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1. Summary

Votran, similar to other public transit agencies, is faced with the challenge of taking on an increasing role in meeting Volusia County’s mobility needs in a constrained financial environment. Although Votran receives significant financial support from Federal, State and Local sources and generates fare revenues to meet its operating and capital needs, funding increases have been limited or declined in recent years as Votran’s funding partners’ contended with the effects of on-going challenging economic conditions on their own revenues. Within this context, it is important for Votran to consider near to medium term revenue strategies to supplement its existing resources in order to preserve its baseline operations and pursue targeted service improvements. Such strategies can serve as a bridge between Votran’s current funding structure and the region’s efforts to define a longer term funding strategy.

This report presents an analysis of alternative revenue strategies that Votran can pursue in the near to medium term. The PFM Group prepared this report on behalf of the Volusia Transportation Planning Organization (“Volusia TPO”) and Votran. Similar to peer transit systems, Votran’s operating funding, in addition to fares, is derived from a combination of General Fund contributions from Volusia County, Florida Department of Transportation (“FDOT”) grants and Federal Transit Administration (“FTA”) assistance for capitalized operating expenses. Votran’s capital funding, like comparable transit providers, is highly dependent upon FTA funds. Over the near to medium term, Votran plans to implement feeder bus service to connect to SunRail and pursue the recommendations of its Transit Development Plan (“TDP”) which calls for increased service frequencies, improved span of services and new routes. At the same time it will continue fleet replacement initiatives for its base system.

Although Votran can seek additional resources from its existing funding sources, competing demands on and constraints facing the County General Fund, the State Transportation Trust Fund (“STTF”) and the Federal Mass Transit Account, may necessitate the identification of one or more new funding sources. Transit agencies fund their operating and capital needs with a variety of sources. However, a sales tax is the most common dedicated funding source. Other funding sources include gas taxes, motor vehicle fees, property taxes, and toll revenues. As a charter county, Volusia is authorized to levy a 1% Discretionary Charter County Transportation System Surtax, as authorized by Sections 212.054 and 212.055(1). Pursuant to State Statute at least 75% of this tax must be used for transit while up to 25% may be applied towards highway needs. However, the implementation of such of dedicated funding source needs to be in the context of a longer term transit strategy to be developed by Votran and the region’s elected officials and policy makers.

In the meantime, Votran’s existing funding sources will continue to support the vast majority of its needs while several selective revenue approaches can be pursued to further preserve and enhance service. The analysis notes that Votran may fund increased service levels and/or new services to meet the mobility needs of new land uses by securing funds through Community Redevelopment Areas, (“CRA”), Development Agreements, Impact Fees and Mobility Fees. Votran has utilized this strategy to fund trolley services in Daytona Beach, new services in Port Orange and is currently considering this approach for proposed service in Ormond Beach. While these revenue sources are highly sensitive to economic cycles and development conditions, they are structured to align those paying for transit service with those who benefit from the improvements. To address the inherent uncertainty in these funding sources, it is important that revenue forecasts for impact and mobility fees reflect conservative assumptions considering the effects from the recent recession. Similarly, revenue derived from contributions under a
CRA or developer agreement should include specific terms on the amount, timing and conditions under which funding is provided and the level of transit service to be supported.

Funding partnerships with major employers and institutions represent an additional strategy Votran may pursue. These can take the form of shuttle services where Votran is compensated on a marginal cost basis to provide increased service levels or on a fully allocated basis to implement a new service. In addition, Votran, similar to other transit providers in Florida and nationally, can implement employer or student pass programs that can provide the benefit of increased ridership and revenues. Under such an arrangement, a university, for example, can pay Votran a specified amount annually based on the expected cost and use of transit services by university students and employees. In return, Votran would allow university students and employees access to their services by displaying university issued passes or identification cards.

Following this Summary, Section 2 provides a review of Votran’s recent financial operations, near to medium term plans for service improvements and expected funding commitments and challenges. Section 3 discusses Votran’s current funding within the context of the County’s budget and the TPO’s Transportation Improvement Program (“TIP”) and Long Range Transportation Plan (“LRTP”). Section 4 presents a discussion of funding strategies typically used by transit agencies nationally to meet their capital needs, while Section 5 focuses on strategies that Votran may consider to fund near to medium term targeted service improvements. Section 6 concludes with a framework for how Votran can evaluate and implement the funding options for service improvements it has under consideration.
2. Current Financial Overview

Recent Financial Operations

Votran operates an integrated transit network consisting of fixed route buses, trolleys and paratransit services. Operations are funded from a combination of fare and other operating revenues, Volusia County General Fund contributions, FTA and other grants, and FDOT grants. Since fiscal 2005 total revenues, keeping in line with operating expenses have grown by 1.0% annually (see Exhibit 1) to $17.4 million in fiscal 2010. Growth of 5.0% annually between fiscal 2005 and 2008 was largely offset by 4% annual declines in fiscal 2009 and fiscal 2010, reflecting implementation of operating cost reductions as a result of the recession. Fiscal 2011 revenues are projected to decline by 15% reflecting the effects of reduced County funding. Fixed route bus services are funded 67% of fiscal 2010 funding, while paratransit and other paratransit services equal 24% and 9%, respectively.

Funding for Volusia County’s transit services fall into three distinct categories:

- **Fixed Route (Exhibit 2)** – Since fiscal 2005, Fixed Route bus service revenues have grown by an average of 4.0% per year. The largest growth in this category comes from FTA grants which averaged 26.1% per year. This reflects Votran’s increased application of FTA funds for capitalized maintenance and the availability of $840,000 of American Recovery and Reinvestment Act grants for operations in 2010. The growth in FTA funding as an operating source was partially offset by State and Local funds which decreased at an average of 3.4% and 1.4% per year respectively. State funding has fluctuated with changes in Surface Transportation Program funds. Local funding peaked in fiscal 2007 and 2008 to help cover the increased cost of fuel and has since leveled off as Votran applied an increasing amount of FTA funds towards capitalized maintenance. Farebox and Other revenues grew at an average rate of 3.9% and 10.9%, reflecting the effects of the fiscal 2008 fare increase and new terms implemented in fiscal 2007 for the advertising contract, respectively. For fiscal 2010, Local funds equal 33% of total revenues followed by FTA funds at 29%, fares 18%, State 16% and other revenues 4%.

- **ADA Paratransit (Exhibit 3)** – Total paratransit revenues grew at an average of 2.0% per year since fiscal 2005. FTA and State funds exhibited the strongest growth during this period averaging at 8.2% and 6.4% annually. Local funds increased at a slower 0.6% annual rate with funding ramping up in fiscal 2006 and 2007 to cover higher fuel prices and leveling off thereafter. Local sources contribute 75% of funding, while fares and FTA funds equal 11% and 14%, respectively.

- **Other Paratransit Services (Exhibit 4)** – Other paratransit services have declined by 11.9% per year since fiscal 2005. This decrease was due in large part to Votran’s discontinuation of coordinating Medicaid services in fiscal 2008. This offset a nearly 12% annual increase in Federal and Local funds and 4% annual growth in State funds. Medicaid user co-pays declined by an annual average of 10% during this period. State resources represent 54% of funding, while Local funds provide 15% and Federal, Co-pays and other Agency funds each represent about 8%-12%. Given vanpool costs are a minor component of Votran’s cost structure, this item is included as part of Other Paratransit Services.
As shown in Exhibit 5, capital expenses are funded almost exclusively by FTA grants. This is accomplished through the use of toll revenue credits as a soft match to FTA funds. Annual capital spending varies, primarily driven by Votran’s vehicle acquisitions.

