Assessment of MovingAhead's Potential Funding Options

Fall 2019
LTD

Eric Burdette • Rebecca Lewis

PPPM 629 Public Budget Administration

UNIVERSITY OF OREGON
LTD
SCI Sustainable Cities Institute
SCYP Sustainable City Year Program

Fall 2019 LTD

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COLLEGE OF DESIGN

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Cover photograph courtesy of Lane Transit District.

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About SCI

The Sustainable Cities Institute (SCI) is an applied think tank focusing on sustainability and cities through applied research, teaching, and community partnerships. We work across disciplines that match the complexity of cities to address sustainability challenges, from regional planning to building design and from enhancing engagement of diverse communities to understanding the impacts on municipal budgets from disruptive technologies and many issues in between.

SCI focuses on sustainability-based research and teaching opportunities through two primary efforts:

1. Our Sustainable City Year Program (SCYP), a massively scaled university-community partnership program that matches the resources of the University with one Oregon community each year to help advance that community's sustainability goals; and

2. Our Urbanism Next Center, which focuses on how autonomous vehicles, e-commerce, and the sharing economy will impact the form and function of cities.

In all cases, we share our expertise and experiences with scholars, policymakers, community leaders, and project partners. We further extend our impact via an annual Expert-in-Residence Program, SCI China visiting scholars program, study abroad course on redesigning cities for people on bicycle, and through our co-leadership of the Educational Partnerships for Innovation in Communities Network (EPIC-N), which is transferring SCYP to universities and communities across the globe. Our work connects student passion, faculty experience, and community needs to produce innovative, tangible solutions for the creation of a sustainable society.

About SCYP

The Sustainable City Year Program (SCYP) is a year-long partnership between SCI and a partner in Oregon, in which students and faculty in courses from across the university collaborate with a public entity on sustainability and livability projects. SCYP faculty and students work in collaboration with staff from the partner agency through a variety of studio projects and service-learning courses to provide students with real-world projects to investigate. Students bring energy, enthusiasm, and innovative approaches to difficult, persistent problems. SCYP's primary value derives from collaborations that result in on-the-ground impact and expanded conversations for a community ready to transition to a more sustainable and livable future.

About Lane Transit District

LTD provides more than 10 million trips per year on its buses and EmX Bus Rapid Transit line in Lane County, Oregon. Encompassing the Eugene-Springfield metro area, LTD is a special district of the state of Oregon and led by a seven-member board of directors appointed by Oregon's Governor.

LTD also operates RideSource, a paratransit service for people with disabilities, and numerous transportation options programs to promote sustainable travel county wide, and Point2Point, an initiative that provides community members with the necessary information and resources to assist them in identifying opportunities to drive less by discovering transportation choices that meet their individual lifestyles.

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Executive Summary

As part of Rebecca Lewis' Public Budget Administration class, LTD tasked student groups to come up with innovative sources to fund a service expansion named MovingAhead. The MovingAhead package is estimated to have $274 million in capital costs, as well as $4.3 million in increased annual operations costs.

In response to this challenge, two groups were tasked with developing funding options for capital costs and two student groups were tasked with finding funding options for operations costs. Each group was expected to have at least three funding packages and have a top recommendation based on evaluative criteria.
The capital funding groups both had recommendations based on Urban Renewal Districts, among others. Both operations funding groups mentioned Transportation Utility Fees among their recommendations. The four groups recognize that their recommendations should be researched further by LTD or other entities to ensure that they would be able to implement these funding options. This will also ensure stable and resilient long-term funding.

Introduction

Lane Transit District (LTD) is embarking on a new project called MovingAhead to improve transportation services in the Eugene-Springfield metropolitan area. Specifically, the project calls for improved services on five routes, mainly in the city of Eugene.

Several investment packages were presented to the public with varying levels of costs. Options ranged from no-build to bus rapid transit lines, with several levels in between. Package D represents a middle ground in the suite of packages and calls for "enhanced corridors" on Highway 99, 30th Avenue to Lane Community College, and MLK Jr. Boulevard. These enhanced corridors are slated to have more frequent traditional bus service as well as pedestrian and cycling improvements. Additionally, Package D calls for the expansion of the EmX (Eugene's Bus Rapid Transit system) onto River Road and Coburg Road. LTD estimates that Package D of MovingAhead will have capital costs of $274 million as well as increased operating and maintenance costs of $4.3 million annually.

Working with the University of Oregon's Sustainable City Year Program, LTD tasked student groups in Dr. Rebecca Lewis' Public Budget Administration class to seek out creative and unique funding strategies for Package D of MovingAhead. Specifically, two student groups in the class were assigned to capital funding strategies, and two student groups were assigned operating and maintenance funding strategies.

Funding MovingAhead

LTD's MovingAhead Package D reveals a need for capital funding of $274 million and operations funding of $4.3 million annually. These funds would upgrade five major transportation corridors on Highway 99, 30th Avenue to Lane Community College, Coburg Road, River Road, and on MLK Jr. Boulevard. All of these five corridors fall within the Eugene metro area.

BACKGROUND ON LTD

LTD is a special-purpose district in Lane County enacted by the State of Oregon and led by a seven-member board of directors. LTD has been providing transit services to the Eugene-Springfield Metropolitan Area and surrounding communities since 1970. While centered in the metro area, LTD's service area expands east to Highway 126 at McKenzie Bridge, west to Veneta, south to the communities of Creswell, Lowell, and Cottage Grove, and north to communities of Coburg and Junction City. LTD also operates in Florence via the Rhody Express and runs a weekday-only route to Oakridge (the Diamond Express). LTD offers fixed-route bus service, fixed-route bus rapid transit service (EmX in the metro area), park-and-ride, and paratransit service (RideSource in the metro area). LTD also operates Point2Point, an informational initiative to assist community members in choosing alternative transportation options. MovingAhead is a new LTD initiative to improve five major transit routes in the metro area to serve a population of 234,224 spanning 60 square miles.

LTD's FY 2019-2020 budget is $114.2 million. This amount is split among the General Fund, Specialized Services Fund, Medicaid Fund, Capital Projects Fund, and Point2Point Fund. Increases in operating costs from MovingAhead will be drawn from the General Fund, the primary fund for LTD's day-to-day operations. As it stands, total General Fund resources are $63.9 million. The majority of these funds come from payroll taxes (57%), beginning working capital (17%), and federal assistance (7%). The largest General Fund expenditure is personnel services (61%), followed by materials and services (17%), and operating reserve (14%).

EVALUATIVE CRITERIA

The class used the following evaluative criteria in assessing LTD's MovingAhead budget:

Equity
The revenue structure should promote fairness to all sectors and citizens in the community. This can be achieved through income-based taxes, minimizing tax favors, and balancing the tax burden across income groups.

Neutrality
Taxes or fees should not distort the market by changing people's decisions unless socially desirable. The key is to not interfere with the market.

Efficiency
Administrative costs for the tax (i.e. notification, collection, disbursement, and enforcement) should be efficient. Furthermore, costs should not be out of proportion to revenue.

Productivity
Taxes and/or fees should produce sufficient and stable revenues to meet expenditures.

BACKGROUND ON STUDENT RESEARCH

To prepare funding strategy recommendations for LTD, every student in the class was assigned a "reference jurisdiction" where they researched other transportation providers in the US. These individual case studies ranged from TriMet in Portland, Oregon to the Anchorage Public Transportation Department (see Appendix D). Researching these varied transportation providers from around the country exposed students to an array of funding options that are available in different jurisdictions.

Numerous transportation providers in other states are partially funded by excise or sales taxes. However, given the political realities in Oregon, student groups did not recommend excise or sales taxes to fund capital or operations costs for LTD, as this would likely be politically infeasible.

Funding Capital Improvements

Two groups of students were tasked with coming up with proposals to meet the $274 million funding need. The two groups had slightly differing ideas on how to meet the expenditure need, which are presented below.

GROUP A

This group's top recommendation, based on the evaluative criteria of equity, neutrality, efficiency, and productivity, was to establish urban renewal and local improvement districts. These districts are located along the five corridors where LTD is proposing to improve transit service. Furthermore, the group estimated that the urban renewal and local improvement districts will yield a total of $304 million in revenue over 30 years.

Funding Breakdown

Group A's top recommendation strategy uses two land value capture (LVC) mechanisms – Urban Renewal Districts (URD) and Local Improvement Districts (LIDs) – to back a 30-year special obligation bond. This strategy builds upon MovingAhead's goals by further emphasizing the connection between transportation and land use and ensuring responsible development occurs near LTD's capital investments. This strategy involves establishing four URDs and five LIDs along the five major transportation corridors in Eugene, yielding $202 million and $102 million over 30 years, respectively. Combined, this strategy is estimated to generate $304 million in revenue over 30 years. A URD-LID funding combination was chosen to minimize risk should the URD districts fail to increase in value at assumed rates. Since the LID is a special assessment on property, it is not reliant on market forces to be paid like the URD.

FIG. 1
Evaluative Criteria: Capital A

Equity	Fair
Efficiency	Good
Neutrality	Good
Productivity	Excellent

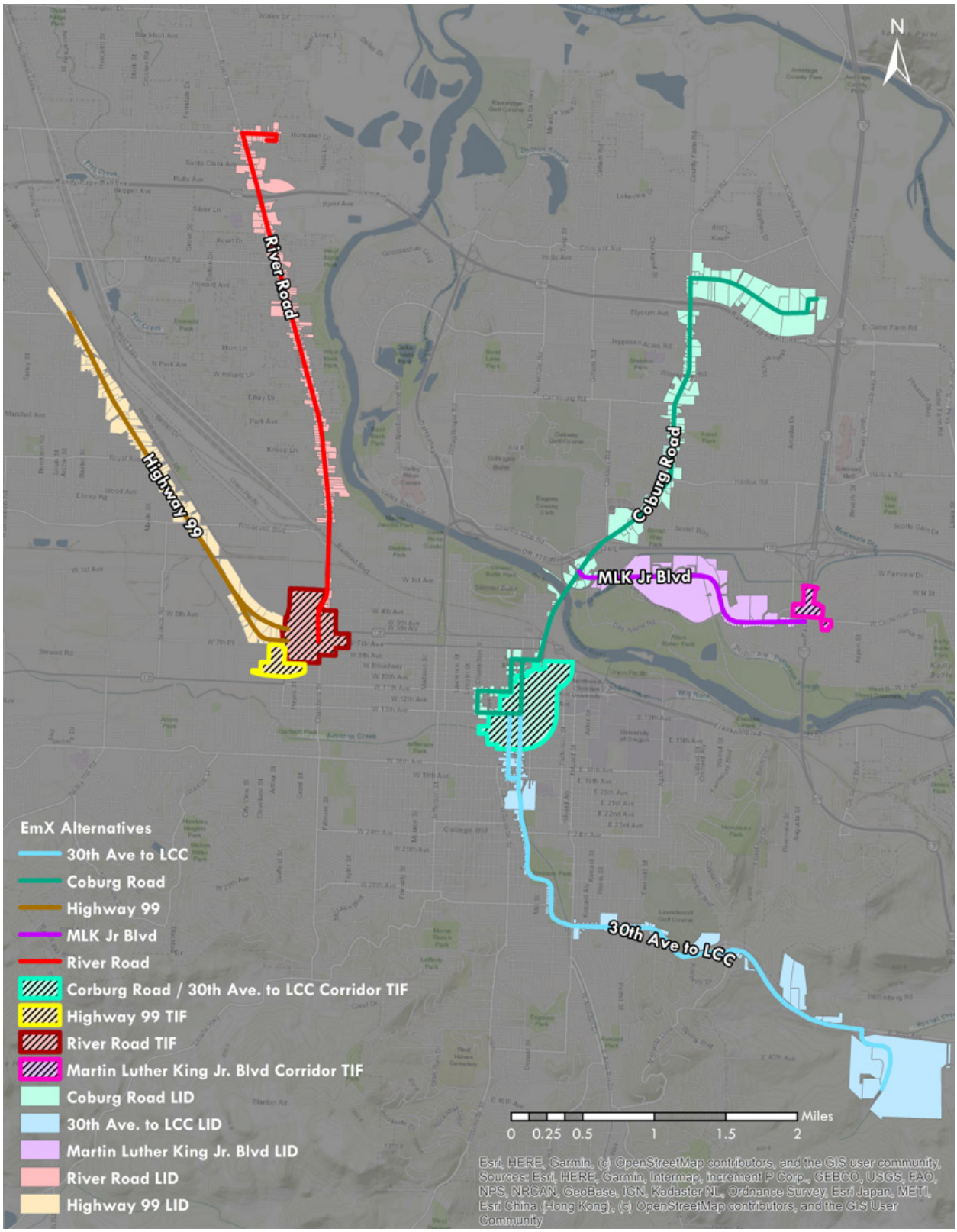


FIG. 2

Map of Proposed Urban Renewal and Local Improvement Districts

GROUP B

This group generated a baseline funding package or "funding bucket" of various sources that would produce $212 million over 10 years. Sources include bonds, ride-share taxes, and LTD advertising. The group also recommended an urban development district along the River Road corridor and estimated that this would generate $70 million over 10 years, for a total of $282 million in capital funding.

Funding Breakdown

Overall, this group's recommendation is a baseline funding package derived from sources explored preliminarily by LTD, as well as a handful of innovative sources not currently utilized in the LTD operating area. These funding sources include a ride-share tax, an Emerald's minor league ticket tax, and an e-scooter tax. While these are minor sources of revenue, the diversity of funding they provide bolsters overall funding security.

Furthermore, the group recommended setting up an urban renewal district along the River Road corridor. Using GIS, the group referenced 2015 tax data to generate a blight metric with a land/improvement value ratio. To calculate the potential fiscal yield from this urban renewal district, the group compared their data with the Downtown-Riverfront Cost Benefit Analysis (CBA) conducted by the city of Eugene. For this project, the city of Eugene took total assessed values of the area and calculated the potential yield from Lane County and Eugene property taxes, 4J bonds, and LCC/Lane Education Service District bonds after development over the next 10 years. The future expected revenue from these taxes pays back the tax-increment financing (TIF) taken out to pay for improvements upfront. Unlike bonds, TIFs do not need ballot voter approval, only approval by the city council where the TIF is implemented.

FIG. 3
Evaluative Criteria: Capital B (TIF)

Equity	Excellent
Efficiency	Excellent
Neutrality	Good
Productivity	Excellent

FIG. 4
Evaluative Criteria: Capital B (Bucket)

Equity	Good
Efficiency	Excellent
Neutrality	Good
Productivity	Excellent

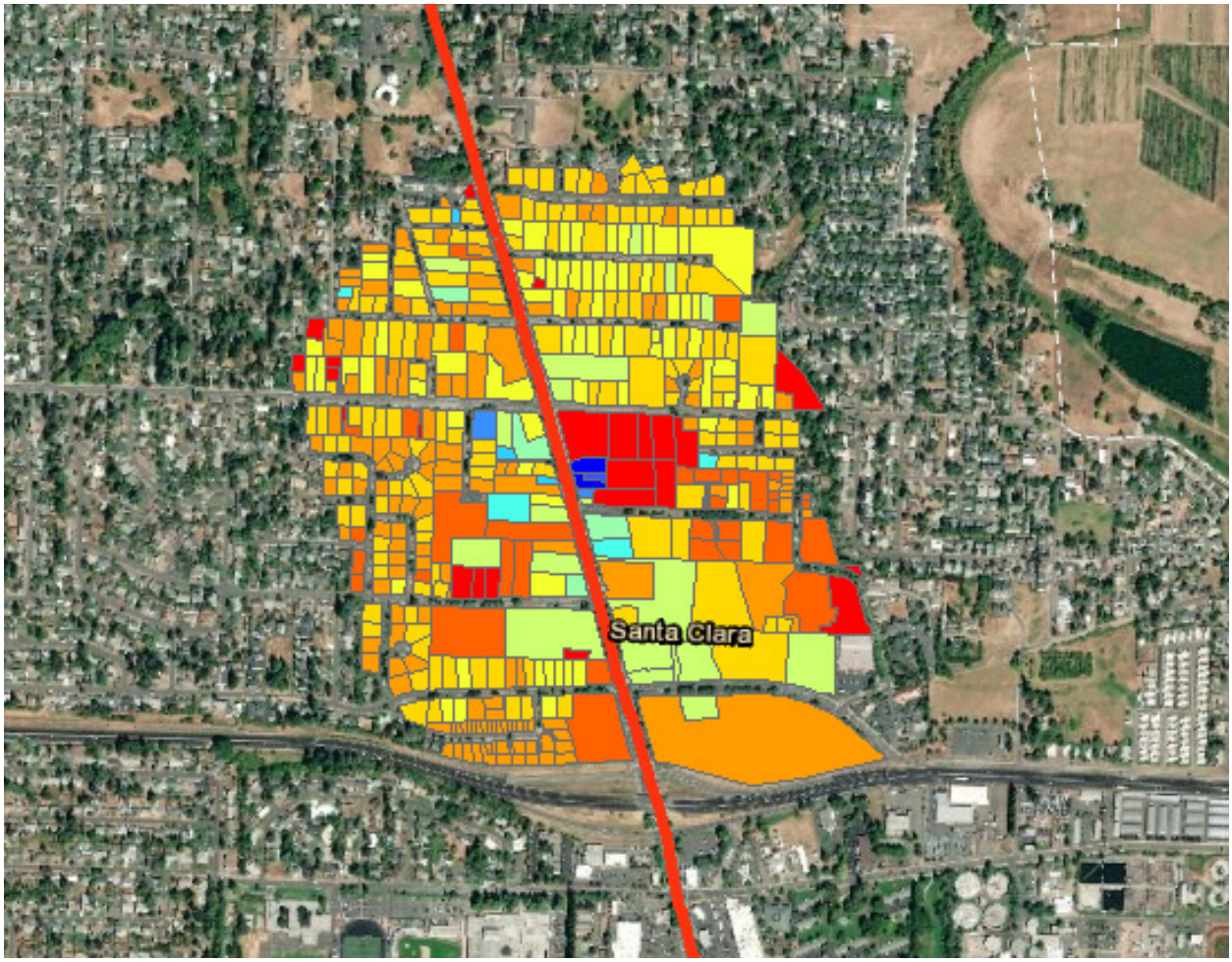


FIG. 5

Map of the River Road Urban Renewal District

Funding Increased Operations Costs

Like the two groups charged with seeking funding sources for capital improvements, there were two student groups tasked with coming up with $4.3 million in annual operations costs to support MovingAhead Package D.

