, including that such process will not negatively impact operations, and related limitations.

Section 1.01(c)(ii)(A)

Material Contract Actions

MAY 7TH LANGUAGE

There was no detailed mechanism requiring the City to provide a list of material contract actions for MPTA committee review.

CURRENT LANGUAGE

The City must provide a schedule of material contract actions, and certain contracts requiring City Council approval may proceed only if the MPTA does not request review or affirmatively approves.

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Section 1.01(e)(i)

Required Payments to City

MAY 7TH LANGUAGE

The May 7th Language more generally provided that sales tax revenue would be transferred for use under the budget.

CURRENT LANGUAGE

The revised text specifically requires the MPTA to make payments to the City for debt service and, if needed, reserve replenishment under Article II.

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Section 1.01(e)(ii)

Monthly Sales Tax Transfer Formula

MAY 7TH LANGUAGE

All sales tax revenue received by the MPTA during Phase One was to be transferred to the City for budget-consistent use.

CURRENT LANGUAGE

The MPTA must transfer monthly sales tax revenue to the City only up to the lesser of revenue received or the amount needed to maintain the aggregate CATS fund balance at the threshold amount at all times.

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Section 1.01(e)(iii)

Return of Excess Funds

MAY 7TH LANGUAGE

The May 7th Language did not expressly require the City to return excess aggregate CATS fund balances to the MPTA during Phase One.

CURRENT LANGUAGE

If the aggregate CATS fund balance exceeds the threshold amount and amounts needed to keep from going below the threshold amount at all times during a month, the City must transfer the requested excess back to the MPTA.

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Section 1.01(h)(i)

CATS Liabilities

MAY 7TH LANGUAGE

All liabilities for assets and operations, including those related to CATS personnel, were to be paid from transit-related funds.

CURRENT LANGUAGE

The revised text focuses on CATS Liabilities, preserves payment from transit funds, and adds that the City may not incur post-Phase-One binding liabilities without MPTA approval except as reflected in the budget.

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Section 1.01(h)(iii)

Commingled Liabilities

MAY 7TH LANGUAGE

The original draft did not separately address liabilities attributable in part to non-CATS City functions.

CURRENT LANGUAGE

The parties must coordinate regarding any commingled liability and negotiate a plan allocating it between the MPTA and the City or other City departments.

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Employer of Record

MAY 7TH LANGUAGE

The original draft did not expressly state that the City would remain employer of record through a stated date while retaining employment authority.

CURRENT LANGUAGE

The City remains employer of record for all CATS personnel through December 31, 2026 and continues to exercise that authority consistent with policy and past practice except as otherwise provided.

Comparable Benefit Plan Setup

MAY 7TH LANGUAGE

The original provision focused on waiving pre-existing condition exclusions and similar limitations and crediting prior deductibles and out-of-pocket costs.

CURRENT LANGUAGE

The revised text adds that the MPTA must use reasonable efforts to establish initial benefit plans at comparable employee cost as of July 1, 2026, while preserving the waiver and crediting concepts.

Section 1.02(b)

Contract Assignment

MAY 7TH LANGUAGE

The City was to assign and the MPTA accept operations contracts, with unassignable contracts handled by mutual agreement and a placeholder concerning confidentiality obligations.

CURRENT LANGUAGE

The revised text broadens the assignment to all contracts on the first day of Phase Two other than unassignable contracts necessary for operations and deletes the confidentiality placeholder.

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Section 1.02(d)(ii)

Options if Functions Not Ready

MAY 7TH LANGUAGE

If support functions were not ready, the parties could remain in Phase One, negotiate a multiple employer welfare arrangement, or enter a separate interlocal agreement, with notice timing expressed more generally and an additional statement about required personnel by the end of Phase One.

CURRENT LANGUAGE

The revised text retains the three options, restructures the numbering, and requires notice by September 30, 2026 (or later by agreement) if options two or three are sought instead of remaining in Phase One.

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Section 1.03(b)(ii)(D)

Release of Encumbrances

MAY 7TH LANGUAGE

The original draft did not address procedures or cost allocation for MPTA requests to release encumbrances.

CURRENT LANGUAGE

The City must cooperate with reasonable release requests, estimate expenses, and the MPTA must pay documented out-of-pocket costs, staff time, and reasonable professional fees.