**Transit Development Plan**

Votran’s 2007-2016 Transit Development Plan (“TDP”) has two ways that it identifies funding for the agency. Funded projects are commitments to continue to provide service and/or to provide service more
effectively. Unfunded projects are targeted programs to improve the span and frequency of service. Key initiatives include:

- Increased service frequencies along the US Highway 1 Corridor
- Introduction of SunRail feeder bus service
- Additional express bus services
- Expanded evening, Saturday and Sunday service hours
- Vehicle purchases for the regular replacement and expansion of the fixed route bus, trolley and paratransit fleet
- Improving bus stops and enhanced passenger amenities with new “super” stops and transfer facilities
- Maintenance facility improvements and expansion

The Planning Context

Over time, the County has committed itself to financing transit as described in the following exhibits. A high priority and high value has been established by the Sunrail partnership. Votran currently projects that by 2020 the existing level of service provided by the bus system will remain constant while the Sunrail investment will ultimately represent almost one third of the County’s commitment to public transportation. Exhibit 6 below illustrates that the value of transit operating funds each year will grow to approximately $13.5 million without any additional growth in baseline bus service. The County is additionally involved in developing and reviewing alternative regional transportation funding strategies to support public transportation as a member of MetroPlan Orlando’s Transportation Funding Task Force.

In addition to supporting SunRail service, the TDP outlines other transit service enhancements for the Volusia County community to consider. Exhibit 7 reflects the projected cost for the recommended transit service enhancements. These enhancements will require $5.9 million in capital funding and $20.1 million in operating funding. These are primarily related to the introduction of new services and improving the frequency and span of services of existing routes. The selective funding options presented in Section 5 may be considered to provide for needs proposed in the TDP over the next five years. Exhibit 8 presents LRTP operating and capital needs between 2015 and 2030 for new and expanded services.
Exhibit 6
Volusia County’s Ad Valorem Commitment to the Public Transit Budget
$000’s

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Estimated Votran Operating Expenses</th>
<th>Estimated Commuter Rail Financial Commitment</th>
<th>Total Public Transit Financial Commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2010</td>
<td>$8,365</td>
<td>$0</td>
<td>$8,365</td>
</tr>
<tr>
<td>FY 2011</td>
<td>$7,110</td>
<td>$0</td>
<td>$7,110</td>
</tr>
<tr>
<td>FY 2012</td>
<td>$7,324</td>
<td>$1,200</td>
<td>$8,524</td>
</tr>
<tr>
<td>FY 2013</td>
<td>$7,543</td>
<td>$1,415</td>
<td>$8,959</td>
</tr>
<tr>
<td>FY 2014</td>
<td>$7,770</td>
<td>$3,347</td>
<td>$11,117</td>
</tr>
<tr>
<td>FY 2015</td>
<td>$8,003</td>
<td>$3,738</td>
<td>$11,741</td>
</tr>
<tr>
<td>FY 2016</td>
<td>$8,243</td>
<td>$3,785</td>
<td>$12,028</td>
</tr>
<tr>
<td>FY 2017</td>
<td>$8,490</td>
<td>$3,835</td>
<td>$12,325</td>
</tr>
<tr>
<td>FY 2018</td>
<td>$8,745</td>
<td>$3,876</td>
<td>$12,620</td>
</tr>
<tr>
<td>FY 2019</td>
<td>$9,007</td>
<td>$3,867</td>
<td>$12,874</td>
</tr>
<tr>
<td>FY 2020</td>
<td>$9,277</td>
<td>$4,283</td>
<td>$13,561</td>
</tr>
</tbody>
</table>

Exhibit 7
Votran 2006 - 2016 Unfunded Project List, $000’s

<table>
<thead>
<tr>
<th>Project #</th>
<th>Project Description</th>
<th>Operating</th>
<th>Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>West Side Comprehensive Operations Analysis Recommendations * DeLand ITF Route Modification (buses unfunded)</td>
<td>$0</td>
<td>$405</td>
</tr>
<tr>
<td>5</td>
<td>Commuter Rail Bus Feeder Support * East Side Express Connector</td>
<td>$571</td>
<td>$469</td>
</tr>
<tr>
<td>7</td>
<td>Increased Service Frequency US 1 Corridor * Route #3 * Route #4</td>
<td>$2,902</td>
<td>$579</td>
</tr>
<tr>
<td>8</td>
<td>Increase East-West Service Frequency * Route #60</td>
<td>$3,097</td>
<td>$851</td>
</tr>
<tr>
<td>9</td>
<td>Beach Service Area Improvements * Additional Beach Trolleys</td>
<td>$2,624</td>
<td>$0</td>
</tr>
<tr>
<td>10</td>
<td>Increased Service Frequency * Routes TBD</td>
<td>$4,552</td>
<td>$1,876</td>
</tr>
<tr>
<td>11</td>
<td>Sunday, Evening &amp; Saturday Service * Additional Service Hours TBD in Comprehensive Operations Analysis</td>
<td>$2,054</td>
<td>$0</td>
</tr>
<tr>
<td>12</td>
<td>Express Bus Routes * Addition of Express Buses TBD in Comprehensive Operations Analysis</td>
<td>$1,426</td>
<td>$0</td>
</tr>
<tr>
<td>35</td>
<td>Maintain and Provide Facilities &amp; Infrastructure * Main Transfer Plaza</td>
<td>$0</td>
<td>$670</td>
</tr>
<tr>
<td>36</td>
<td>Regional Transit Training Center * Second Phase: Mobile Driver Simulator Unit</td>
<td>$0</td>
<td>$440</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>$20,127</td>
<td>$5,869</td>
</tr>
</tbody>
</table>
### Exhibit 8
**Volusia TPO Long Range Transportation Plan Transit Projects, $000’s**

<table>
<thead>
<tr>
<th>Year (start service)</th>
<th>Capital Costs</th>
<th>Operating Costs</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$0</td>
<td>$0</td>
<td>Added bus service to support SunRail operations starting in 2015. Service is funded by the Department of Transportation for the first seven years</td>
</tr>
<tr>
<td>2016</td>
<td>$1,760</td>
<td>$26,900</td>
<td>Add buses to improve the frequency of existing service on US-1 to 30 minutes</td>
</tr>
<tr>
<td>2016</td>
<td>$1,170</td>
<td>$17,930</td>
<td>Add buses to improve the frequency of existing bus/trolley service on SRA1A to 15 minutes and expand seasonal trolley service to year round.</td>
</tr>
<tr>
<td>2018</td>
<td>$1,840</td>
<td>$24,760</td>
<td>Add buses to improve the frequency of cross county service on US-92 to 30 minutes and extend the route to the SunRail Station in 2020</td>
</tr>
<tr>
<td>2018</td>
<td>$2,460</td>
<td>$33,020</td>
<td>Add buses to improve the frequency of service in Port Orange and Ormond Beach to 30 minutes and add night and Sunday routes in Port Orange</td>
</tr>
<tr>
<td>2018</td>
<td>$1,840</td>
<td>$24,760</td>
<td>Add buses to the existing route in West Volusia operating along US 17/92 to improve the service to 30 minutes</td>
</tr>
<tr>
<td>2018</td>
<td>$1,840</td>
<td>$24,760</td>
<td>Add buses to improve the frequency of service in the core areas of Daytona Beach to 15 and 30 minutes</td>
</tr>
<tr>
<td>2018</td>
<td>$1,230</td>
<td>$16,510</td>
<td>Start a new service that will improve access across Volusia County in the southern portion of the county</td>
</tr>
<tr>
<td>2020</td>
<td>$1,290</td>
<td>$15,020</td>
<td>Add buses to existing service to increase the frequency to 30 minutes in the City of Deltona</td>
</tr>
<tr>
<td>2020</td>
<td>$1,940</td>
<td>$22,520</td>
<td>Start a new trolley bus circulator system in the downtown DeLand area with increased service for the local area</td>
</tr>
<tr>
<td>2020</td>
<td>$2,580</td>
<td>$30,030</td>
<td>Start a new trolley service that provides direct connections to key destinations and increased frequency of service via a downtown circulator system</td>
</tr>
<tr>
<td>2020</td>
<td>$1,290</td>
<td>$15,020</td>
<td>Proposed through the Make Your Mark planning sessions and by the LRTP Subcommittee, this includes additional buses needed to restore and expand service in Northwest Volusia</td>
</tr>
<tr>
<td>2020</td>
<td>$0</td>
<td>$0</td>
<td>Extend the SunRail commuter rail service to the DeLand Amtrak Station as outlined in the existing project plans and agreements</td>
</tr>
<tr>
<td>2025</td>
<td>$13,400</td>
<td>$9,610</td>
<td>Provided a connection along the existing rail spur from the SunRail Station (DeLand Amtrak) to downtown DeLand near Woodland Blvd.</td>
</tr>
<tr>
<td>2030</td>
<td>$34,500</td>
<td>$24,780</td>
<td>Add enhanced transit connection operating on the main corridors and between east and west Volusia County</td>
</tr>
</tbody>
</table>
3. Transportation Funding Context