GROUP A

The top recommendation from this group was a jurisdictional property tax. This proposed property tax would be within LTD's jurisdiction and would require voter approval. The group proposed a rate of 0.0192%, or $19.20 per $100,000 of assessed value. The group estimates that this property tax would produce $4.3 million annually. Another option that the group presented was a voter-approved property tax on municipalities within LTD jurisdiction, as these areas would see the most improvement in LTD services.

Funding Breakdown

While the top recommendation from this group is the jurisdictional property tax, another option that the group put forward is a potential municipality property tax. The group also noted that after reviewing the tax data within LTD boundaries, they found projections with sustainable, realistic potential revenue to meet the MovingAhead funding requirements.

FIG. 6
Funding Breakdown for Proposed Tax Rate Increases

Boundary or Jurisdiction	Property Tax Rate	Estimated Revenue
LTD Jurisdiction only	0.192/1000 or 0.0192%	$4,317,143
Municipalities only within LTD Jurisdiction	0.214/1000 or 0.0214%	$4,311,610

This group noted that there may be political feasibility issues in asking voters to approve property tax increases. However, they also noted that property tax increases to pay for transportation providers in Oregon are not without precedent, citing the Rogue Valley Transit District as an example of an area that receives over $4.7 million in funding from voter-approved property taxes.

Finally, Group A noted that they believed that all their suggested revenue strategies have merit and recommended further research to develop a robust and stable funding source for LTD as they look to fund increased operations costs from MovingAhead. A funding strategy that both group A and B had in common was a transportation utility fee (TUF), although it was not group A's top recommendation.

Evaluative Criteria: Operating A

Equity	Good
Efficiency	Good
Neutrality	Excellent
Productivity	Fair

FIG. 7
Evaluative Criteria: Operating A

GROUP B

This group's top funding recommendation is to work with the Eugene Water & Electric Board (EWEB) to implement a transportation utility fee (TUF), which is estimated to produce approximately $4.8 million in annual revenue. Furthermore, the group emphasized that over 30 cities in Oregon have TUFs, and that implementing this fee would not require voter approval.

Funding Breakdown

Transportation utility fees (TUFs) have been utilized by at least 30 cities in Oregon to fund public activities. The League of Oregon Cities conducted a statewide survey in 2015 to examine local transportation funding strategies including the use of TUFs. Survey results include at least eight cities that impose a flat fee on jurisdiction residents, including commercial customers. The average revenue raised from TUFs in 2015 was $853,370, and at least 12 cities used TUFs revenue to fund operations. The city of Hillsboro, OR (approx. population: 108,389 in 2018) utilizes a TUF where $8.79 is added to monthly utility bills for single-family residential customers and $7.91 for multi-family residents as well as non-residential customers. The city of Hillsboro collects approximately $5.1 million annually in revenue from TUFs that are used to fund city service needs.

To implement this type of fee, LTD could work with the different utility districts within its service area. Utility districts within LTD's jurisdiction include EWEB, Lane Electric, Springfield Utility Board, and Emerald People's Utility District. However, for MovingAhead, improvements will primarily be made in Eugene with the city of Springfield choosing to opt out. Therefore, EWEB, which serves approximately 200,000 customers in and around Eugene, should be the primary utility district that LTD should look into partnering with. Revenue generated from a TUF applied to EWEBs customers are detailed in Figures 9 and 10.

FIG. 8
Evaluative Criteria: Operating B

Equity	Good
Efficiency	Excellent
Neutrality	Excellent
Productivity	Excellent

Utility District	Number of Customers	Revenue (Monthly $1.50 flat fee)	Annual Revenue	90% Capture Total	80% Capture Total
EWEB	200000	$300,000	$3,600,000	$3,240,000	$2,880,000
Springfield Utility Board	31000	$46,500	$558,000	$502,200	$446,400
Emerald people's Utility	21500	$32,350	$387,000	$348,300	$309,600
Lane Electric	13000	$19,500	$234,000	$210,600	$187,200
Total	265500	$398,250	$4,779,000	$4,301,100	$3,823,200

FIG. 9
Operations Funding Strategy Data

Utility District	Number of Customers	Revenue (Monthly $1.50 flat fee)	Annual Revenue	90% Capture Total	80% Capture Total
EWEB	200,000	$400,000	$4,800,000	$4,560,000	$3,840,000
Total	200,000	$400,000	$4,800,000	$4,560,000	$3,840,000

FIG. 10
Operations Funding Strategy Data

Summarized Funding Suggestions

The following table summarizes all four student team funding suggestions. Tables include all packages that were considered by each team, with the recommended package highlighted.

Group: Capital A

Package	Description	Amount (30 years)
Package 1	Local sales tax	$390 million
Package 2	Land value capture mechanisms	$304 million
Package 3	Vehicle taxes and fees	$275.5 million

Group: Capital B

Package	Description	Amount (10 years)
Package 1	Gross receipts tax	$300 million
Package 2	Food and beverage tax (5%)	$473 million
Package 3	Urban renewal district and funding bucket	$282 million

Group: Operations A

Package	Description	Annual Amount
Package 1	Property tax	$4.3 million
Package 2	Advertising, naming rights, and property tax	$4.3 million
Package 3	"Hodgepodge": advertising, leasing, fare increase, and transportation utility fee	$4.4 million

Group: Operations B

Package	Description	Annual Amount
Package 1	Transportation utility fee	$4.8 million
Package 2	Prepared foods tax (1.25%)	$4.4 million
Package 3	Motor fuel and parking taxes	$4.6 million
Package 4	Increase fares and payroll tax	$5.3 million

Conclusion

LTD's MovingAhead project has the potential to transform public transportation in the Eugene metro area. However, funding capital construction costs and increased operations costs will be a challenge. After extensive research of public transportation providers throughout the country and potential funding options, students suggest a number of potential solutions.

Both groups looking at capital costs used land value capture mechanisms and recommended these to raise large amounts of funding. Additionally, both groups recommending operations funding strategies mentioned transportation utility fees, giving the groups some commonality. Neither land value capture mechanisms nor transportation utility fees require voter approval. This could be incredibly helpful as Oregon's voters are notoriously averse to raising taxes.

The funding recommendations provided by all four groups are an excellent starting point. These options should be researched more thoroughly to ensure that they are indeed viable and stable funding options.

Appendix A

Capital Group A Memo

MEMO

TO: Lane Transit District (LTD)
FROM: Meredith Frisius, Sid Hariharan, Leah Rausch, RJ Theofield
RE: LTD MovingAhead Capital Project Funding Strategies

Introduction

The following memorandum was developed on behalf of the Lane Transit District (LTD) by University of Oregon graduate students working with the Sustainable City Year Program (SCYP). The project team explored capital funding sources to support the proposed MovingAhead capital expansion. The expansion includes five key corridors in the city of Eugene: Highway 99, River Road, 30th to Lane Community College (LCC), Coburg Road, and Martin Luther King Junior Drive. LTD proposed five improvement packages, ranging from a "No Build" option to Emerald Express (EmX) bus rapid transit on all corridors. This analysis focuses on funding Package D, which represents a "middle ground" among the suite of packages. As shown below in Table 1, the capital improvements outlined in Package D include a total investment of $274 million.

Table 1. MovingAhead - Capital Cost Estimates for Package D

Highway 99	River Road	30th to LCC	Coburg Road	MLK Jr.	Total Estimated Capital Cost
Enhanced Corridor	EmX	Enhanced Corridor	EmX	Enhanced Corridor	
$38 M	$78 M	$21 M	$113 M	$21 M	$274 M

Source: Lane Transit District

The project team examined capital transit investments in four communities: Tri-County Metropolitan Transportation District (TriMet) in Portland, Oregon; Charlotte Area Transit System (CATS); San Francisco Municipal Transit Authority (SFMTA); and, Regional Transportation District (RTD) in Denver, Colorado. These four case studies, along with additional research, provided insight into capital funding options utilized by other jurisdictions. A greater understanding of options utilized around the country provided insight to develop funding package options for LTD. As part of the funding source and package evaluation, the analysis provides revenue estimates for each funding source and rates each package in terms of equity, neutrality, efficiency, and productivity.

Methodology

In considering funding the MovingAhead corridor expansion, this analysis uses a case study framework. Examining four jurisdictions that have recently advanced major capital improvement transit projects provides insight into unique and creative funding models. By taking information from each of the jurisdictions examined, we worked to model various funding sources based on the population of Eugene. We excluded Springfield from our model as Springfield did not elect to be part of the MovingAhead program and thus should not be considered in funding the programs expansion. Each revenue estimate includes a unique methodology using the best available data from LTD and per capita economic data for Eugene. Further information on revenue estimates is available in Appendix A.

Case Studies of Transit Agencies

In order to better understand how jurisdictions around the country fund capital transit expansions, the project team analyzed the capital budgets of TriMet, CATS, SFMTA, and RTD. Overall, the case study agencies used either Pay-As-You-Go (Pay-Go) or Pay-As-You-Use (Pay-U) capital project financing strategies. Generally, Pay-Go strategies use a combination of fees and taxes that are then transferred to funds dedicated to capital projects, while Pay-U strategies use general obligation bonds. Table 2 provides a summary of key information gained from each of these case studies. Unless otherwise noted, the information included in the case study summaries is from the transit agency's most recent budget proposal and website. Complete case studies are available in Appendix B.

Key Findings:

- **Three case study communities rely heavily on sales tax revenues.** CATS (0.5%), SFMTA (0.5%), and RTD (1%) levy significant voter-approved sales taxes and earmark these funds for capital expansions and improvements, such as the FasTracks rail expansion in Denver or the Geary Rapid Project in San Francisco.
- **San Francisco creatively used taxes and fees on vehicles.** This combination of a transit sustainability fee, vehicle registration fee, rideshare tax, and vehicle rental tax were all voter approved and demonstrate an interest in supporting quality public transportation.
- **Denver has leaned on Certificates of Participation (COPs) as a long-term debt mechanism.** These bonds, rather than secured on future revenues, are secured on an equipment lease. RTD used the actual rail line infrastructure to secure its $400+ million COP financing, and historically used COPs for bus capital purchases.

Table 2. Summary of Case Study Transit Agencies

Transit Agency	RTD	CATS	SFMTA	TriMet
Region	Denver Metro, Colorado	Charlotte, North Carolina	San Francisco, California	Portland Metro, Oregon
Service Area	20 municipalities 2,300 square miles 2.8 million people	11 municipalities 425 square miles 1.8 million people	City & County 50 square miles 885,000 people	3 counties 533 square miles 1.8 million people
Total Revenue	$1.2 billion	$201 million	$1.2 billion	$690 million
Major Revenue Sources	1. Sales Tax (54%) 2. Grants (30%) 3. Passenger Fares (13%)	1. Sales Tax (55%) 2. Passenger Fares (14%) 3. Transit Pay-Go Transfers (12%)	1. Parking Fees and Fines (31%) 2. Sales Tax (28%) 3. Passenger Fees (20%)	1. Payroll Taxes (60%) 2. Passenger Fares (16%) 3. Grants (15%)
Capital Financing Strategies	Pay-Go: Sales tax increase and federal grants; Pay-U: Lease Agreements/COPs	Pay-Go: Sales taxes and federal grants	Pay-Go: Sales tax increase and federal grants; Pay-U: General Obligation bonds	Pay-U: General Obligation bonds and increased payroll tax rates

Potential Revenue Sources

LTD will need to raise nearly $275 million to fund MovingAhead's capital projects. Generally, capital projects are those that require significant costs (e.g., greater than $25,000), have a long useful lifespan (e.g., 10, 20, or 30 years), and result in the acquisition or addition of a capital asset. The capital components of MovingAhead will likely include infrastructure such as pedestrian and bicycle amenities, bus stations/stops, and/or transit vehicles. Financing capital investments like these is an inherently different task than operating expenses because their costs are highly varied over time, have higher levels of risk, and have different regulatory requirements.

There are many different types of financial mechanisms LTD could use to fund its capital investments. The project team generated four categories of potential revenue sources: long-term debt, taxes, fees, and land value capture. For this analysis, the project team considered a form of long-term debt that is not backed by a tax or fee - lease purchase agreements, otherwise known as Certificates of Participation (COPs). Lease financing relies on large equipment purchases, such as a bus or station improvement, rather than the jurisdiction's bonding capacity. Next, taxes, which are levies imposed on a buyer of a certain good or service, dedicated to transit investments were examined. Taxes analyzed include a Local Sales Tax, Rideshare Tax, Vehicle Rental Tax, and Kicker Return. Afterwards, fees, which are a fixed price that is charged for a certain good, such as a Transit Sustainability Fee and Vehicle Registration Fee were examined. Lastly, Land Value Capture (LVC) mechanisms that monetize and collect part of the land value increment as a revenue source for transit capital projects such as Tax Increment Financing (TIF)/Urban Renewal Districts, Transportation Improvement Districts (TIDs), and Local Improvement Districts (LIDs) were considered.

Each revenue source presented used a specific methodology to provide both annual and thirty-year revenue estimates for LTD. Table 3 lists each revenue source by category, revenue estimates, and case study precedents. Additional information related to specific revenue sources and estimate methodology can be found in Appendix A.

Table 3: Summary of Revenue Sources and Estimates by Category

Category	Revenue Source	Estimate Rate	LTD 30-Year Revenue Estimate	LTD Annual Revenue Estimate
Long-Term Debt	Certificates of Participation	LTD estimates for buses and station improvements	$42 million	$14 million
Taxes	Local Sales Tax	0.5% in Eugene	$399 million	$13 million
	Rideshare Tax	1.5% shared + 3.25% solo	$182.5 million	$6 million
	Vehicle Rental Tax	5%	$60 million	$2 million
	Kicker Return	N/A	N/A	$62.9 million
Fees	Vehicle Registration Fee	$10/vehicle	$33 million	$1.1 million
	Transit Sustainability Fee	$7.74/sq. ft (residential) + $18.04/sq. ft (non-res.)	$18 million	$1.2 million
Land Value Capture	Transit Tax Increment Financing (TIF)	N/A	$202 million	$6.7 million
	Transportation Improvement District (TID)	20 cents per $100 of Taxable Value	$200 million	$6.6 million
	Local Improvement District (LID)	$3 per $1,000 of Assessed Value	$102 million	$3.4 million

Potential Funding Strategies

The project team developed three funding strategies, combining a variety of revenue sources. Each package would result in at least $275 million in revenue for LTD over thirty years, the traditional length of a capital bond. Funding Package #1 is the most politically bold – a 0.5% sales tax in Eugene – and is based most heavily on case study precedents in Charlotte, Denver, and San Francisco. Funding Package #2 is a combination of taxes and fees on vehicles, derived from the model set in San Francisco to discourage car use while improving transit infrastructure. Finally, Funding Package #3 combines two land value capture strategies to leverage property value increases. Each strategy is evaluated along four factors: equity, productivity, neutrality, and efficiency, as defined below.

- **Equity**: Should consider two factors: 1) tax should reflect the ability to pay of those who bear the burden; or 2) tax burden should match the benefits received.
    - Horizontal: Individuals with similar income and assets should pay the same amount in taxes.
    - Vertical: A method of collecting income tax in which the taxes paid increase as the amount of earned income increases.
- **Neutrality:** The revenue source does not interfere with market growth, does not distort the way the community would otherwise spend resources, or how individuals make decisions.
- **Efficiency:** The administration required to collect the revenue source and redistribute it as necessary should not be disproportionate to the revenue collected.
- **Productivity:** Does the funding source produce sufficient, stable revenue to meet the desired level of expenditure.

Funding Strategy #1 - Local Sales Tax

The first capital financing strategy is solely funded by a local, Eugene-only 0.5% sales tax. Currently, there is no sales tax in Eugene or Oregon. The suggestion of a sales tax would be a bold political strategy, but with the boldness of such an idea comes a great source to fund the MovingAhead capital expansion. Three of the four transit providers (CATS, RTD and SFMTA) used sales tax to raise funds for their recent capital improvements. In theory, a sales tax would be applied to all goods purchased in Eugene and be distributed to LTD, creating an efficient loop where the point of collection is at the point of sale. Collectively in Eugene, a sales tax would yield $13 million annually and nearly $400 million in 30 years. Although a sales tax is an effective method in which to raise capital funds, there are some drawbacks.

Table 4: Funding Strategy #1 Evaluation

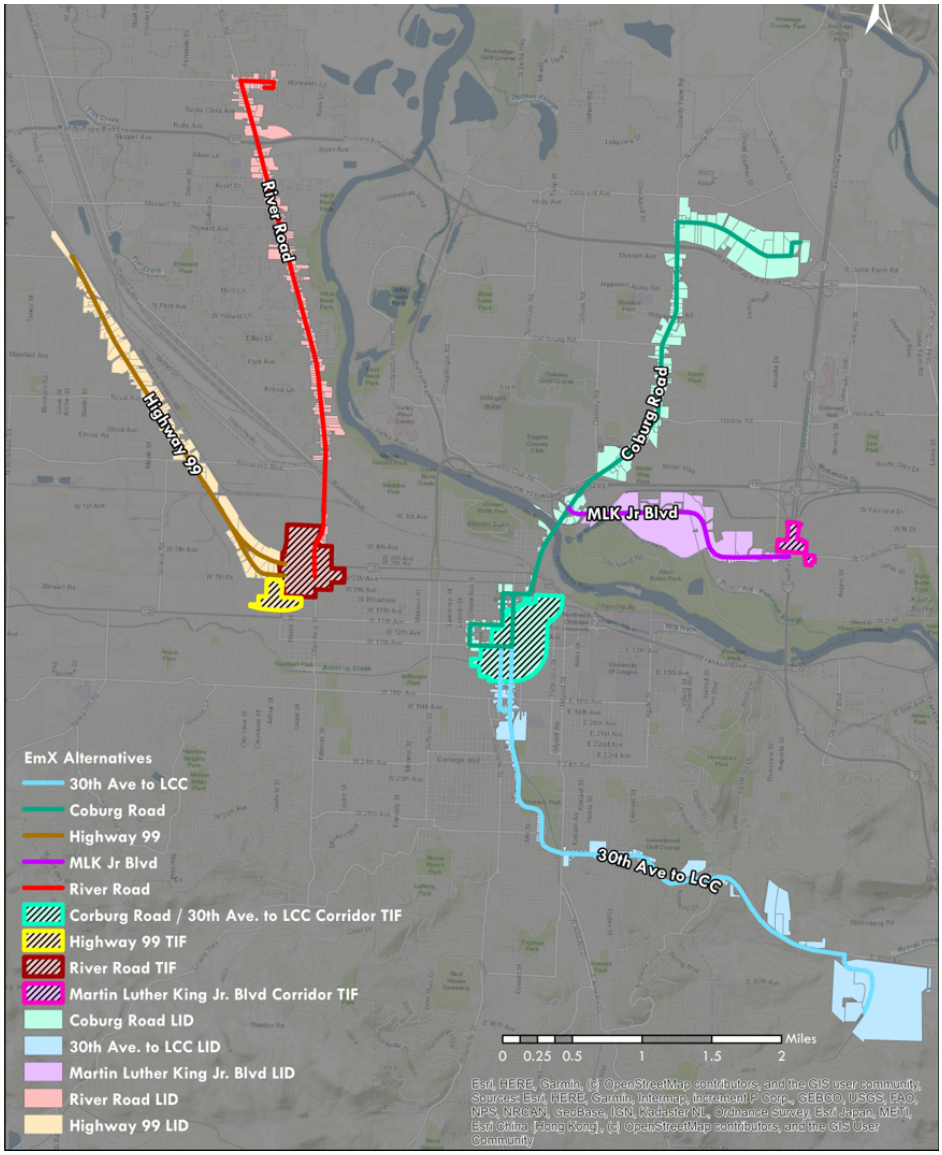
Evaluation Factor	Funding Package Score
Equitable	Poor
Neutral	Poor
Efficient	Good
Productive	Good

A sales tax is not the most equitable as people pay more as a percentage of their income compared to another person who is buying an identical good or service. Another drawback with a local sales tax is the border effect where consumers will potentially opt to shop for taxable goods in another jurisdiction instead of in Eugene. For this reason, a local sales tax proposal would likely be vehemently opposed by local business.