Section 1.03(e)

Revenue

MAY 7TH LANGUAGE

The original draft contained only a placeholder that all revenue would follow the flow-of-funds structure and that excess revenue would be retained by the MPTA.

CURRENT LANGUAGE

The revised text creates detailed Phase Two revenue rules covering debt service payments, reserve replenishment, January–March 2027 sales tax transfer mechanics, return of excess threshold amounts, and retention of revenue above required levels.

Section 1.03(f)

Liabilities

MAY 7TH LANGUAGE

All liabilities for assets and operations, including those related to CATS personnel, were to be paid by the MPTA.

CURRENT LANGUAGE

The revised text states that the MPTA shall be responsible for all CATS Liabilities occurring or arising at any time.

Section 1.04(b)–(c)

Assets and Commingled Property in Phase Three

MAY 7TH LANGUAGE

The original draft generally required transfer of newly unencumbered assets and continuation of use agreements, but less precisely and under a different section numbering scheme.

CURRENT LANGUAGE

The revised text expressly requires prompt transfer of assets that become unencumbered, continuation of use agreements for encumbered assets, continued restrictions on the MPTA creating new encumbrance-related circumstances, and continued governance of commingled property agreements.

Section 1.04(d)–(e)

Liabilities and Revenue in Phase Three

MAY 7TH LANGUAGE

The original Phase Three text included a placeholder revenue provision and a simpler liabilities statement.

CURRENT LANGUAGE

The revised text states that the MPTA is responsible for all CATS Liabilities and requires continuing payments to the City for debt service and reserve replenishment, while making clear that other revenue stays with the MPTA.

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Section 2.02(a)(ii)

Debt Service Payment Timing

MAY 7TH LANGUAGE

After Phase One, the MPTA would fund the Transit Debt Service Fund at the beginning of each fiscal year to the extent available, with estimates used for O-Line interest.

CURRENT LANGUAGE

The MPTA must now transfer sufficient amounts no less than 15 days before each debt service payment date, and the City must provide reasonable prior notice of the payment amount, obligation, and due date.

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Section 2.02(d)

O-Line Financing Reimbursement

MAY 7TH LANGUAGE

The original subsection addressed prepayment of the O-Line financing and the amount needed to pay principal, accrued interest, and related fees.

CURRENT LANGUAGE

The revised text reframes the subsection as payment or prepayment and reimbursement of the City for the O-Line, adds reimbursement for interest the City paid from non-transit general funds, and clarifies good-faith exercise of City discretion in any restructuring.

Section 2.03

Handling of Funds

MAY 7TH LANGUAGE

There was no standalone section stating that transit funds remained the MPTA's property and had to be segregated from other City funds.

CURRENT LANGUAGE

A new section states that sales tax and U-Drive-It revenue belong to the MPTA, transit funds held by the City remain MPTA property, and such funds must be held in segregated accounts not available to general City creditors.

Section 2.04

Contracting Authority and Approval

MAY 7TH LANGUAGE

The original draft had a more direct statement about MPTA authority to perform procurement and obtain approval from appropriate City officials where required.

CURRENT LANGUAGE

The revised version narrows the focus to contracts relating to assets the MPTA may use without owning and slightly refines the approval language.

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Section 2.06

No General Fund Liability

MAY 7TH LANGUAGE

The original text stated generally that there would be no residual liability to the City's general fund after transfer.

CURRENT LANGUAGE

The revised text clarifies that this applies before, during, and after transfer and expressly includes commingled liabilities as a possible exception if specifically provided for in the agreement.

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Section 2.06

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Audits

MAY 7TH LANGUAGE

The original text required the Parties to cooperate on annual audits, audits required by State law, or audits required by a contract.

CURRENT LANGUAGE

In addition to the requirement to cooperate, the revised text adds the ability of each party to seek information relevant to Sales Tax Revenue and public transportation revenue and expenses for a discrete period. To the extent either Party requests an audit after receiving that information, the requesting party will pay for the audit to be performed by an independent third-party.

Summary Comparison of Revised or New Provisions

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Section 3.02

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Claims *

MAY 7TH LANGUAGE

The original draft contained only a placeholder for indemnification.

CURRENT LANGUAGE

The revised draft does not include indemnification by either party. Instead, the parties generally agree that responsibilities of CATS now go to and stay with the MPTA. Responsibilities of the City that are not CATS responsibilities now would remain with the City in the future.

* Draft language in progress

Summary Comparison of Revised or New Provisions

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