Votran’s capital and operating needs are funded within the context of Volusia County’s annual budget as well as the Volusia TPO TIP and LRTP. As a result, policy decisions governing the provision of transit service are made as part of a comprehensive strategy to deliver a broad range of public protection, community, and transportation services provided by the County and to specifically operate an integrated transportation network that meets the mobility needs of residents, visitors and businesses. The County’s contributions to Votran’s operating budget are derived from the general fund which receives most of its revenues from the property tax, currently levied at 5.3005 mills. Votran’s share of the general fund currently represents 3.3%. Reflecting the severe effects of the recession, property tax and all County tax revenues declined by 14% in fiscal 2010 and another 12% in fiscal 2011. As noted earlier, Votran’s fiscal 2011 funding was reduced by 15% largely in response to the County’s financial challenges. In response to this funding reduction Votran eliminated some fixed route and trolley services as well as holiday service.

The TPO’s 2011-2015 TIP projects a $613.2 million program to meet state of good repair and selected expansion of the County’s transportation network. A little more than 41% of funding is derived from County and other local sources, while 32% is from Federal Highway Administration (“FHWA”) and FTA grants and 27% is from FDOT grants. Votran needs represent $168.3 million or 27% of TIP needs. This is nearly equally divided between operating and capital projects. Of Votran’s total operating and capital needs over the TIP period, 47% is projected to be funded by County sources. FTA grants are estimated to support 40% of Votran needs, while FDOT equals 13%.

The 2035 LRTP, which was most recently adopted in September 2010, includes $642.3 million in transit operating and capital needs to support the baseline network and fund system improvements and expansions. Importantly the LRTP assumes that, in addition to existing transportation funding sources, a possible ½% Transportation Surtax might be in place by 2016 to fund the implementation of improved transit services.

While policy makers and elected officials recognize the importance of a long term, sustainable funding source to support transit, it is unlikely that such dedicated funding will be provided to Votran in the near term given the region’s continuing economic challenges. Rather, as an initial step towards dedicated funding, Votran and the TPO are interested in exploring options for selective funding that can diversify Votran’s revenue stream, help preserve the baseline transit network and support incremental service improvements.
4. National Transit Funding and Financing Practices

Overview

Similar to Votran, transit agencies nationally are funded from a combination of fare revenues, FTA grants, state funds and local funds. Transit, like non-tolled highways, receives substantial external support to fund on-going operating and capital needs. According to FTA’s 2009 National Transit Database report, fare revenues represented 32% of operating funds expended, while local and state funding sources consisting of dedicated tax sources and intergovernmental grants equaled 29% and 25%, respectively. Reflecting Federal policy where FTA funding support is more focused on capital, particularly for larger transit systems, and is generally limited to covering capitalized maintenance expenses for operations, FTA resources represent 8% of operating funds expended. Other funding sources equal the remaining 6% (see Exhibit 9). Capital expenditures are primarily funded by local resources (42%) and FTA grants (42%). State funds are 14% of capital resources, while the balance is provided from other sources (see Exhibit 10). Given Votran, similar to Florida’s other transit providers, operates services where access to/competition from autos is significant and there is a need to respond to the mobility needs of rural, disabled and economically disadvantaged residents; Votran fares are set at a level where transit is accessible and competitive in this environment. Votran’s 18% farebox recovery ratio, while lower than the national average is comparable to the state average of 21%.

Local and Regional Funding Options

Transit agencies utilize a number of user fees, consumption, real estate, and intergovernmental grant based local sources to fund a portion of their capital and operating needs. Exhibit 11 lists these sources.
According to the Transit Cooperative Research Program’s 2009 report entitled *Local and Regional Funding Mechanisms for Public Transportation*, transit agencies serving regions with a population ranging from 200,000 to 1.0 million depend upon sales tax revenues and general fund contributions for local funding support. While fares represent 30%, sales taxes equal 26%, general funds are 27% with the balance coming from other sources. For capital expenses, local funding is derived mostly from general funds 43%, sales taxes 39% and other sources 18%. The following highlights the features of local and regional funding sources typically used by transit agencies.

**User Fees**

- **Fares:** Transit agencies establish their fare structures to carefully balance the need to generate sufficient revenues to cover a portion of operating expenses while ensuring that the cost to use transit is competitive relative to other modes and does not prohibit access to the system for the economically disadvantaged. While the percent of Votran fare revenues covering operating expenses at 18% is lower than the 32% national average, it is in line with other Sun Belt systems where auto access is strong. Within Florida, fares represent 24% of LYNX’s operating expenses, while it is 22% for Miami-Dade Transit (“MDT”), 19% for Collier Area Transit, 15% for LeeTrans and 36% for StarMetro. Votran implemented a Fare Policy that is published on the web [http://www.votran.org/farepolicy.htm](http://www.votran.org/farepolicy.htm).

- **Advertising:** Transit agencies typically supplement their operating revenues by entering into contracts with third parties to place advertisements on the exterior and interior of buses, at bus shelters and stations and on fare media. According to the National Transit Database, other revenues which include advertising and interest income represent 6% of total operating revenues. In comparison to Votran which generates 4% of its revenues from other sources for its fixed route bus networks, other operating revenues for Florida transit systems range from 0% for Collier County to 5% for Lee County.

- **Parking Fees:** Transit agencies collect parking revenues from the operation of bus and rail park and ride facilities. While revenues generated provide supplemental funding, it is important that parking fees together with transit fares do not detract from the competitiveness of and accessibility to transit services.

- **Tolls:** Toll revenues are utilized in a large number of metropolitan areas to provide additional funding for transit. New York City’s bridge and tunnel crossings provide surplus toll revenues to fund a portion of the needs of the region’s transit and commuter rail network. Likewise tolls are supporting the development of the Metrorail extension to Dulles Airport, provide for a portion of operating needs for Pennsylvania’s transit systems and supplement capital funding for the San Francisco and Dallas regions. Toll revenues are largely driven by the established toll rate, the competitiveness of the toll facility relative other travel corridors, motor vehicle usage and underlying regional economic and demographic conditions. The use of toll revenues for transit provides the opportunity to increase transit funding and encourage use of the transit network through higher toll rates. However, the toll rate strategy employed has to carefully balance the need to generate sufficient toll revenues to meet the toll road’s operation, maintenance, debt service and capital requirements and bondholder covenants while providing the necessary level transit funding.