Funding Strategy #2 – Urban Renewal District + Local Improvement District

The third capital financing strategy uses two land value capture (LVC) mechanisms – Urban Renewal Districts (URD), and Local Improvement Districts (LIDs) -- to back a 30-year special obligation bond. This strategy builds upon MovingAhead's goals by further emphasizing the transportation-land use connection and ensuring responsible development occurs near LTD's capital investments. This strategy involves establishing four URDs and five LIDs throughout Eugene, yielding $202 million and $102 million over 30 years, respectively. Combined, this strategy is estimated to generate $304 million in revenue over 30 years. A URD-LID funding combination was chosen to minimize the risk that the URD districts do not increase in value at the rate assumed. Since the LID is a special assessment on property, it is not reliant on market forces to be paid, like the TIF district.

Figure 1: LTD MovingAhead Strategy #2: Urban Renewal and Local Improvement Districts



Using LVC funding mechanisms ensures that the public benefits from publicly funded increases in land value. In this sense, this strategy is vertically equitable. However, the district's boundaries create horizontal equity issues where one property owner just outside the district may benefit from the investment while not contributing to the LID or URD. A carefully drawn district boundary would help mitigate this challenge. Similarly, this strategy will distort the real estate market. Perhaps most obvious is the risk that the LID's additional property tax will disincentivize development in the area. Though, it is equally likely to assume that URDs and LTD's investments will incentivize development close to the corridors. A study found that from 2004 to 2010 jobs grew within one-quarter mile of LTD's EmX stations, despite the Eugene-Springfield region losing jobs in the same time period (Nelson, et al., 2013). These countervailing distortions are factors to consider, but ultimately do not present overall negative effects and result in a relatively neutral strategy. While establishing the districts will require substantial administrative and political work at first, once set up the districts would operate no different than other funds and will quickly become highly productive. The administrative costs will be a minor portion of the revenues generated because the LID revenue will be collected using typical property tax collection processes.

Table 5: Funding Strategy #2 Evaluation

Evaluation Factor	Funding Package Score
Equitable	Fair
Neutral	Good
Efficient	Good
Productive	Excellent

Funding Strategy #3 - Vehicle Tax and Fee Package

The second capital financing strategy combines three taxes/fees on vehicle ownership, rental and usage. This strategy aligns with Eugene and LTD's goals in reducing carbon emissions by encouraging lower impact forms of transportation like mass transit and discouraging travel by personal vehicle. LTD could finance the MovingAhead capital expansion through a new vehicle rental tax, rideshare tax, and vehicle registration fee. Collectively, these three sources would yield $275.5 million over thirty years. In addition to using these fees to back a revenue bond, LTD could consider using this revenue to support a lease purchase agreement or COP for the capital investment. COPs provide an interesting option for Oregon communities, as they avoid some of the public resistance to approving new taxes, providing a long-term financing option without the requirement of voter approval.

This package, while furthering climate change reduction goals, does not score well across the four evaluation factors. Taxes and fees on vehicles may have disproportionate impacts on low-income individuals who rely on a car to access work and pay more for transportation as a percentage of their overall income. While scoring poorly on vertical equity, car ownership rates in Eugene are high (1.64 per household), leading to good horizontal equity. These taxes would indeed manipulate the market for vehicles in the region, pointing to poor neutrality. Additionally, the introduction of three separate taxes/fees in only Eugene would prove difficult for efficient collection. Collectively, the package is

Table 6: Funding Strategy #3 Evaluation

Evaluation Factor	Funding Package Score
Equitable	Fair
Neutral	Poor
Efficient	Poor
Productive	Good

productive in generating significant and consistent funds for transit, providing a diverse revenue base for capital investments.

Recommendation

Based on the evaluation of the three strategies, the project team recommends LTD pursue Funding Strategy #2, which uses Urban Renewal Districts (URDs) and Local Improvement Districts (LIDs), to finance its MovingAhead capital projects. This option was selected because not only did it score high on the evaluation criteria, but a strong local precedent exists, and it builds upon the initiative's stated purpose and goals.

Table 7: Summary of Funding Strategy Evaluations

Evaluation Factors	Strategy #1: Sales Tax	Strategy #2: URD + LID	Strategy #3: Vehicle Taxes & Fees
Equitable	Poor	Fair	Fair
Neutral	Poor	Good	Poor
Efficient	Good	Good	Poor
Productive	Good	Excellent	Good

Oregon's historical aversion to local sales taxes presents its agencies with unique financial challenges that few agencies outside the state face. In fact, all but one case study agency studied used a sales tax to fund its operating and capital budgets. Luckily for LTD, it is not the first agency to come up against this challenge when attempting to finance major capital projects. Most notably, the City of Portland overcame it by using an innovative URD-LID strategy to fund approximately 22% the Portland Streetcar network. The Portland Streetcar Network is a 14.7-mile streetcar network that, similar to LTD's MovingAhead initiative, connects major regional destinations such as Portland State University, the Pearl District, and the South Waterfront District. Portland was able to pair this funding with a revenue bond from the construction of a parking structure nearby and secure additional state and federal grants (U.S. Department of Transportation Federal Highway Administration, 2019). While the project team is not proposing LTD construct any parking structures, this strategy uses the same land value capture mechanisms as the basis of its financing strategy. The LVC mechanisms ensure that a portion of the land-value benefits of the public investment contribute towards paying for the project. This feature makes this strategy politically feasible because it is based on the benefits-received principle, which states that those who are benefitting from public investment ought to support it. Based on Portland's experience, this should avoid pushback by taxpayers at-large and those near-by.

While the primary purpose of MovingAhead is to develop a Capital Improvement Program for LTD's next decade of transit investments, it also maintains the goal of supporting economic development, revitalization, and land-use development opportunities for the transit corridors (MovingAhead, 2015). The quality of the built environment near transit stations and routes has significant implications for the overall success of the investment. Without the proper mix of land uses, densities, and transportation

system, the transit service can suffer from low ridership and undermine the most well-planned projects. This strategy's use of LVC mechanisms acknowledges these interconnections. By using urban renewal districts and local improvement districts, LTD will further ensure its investments are coordinated with local comprehensive land-use and transportation planning and economic development activities. Further, this strategy provides the community with tools to address issues of gentrification. Anytime large investments are made in areas to increase economic activity, the possibility of gentrification is a serious concern. The public involvement processes of this strategy would allow the affected communities to have a voice in how the development occurs. LTD's capital investments could be viewed as one part of a broader revitalization effort. Moreover, this strategy takes advantage of the initiative's inter-jurisdictional collaboration with the City of Eugene. Thus, it is only fitting that this collaborative regional transit capital planning process uses a similarly integrated, comprehensive strategy to finance its projects.

Conclusion

MovingAhead presents a significant opportunity for LTD and the City of Eugene to expand frequent transit access across five key corridors. The project team developed three funding strategies to attain $275 million in capital support over thirty years. Using a case study analysis of four major transit districts across the country, this memo considers the benefits and restrictions of various revenue funding sources, including taxes, fees, long-term debt financing, and land value capture. Each of these strategies was scored based on equity, efficiency, productivity, and neutrality, providing LTD with a sense of how the capital financing would impact its overall budget and broader community support. LTD can move forward with a bold and risky strategy, leverage local climate goals by taxing vehicles, or leverage smart, transit-oriented land use and development strategies. LTD has a unique opportunity to build a broad and efficient transportation system through creative financing to serve Eugene for many years to come.

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Appendices

Appendix A. Revenue Sources

This appendix includes detailed methodologies and assumptions used to produce revenue estimates. Revenue sources are organized in to four categories: long-term debt, taxes, fees, and land value capture.

Long-Term Debt

Jurisdictions and special districts like LTD regularly use long-term debt financing to support capital improvement projects. This debt can be financed through a wide variety of revenue sources and often provide a more equitable funding option. Depending on the community, residents may oppose the jurisdiction taking on too much debt. For this analysis, the project team considered a form of long-term debt that is not backed by a tax or fee - lease purchase agreements, otherwise known as Certificates of Participation (COPs). Lease financing relies on large equipment purchases, such as a bus or station improvement, rather than the jurisdiction's bonding capacity. This analysis uses capital improvements for MovingAhead to estimate the revenue potential for lease financing.

Source 1: Certificates of Participation

Certificates of Participation (COPs) are an established bonding instrument, recognized by the American Association of Highway and Transportation Officials (AASHTO) and used by transit and transportation agencies across the country. COPs, also known as lease purchase agreements, are tax-exempt and issued by a state agency, secured using the revenue from an equipment lease. COPs have been used for a variety of transit improvements that rely on capital infrastructure and equipment, including buses and stations (BATIC Institute). RTD in Denver used COPs to fund bus operations for many years and was the first transit agency in the country to use them to fund a commuter rail line. The rail project amounted to over $400 million, using the rail infrastructure itself as security on the bond. A significant benefit of using COPs is that they provide financing without long-term debt issuance, which is typically subject to voter approval. Additionally, most FTA grants can be used to pay the interest on lease payments, and many financiers accept future federal formula funding as part of the security.

LTD would need to identify a financer to pay for a contract on buses and/or facilities, and then would pay the lease over a standard bond period, typically 30 years, at which point they would take ownership of the assets. This contract could include the cost of new 60-foot BRT vehicles, as well as station construction and enhancements. In the MovingAhead Capital Cost Estimating Report, LTD provides a breakdown of costs for each corridor alternative. Assuming Package D, LTD would be able to use COPs to finance at least $42 million through COPs on the station and vehicle capital costs, as outlined in Table 1.

Table 1. Capital Cost Estimates for Moving Ahead Package D

Corridor	Alternative Package	Station Cost	Vehicle Cost
Highway 99	Enhanced Corridor	$2,233,750	$0
River Road	EmX	$9,707,500	$6,050,000
30th to LCC	Enhanced Corridor	$1,820,000	$0
Coburg Rd.	EmX	$12,511,250	$7,260,000
MLK Jr.	Enhanced Corridor	$1,468,750	$1,127,500
TOTAL		**$27,741,250**	**$14,437,500**

Tax Revenues

Taxes are proven to be an effective mechanism to raise revenue for capital transit improvements. Taxes are defined as a levy imposed on a buyer of a certain good or service that is used to fund governmental expenditures. There are a variety of taxes that have successfully been used in other jurisdictions to completely fund transit capital improvements. Taxes are generally unpopular and difficult to initiate but can have great results for the receiving party. Within this memo, different taxes have been examined including a general sales taxes, vehicle rental taxes and a ridesharing tax. A sales tax is a regressive financial policy.

Source 2: Local Option Sales Tax

Charlotte, Denver, and San Francisco have all relied on sales tax revenues at various rates to support local and regional transit operations and capital projects. In Charlotte, for example, voters approved a half-cent "Article 43" local option sales tax dedicated to funding public transit initiatives. The sales tax is collected by Mecklenburg County and distributed to municipalities within its jurisdiction. Article 43 Sales Taxes are projected generate $109,933,384 in revenue and account for more than half, 55%, of CATS budget's revenue. While in Denver, voters approved two sales taxes to support RTD operations - one in 1973 and an expansion in 2004, for a total of 1%. Sales and use taxes represent 54% of RTD's $1.2 billion operating budget and have increased every year since 2010. In San Francisco voters approved a 0.5% sales tax dedicated to funding local transit projects and operating expenses. This sales tax generates $100,000,000 annually.

Table 2: Local Option Sales Tax Rates and Annual Revenue, by Case Study Community

Case Study	Charlotte	Denver	San Francisco
Rate	0.5%	1%	0.5%
Annual Revenue	$109,933,384	$648,000,000	$100,000,000

Estimate Methodology: To estimate how much a sales tax could potentially generate for LTD, the following assumptions were made:

1) **A sales tax rate of 0.5% was assumed.** This rate was selected based on its ability to generate revenue totals necessary to meet LTD's $274 million needs over 30 years. Further, two of the case study communities, Charlotte and San Francisco, provide precedent for levying at this rate.
2) **The sales tax would only apply to transactions within the city of Eugene.** While LTD provides service for the greater Lane County region, LTD's MovingAhead Initiative is a partnership with the City of Eugene and all proposed projects are within city limits. As such, it is feasible to assume a sales tax would only be acceptable in the Eugene.
3) **Total retail sales per capita was used as a proxy to estimate the tax base.** Per capita spending in Eugene was $15,743 in 2012. This spending was multiplied by a 0.5% tax rate and then by the current (2017) Eugene population of 168,916.

Source 3: Tax on Rideshare

Recently, San Francisco voters approved (November 2019) the voters approved a 1.5% surcharge on shared rideshare trips and a 3.25% surcharge on solo rideshare trips. Proposition D is expected to raise

$30-$35 million per year until the proposition sunsets in 2045. The revenue raised will directly fund future transit improvements. The funds described above are used to fund many SFMTA projects around the city; there are a few projects using these funds that are applicable to the ambitious expansion LTD is planning.

Estimate Methodology: The revenue estimated in San Francisco by the rideshare tax was divided by the city's population to give a per capita revenue. The per capita revenue was then multiplied by the population of Eugene (168,916) to provide LTD with $6 million in annual revenue.

Source 4: Vehicle Rental Tax (U-Drive-It)

The U-Drive-It Tax is a rental tax levied on passenger cars, trucks, SUVs, motorcycles, and small property-hauling vehicles rented within a jurisdiction. Precedent for this tax comes from Charlotte, where a 5% rental tax is levied by Mecklenburg County. A 2006 Interlocal Agreement established that the county passes the full amount of the tax to the town in which the rental originated. In FY2020, it is projected that U-Drive-It will generate $12,944,463 in revenue which will be used to fund the transit agency. At CATS, this revenue is transferred to a Transit-Go fund that goes towards debt service.

Estimate Methodology: If LTD were to coordinate with the City of Eugene to levy a 5% U-Drive-It tax on rentals within city limits, it is estimated to generate $1,998,783.028 annually. This estimate used the per capita revenue CATS generated ($11.833) from the tax and multiplied it by the city of Eugene's population in 2018 (168,916).

Source 5: Direct Funds from the Kicker Return to Transit Improvements

The state of Oregon has a unique tax law known as the kicker. The kicker was first passed by voters as a ballot measure in the 1980's then became part of the Oregon Constitution in 2000 with the passage of Ballot Measure 86 (Lehner 2015). This measure requires Oregon return taxes collected in excess of two percent of estimated biennium revenue forecasting to Oregon taxpayers. Although widely supported by many Oregonians, the kicker prevents additional revenue investments when the economy is performing stronger than expected.

In October 2019, the Oregon Department of Revenue announced that Oregonians will be receiving the largest kicker in the history of the program. Oregon estimates that $1.5 billion will be returned to taxpayers for the 2018 tax year (Oregon Department of Revenue, 2019). With 1.5 billion in tax dollars available, an opportunity for seeking additional funding for infrastructure projects has arisen. A provision in the kicker allows for an emergency vote to suspend a kicker dispersal to allow funds to be redistributed for other purposes. Oregon's transit districts, LTD and TriMet, have the opportunity to ask voters to suspend the kicker in order to fund transit expansion within their districts, as well as, provide funding for other statewide needs.

Although it is unrealistic to think LTD could obtain the entirety of the kicker, it is possible that a portion of the funds could be dedicated to the LTD expansion. To provide a rough estimate of kicker funds, the

project team looked at the return on a per household basis for the entire state. Then took the $935 per household estimate and multiplied it by the number of households in Eugene. The resulting $62.9 million is the estimated Eugene kicker return that could be used as a one-time fund for LTD's proposed expansion if approved by voters.

Table 3. Estimate of Kicker Returns in Eugene

Total Kicker Refund	$1.5 billion
Households in Oregon	$1,603,635
Kicker Refund per Household	$935
Households in Eugene	67,335
Kicker Funds for Expansion	$62,958,225

Sources: Oregon Department of Revenue; Beleiciks, 2019; U.S. Census Bureau, 2018

Fees

Fees are a fixed price that is charged for a certain good. Fees are consistently used to fund capital transit projects as they provide a steady and predictable revenue stream. Fees covered in this memo include transit sustainability fee and vehicle registration fee. Although fees may not raise as much revenue as a general sales taxes, they are generally more palatable for voters.

Source 5: Vehicle Registration Fee

In San Francisco, Proposition AA is a voter-approved $10 annual vehicle registration fee of which 25% is to be used for transit reliability and mobility improvements. Another 50% can be used for street repair and construction projects accompanying transit projects. The fee provides $5 million annually, of which $3.75 million can be used for transit related improvements. In Charlotte, the Motor Vehicle License is a $30 fee per license. It is projected that in FY2020, the Motor Vehicle License will generate $16,374,233 in revenue.

Estimate Methodology: Car ownership in San Francisco is at a rate of 1.1 vehicles per household, whereas Eugene has a car ownership rate of 1.64 vehicles per household. Using the ownership rates, the fee per vehicle was multiplied by the number of vehicles in Eugene (110,429) which would produce a revenue of $1.1 Million for LTD.

Source 6: Transit Sustainability Fee (TSF)

The TSF is a fee that is levied upon all new commercial developments, market-rate residential developments with more than 20 units, and certain large institutions (City of San Francisco Planning Department). This fee is akin to a system development charge (SDC). Affordable housing developments subsidized middle-income housing, market-rate housing with less than 20 units or less and most nonprofit developments are exempt from the fee. The TSF's purpose is to raise revenue to expand and maintain the system while the city grows. The TSF is expected to raise $1.2 billion over the next 30 years, at the rate of $38 million per year. This fee replaces the current fee, adding $14 million more in revenue each year. The current TSF Charge Schedule is listed in Table 10 below.

Estimate Methodology: To understand the revenue a Transit Sustainability Fee could raise for LTD, it is useful to examine a recent development to contextualize the value. The example that will be used in the Amazon Corner Apartments, a recent development at the corner of Hilyard Drive and E. 32nd in South Eugene. The apartment consists of roughly 25,292 square feet of commercial space and 101,170 square feet of residential space. It is not expected that a unit of this size will be built every year, but based on recent development patterns in Eugene, it is possible that building like this would be built every other year. Therefore, this revenue has been projected every second year in the 30-year estimate.

Table 4. Transit Sustainability Fee Charge Estimate

Land Use Category	TSF per gross Sq. Ft. of new development	Total Sq. Ft. by Land Use	Total Revenue Generated (TSF x Sq. Ft. by Land Use)
Residential	$7.74	101,170	$783,055
Non-Residential	$18.04	25,292	$456,267
Productions. Distributions & Repair	$7.61	N/A	N/A

Source 7: General Fund Expansion

When LTD was expanding the EmX line to West Eugene, in addition to Federal Funds, LTD was able to secure $17.8 million in Oregon Lottery Bonds to augment funds needed to cover the $96.5 million expansion (LTD Latest News, 2015).

Land Value Capture (LVC) Funding Mechanisms

Public investments in transportation infrastructure such as BRT and light-rail often cause nearby land values to appreciate (Page et al., 2016). Absent additional taxing mechanisms, this new value is solely captured by and benefits private property owners and developers. As a solution, transit agencies around the world frequently use land value capture (LVC) funding mechanisms to ensure that the public receives a portion of the publicly funded new value. LVC mechanisms achieve this by monetizing and collecting part of the land value increment as a revenue source for transit capital projects and operations. A key distinction between LVC and other funding schemes is that LVC charges non-user beneficiaries of transit and does not levy additional charges on transit users (O'Sullivan, 2014). While the criteria that define whether a mechanism is an LVC mechanism *per se* remains elusive, Tax Increment Financing (TIF), Transportation Improvement Districts (TID), and Local Improvement Districts (LIDs) are several commonly cited LVC financing mechanisms transit agencies employ.

Source 8: Transit Tax Increment Financing (TIF)

Tax increment financing (TIF) is an often-used funding strategy that directs property tax increases to a designated area that is deemed "blighted." This incremental funding is then reinvested into public infrastructure within the area, which will further increase property values and in turn pay for the investment (Rosenblatt, 2013). In Oregon, TIFs are known as Urban Renewal Districts. Further, per Or. Rev. Stat. § 457.010, Oregon defines blighted areas as areas "by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community." TIFs or

Urban Renewal Districts are typically used for economic development purposes, though there are several innovative examples of transit agencies using "Transit TIFs".

Transit TIFs function much like traditional TIF districts where the property taxes assessed on the incremental increase in property values is dedicated to projects within the district, but for funds are used for transit-related, not economic development, projects. The Chicago Transit Authority, for example, used a transit TIF to fund $622 million in local match for federal grants for its Red Line extension (Vance, 2016). Transit TIFs ability to generate revenues by capturing the value created by transit investments makes them a viable option for LTD's MovingAhead initiative. To use this revenue source, LTD would need to establish individual urban renewal districts along each corridor where investments are being made. The urban renewal districts would be restricted to areas that satisfy Oregon's definition of "blight". After their establishment, LTD can then use the incremental increases in property values to help finance their capital projects using bonds or as a match for a state or federal grant. To place the necessary tax increases necessary listed below in context, a recently renovated property, which is now occupied by Claim 52 Kitchen, in downtown Eugene increased its tax liability by $24,969 in six years, increasing from $11,916 in 2014 to $36,885 in 2019 (Lane County, 2019). Following the completion of the investment and payment of the financing, the urban renewal district will no longer exist.

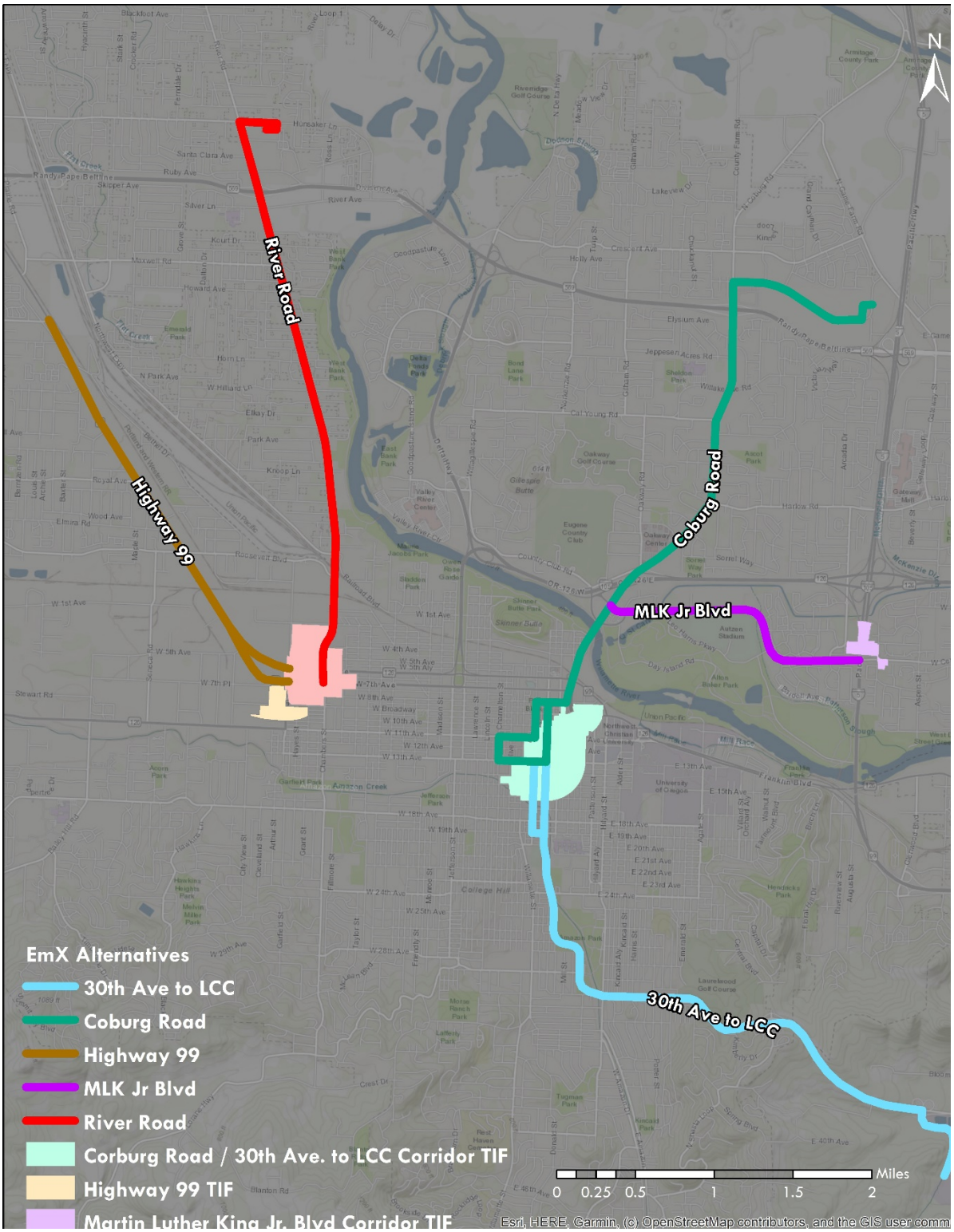
Estimate Methodology: Based on the following methodology and assumptions, it is estimated that four TIF districts could generate $202 million of revenue over 30 years. Revenue estimates for an LTD transit TIF along its MovingAhead corridors were generated by first designating potential urban renewal districts. Corridor routes that overlapped with existing EmX routes and facilities were excluded. Tax lot data from 2015 was used in this process. Urban renewal districts were defined as areas within one-quarter mile of the transit route that had clusters of lots that had a land/improvement value ratio greater than one. A hot spot analysis in ArcMap was used to identify clusters. Tax lots which were in the clustered area were then used to draw TIF district boundaries. TIFs were created for each corridor, but Coburg Road and 30th Ave. to LCC corridors share a district. Then, the number of tax lots within each district was totaled. This total was then divided by the cost for the corresponding corridor. This number was then divided by 30, assuming a 30-year bond is acquired. It is not feasible to assume all tax lots within the TIF district will increase in value, so a rate of 75 percent was used to calculate revenue generation totals. These totals were then assessed to determine the incremental value increase each year each tax lot will need to generate the revenues to pay for the cost for the improvements. Figure 1 below shows the potential urban renewal district area boundaries.

Table 5. Revenue Estimates by Transit TIF District

TIF District	Alternative Package	Cost	Number of Tax Lots	Necessary Incremental Tax Value Increase Per Tax Lot	Total Revenue Generated
Highway 99	Enhanced Corridor	$38 M	65	$19,488	$28 M
River Road	EmX	$78 M	213	$12,207	$58 M
30th to LCC and Coburg Road	30th to LCC: Enhanced Corridor	$21 M	732	$6,102	$100 M
	Coburg Road: EmX	$113 M			
MLK Jr. Blvd.	Enhanced Corridor	$21 M	62	$11,290	$16 M
TOTAL		$274 M	1,072	$274 M	$202 M

Source: Lane Council of Governments, 2015

Figure 1: Transit Tax Increment Financing Districts by Corridor



Source 9: Transportation Improvement Districts (TID)

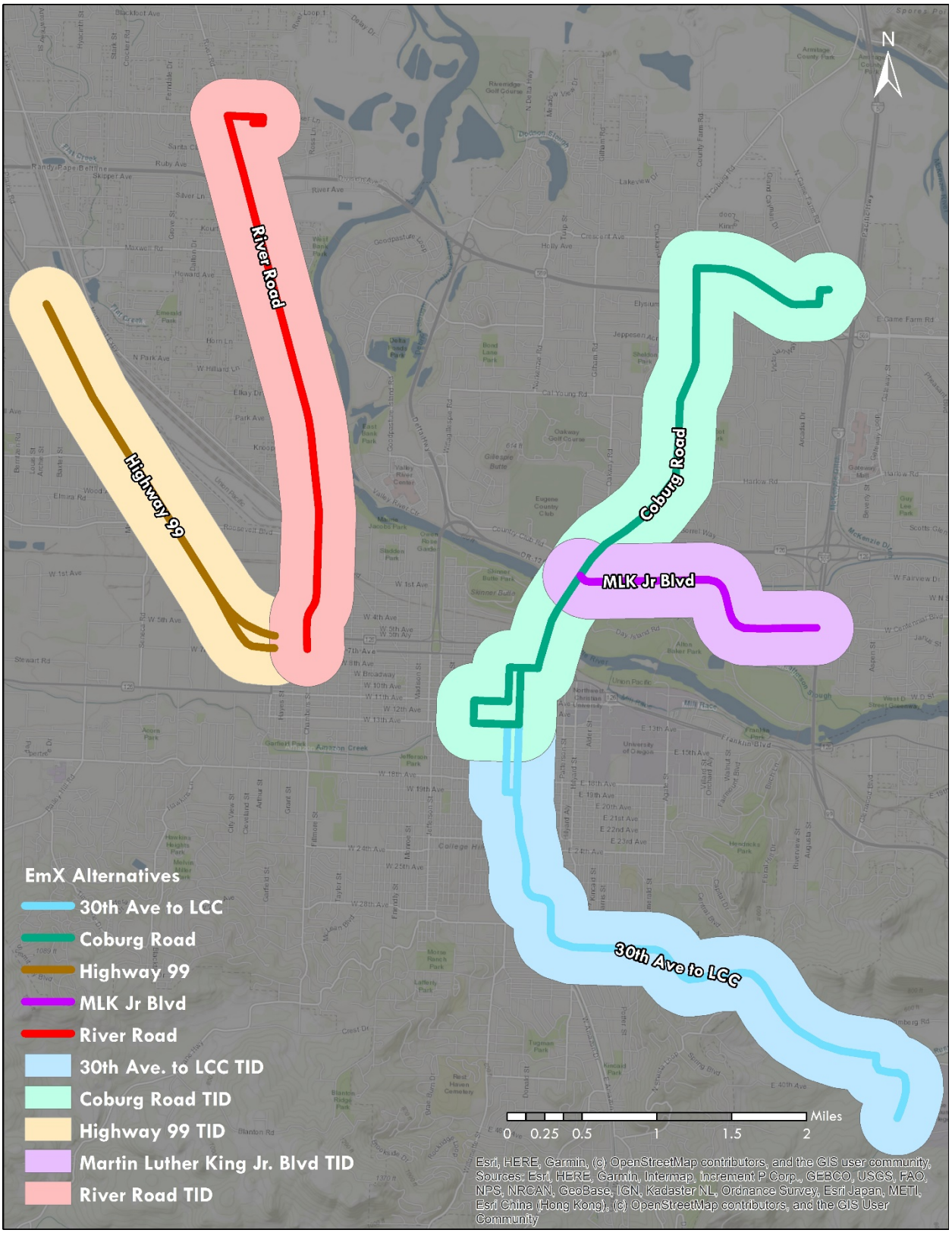
Similar to a special assessment districts (SADs), a betterment assessment, or a local improvement district (LIDs), Transportation Improvement Districts (TID) are special assessment districts that are used to invest in a designated area's transportation system. Within the designated area, a levy is assessed on property owners (property tax levy) or consumers (sales tax levy). What sets TIDs apart from LIDs is that their approach is more programmatic or system-wide than it is project-specific, like LIDS (Federal Highway Administration). The distinction between TIDs and TIFs is also nuanced and important to note. TIDs capture value by levying new taxes on property or consumption, while TIFs capture value by automatically appropriating the expanded tax base value. Moreover, TIDs designation areas are not restricted by state statutes that define blighted areas. There are several examples of TIDs being used to repay Transportation Infrastructure Finance and Innovation Act (TIFIA) loans (Federal Highway Administration). LTD would need to coordinate with the City of Eugene to decide whether the TID should be a special assessment on property owners or consumers -- or some mix. There are equity implications for either, and will ultimately be a political decision. Then, LTD would need to designate areas to be included in the district based on areas that will benefit from investments.

Estimate Methodology: Based on the following methodology and assumptions, it is estimated that five TIDs can generate $200 million in revenue over 30 years. For this revenue estimate, the TIDs' boundaries were defined as the area within one-quarter mile of with each corridor's route. Corridor routes that overlapped with existing EmX routes and facilities were excluded. Tax lot data from 2015 was used in this process. One TID was designated for each corridor. This designated area was selected to reflect the area-wide benefits produced by LTD's capital investments. A property tax rate of 20 cent per $100 of taxable value was used based on precedent set by Fairfax and Loudoun Counties in Virginia (Route 28, 2016).