- **Toll Revenue Credits:** In Florida FDOT allows transit systems to use toll revenue credits, authorized by Title 23 U.S.C. 120(j)(1), as soft match for FTA capital grant programs. Each year FDOT notifies
agencies about the availability of toll revenue credits and approves the use of the credits on transit capital projects.

- **Vehicle Fees:** These fees are typically imposed by a state government based on vehicle value, weight or age. In addition, fees are levied for the issuance of a vehicle title, registration or a driver’s license fee. Transit agencies are typically indirect recipients of the revenues derived from these sources through allocations of a transportation trust fund. Vehicle fee revenues are influenced by vehicle ownership and usage as well as underlying economic and demographic conditions. In Florida, the tag fee includes $1.50 that is collected for the Transportation Disadvantaged Trust Fund.

**Consumption Based**

- **Sales Tax:** Sales taxes dedicated to transit are imposed on the retail sales of those items typically subject to taxation by a broader city, county, regional and/or state sales tax. Often a use tax is imposed at the same rate as the sales tax, but covers items such as lease or rental transactions or goods purchased outside of the sales taxing district. In contrast to a broad based sales tax, a consumption tax can be levied on a particular activity such as on the price on hotel stays or food and beverage purchases. Obviously, a broad based sales tax provides a more predictable and stable revenue source than one that is targeted toward a particular activity.

Sales taxes are the most commonly accepted dedicated funding source for transit and have historically provided the greatest revenue yield and stability compared to other sources. Revenue yield is highly dependent upon the scope and strength of the taxing district’s economic and demographic characteristics. While it is recognized that sales taxes are sensitive to economic cycles, a number of transit agencies that utilize this revenue source have had to contend with recent declines in excess of 10% as a result of the national recession. Sales taxes are typically imposed at rates ranging from 0.25% such as St. Louis’ Bi State Development Agency for its Proposition M tax, and 1% for the Greater Cleveland Regional Transit Authority. The Los Angeles County Metropolitan Transportation Authority has three voter approved sales taxes dedicated to the construction, improvement and operation of the transit network. The imposition of a sales tax can be perpetual or subject to sunset or renewal contingent on voter approval. The timing for the renewal of a sales tax typically coincides with the expected completion of a major capital program. This approach has been utilized by a number of California counties including Orange, Riverside, San Diego and Santa Clara.

- **Discretionary Sales Tax:** As a charter county, Volusia is authorized to levy a 1% Discretionary Charter County Transportation System Surtax, as authorized by Sections 212.054 and 212.055(1). At least 75% of tax revenues must be used for transit, while up to 25% may be used for highway needs. To date Duval and Miami Dade have levied this tax at a rate of 0.50%.

- **Gas Tax:** Gas taxes continue to represent the most common revenue source for highways. The tax represents the primary funding source for the Federal Highway Trust Fund and the Mass Transit Account as well as for Florida’s STTF. Transit agencies receive funding derived from gas taxes as an allocation of state funding from a transportation trust fund, which receives revenues from motor fuel and other taxes or from a specific allocation of the gas tax. Taxes are typically levied based on the number of gallons sold. However, fuel taxes have been imposed in the form of a retail sales tax in Northern Virginia. Florida is unique in its application of the gas tax. It is one of the few states that annually adjusts some portions of the tax based on the consumer price index. In addition, counties such as Volusia have the authority and have imposed local option gas taxes to finance County
transportation needs. The County Transportation Trust Fund receives revenues from the 5 cents Local Option Gas Tax, the 5th and 6th Cent Constitutional Gas Tax, the 7th Cent County Gas Tax and the 9th Cent Gas Tax. The Constitutional Gas Taxes are restricted for road purposes, while the Local Option and County Gas Taxes may be used for both public transportation operating expenses and roads. The Volusia County gas tax, which is applied towards road project, has not been indexed. There are efforts being made to modify the current approach to make it more consistent with the State of Florida annual adjustment.

Gas tax revenue collections are influenced by motor vehicle usage and fuel efficiency, changes in base fuel prices as well as underlying economic and demographic conditions. Limited growth in recent years has been influenced by sharp variations in motor fuel prices as well as the recession. Outside of Florida, the lack of an inflation index on the fuel tax has further constrained this revenue source. While this tax source will continue to be the primary funding source for the Federal surface transportation program and for States, elected officials and policy makers continue to seek a long term, sustainable alternative source to supplement and perhaps eventually replace the fuel tax with another mechanism such as a vehicle miles travelled fee.

- **Rental Car Fees**: This tax is paid by consumers based on the rental of a vehicle for a specified period of time. Rental car fees provide an opportunity to “export” the tax burden to support a particularly governmental purpose to non-resident recreational or business travelers. Transit agencies receive revenues from state rental car taxes such as Philadelphia’s Southeastern Pennsylvania Transportation Authority and Pittsburgh’s Port Authority of Allegheny County or have a regionally dedicated rental car tax such as the Raleigh region’s Triangle Transit Authority. Rental car fee revenues are driven by business and recreational travel trends within a region as well as the effects of national economic conditions on travel.

### **Real Estate Based**

- **Property Tax**: Ad valorem property taxes are the most common revenue source to support general government services. While historically less sensitive to economic cycles than sales taxes, property tax revenue yield and growth is dependent upon economic and demographic conditions and assessed property values. As Volusia County and other governments have experienced over the past two years, property foreclosures and significant declines in valuations have adversely impacted tax collections.

Property taxes have been imposed for special districts and have been dedicated for transit. For example, the Des Moines Area Transit Authority’s primary local funding source is derived from a property tax imposed within in the units of government served by the transit agency. In addition to funding system wide needs, property taxes can be imposed to finance specific projects.

- **Tax Increment Financing**: Under a tax increment financing (“TIF”), taxing districts are created to pledge future tax revenues toward financing infrastructure improvements within the district. While there are some limited applications for transit, TIFs have been typically used to finance commercial and residential improvements. The TIF establishes a base-year tax level for a district. Any taxes generated above that base-year amount through increases in property values are allocated to district for improvement projects or services. Like realty transfer and mortgage recording taxes, TIF revenues are very sensitive to real estate market conditions are entirely dependent upon achieving development expectations within the district.
• **Transportation Improvement Districts**: TIDs are created to fund highway and transit improvements by levying a real estate tax assessment on properties within a defined district. In addition, districts may impose an additional charge on new development projects to cover all or a portion of the cost of the transportation improvements needed to accommodate the new trips generated by that development through an impact fee. TID’s are also authorized to issue debt secured by tax revenues in order to finance capital improvements. Such districts have been created in Virginia to finance the costs of improving Route 28 in Fairfax and Loudon counties and to contribute funding towards the construction and operation of the planned extension of Metrorail service to Washington Dulles International Airport.

• **Realty Transfer and Mortgage Recordation Taxes**: This consists of a fee that is levied on the sale of residential, commercial or industrial property and is based on the value of the property being sold. Given revenues are based on the number and value of real estate transactions, it is highly sensitive to development and economic cycles.

**Grants/Other**

• **General Funds**: This typically refers to intergovernmental grant contributions from a local government to the transit agencies for capital and operating purposes. General fund contributions are derived from revenues received by the local government from property taxes, sales taxes and other fees and charges. Similar to Votran’s funding provided by the County, the amount of general fund contributions are determined by balancing the transit agency’s operating and capital needs, expected resources to be provided by FTA and state funding partners and the expected revenues to received by and competing funding demands on the general fund. In those cases where the transit agency is funded by more than one local jurisdiction, annual general fund contributions can be determined based upon an agreed formula considering factors such as the local jurisdictions share of ridership and service provided. Such an arrangement is utilized by the Washington Metropolitan Area Transit Authority.

• **Naming Rights**: In these agreements, transit agencies will receive either a lump sum or an annual payment in return for providing a private party with exclusive advertising rights extending over a defined contractual term.

**Federal Funding Programs**

Votran, like other transit agencies, receives Federal funding under one or more FTA grant programs which receive revenues from the Mass Transit Account of the Highway Trust Fund. The Mass Transit Account is funded from 2.95 cents of the Federal motor fuels tax. The following describes the major FTA funding programs.

• **Section 5307 Urbanized Area Formula Grant Program**: This is the core grant funding program for transit agencies and bus systems, in particular. Section 5307 grants are provided to fund transit capital needs and eligible capitalized operating expenses. FTA grants fund up to 80% of eligible project costs and are allocated to urbanized areas based on various demographic, level of service and ridership variables.
• **Section 5309 New Starts, Small Starts, Discretionary Bus and Fixed Guideway Modernization Programs**: The Section 5309 program consists of several components. Bus systems can receive grant funding for the purchase of new vehicles under a discretionary grant program. For transit agencies pursuing the development and construction of a new service, FTA grants can fund a portion of project costs under the New Starts and Small Starts programs. Under the Small Starts program, transit agencies can seek FTA funding of 80% of project costs up to a maximum of $75 million and the total project cost must be less than $250 million. Projects with total costs greater than $250 million fall under the New Starts program. Funding provided under both of these programs is awarded based on an assessment of the project’s transportation benefits and local financial commitment. Given competition for funding and on-going resource constraints, transit agencies will typically apply for funding that is less than statutory maximum.

Finally, Section 5309 also includes the Fixed Guideway Modernization, which provides capital and capitalized maintenance assistance for fixed guideway rail and bus rapid transit services. Similar to the Section 5307 program, funding is provided to urbanized areas based on demographic, ridership, fixed guideway length and service factors.

• **Other FTA Grant Programs**: Several smaller grant programs are available to support transit capital and operating needs. The programs most applicable to Votran encompass:

  o **Section 5308 Clean Fuels**: Grants are provided to finance projects such as purchasing or leasing clean fuel buses, including buses that employ a lightweight composite primary structure and vans for use in revenue service and constructing or leasing clean fuel bus facilities or electrical recharging facilities and related equipment.

  o **Section 5316 Job Access and Revenue Commute**: Funding is provided for capital, planning and operating expenses to support services that transport low income individuals to and from jobs and activities related to employment, and for reverse commute projects.

  o **Section 5317 New Freedom**: This grant program supports capital and operating expenses for new public transportation services and new public transportation alternatives designed to assist individuals with disabilities, in addition to those programs designated by the Americans with Disabilities Act.

**State Funding**

States provide capital and operating assistance to transit agencies through intergovernmental grants typically derived from allocations of a state transportation trust fund, general fund appropriations or from tax revenues dedicated to transit. Public transportation receives a minimum of 15% of non-exempt deposits into the STTF. Over the course of the fiscal 2011-2015 Work Program, FDOT projects the public transportation program will receive 18.7% of STTF deposits. The STTF is funded from a number of revenue sources including motor fuels taxes, registration fees, title fees and rental car surcharges. Several of the gas taxes adjust annually based on the consumer price index.

**Financing Options**

Transit agencies generally fund their capital expenses utilizing pay-as-you-go funds from Federal, State and Local sources. However, a number of agencies debt finance the acquisition of major capital assets such as buses, facilities and/or new major infrastructure investments such as a bus rapid transit or light
rail project. Debt financing is applied when annual revenues are not sufficient for the cost effective acquisition or implementation of a project on pay-as-you-go basis, but can support debt service payments for bonds issued to finance capital project needs. Typical financing strategies transit agencies utilize include:

- **Dedicated Revenue Bonds:** Under this structure a transit agency with a dedicated revenue stream such as a sales tax, pledges the revenues it receives to the repayment of the bonds. Given investors typically want to be protected from a transit agency’s operating obligations; these types of bonds are secured by all dedicated tax revenues, commonly referred as a gross pledge. After paying debt service and other obligations under the bond documents governing the security structure, surplus revenues are provided to the transit agency to support operating and pay-as-you-go capital needs. This is the most common debt structure used by transit agencies including Miami-Dade Transit.

- **Lease Revenue Bonds/Certificates of Participation:** Transit agencies use leasing/certificates of participation for the financing of new vehicles. Leases are not generally considered long term debt since annual payments to leaseholders is subject annual appropriation of funds by the transit agency. This structure is used by transit agencies if they do not have the authority to issue long term debt or as a strategy to manage their long term debt obligations relative to statutory and policy limits. Under a leasing structure the assets are acquired by a municipal leasing entity using the proceeds derived from the transaction. The lessor leases the assets to the transit agency and the transit agency makes payments to the lessor in an amount equal to debt service on the obligations. At the end of the lease term, the transit agency assumes full ownership of the assets.

- **General Obligation Bonds:** Another security option is the issuance of a general obligation bond where a transit system pledges it full faith, credit, revenues, resources and property to the full and timely payment of the bonds. General Obligation bonds are typical for states and local units of government that have tax raising authority. However, it is an uncommon security for transit agencies which are dependent upon external support and have revenue raising authority for fares which do not fully cover expenses and represent less than half of total revenues.

- **Debt Secured by FTA Formula Funds:** Transit agencies have issued debt secured by and payable from FTA formula funds, typically known as grant anticipation revenue vehicles (“GARVEEs”). GARVEEs have been employed by a number of agencies including NJ TRANSIT, Chicago Transit Authority, Los Angeles County Metropolitan Transportation Authority, Bay Area Rapid Transit and the Alaska Railroad.

- **State Infrastructure Bank (“SIB”) Loans:** A SIB is a revolving loan program that provides low cost credit assistance. FDOT’s SIB consists of two separate accounts. The federally-funded SIB account is capitalized by Federal money matched with state funds; the state-funded SIB account is capitalized by bond proceeds and state money.

The SIB can provide loans and other assistance to public and private entities carrying out or proposing to carry out eligible highway and transit projects that receive assistance under state and Federal law. SIB participation from the federally-funded SIB account is limited to projects which meet all Federal requirements and guidelines. SIB participation from the state-funded SIB account is limited to a transportation facility project that is on the State Highway System which provides for increased mobility or better intermodal connectivity on the state’s transportation system. The state-funded SIB may also lend capital costs or provide credit enhancements for emergency loans for
damages incurred to public-use transit and intermodal facilities that are within an area that is part of an official state declaration of emergency. The SIB can leverage funds through loans, and credit enhancement. The amount of any loan or other assistance may be subordinate to other debt financing for a project with a rating of “BBB” or higher SIB loans bear interest at or below market rates as determined by FDOT.

Volusia County used SIB loans valued at $12.5 million to finance its capital contribution for Sun Rail, planned to begin operation in 2013. One loan for $10.2 million will be paid back by 2020 and has two disbursements ($6.4 million disbursed in 2011 and $3.8 million disbursed in 2013). Another loan for $2.3 million will be disbursed in 2013 and paid back by 2018. A further SIB loan will be required to complete the Deland Station when it is added to Sun Rail service.