Table 6. Revenue Estimates by Transportation Improvement District

TID	Total Taxable Value	Number of Tax Lots	Average Taxable Value	Property Tax Rate	Annual Revenue per Average Tax Lot	Total Revenue Generated
Highway 99	$353,131,463	1458	$242,203	20 cents per $100	$484.41	$21.2 M
River Road	$586,429,377	3084	$190,152	20 cents per $100	$380.30	$35.2 M
30th Ave. to LCC	$689,944,610	3018	$228,610	20 cents per $100	$457.22	$41.4 M
Coburg Road	$1,344,179,612	3681	$365,167	20 cents per $100	$730.33	$80.7 M
MLK	$358,890,513	727	$493,660	20 cents per $100	$987.32	$21.5 M
TOTAL	$3,332,575,575	11,968	-	-	-	$200 M

Figure 2: Transportation Improvement Districts by Corridor



Source 10: Local Improvement District (LID)

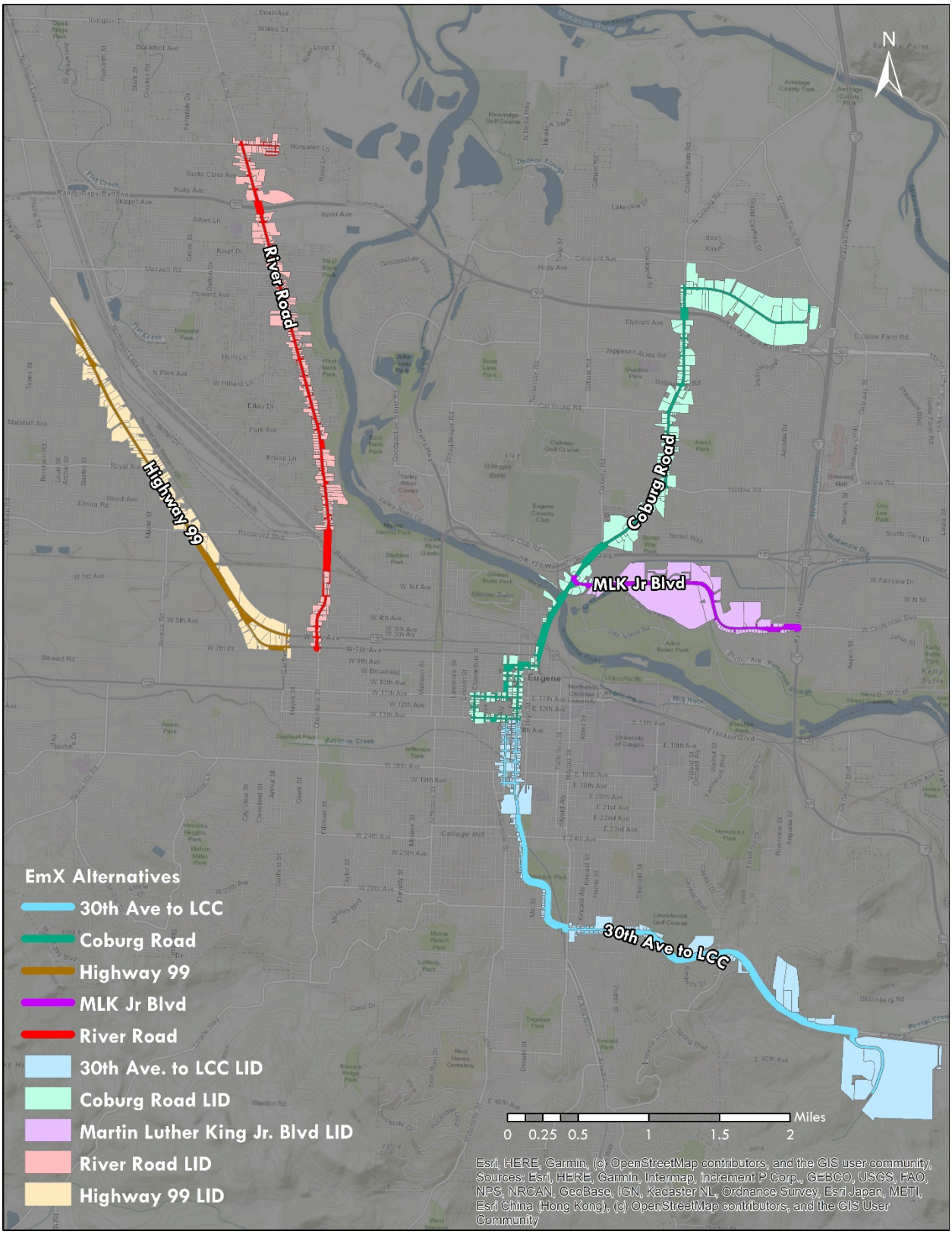
A Local Improvement District (LID) is a financing mechanism where a group of property owners share the cost of infrastructure improvements. Costs in a LID can be assessed and apportioned based on square footage, linear (front) footage, or equally depending on circumstances (City of Portland, 2019). This tool is strongly influenced by the benefits received principle in that all property owners who receive the benefit of the infrastructure must pay for its cost. In Oregon, a LID can only be formed when "a minimum of 50 percent of property owners fronting on, or benefiting from, the proposed improvement petitions the city to construct the project" (Oregon City, 2019). LIDs typically can be used to acquire financing such as bonds or grants backed by the future revenue property owners has agreed to pay. LIDs are commonly used for transportation and stormwater projects. The City of Portland has notably used a LID to finance 13.9% of its $251.4 million Portland Streetcar project. TIF was used to fund an additional 8.2% (Federal Highway Administration; Bruner Foundation, 2005).

Estimate Methodology: Based on the following methodology and assumptions, five LIDs are estimated to generate $102 million of revenue over 30 years. LID areas for each corridor were designated as properties within 100 feet of a MovingAhead transit routes. An equal apportionment of the costs was then used to distribute each route's costs by the number of tax lots. Tax lot data from 2015 was used in this process. Total revenue estimates assume the annual revenue generated by an average tax lot continues over 30 years. Due to time constraints, property ownership was not accounted for.

Table 7: Total Revenue Generated by Local Improvement Districts

LID	Assessed Value (AV)	Tax Lots	Average AV	Rate (per $1,000 AV)	Annual Revenue Per Average Tax Lot	Total Revenue Generated
Highway 99	$82,469,471	149	$553,486	$3	$1,660	$7.4 M
River Road	$115,280,149	341	$338,065	$3	$1,014	$10.4 M
MLK Jr. Blvd	$273,941,911	61	$4,490,851	$3	$13,473	$24.7 M
30th Ave. to LCC	$201,771,756	233	$865,973	$3	$2,598	$18.2 M
Coburg Road	$461,707,311	319	$1,447,358	$3	$4,342	$41.5M
Total	$1,135,170,598	1,103	-	-	-	$102.2 M

Figure 3: Local Improvement District by Corridor



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Appendix B. Case Studies

This appendix includes complete case studies for the following community transit agencies: 1) Charlotte Area Transit System (CATS), 2) Regional Transportation District (RTD), 3) San Francisco Municipal Transportation Agency (SFMTA), and 4) TriMet. The purpose of these case studies is to provide an administrative, legal, and financial overview each agency.

Charlotte Area Transit System (CATS)

The Charlotte Area Transit System (CATS), which serves the Charlotte, North Carolina region, was selected to be the case study transit agency for this memo. The city of Charlotte lies to the east of the Catawba River in the Piedmont region and is the county seat of Mecklenburg County (Encyclopedia Britannica, 2019). In 2017, the city had a population of over 800,000, making it the most populous city in the state (U.S. Census Bureau, 2017). Since the early 2000s, the Charlotte region has undergone rapid growth and development. With firms such as Bank of America calling the city home, it serves as a major U.S. financial center, only behind New York City in terms of total banking assets (Encyclopedia Britannica, 2019). Moreover, from 2004 to 2014, the Charlotte region was ranked the nation's fastest-growing metropolitan region, adding 888,000 new residents to its twelve-county area, which reached a total population of over 2.7 million in 2018 (Charlotte Stories, 2018). Charlotte is also home to many universities and colleges, including the University of North Carolina (UNC) at Charlotte. UNC Charlotte is the third largest university of the state system and has over 29,000 students (UNC Charlotte, 2019).

Purpose

The purpose of this memo is to provide an administrative, legal, and financial overview of CATS. CATS was chosen because it recently completed several major capital project such as the LYNX Blue Line Extension which connects the UNC Charlotte campuses via a 9.3-mile, 11-station light rail service (City of Charlotte, 2019). Examining CATS will provide insights into how a larger, but comparable, agency funds key transportation investments. In this memo, I begin by providing an overview of the CATS' organization. I then describe its services and geographic extents. After, I outline and analyze key components of its budget. I conclude with a brief assessment of key takeaways and lessons for LTD.

Governing Structure

CATS is the regional public transportation service provider for Charlotte, North Carolina. CATS was formed in 1999 following a successful public referendum to fund future transit initiatives (City of Charlotte, 2019). The referendum was a result of nearly five years of committee work at the local, regional, and state levels. The "Committee of 100" was tasked with making recommendations for the following aspects: 1) developing the 2025 Integrated Transit/Land-Use Plan for Charlotte-Mecklenburg, 2) identifying a "local option" revenue source for transit improvements, and 3) lobbying for state-enabling legislation to allow the citizens of Mecklenburg County to enact a Half-Cent local option sales tax (Charlotte Area Transit Service, 2017). State-enabling legislation was necessary because at the time counties were only are authorized to adopt local option sales taxes (LOSTs) up to 2.25 percent. It was not until the passage of Article 43 (Sections 506 through 514 of Chapter 105 of the North Carolina General Statutes) in 1999, that counties with public transportation systems were permitted to impose

an additional half-cent transportation LOST. Under Article 43, the transportation LOST can only be adopted by counties, not cities or special districts, and must provide county-wide services. However, while the Article 43 tax is levied and collected by counties, Article 39 of state statutes requires counties to share local option taxes with municipalities within their jurisdiction (Afonso, Murphy, & Tobin, 2016). The completion of the 2025 Plan and the passage of Article 43 set up a voter referendum on the Half-Cent sales tax for public transportation in Mecklenburg County to fund CATS. In November 1998, the referendum was approved by a margin of 58 to 42 percent. Success of the referendum was accredited to promotion by the Chamber of Commerce and its pairing with a $100 million Road Bond. In 2007, voters reaffirmed their support for the tax and CATS, voting in favor 70 to 30 percent (City of Charlotte, 2019). While state statues required a county referendum and county-wide service, CATS is situated within the Public Transit Department of the City of Charlotte. As such, the department has the dual focus of both managing and improving day-to-day operations of the region's transit services. The Office of the Director heads the department and has several sub-departments such as Transit Development, Rail Operation and Facilities, and Finance. Although administratively in the city, CATS serves the greater Charlotte region, a six-county area, making it the largest transit system between Atlanta, Georgia and Washington, D.C. (City of Charlotte, 2019). Due to its scope, CATs is guided by a regional policy board – the Metropolitan Transit Commission (MTC). The MTC is responsible for reviewing and recommending long-range public transportation plans. The MTC was established following the approval of the half-cent sales tax through a Transit Governance Interlocal Agreement between the City of Charlotte, Mecklenburg County, and the six suburban Towns of Davidson, Huntersville, Cornelis, Prineville, Mathews, and Mint Hill. The MTC has both voting and non-voting members. Each aforementioned member is a voting member, while surrounding counties, plus the North Carolina Department of Transportation (DOT) and South Carolina DOT, are included as non-voting members to ensure regional involvement. Mayors, Boards of Commissioners, and state regional representatives serve on the Commission. In addition to the MTC, two citizen committees – the Citizens Transit Advisory Group and the Transit Service Advisory Committee – provide public input. Like CATS, the MTC is staffed by and located within the City of Charlotte Public Transit Department (City of Charlotte, 2019).

Services

Today, CATS' services include local, express, and regional bus routes, light rail lines, services for the disabled, and vanpools. Its service area covers 11 municipalities and 425 square miles, including four counties in South Carolina. Figure 1 in Appendix A includes a service map displaying its geographic extent. In FY2018, over 20 million passengers used one of CATS' many services. CATS Bus services included 324 buses, which operated along 74 bus routes and traveled over 15.5 million miles, in FY2011. Its premier light rail service, the LYNX Blue Line, is the only light rail service in the entire state. Following the completion of the Blue Line Extension in March 2018, the light rail line operates on 18.7 miles of track along I-485 South from Center City to UNC Charlotte. Prior to its extension in FY 2011, the Line averaged 15,000 weekday riders and traveled 850,087 miles each year. Additionally, CATS operates vanpools for commuters, a Special Transportation Service to connect individuals with disabilities to local fixed bus routes, and a free circulator, called the Gold Rush, to connect downtown Charlotte, the LYNX, and other destinations (City of Charlotte, 2012).

Budget

As a city department, CATS' budget is finalized within the City of Charlotte's budgeting process. However, the MTC serves as intermediary between CATS and its jurisdictional members by making recommendations to the affected governments for their approval and funding of the programs. Per CATS Financial Policies, the CATS Chief Executive Officer initiates the budgeting process by submitting a proposed Transit Program to the MTC by January 31 of each year. In February, an informational overview of this proposed budget is presented at Charlotte's Council Budget Committee Meeting. Then, the MTC has until April 30th to approve the program. Lastly, the Charlotte City Council must approve the Transit Program (Charlotte Area Transit System, 2007). While a part of the city's budget process, nearly all budgetary decisions are made at a regional level within the MTC. This separation of budget process ensures CATS addresses the transportation needs of surrounding communities, as well as the city.

Revenues and Expenditures

In the most recently adopted budget, FY2020, CATS has a total budget of $201,109,686, which is 9.5 percent greater than it was in FY2019. Since the department's budget needs to be balanced, it has the same total revenue and total expenditures (City of Charlotte, North Carolina, p. 215). In this subsection I outline a describe its major sources of revenue and major categories of expenditures.

Major Sources of Revenue

CATS has four main revenue sources: 1) Article 43 Sales Tax, 2) Passenger Fares, 3) Transit Pay-Go Transfer, 4) Federal Grants. Combined, these four sources comprise 93 percent of its revenue. Figure 2 in Appendix displays CATS major revenue sources.

1) Article 43 Sales Tax: $109,933,384 (55%)

Article 43 Sales Taxes are projected to account for more than half, 55 percent, of CATS budget's revenue. This revenue source is by-far its largest, nearly four times larger than its second largest revenue source. As previously discussed, Article 43 was enacted by the state legislature in 1998 in order to fund transit systems like CATS. The sales tax is a half-cent local option sales tax dedicated to funding public transit initiatives that is collected by Mecklenburg County and distributed to municipalities within its jurisdiction. The FY2020 budget projects that Article 43 sales tax revenue will reach its highest total yet. When it was first collected in 2001, it only generated about $55 million in revenue. Over the years, this source has fluctuated along with the overall economy, but has continued to trend upward (City of Charlotte, North Carolina, p. 215).

2) Passenger Fares: $28,162,737 (14%)

Passenger fares are projected to account for approximately 14 percent of CATS budget, making it its second largest revenue source (City of Charlotte, North Carolina, p. 215). Rates vary by service (e.g., LYNX Light Rail. Express Bus, Local Bus) and by passenger (i.e., Adult, Senior, ADA, K-12), but typically range between one to four dollars for a one-way trip. Discounts are provided for purchasing 10-ride and monthly passes. Most of the regional universities also have pass purchase programs to provide reduced fares to college students (City of Charlotte, 2019). Compared to FY2019, passenger fares are expected to

decrease by over $2 million, or seven percent, in FY2020. While no explanation for this decrease is offered on the CATS website or documents, decreasing transit ridership is trend nationwide. Experts point to a combination of factors such as cheap gasoline and more Americans owning cars contributing to the trend. Locally, for example, after the opening of the LYNX Blue Line Extension in 2018, actual ridership did not meet projected figures (Harrison, 2018). This shift in service and lower ridership than projected may also be contributing.

3) Transit Pay-Go Transfers: $24,101,575 (12%)

Transit Pay-Go Transfers are projected to account for about 12 percent of CATS revenues in FY2020. This source is currently comprised of two sub-sources – Vehicle Rental Tax (U-Drive-It) and Motor Vehicle License (City of Charlotte, North Carolina, p. 215). The U-Drive-It Tax is a five percent rental tax levied by Mecklenburg County that applies to passenger cars, trucks, SUVs, motorcycles, and small property-hauling vehicles. A 2006 Interlocal Agreement established that the county passes the full amount of the tax to the town in which the rental originated. In FY2020, it is projected that U-Drive-It will generate $12,944,463 in revenue. The Motor Vehicle License is a $30 fee per license. It is projected that in FY2020, the Motor Vehicle License will generate $16,374,233 in revenue. Two additional Transit Pay-Go revenue sources are slated to be implemented in FY 2021 – CityLYNX Gold Line Fare and Sales Tax. In FY 2021, a fare will be collected on the Gold Line after the completion of its Phase II. In FY2021, when Phase II is fully operational an unspecified percentage of the sales tax will be dedicated for Transit Pay-Go (City of Charlotte, North Carolina, p. 288).

4) Federal Grants: $23,871,704 (12%)

Federal Grants are projected to account for about 12 percent of CATS revenue. In terms of total dollars and percentage of revenues, federal grants are its fastest growing source from FY2019 to FY2020, growing 109.8 percent. Looking further back, this growth is even more drastic – increasing from $390,749 in FY 2017 to its projected $23,871,704 in FY 2020 – representing a 6,109 percent increase in three years (City of Charlotte, North Carolina, p. 215). CATS and the City of Charlotte's budget documents do not specify which federal grants they received. However, it is likely for the LYNX Silver Line. In August 2019, NCDOT announced it would receive $76 million for Raleigh-Charlotte Intercity Rail Service (David, 2019). Some of these funds were likely transferred to CATS.

Major Categories of Expenditures

CATS has two major categories of expenditures: 1) Personnel Services and 2) Operating Expenses. Combined, they total 82 percent of CATS' expenditures. Aside from several other operating-related expenditures, the remaining $30,601,172 is related to transfers to debt service and control account (City of Charlotte, North Carolina, p. 215). Figure 3 in Appendix A shows CATS major expenditures.

1) Personnel Services: $105,188,459 (52%)

Personnel Services are projected to account for slightly over half of CATS expenditures in FY2020, growing by only 2.5 percent compared to FY 2019. The increase is likely a result of a citywide compensation increase for salaried employees of three percent and 1.5 percent for hourly employees.

The largest increase in FTEs for positions at CATS is in Rail Mow Maintainer and Rail Operator, which added 15.00 and 10.00 FTEs in FY 2020, respectively (City of Charlotte, North Carolina, p. 215).

2) Operating Expenses: $59,769,975 (30%)

Operating expenses are projected to be about 30 percent of CATS expenditures in FY2020. Operating expenses increased by about $10 million, or 20 percent, from FY2019 to FY2020 (City of Charlotte, North Carolina, p. 215). Based on public resources, it is unclear what comprises operating expenses.

Capital Projects

The Charlotte region's recent growth and development has spurred several major capital projects. The following are capital projects CATS is currently funding or plans on funding in the FY 2020-2024 Capital Investment Plan.

1) CityLYNX Gold Line Phase I and Phase II

The CityLYNX Gold Line is a 10-mile streetcar system that travels through downtown Charlotte. The first phase of the line was completed in 2015. Phase II is projected to begin service in 2020. Phase II extends the Gold Line by 2.5 miles on the east and west ends and adds 11 additional stops. The total cost for Phase II is $150 million. 50 percent, $75 million, of this phase of the project is being funded via federal match because it was included in President Obama's FY2016 budget. The remaining capital funding is coming from unallocated and contingent capital accounts within the revenue sources, other than property taxes (City of Charlotte, 2019). Most of these capital funds are Transit Pay-Go funds, which were discussed above. In FY2020, $1,471,896 of Transit Pay-Go will be transferred to CATS for the costs of operating Phase I of the Gold Line. No funds for operations of Phase II of the Gold Line were allocated for FY2020, but approximately $5 million will be allocated annually from FY2021 to FY2024 (City of Charlotte, North Carolina, p. 288).

2) LYNX Silver Line

The LYNX Silver Line is a 26-mile east-west light rail line that will connect the Town of Matthews, through Uptown Charlotte, to the City of Belmont. The Line is currently in "pre-project development". It is projected to start service in 2030. $50 million over five years has been allocated towards the Silver Line project (City of Charlotte, 2019). In FY2020, $9 million is dedicated to planning and design of the Silver Line Light Rail (City of Charlotte, North Carolina, p. 288).