**Transportation Infrastructure Finance and Innovation Act (“TIFIA”) Loans:** The TIFIA credit program provides Federal credit assistance to nationally/regionally significant surface transportation projects including transit. TIFIA was designed to fill market gaps and leverage substantial public and private co-investment by providing supplemental and subordinate capital. Loans can finance up to 33% of eligible project costs. Repayment is flexible so long as principal repayment begins ten years after project completion and the loan is fully repaid 35 years after completion. The interest rate for TIFIA loans is attractive equal to the treasury rate for the term of the loan plus one basis point. Given the attractive repayment terms TIFIA offers, competition for credit assistance has increased and currently exceeds available capacity. While TIFIA loans have generally been for revenue producing projects such as toll roads, the program has also supported transit projects including a loan guarantee for the Washington Metropolitan Area Transit Authority and direct loans for Tren Urbano, Denver Union Station, the Trans Bay Transit Center and Staten Island Ferries.
5. Selected Options Recommended for Development

While the region considers a long term funding strategy, Votran has the opportunity to pursue several options to enhance its revenues. These strategies may be used to address some level of funding reductions to preserve base service levels and/or provide resources for targeted service increases or new routes. Based on best practices utilized by Votran, Florida’s transit providers and transit agencies nationally, providing increased service levels and/or new services to meet the mobility needs of new land uses may be funded in part by Community Redevelopment Agencies, (“CRA”), Development Agreements, Impact Fees and Mobility Fees. Funding partnerships with major employers and institutions or through the execution of naming rights advertising agreement represent additional strategies Votran may pursue to enhance its transit service and increase ridership. The following describes the structure for each of these options, how they have been applied by Votran and other transit agencies, their benefits and risks, potential measures to manage risks and recommendations.

Development Based Funding Options

Reflecting its long history as a high growth state, Florida has utilized a number of development and real estate related tax and fee sources to fund transportation improvements. The objective of these arrangements is to have those parties contributing to increased demands on the transportation network and benefiting from transportation improvements to pay for the costs of these improvements. Given the severe impacts of the recession and the contraction in development activity and property valuations, the opportunity to pursue such strategies is more limited in the near term. Volusia County reported in its fiscal 2011 adopted budget that County wide assessed valuations declined by 17% in fiscal 2010 and assume another 14% decline in fiscal 2011. Despite these significant constraints, Votran and other transit agencies within Florida have continued capacity needs requiring them to pursue the selective use of development based revenue strategies to enhance transit services.

Community Redevelopment Agencies

Certain municipal level trust funds are separately administered by community redevelopment agencies (“CRA”). A trust fund administered by a CRA board is derived from tax increments arising from properties lying within a redevelopment district. In Florida the CRA powers are broadly defined according to statute F.S. 163.330. The structure of the board incorporates public and private enterprise. CRA’s have been used to fund transit improvements within the state including Lynx’s Lymmo circulator service in downtown Orlando which is funded by parking revenues and Fort Lauderdale’s Downtown Development Authority which is pursuing options for a streetcar project.

Volusia County has 16 established CRAs within 7 cities. Property tax revenues raised from tax increment financing within the boundaries of each CRA are targeted for the redevelopment and improvement of blighted areas. CRAs also have the authority to raise revenues from developer contributions or impact fees. CRAs have the authority to provide or arrange to contract for the furnishing or repair among other items, streets, roads, and other public improvements, including transit. Reflecting the decline in real estate activity, CRA funding declined from $10 million in fiscal 2009 to $7.2 million in fiscal 2011. Votran recently benefitted from CRA funding with the City of Daytona Beach’s contribution from its Downtown and Main Street CRAs to retain seasonal trolley service. The funding is being applied for the provision of service from February 2011 through Labor Day Weekend. Votran and the Daytona Beach CRAs will evaluate the performance of the seasonal trolley service to determine subsequent year revisions to the service levels operated and funding level provided.
CRA Recommendation: Votran can pursue additional opportunities by working with CRA’s to develop transit supportive strategies and funding structures. It is important that a funding arrangement between Votran and a CRA fully covers the cost to provide service so additional pressure is not placed on Votran’s core funding sources. Under a CRA transit funding agreement Votran can be compensated for its operating costs less fare revenues collected on cost per hour of service operated. If the arrangement involves the expansion of existing services the cost per hour factor can be based on Votran’s marginal cost to provide the additional service. Alternatively, a fully allocated cost per hour should be the basis for agreements that call for the introduction of new services. In addition, service plans that require Votran’s acquisition of additional vehicles or other capital should be fully compensated under the CRA funding agreement, less any FTA or FDOT discretionary grants that may be secured to fund the service.

Development Agreements

Development Agreements are executed between a local government and a developer where as part of the government’s approval of a development plan, the private sector agrees to directly provide or fund transportation improvements to mitigate the expected increased traffic impacts resulting from the planned land use activity. Such agreements are part of mandated concurrency requirements where provisions are made to ensure public facilities are available concurrent with the planned development. Typical traffic mitigation strategies incorporated into a development agreement include improvements and expansions of highway interchanges, roadway widening and/or extensions, new roads and traffic signals. Transit improvements funded under development agreements encompass bus shelters, stops, parking bays and park and ride spaces as well as commitments to fund transit operations and capital needs to support services operating within a development. Further developers commit to undertake measures to support and promote transit use to its residents and employees.

Lynx executed a well defined agreement to provide service to the Winter Garden Village at Fowler Groves development. Under the development agreement, Lynx was compensated $150,000 annually for a two year period to provide service. In the addition, the developer is responsible for constructing transit stops within its property. The agreement includes a detailed route and service plan as well as monthly payment schedule from the developer to Lynx.

Within Volusia County two recent development agreements incorporate transit measures to mitigate traffic impacts for planned mixed use developments. The development agreement for the nearly 3,000 acre Ormond Crossings includes a number of roadway improvements to be funded by the developer at specific amounts. Transit provisions are less specific than the Lynx agreement and define that at the City’s request the developer shall enter into an agreement with the City and in consultation with Votran to determine the appropriate number of pull out bays, stops, and shelters as well as the viability of proposed internal circulator system. The agreement also requires the developer to provide the necessary right of way necessary to support transit service and implement programs to support transit usage.

Another development agreement between the City of Port Orange and the Pavilion at Port Orange also includes provisions for transit service. The agreement requires the developer to undertake specific actions and provide fixed dollar amounts. Volusia County is currently reviewing this agreement.

Development Agreement Recommendation: It is recommended that Votran pursue opportunities to partner with developers to expand existing services and introduce new routes. Similar to the contract between Lynx and Winter Garden Village, such arrangements should include specific details that define the routes to be operated, level of service to be provided and method of compensation. Operating costs net of fare revenues collected should be paid by the developer on a fully allocated cost per hour basis for new services and a marginal cost per hour basis for improvements to existing routes. Capital costs
involving the purchase of buses and installation of bus stops should also be compensated by the developer less any amounts Votran is able to secure from discretionary grant programs.

**Impact Fees**

Similar to development agreements, impact fees are assessed by a local government on a developer to mitigate the traffic impacts resulting from new land uses. According to a December 2008 Transit Cooperative Research Program (“TCRP”) Legal Research Digest, impact fees have been implemented in 28 states and more commonly used in the South and West. Impact fees are widely used for road improvements, but are applied to support transit capital and operating needs in Florida and California. It is important to note that the impact fees are typically levied on new development on a one time basis. In a period of limited development activity, these revenues are more appropriately applied towards capital improvements, while they can be considered to support operating needs under an economic expansion period when revenues generated may be more robust and sustainable.

Volusia County impact fees are dedicated for capital improvements to schools, roads, parks and fire services. Reflecting the effects of reduced development activity, the County’s four road impact fees are expected to generate 23% less in fiscal 2011 and come in, including carryover funds, at $13.9 million.

Impact fees can be assessed using a consumption approach where the calculation is based upon the value of the public infrastructure consumed per unit of land use. According to the TCRP report, the value of the public infrastructure is estimated on a unit cost basis such as cost per lane mile, vehicle mile or hour of service. An alternative methodology is the Improvements Driven approach which is based on a list of improvements needed to reduce or eliminate the impacts of growth and allocated based on the number of trips generated by the new development.

Broward County utilizes a transit concurrency fee for eight transit oriented districts. Costs are based on the five year County Transit Program. New development is charged a one-time fee covering the initial capital costs and the first five years of transit operating expenses. The fee is calculated based on the total peak hour trip generation of a proposed development multiplied by the cost per trip based on enhancements defined by the County Transit Program. The County’s budget estimates the transit impact fee will generate $604,000 in revenues. While this represents a small percentage of the County’s $116 million transit budget, the impact fee serves to supplement Broward County Transit’s core funding sources consisting of fares, general fund sources, FDOT funds, FTA funds and local option gas tax.

In addition to Florida, the San Francisco Transit Impact Development Fee has been in place since 1981. The fee is assessed on all new non residential development throughout the City. The fee, which is inflation adjusted, is charged on a one time, square foot basis and varies based on the type of economic activity ranging from $9.07 for visitor services to $11.34 for professional service according to the San Francisco Municipal Transportation Agency. Fee revenues are used to fund increased transit service frequencies in response to additional travel demand resulting from new development.

**Impact Fee Recommendation:** As a policy and taxing matter, it is recommended that the County and the cities coordinate on the use of impact and mobility fees to ensure consistency, promote land use goals and ensure sufficient revenues are generated for transportation mitigation strategies. It is important that revenue forecasts supporting both mobility and impact fees are based on conservative assumptions reflecting the on-going effects of the real estate downturn to ensure Votran can count on reliable funding to support service.
**Mobility Fee**

Following passage of the 2009 Community Renewal Act, FDOT and the Florida Department of Community Affairs (“FDCA”) prepared concepts for a mobility fee which would be charged on all new development to mitigate its impacts on the transportation system. The FDOT and FDCA study indicates that the mobility fee has the potential for raising more revenues than transportation impact fees currently imposed, but would likely cover a small portion of the State’s transportation needs. Mobility fees would be established by counties in conjunction with participating local governments. The study identifies, similar to the impact fee, the use of either an improvement based or consumption based approach to levy the mobility fee. Under the improvements based approach charges would be based on the cost of a set of improvements necessary to accommodate future growth. The consumption based approach charges each new development based on the value of the increment of transportation facility or service need generated by that development.

A number of Florida jurisdictions are examining mobility fee concepts, including Hillsborough County and the City of Jacksonville. Within Volusia County, the City of Ormond Beach has proposed a mobility fee structure with a significant transit element. As part of its multi-modal strategy, the City recognizes the limits to roadway widening and expansion to accommodate transportation needs and focuses on vehicle reduction strategies including improved transit services, focused development with higher densities, and sidewalk improvements. The transit strategy calls for service frequency improvements within Votran’s Eastside spine network along US1, SR 40 and A1A. The City estimates startup capital costs for these improvements of $5.39 million with annual operating costs of $3.55 million. Together with the proposed transit improvements, the City estimates transportation needs for different development scenarios ranging from $13.4 million to $13.6 million over the next fifteen years. These costs were then allocated to the projected increase in person trips for each scenario in order to define a per trip mobility fee. According to the City’s calculations 58% of the mobility fee would be dedicated to transit and would generate nearly $8 million over the fifteen year period.

**Mobility Fee Recommendation:** While the ability to realize this level of funding is subject to the level and pace of new development, similar to the risks posed by the previously discussed development based fees, and impact fees, the mobility fee concept could provide Votran with the additional flexibility to secure a supplemental funding source to support operating and capital needs in order to deliver targeted service improvements that help its communities achieve their land use and transportation goals.

**Transportation Improvement District**

While overlay districts have been used in Florida to govern land uses within a defined geographic area and in some cases raise revenues through TIFs or from a property tax surcharge, they have not been used to fund transit improvements. Outside of Florida, Virginia law authorizes the implementation of Transportation improvement districts (“TID” also known as “transportation development districts”) to raise revenue for both highway and transit transportation improvements.

In Virginia, a majority of property owners in the proposed boundary of the district must vote in favor of creating a district. Under Virginia law, the maximum tax rate allowed by statute is $0.40/$100 of assessed commercial and industrial property valuation. In addition TIDs usually require the creation of a District Commission or Board to oversee the operations of the district. The Commission can enter into a contract with the local government responsible for collecting property taxes within the district to collect the TID tax. Billing, collection and penalties procedures for the TID tax can be the same as the local government’s general property tax. The local government is also responsible for notifying the Commission of changes
in the district’s assessed valuation. In addition, the Commission is responsible for determining and notifying the local government regarding the level of the TID tax to be levied within the District.

All capital projects must be approved by the District Commission or Board. As noted earlier, TIDs have been established in Northern Virginia to fund highway improvements along Route 28 and provide a portion of the resources for the Metrorail extension to Washington Dulles International Airport in Northern Virginia. While TID revenues are subject to economic cycles, collections are more stable than a TIF or impact fee given TID funds are generated from a property tax surcharge levied across all existing and new land uses in the district. This is in contrast to a dependency on assessed valuation growth and new development for a TIF or exclusively new development for an impact or mobility fee. The appropriate application of a transit TID is to support the development of a dedicated, high frequency service within a defined corridor where property owners would directly benefit from the service’s operation.

**Transportation Improvement District Recommendation:** A TID provides the opportunity for Votran to enhance service along travel corridors where property owners could benefit from higher frequency service. It is recommended that Votran explore the feasibility of this strategy for funding improvements to its services along key corridors such as A1A and International Speedway Boulevard. The tax rate levied to support service improvements should be set at level to cover Votran’s marginal costs to provide the service as well as capital costs required for additional buses, lane treatments and new or improved stops.

**Partnerships with Major Employers and Institutions**

A number of transit agencies enter into partnerships with major employers, hospitals and/or universities to provide bulk pass programs and contracted services. Votran’s service area encompasses several universities and colleges including Embry-Riddle Aeronautical University, Stetson University, Bethune-Cookman University, Daytona Beach Community College and the University of Central Florida; major attractions including Daytona Beach and the Daytona International Speedway and large employers such as Florida Hospital and Halifax Health. By partnering with one or more of the County’s universities, attractions and hotels and employers, Votran has the opportunity to deliver tailored service that meets the needs of a private sector partner, increase ridership and secure compensation to cover the cost of the service being operated.

**University Partnerships**

Gainesville’s Regional Transit System (“RTS”) has one of the most successful partnership arrangements with the University of Florida (“UF”). RTS and UF have had a contractual arrangement to provide student and employee access to the transit system since 1998. RTS and UF’s current contract runs from 2010-2012. Each year RTS, UF and the student government define the service needs for students living in and around the University area. RTS determines the operating cost to provide the service based on agreed to per hour fee multiplied by the service levels provided. UF then calculates the transportation access fee based on RTS’ operating expense as well as other on-campus transportation expenses on a per student credit hour basis. The fee is paid by students as part of the tuition. The current fee is $7.33 of which RTS receives all but 50 cents. While the transportation access fee does not cover capital expenses, RTS and UF are working on a campus development agreement where a portion of the fee can be devoted to such purposes.

Students’ payment of the transportation access fee provides access to the RTS system upon display of their student identification card. Payment to RTS is made on a quarterly basis by UF. RTS reports that UF
payments cover about 50% of its $16 million in total annual operating expenses. In the event that UF related operating expenses vary from RTS’ estimate due, for example, to changes in fuel prices, RTS and UF mutually agree to any required service changes so that actual expenses are in line with that year’s estimate.