Key Takeaways

- **CATS is highly reliant upon Article 43 sales tax revenues.** The formation of CATS was contingent upon Article 43 sales tax, and it continues to rely on it for over 50 percent of its revenues.
- **CATS Passenger fare revenues are declining.** Nationwide transit ridership is down, and this trend persists in Charlotte, despite recently completing major transit projects.
- **Federal grants are crucial to funding CATS capital projects.** CATS major capital projects secured federal grants and they are comprising a greater share of its revenues each year.

Lessons for Lane Transit District

For LTD, the key lesson is that a local option sales tax dedicated to transit underpins CATS funding strategy. From its creation, CATS has relied on its Article 43 sales tax for operations and capital projects. It is this tax's regional framework that makes it successful. When Article 39 required that it be levied at the county-level, it forced CATS to set up regional governing structures (i.e., MTC) and serve the region. This regional approach makes funding CATS mutually beneficial not just for Charlotte and the county, but its surrounding communities. While nearly no jurisdiction in Oregon use a sales tax, I believe CATS offers a creative regional funding strategy that may prove insightful for LTD. LTD's service area not only includes Eugene, but the greater Eugene-Springfield region. A capital funding strategy that also aligns with the region's transportation and land use planning may prove a cause worthy a sales tax in Oregon. If LTD pursues this, I'd also recommend the MovingAhead initiative be expanded to include surrounding communities. These communities need economic development, and despite sales tax's unpopularity in Oregon, they may look past that and see the long-term benefits of transit investments.

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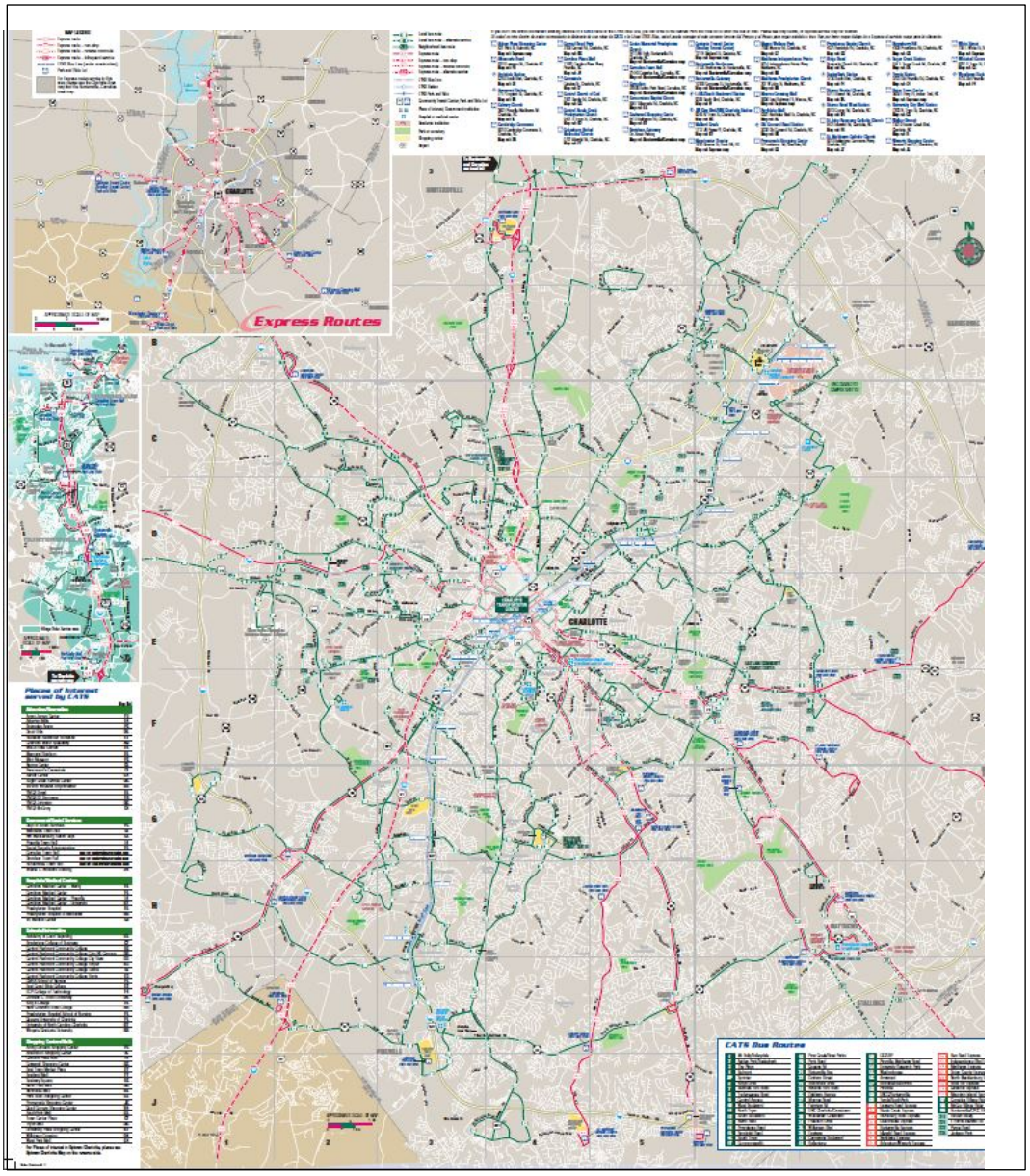
Appendix A1

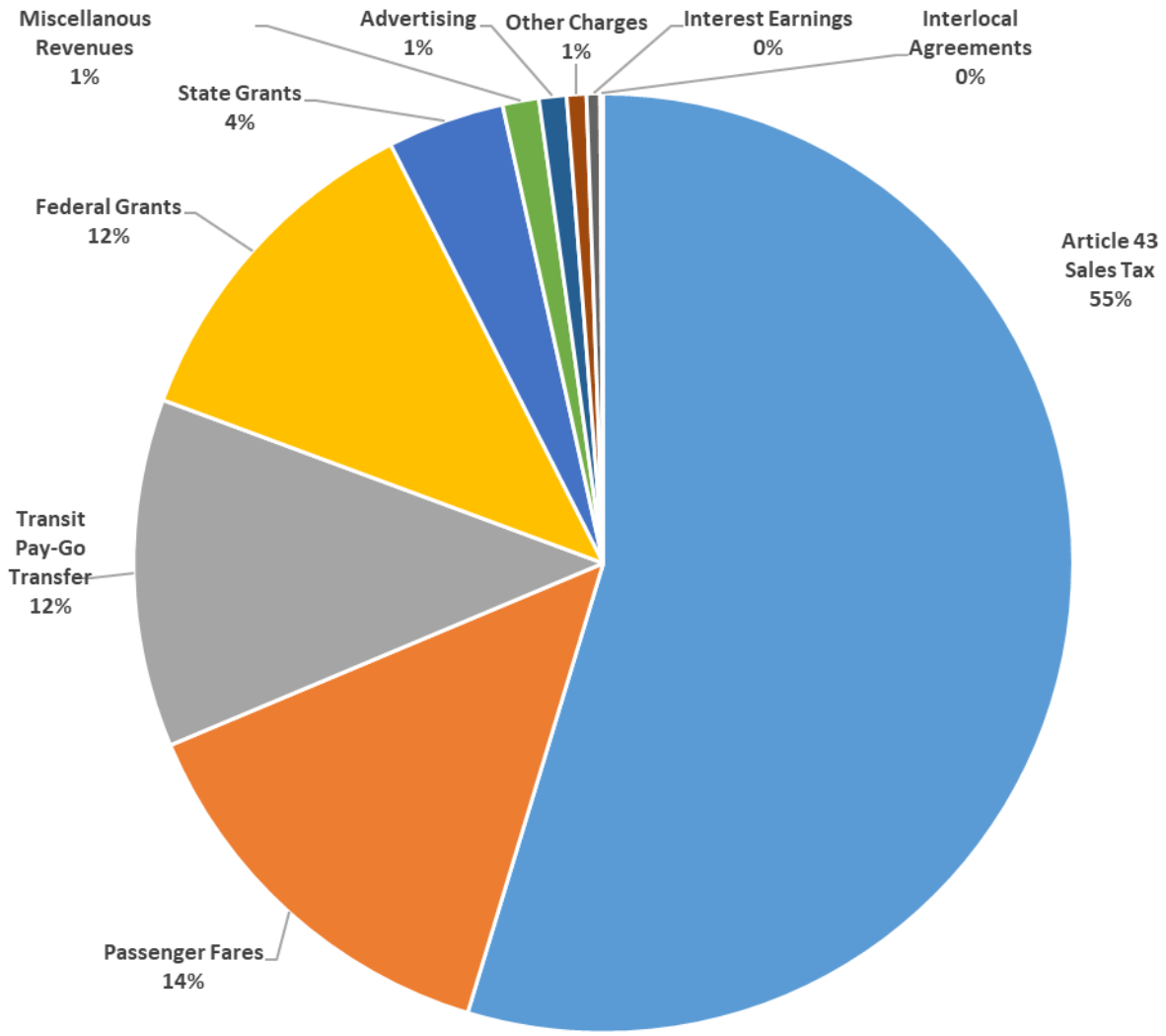
This appendix includes additional information related to the Charlotte Area Transit System.

Figure 1: Charlotte Area Transit System Map, 2019



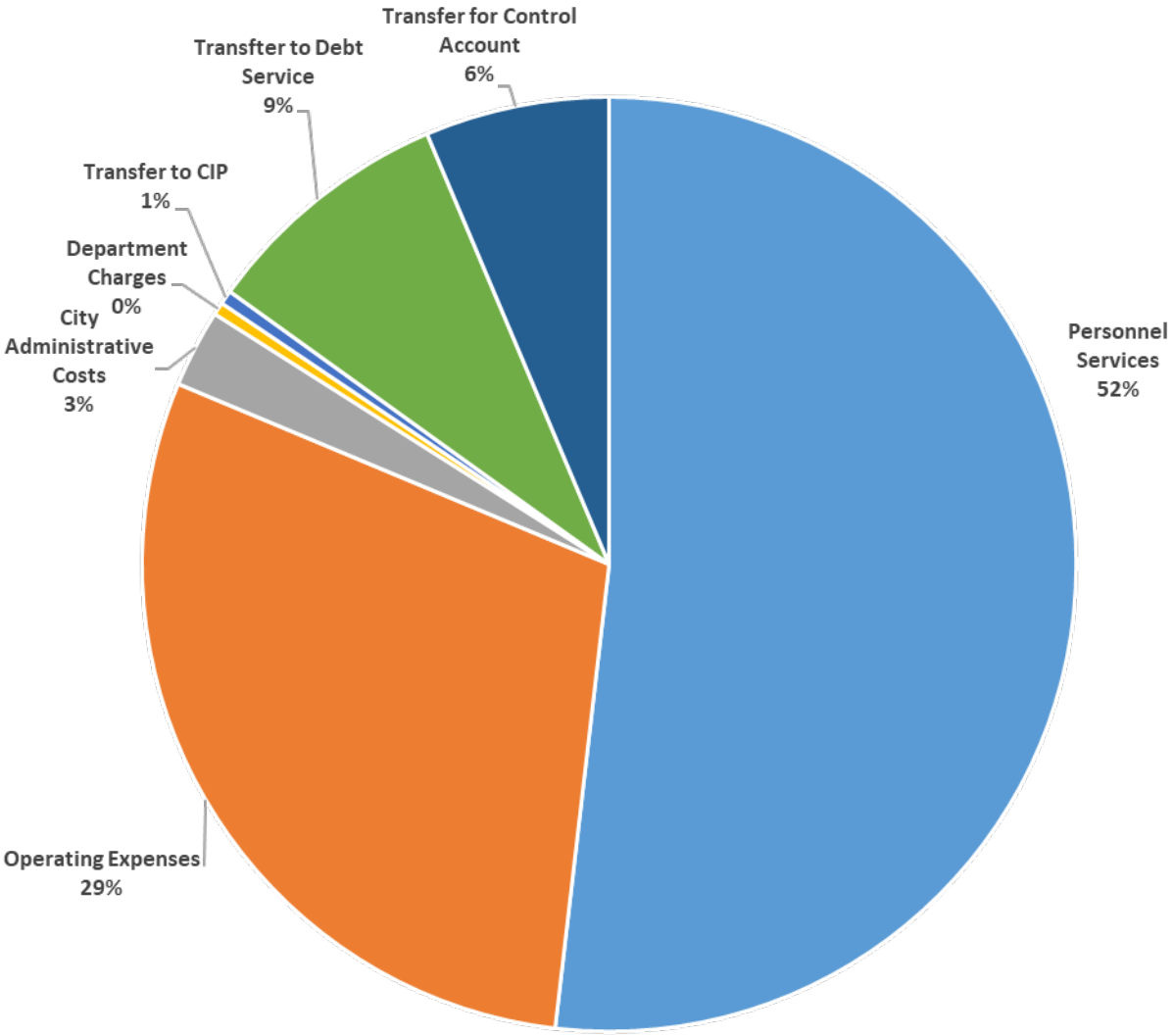
Source: City of Charlotte, 2019

Figure 2: Major Revenues by Source, Charlotte Area Transit System, FY2020



Source: City of Charlotte, North Carolina, p. 215

Figure 3: Major Expenditures by Category, Charlotte Area Transit System, FY2020



Source: City of Charlotte, North Carolina, p. 215

Regional Transportation District (RTD)

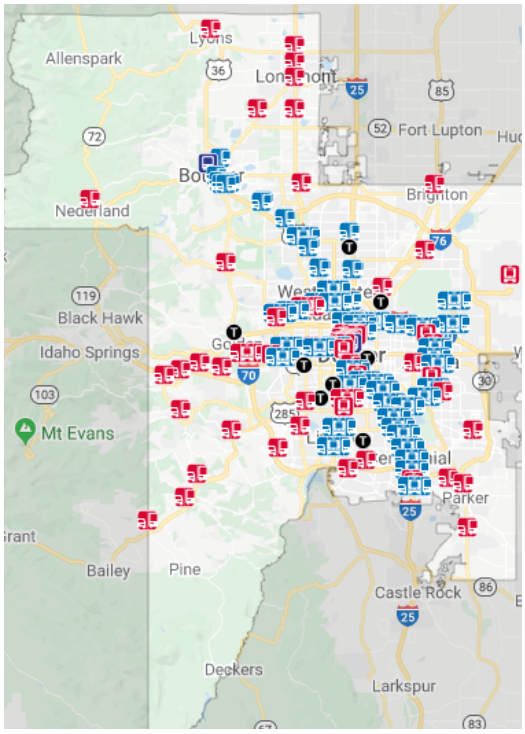
Introduction

This memo provides an overview of the Regional Transportation District (RTD), which offers bus, rail, and other transportation services for the Denver metropolitan area in Colorado. RTD serves as a case study to better understand how the Lane Transportation District (LTD) can fund capital improvements to its bus rapid transit service in the Eugene-Springfield metro. The study includes background information on RTD, its funding sources, governance, and service area, as well as a summary of operating and capital revenue and expenditures. Through an analysis of this information, this memo provides some lessons learned for LTD as it considers capital expansion through the MovingAhead project. Unless otherwise noted, budget information and data throughout this memo are from the RTD 2019 Adopted Budget and RTD website.

About the Regional Transportation District

The Regional Transportation District (RTD) is a multi-modal transportation provider serving eight counties in the Denver metro area. The service area includes 2.8 million people across more than 2,300 square miles and 40 municipalities. The Denver-Aurora-Lakewood Metropolitan Statistical Area saw a 13.5% population increase between 2000-2017 (U.S. Census Bureau, 2017). In addition to robust population growth, Denver and Colorado's economies are growing quickly, with the state ranking in the top ten for employment growth. In 2011, 84% of Denver metro residents had access to public transit, 14% above the national average (Tomer et al, 2011).

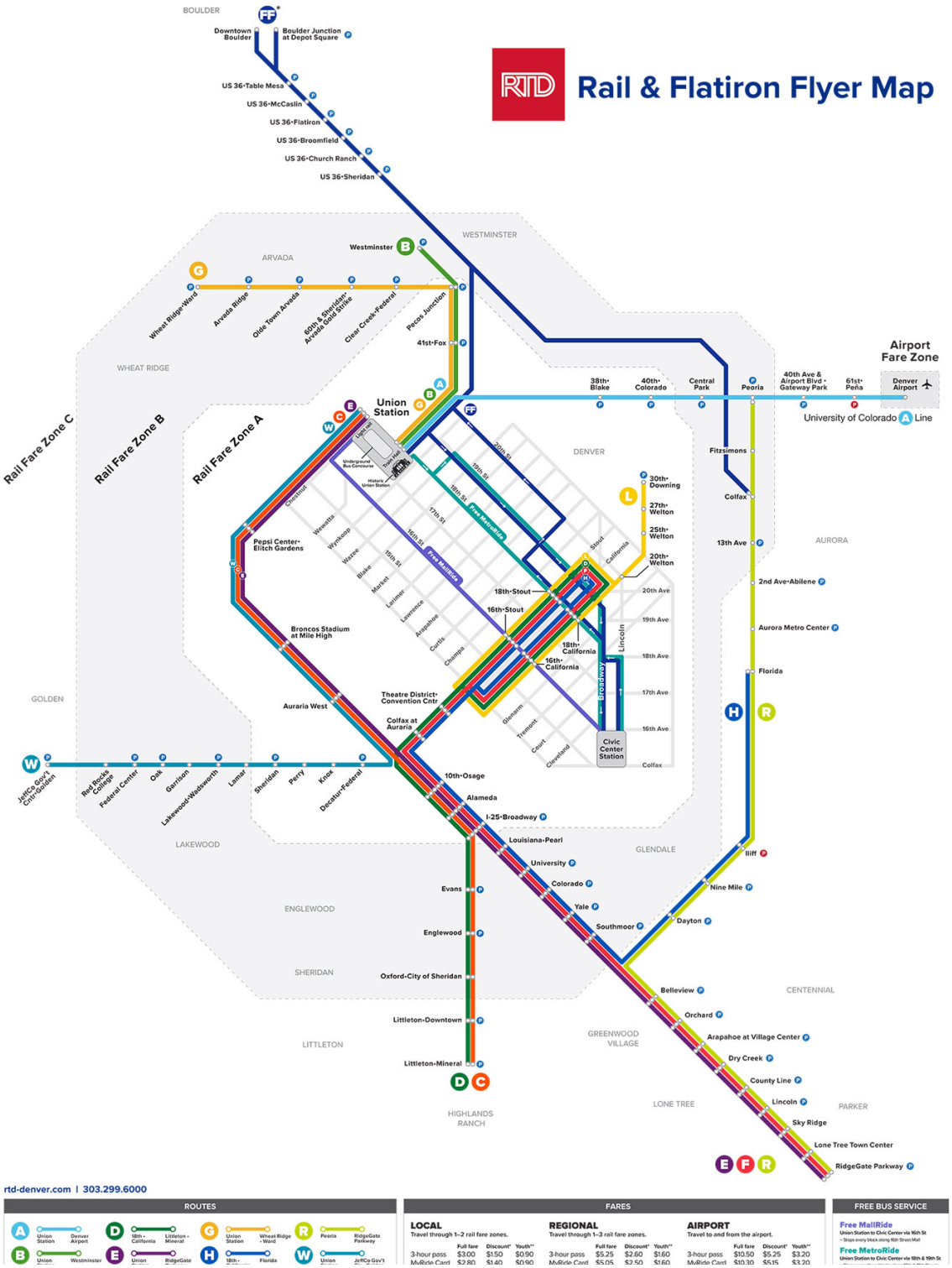
Figure 1. RTD Facilities Map



Source: RTD Website

The Colorado General Assembly passed legislation to create RTD in 1969. Celebrating 50 years, RTD now manages more than 10,000 bus stops across 140 routes, in addition to ten light rail and commuter rail lines, park and rides, accessible mobility services, demand responsive services, vanpools, specialty services to sports games, and the free Mall-Ride in downtown. Figure 1 illustrates RTD's vast network of bus stations and park and rides across the metro area. Figure 2 provides a map of RTD's ten rail service lines.

Figure 2. RTD Rail Map



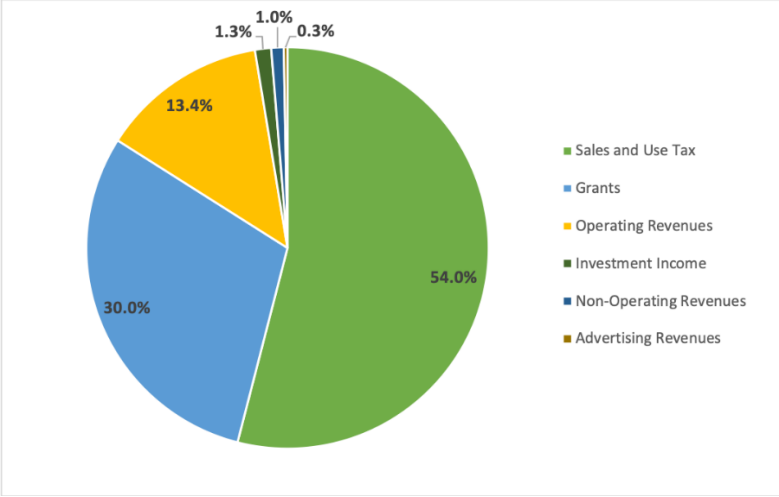
Source: RTD Website

RTD was established as a special statutory district by the "Regional Transportation District Act" 32-9-101 of the Colorado Revised Statute. RTD then acquired a variety of privately owned and operated bus companies over several years to establish its service district and expand routes. In 1973, Denver voters approved a sales tax to finance the system. In 2004, regional voters approved an additional sales tax of 0.4%, for a total of 1%, to expand RTD's service area through the FasTracks program. This expansion included 122 miles of rail service, 18 miles of bus rapid transit (BRT), and the redevelopment of Denver's Union Station. RTD is governed by a 15-member board of directors, made up of publicly elected representatives. Each member represents approximately 175,000 voters in their district and is elected to a four-year term.

Budget Summary

RTD projects $1.2 billion in revenue in the 2019 Adopted Budget, with 54% coming from Sales and Use Tax, 30% from grants, 13.4% from operating revenues, and the remaining from investment income, advertising revenue, and non-operating revenue as shown in Figure 3. The most significant revenue changes between 2018 and 2019 include a 5.6% increase to sales and use tax, 11.5% increase in fare revenues, an 11.4% decrease in grant revenue for capital projects, and a 7.2% decrease in grant revenue for operating. Much of the increase in fare revenues is attributed to two new rail lines that opened in the last year that should see increased ridership, in addition to scheduled fare increases. Denver has seen an increase in sales and use tax every year since 2010, and economic forecasts project continued economic and job growth throughout the region. The majority of grant revenue for RTD is from Federal Transportation Administration (FTA) formula funding. RTD uses most of this grant funding for capital maintenance projects, which have increased over the past several years with significant regional service expansion.

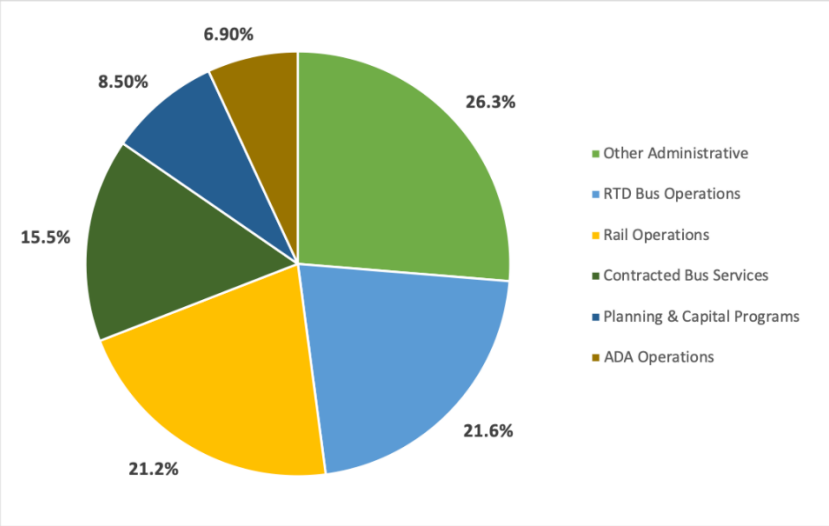
Figure 3. 2019 RTD Projected Revenue



Source: RTD 2019 Adopted Budget

RTD plans for a total operating budget of $755.4 million in 2019. The operating budget includes 26.3% for administration, 21.6% for bus operations, 21.2% for rail operations, 15.5% for contracted bus services, 8.5% for planning and capital programs, and 6.9% for ADA operations, as shown in Figure 4. RTD plans to increase all of its reserve funds in 2019 to meet a minimum of three months operating expenses. These fund reserves align with board adopted policies from 2012. The greatest changes between 2018 and 2019 include a 50.7% decrease in planning expenditures and a 29.8% decrease in capital programs and facilities. The most significant increase is a 16.5% change in rail operations expenditures, likely due to expanded and new regional rail lines.

Figure 4. 2019 RTD Project Operating Expenses



Source: RTD 2019 Adopted Budget

Capital Projects

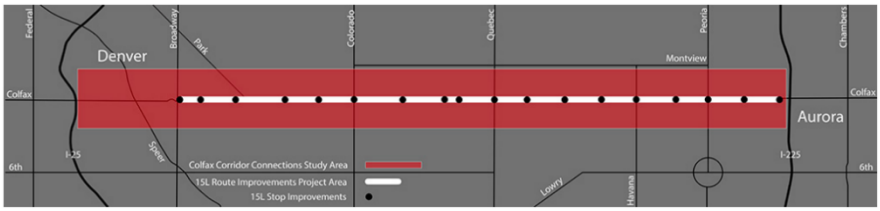
RTD also manages a capital budget of $830.7 million. The vast majority (86.6%) is allocated to capital carryforward, with about 5% allocated to the FasTracks Program and 4% to fleet modernization and expansion. The remainder is allocated to a variety of construction and ongoing maintenance projects. RTD has invested in a significant number of capital projects in the last few years, and 2019 marks a transition from capital construction to maintenance and operations. One of these major projects was the new commuter rail line to Denver International Airport. RTD was awarded over $1 billion for this project by the federal government, the largest transit grant during the Obama Administration. This grant also included support for the expansion of a regional commuter line to two Denver suburbs. In 2019, RTD will draw down the final $200 million from this nearly 10-year grant.

RTD is in a long-term public-private partnership with Denver Transit Partners (DTP), who designed, built, and operate several rail corridors in RTD's service area. DTP will operate the assets through 2044, and RTD makes annual payments to DTP based on performance. RTD claims a significant cost savings on construction and early operations due to this partnership. The project represents the largest public-private transit partnership in the country. Over the last year, RTD and DTP have engaged in a legal battle over project delays, and RTD chose to operate its newest commuter rail line solo (Colorado Public Radio,

2019). For this most recent expansion, RTD led the nation in using Certificates of Participation (COPs) to fund a commuter rail line in northern suburbs of Denver. RTD will pay "rent" on these certificates for 30 years, and at that time will assume ownership of the rail asset. Another unique strategy by RTD was the purchase of Denver's Union Station in 2001. RTD funded its redevelopment as a transportation and tourist hub in downtown and generates increasing annual revenue from retail and commercial renters in the station. Rents are projected to grow in the coming years up to a maximum of $12 million annually. These various projects all represent public-private partnerships for LTD and included some private financing to complete.

The City and County of Denver and the Denver Regional Council of Governments are funding a partnership with RTD to study and implement improved BRT service on East Colfax Avenue. This is the only notable capital project for RTD related to bus operations, as the majority of recent expansion and FasTracks funding has focused on rail operations. Corridor improvements appear to be broken into two capital projects. One project focuses on an existing bus line stretching from downtown Denver to neighboring Aurora. This is the busiest route in the entire system, and RTD plans to upgrade 37 stations along the corridor. The budget includes about $426,000 capital carryforward for the improvements, and the project website notes funding from the Colorado Department of Transportation and FTA. These corridor improvements are projected to continue through 2022. The second portion of the project focuses on implementing BRT as the locally preferred alternative to this same corridor. The funding is supported by a voter-approved bond called Elevate Denver. The 2019 budget includes a $2 million capital carryforward for continued study of this corridor. The capital budget also notes over $8 million in federal support from the FTA for the project, although the project website is vague about seeking matching funds. Figure 5 illustrates both the study area and active improvements to the existing bus route.

Figure 5. East Colfax Transit Improvement Projects



Source: RTD Website, East Colfax Transit Improvements

Application to Lane Transit District

It is difficult to apply much of RTD's capital financing scheme to LTD, as Denver's transportation service area includes a significant amount of commuter and light rail. The RTD FasTracks Program is explicitly focused on expanding regional service, much of which is focused on commuter rail lines to the airport and outlying suburbs that approved the increased sales and use tax. RTD's most significant funding resources come from two voter-approved sales tax increases, as well as creative public-private partnerships.

COPs pose an interesting option for LTD. These bonds, rather than secured on future revenues, are secured on an equipment lease. The benefit of using COPs is that LTD would not need to issue long-term debt through voter approval (BATIC Institute). LTD could use new EmX buses and stations to set up the lease agreements. This appears to be an accepted strategy from the FTA and AASHTO, and lease payments would qualify for federal grant support. RTD used the actual rail line infrastructure to secure its $400+ million COP financing, and historically used COPs for bus capital purchases.

The most relevant RTD capital project is the recent BRT study and station improvements on East Colfax Avenue. The capital budget currently includes just $10 million for the project, sourced from FTA formula grant dollars and local bond funding through the City of Denver. This is a small-scale project compared to what LTD is attempting to undertake through the MovingAhead project. LTD does not have the benefit of voter-approved bonds but could consider a long-term campaign to pass additional funding.

Conclusion

RTD is a fast-growing multi-modal transportation operator serving a booming metropolitan area. The transit agency relies on unique public-private partnerships and a steadily growing sales and use tax to support much of its capital and operating expenses, including several years of significant regional expansion. LTD, while a much smaller scale transit agency, could consider replicating RTD's pioneering use of Certificates of Participation to finance major capital projects, but the Eugene-Springfield area likely lacks the will to support an additional voter-approved tax or bond measure.

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San Francisco Municipal Transportation Agency (SFMTA)

Overview

The purpose of this memo is to evaluate and explain how the San Francisco Municipal Transportation Agency (SFMTA) operates and to describe key capital projects. In order to understand the key capital projects, this memo will include a primer on the structure of the agency and how its capital projects are generally funded. The conclusion of this memo will provide some ideas that can be of use to LTD in its Moving Ahead project.

Geographic Context

The City and County of San Francisco is a rapidly growing, dense urban area that is home to hundreds of international corporations and has a population of just under 1 million residents. San Francisco is located in Northern California and is easily accessible by all forms of transportation and is a worldwide tourist destination.

SFMTA is a department of the City and County of San Francisco (San Francisco) and is the agency that is responsible for overseeing public transport. As shown in Appendix II, SFMTA also provides many other services within the City including the historic streetcar, cable car, Bay Area Rapid Transit (BART), transportation improvements and planning, parking, and ferry service.

SFMTA Structure

The agency was established in 1999 as a result of voter-initiated Proposition E. The agency is governed by a Board of Directors who are appointed by the Mayor and confirmed by the San Francisco Board of Supervisors. The Board of Directors provide policy oversight, budgetary approval, change of fares, fees, and fines while representing the public interest. The Board and Agency are guided by their mission, "We connect San Francisco through a safe, equitable, and sustainable transportation system." Unlike LTD this agency also controls much of the transportation planning in San Francisco, allowing the department to easily create integrated multi-modal solutions to further their mission.

As for the day-to-day operation of the Agency, the Director of Transportation has 12 directly supervised departments, according to the SFMTA Organization Chart. The main organizations within SFMTA include:

- Capital Programs and Construction
- Finance & Information Technology
- Human Resources
- Sustainable Streets
- System Safety
- Taxi & Accessible Services
- Transit

Together these departments ensure that SFMTA Mission is carried out to the fullest extent. In order to this the department needs to continue adapting and evolving transportation options for all persons. This begins with proper financial planning for future capital projects.

SFMTA Budget and Funding Sources

The document that was examined for this section is SFMTA Capital Budget (budget): FY 2019 & 2020. Each program that is included in the two-year Capital Budget and five-year Capital Improvement Program (CIP) goes through an evaluation process before being finalized within the budget. Projects included in the five-year CIP are identified by various staff within the agency based on the following:

1. Input from the community received at various meetings during the year;
2. Input from the SFMTA Board of Directors, San Francisco Board of Supervisors (or the BOS sitting as the Transportation Authority Board) and other commissions and advisory committees identified over a two-year period;
3. The SFMTA Board or other City and County of San Francisco approved plans for growth, improvements, and rehabilitation;
4. The SFMTA Board adopted 20-Year Capital Plan and prioritization criteria for selecting priority needs to advance policy goals; and
5. Staff-identified projects based on critical need due to safety issues or to comply with new mandates.
6. The agency also has a 5-year CIP plan, which has an investment of close to $3 Billion in SFMTA projects.

Transit is a large budget item, totaling over a half-billion dollars over the next two years. The line-item of Transit Fixed Guideway references rail projects whereas transit optimization includes bus transit, and specifically Bus Rapid Transit (BRT) projects. In order to be able to have this level of investment in transit, the SFMTA has established a variety of revenue streams.

There are over 30 different sources of funding from Federal, State, Regional and Local sources. For providing ideas which LTD can pursue for additional capital revenue sources it is most helpful to discuss local funding mechanisms SFMTA has used to expand their capital projects program and provide quality, equitable and efficient service to its patrons.

Local Revenue Streams

General Fund (Proposition B, population based)

Proposition B amended the city's obligation to increase the funding for SFMTA by a percentage equal to the city's population growth. This has provided SFMTA with annually increasing funds to improve reliability, promote capital improvements and complete necessary repairs.

General Obligation Bond

In 2014, the taxpayers of San Francisco approved a $500 million General Obligation Bond to fund urgent repairs and upgrades to the city's transportation infrastructure. The passage of this bond avoided the need to raise property taxes for transportation funding.

Transit Sustainability Fee (TSF)

The TSF is a fee that is levied upon all new commercial developments, market-rate residential developments with more than 20 units, and certain large institutions. Affordable housing developments subsidized middle-income housing, market-rate housing with less than 20 units or less and most nonprofit developments are exempt from the fee. The TSF's purpose is to raise revenue to expand and maintain the system while the city grows. The TSF is expected to raise $1.2 billion over the next 30 years, at the rate of $38 million per year. This fee replaces the current fee, adding $14 million more in revenue each year.

Proposition K (Prop K) Sales Tax

This funding source is a half-cent, voter approved, sales tax. Prop K generates around $100 million annually which is used to fund new buses, light rail vehicles, bike lanes, street paving and pedestrian safety improvements. An expenditure plan has been implemented to ensure accurate estimates of revenue.

Prop AA Vehicle Registration Fee

Proposition AA is a voter-approved $10 annual vehicle registration fee of which 25% is to be used for transit reliability and mobility improvements. Another 50% can be used for street repair and construction projects accompanying transit projects. The fee provides $5 million annually, of which $3.75 million can be used for transit related improvements.

Proposition D (Prop D)

Recently approved (November 2019) the voters approved a 1.5% surcharge on shared rideshare trips and a 3.25% surcharge on solo rideshare trips. This Proposition is expected to raise $30-$35 million per year until the proposition sunsets in 2045. The revenue raised will directly fund future transit improvements.

The funds described above are used to fund many SFMTA projects around the city; there are a few projects using these funds that are applicable to the ambitious expansion LTD is planning.

Ongoing SFMTA Projects

SFMTA has 226 ongoing projects according to the CIP, but many of these projects to not solely focus on transit. The Agency has 59 transit projects aimed to be complete over the next 5 years that seek to increase headway, develop transit-first streets and upgrade stations and stops to create a more user-focused system.

Key Capital projects for the Agency are:

1. Van Ness BRT Project ($211 Million)
2. M-Line realignment ($100 Million)
3. Geary Rapid Project ($70 Million)
4. 22 Filmore Transit Priority Project ($68 Million)

Geary Rapid Project

The Geary Rapid Project is a project that has been highlighted by LTD for review. Geary Bus Rapid Transit Project seeks to improve one of the city's busiest corridors with safety improvement and more reliable bus service – for 56,000 daily riders. This project will include dedicated bus lanes, replacing sewer and water mains, traffic signal upgrades, roadway repaving, new crosswalks and other sidewalk improvements that improve rider safety.