In addition to its contractual arrangement for students, RTS and UF have a separate agreement in place for University employees. Under a contract that is renewed annually, UF pays RTS a fixed amount based on a deeply discounted fare to provide unlimited transit access for UF employees and their spouses/partners by displaying a University identification card upon boarding. The use of a deeply discounted fare reflects RTS’ desire to fill available seating capacity on existing services which are structured to meet student transportation needs.

Other examples of transit agencies partnering with universities include Lynx’s arrangement with the University of Central Florida where student fees are used to cover the cost of weekend and late night shuttle services. Outside of Florida, the GRTC Transit System in Richmond, VA operates under contract to Virginia Commonwealth University a campus shuttle system, while Pittsburgh’s Port Authority of Allegheny County is paid a fixed annual amount by the University of Pittsburgh and Carnegie Mellon University so that students can access the transit network by displaying university issued identification cards. In addition, the University of North Carolina at Chapel Hill shares in the cost to fund transit service with the cities of Chapel Hill and Carrboro.

Employer Partnerships

Transit agencies partner with employers using similar techniques as their arrangements with universities—through the operation of a dedicated service and/or the provision of pass program. The Federal tax code provides important financial incentives to employers and employees to participate in a transit pass program. Up to $230 month in wages can be set aside on a pre-tax basis per participating employee to pay for transit commuting expenses. The set aside also benefits employers as well since they are not required to pay payroll taxes on the excluded amount.

Denver’s Regional Transportation District (“RTD”) has one of the nation’s more established employer pass programs. The Eco Pass program provides unlimited transit use for participating employers and their employees. The program requires that employers purchase passes for all employees. Employers pay a minimum fee based on the number of employees and the level of transit service provided to their employment site. In addition to the minimum fee, employers purchase employee passes at rates also based on the number of employees and transit service levels provided to a work site.

In addition to pass programs, employers may compensate a transit agency for capital improvements or for the direct operation of a transit service. Lynx has a five year agreement with Walt Disney World to provide increased service on six existing routes and operate one new route to serve employees. The agreement includes well defined terms specifying the routes to be operated and levels of service to be provided. The annual costs and compensation terms are also clearly described. Pursuant to the agreement Disney is contributing a total of $6.1 million to Lynx for the service with additional funds provided by FDOT and FTA Section 5316 grants.

As another example, RTD has a cost sharing agreement with the Denver Tech Center where the transit agency and the local transportation management association split the local share for CMAQ funded employee shuttle services. RTD also has an arrangement in place with Boulder County to provide service levels in excess of the transit agency’s service standards. Boulder County compensates RTD for the additional service on a marginal cost per hour basis.
**Partnership Recommendations**

The execution of a partnership arrangement between Votran and major employers or institutions needs to balance the goal of providing transit services that meet the employer or institution’s mobility needs and the requirement that Votran is fully compensated for its costs. Specifically:

- Employer pass or dedicated transit service programs should be structured where compensation covers both Votran’s operating and capital costs to provide the service. If the arrangement involves the provision of additional service along existing routes compensation can be structured on a marginal cost basis. Alternatively, compensation for the operation of new services and routes should be structured on a fully allocated cost basis.

- The agreements should specifically define the services to be provided including the route, frequency and number of vehicles required.

- Agreements involving pass programs should identify the terms for how passes are provided to employers, their distribution to employees and the terms for their use to access and utilize the transit network—i.e., unlimited access, peak period only, restricted for use by employees only, etc.

- Provisions that provide the employer/institution and Votran the flexibility to adjust service based on travel demand patterns and unexpected changes in costs.

- For the implementation or new services or increases in existing services that require the purchase of additional vehicles, Votran should secure a minimum of a three-five year agreement from the employer or institution in recognition of the additional up-front costs. In the event service is not renewed at the end of the contract term, Votran should be fully compensated for the fixed capital costs for providing the service.

**Naming Rights**

As noted earlier, recognizing transit serves highly trafficked areas, several transit agencies and advertisers have executed naming rights agreements involving stations and lines. The Greater Cleveland Regional Transit Authority sold the naming rights for its Euclid Corridor BRT, known as the HealthLine, to the Cleveland Clinic and University Hospitals. Under the terms of the naming rights agreement, Cleveland Clinic pays $250,000 annually over a 25 year period, or $6.25 million. The revenues are being applied to pay a portion of maintenance expenses. The Chicago Transit Authority executed a $3.9 million agreement with Apple Inc. to refurbish the North/Clybourn Red Line stop, partly in exchange for a future naming rights contract for the station, while the Southeastern Pennsylvania Transportation Authority entered into a similar station naming rights agreement with AT&T. It is important to note that naming rights revenues reflect the high volume of ridership and economic activity along the routes and stations described above.

**Naming Rights Recommendation:** While the revenues Votran would realize from any naming rights arrangement would certainly be less given the lower volume of ridership and density, it is recommended that this strategy may be considered for the network’s more highly visible routes and perhaps Sunrail stations.
6. Conclusions

Volusia County increasingly recognizes the need for transit to address the region’s mobility needs by helping to reduce congestion and provide access for the transportation disadvantaged. While the LRTP defines the need for a long term, sustainable funding strategy to support transit, the lingering effects of the deep recession pose significant challenges for the region’s elected officials and policy makers to implement a new tax source for transit in the near to medium term. While the region considers longer term transit funding strategies, Votran has the opportunity to pursue several funding options to supplement its core funding sources of fares, County contributions, and FTA and FDOT grants. It is important that as Votran considers the application of the selective funding options presented in this report that it ensures they achieve the following:

- Those contributing funding/revenues need to benefit from transit services to ensure a fair balance of costs and benefits
- Revenues should be predictable and sufficient to meet service needs
- Funding options should have the support of policy makers and elected officials
- There needs to be a clear legal framework for establishing the funding mechanism
- Administrative burdens to collect revenues should be manageable—particularly for contract arrangements between Votran and a developer, CRA, employer or institution where funding is provided based upon agreed to service levels

Votran may fund increased service levels and/or new services to meet the mobility needs of new land uses by securing funds through CRA’s, Development Agreements, Impact Fees and Mobility Fees. Dependency on future development activity can be mitigated in part through the use of a transportation improvement district where a tax surcharge is levied on existing and new land uses within a defined corridor benefitting from enhanced transit service. Votran has actively pursued funding through CRA’s with improvements to its Daytona Beach Trolley service, development agreements with Port Orange and Ormond Beach as well as a potential mobility fee by Ormond Beach to improve service along core routes. To date Votran has not utilized impact fees because these have been dedicated to road improvements in Volusia County.

Although these revenue sources are well established and can be used to enhance transit service, it is important to emphasize these mechanisms are highly sensitive to economic cycles and development conditions. To address the inherent uncertainty in these funding sources, it is important that revenue forecasts for mobility and impact fees reflect conservative assumptions considering the effects from the recent recession. Similarly, revenue derived from contributions under a CRA or developer agreement should include specific terms on the amount, timing and conditions under which funding is provided and the level of transit service to be supported.

Funding partnerships with major employers and institutions and/or through naming rights agreements represent additional strategies Votran may pursue. Employer and student pass programs that directly link the pass price with the cost to provide service can enable Votran to increase service without putting additional pressure on its core funding sources. Similarly, dedicated transit services can be operated to serve a major employer or institution pursuant to the terms of an agreement between Votran and the private party. Similar to the pass program strategy, Votran’s compensation to provide dedicated transit service should ensure that its costs are fully covered. Arrangements calling for increases in existing services can be compensated on a per hour or mile marginal cost basis, while the provision of new
services should be compensated on a fully allocated cost basis. The cost to the employer or institution may be reduced to the extent discretionary grants are available to cover a portion of the costs.
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