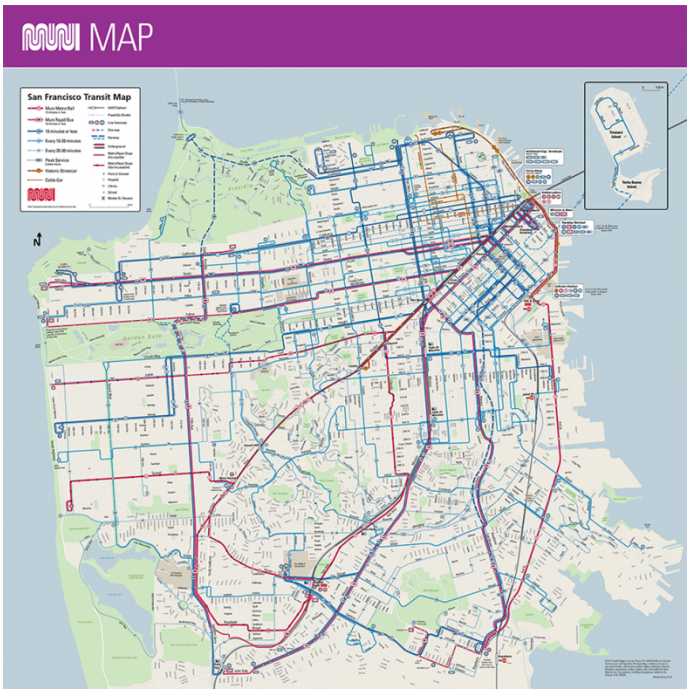
The cost estimate for this project is $35 million for the SFMTA transit improvements and another $30 million for accompanying infrastructure upgrades. The project is set to be completed in 2021. The project is solely funded by Prop K – a voter-approved half cent sales tax for public transportation. The high ridership of this route influenced the city's decision to provide a high level of investment for the project.

Take-Aways

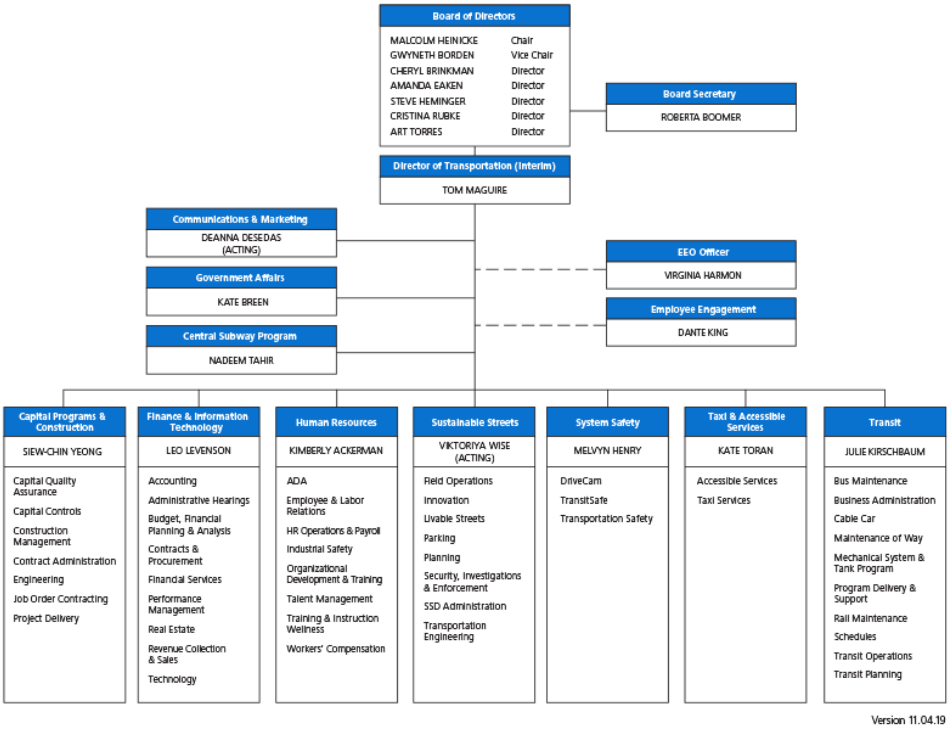
SFMTA has been active in finding new, creative revenue sources due to the need for quality public transit due to both the rapid growth the city has experienced and consumer choice shift of less personal automobile ownership. San Francisco has faced challenges head-on by showing voters that if a public transport system is to be improved, it is partially up to the taxpayers to provide funding for the system. There has been much public support for increased fees, taxes and surcharges that may be unpopular in other localities.

Appendix A

Appendix I: SFMTA Map



Appendix II: SFMTA Organizational Chart



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TriMet

Executive Summary

The Tri-County Metropolitan Transportation District of Oregon (TriMet), is the transit district servicing the greater Portland metro area. TriMet offers bus, light rail, and commuter rail services for those in Portland, Oregon[1]. Since 1969, TriMet operations has been working to connect the Portland community, reduce traffic congestion, and reduce air pollution cause by transportation. Today, TriMet is the largest transit district in Oregon representing over 533 square miles[2]. This memo will provide detailed information regarding the enabling legislation behind TriMet, an overview of the operation, information regarding the governing structure, and details regarding TriMet's revenues & expenses.

Enabling Legislation

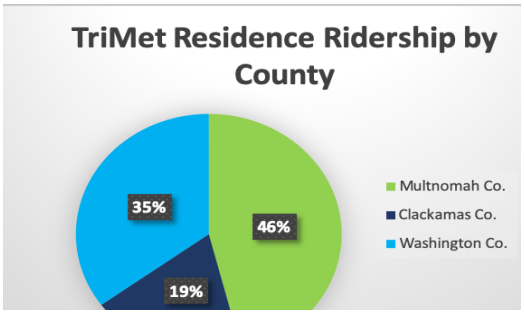
As is true for the Lane Transit District (LTD), the formation of TriMet resulted in the passage of Oregon Legislature ORS 269[3]. ORS 269 was passes in 1969 and TriMet service started in December of the same year. Under ORS TriMet is classified as a Municipal Corporation of the state of Oregon with the rights to levy taxes on those within the jurisdiction, issue general obligation and revenue bonds, and enact police ordinances[4].

Overview of TriMet Services

TriMet is the largest transit district in the state of Oregon. As of the 2019 report, TriMet covers over 530 square miles, providing service to the 1.8 million people that live within the transit district[5]. In 2018 TriMet completed over 97 million trips, representing an average of 310,000 weekday boarding's. When TriMet was formed it combined the five private bus districts servicing Clackamas County, Washington County, and Multnomah County. The breakdown of ridership between the three counties is represented in Figure 1.

[1] TriMet Website, About, https://trimet.org/about/index.htm
[2] TriMet Website, TriMet at a Glance 2019, https://trimet.org/ataglance/trimet-at-a-glance-2019.pdf
[3] TriMet Website, About TriMet Governance, https://trimet.org/about/governance.htm
[4] https://www.oregonlegislature.gov/bills_laws/ors/ors267.html
[5] TriMet Website, TriMet at a Glance 2019, https://trimet.org/ataglance/trimet-at-a-glance-2019.pdf

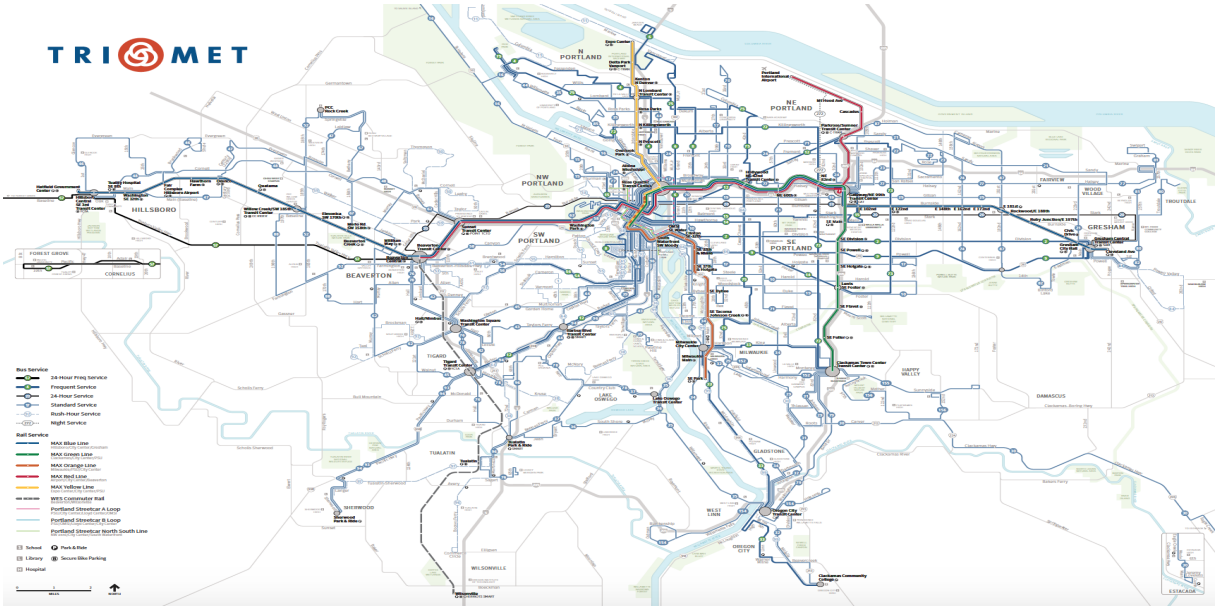
Figure 1: TriMet Residence Ridership by County



Source: TriMet at a Glance 2019

As TriMet has grown over the last 50 years, the services offered have continued to expand. Today, TriMet provides bus, light rail, and commuter rail services to the greater Portland Metro area. The fleet consists of 696 buses 145 MAX light rail cars, six WES commuter rail trains, and 258 LIFT buses[6]. A map of the lines services by this robust fleet is displayed in Figure 2 below and in Appendix 1.

Figure 2: TriMet Service Map



Source: TriMet at a Glance 2019

[6] TriMet Website, TriMet at a Glance 2019, https://trimet.org/ataglance/trimet-at-a-glance-2019.pdf

Governing Structure

Today, TriMet is overseen by a seven-member Board of Directors. Members of the Board are appointed and serve at the will of the Governor. Each of the board members represents and resides in a different geographic region serviced by TriMet[7]. Each member serves a four-year term during which they are responsible for setting agency policy, representing their region, holding & participating in open meetings, enacting legislation, and appointing the General Manager of TriMet.

The General Manager serves at the discretion of the Board and faces no term restrictions. The General Manager duties are outlined in ORS 267. In addition to the duties outlined in ORS 267, the General Manager has the right to approve personal service contracts up to $500,000 and other contracts up to $1,000,000.

It is important to note that TriMet has significant discretion, but all TriMet's powers and functions are delegated by the Oregon State Legislature. In addition, when TriMet receives funding from the Federal Transit Administration, or another Federal body, TriMet's must comply with the Federal body's terms.

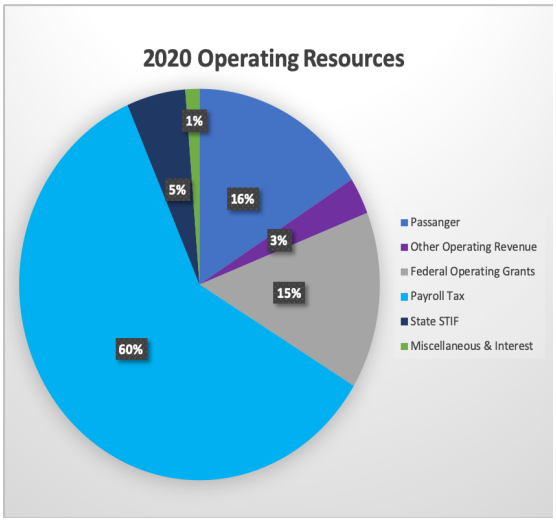
Revenue Sources, Rates, and Total Budget

For the FY 2020, TriMet total operating resources, excluding the beginning fund balance, are $689,044,583[8]. Of this 60 percent of the revenue is expected to come from payroll taxes, 16 percent from passenger fares, and 15 percent from Federal Operating Grants. Figure 3 below provides a breakdown of revenue sources as a percentage of the total operating resources.

Figure 3: 2020 Operating Resources

[7] TriMet Website, About TriMet Governance, https://trimet.org/about/governance.htm

[8] TriMet Website, 2020 Adopted Budget, https://trimet.org/budget/pdf/2020-adopted-budget.pdf

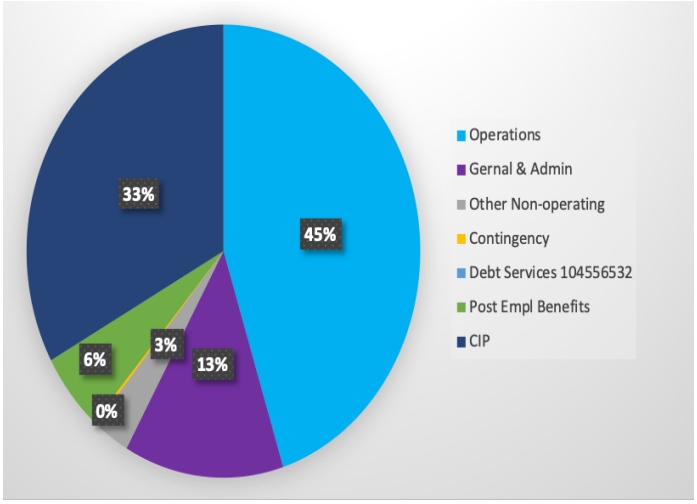


Source: TriMet 2020 Adopted Budget

Expenditures

For the FY 2020, TriMet total operating expenses are estimated to be $685,195,256. Below, Figure 4 provides a breakdown of expenses by department. Of this the Capital Improvements Program (CIP) represents 33 percent of expenditures. Aside from operations, CIP expenditure has received the greatest allocation of resources in FY 2020. Although TriMet does not directly disclose the source(s) of the CIP funding or the intended use for all CIP funds, most CIP funds are allocated to the MAX Red Line Extension and the expansion of Electric Vehicle Charging Infrastructure.

Figure 4: 2020 Operating & Capital Expenses



Source: TriMet 2020 Adopted Budget

Bonds and Capital Services

In order to cover the expenses associated with the CIP, TriMet has the authority to collect taxes, issue bonds, and seek other funding sources. Based on the budget document released by TriMet for FY 2020 it is unclear how the CIP is being funded. The following notes are what one can glean from the TriMet 2020 Adopted Budget Documents:

- Southwest Corridor Project - mostly backed by bonds,
- Division Transit Project – relying on federal funds,
- MAX Red Line Extension – allocated in FY 2020 budget, but no details on money source,
- Portland-Milwaukie Light Rail- allocated $13.2 million in FY 2020 budget, but no details on money source, and
- Electric Vehicle Charging Infrastructure - allocated $5.7 million in FY 2020 budget, but no details on money source.

Although it is apparent that TriMet is acquiring funds to support their CIP goals, documentation published by TriMet provides little to no insight to how this funding is being secured.

Conclusion

Overall, TriMet has been a successfully run transit district for 50 years. Over the last 50 years, TriMet has successfully secured funding to allow their services to grow. Although clearly securing desired funding, based on the lack of available information regarding CIP funding sources little can be learned from TriMet. Direct communication with TriMet representatives would be required for LTD to gain insight to the funding options used to fund the CIP.

Appendix B

Capital Group B Memo

Memoranda

To: Rebecca Lewis

From: Curtis Thomas, Jay Matonte, and Sarah Reiter

Subject: LTD Capital Budgeting Group B

Date: December 10, 2019

Executive Summary

The following memo presents three funding strategies for the implementation of Package D, a $274 million capital improvement project for Lane Transit District's current bus system. Package D entails enhanced bus corridors on Highway 99, 30th Avenue to LCC, and Martin Luther King Jr. Boulevard. Package D also includes expansion of EmX services to the River Road and Coburg Road corridors (see Appendix D).

The funding strategies presented within this memo possess local and readily available revenue sources. However, given the constraint of not being able to integrate federal funding, the funding strategy incorporates one of three special tools to close the funding gap left by the absence of federal assistance. The three special tools used are a gross receipts tax, a food & beverage tax, and creating an Urban Renewal District along River Road. After analyzing the impacts that each funding option has on equity, neutrality, efficiency, and productivity the recommended funding package is implementing an Urban Renewal District (Tax Increment Financing).

Background

Lane Transit District (LTD) was founded in 1970 under ORS 267 that enables Municipal Transit Corporations to provide mass transit in the State of Oregon (LTD History, 2019). 70% of LTDs General fund revenues comes from a payroll tax in the service district. "Reductions in this resource resulting from an economic slowdown or downturn has a material impact on the ability for the District to meet its ongoing obligations" (LTD 2019 Adopted Budget, p.6). During the recession of the early 2000s, LTD resorted to using capital reserves to fund their operating budget, which lead to 68% of their current fleet having "met or exceeded their useful life" (LTD 2019 Adopted Budget, p.7). LTD's Capital Improvement Plan seeks to raise capital revenues over the next 5 to 10 years to replace these busses, expand service in the area. Note, the statements below from the Economic Conditions section of LTD's budget summary give a special insight into two main factors that affect the LTD Budgeting process.

> *"Stagnating payroll tax revenues create an ongoing challenge to manage costs in order to cover existing requirements without utilizing existing working capital or utilizing federal assistance for operations" Pg. 6*

"Recessions cannot be predicted; however, the bond market has been flashing ominous warning with interest rates on long-term government debt falling below the rate on short-term bills signaling the potential for a recession in the nearer term." p.5

Methodology

We created a funding strategy by utilizing lessons learned from case studies on similar transit systems. We design three separate funding options that close a funding gap from an abundant and diverse baseline funding package made up of smaller sources. We extensively reviewed the budgets of case study jurisdictions and identified key sources of funding, as well as organizational strategies for capital financing projects. Two case study jurisdictions are located in Oregon and one is located in Colorado. Following the case study research, we created three options that generate the necessary $274 million, or exceed that threshold. The options are intended to coincide with our general list of funding sources, which were preemptively identified by Moving Ahead (Lane Transit District, 2019).

For our funding estimations, we were limited by data availability and internal knowledge to provide accurate projections and predict the feasibility of funding sources. To address the limitations, we have provided a wide variety of sources with the mindset that LTD can choose which sources they want to operationalize. It can be administratively burdensome to take on so many alternatives, but we assumed that diversity in funding options would better serve LTD for this project. Additionally, we operate on a very tight 10-year funding timeline. This timeline is likely unreasonable, for in reality the timeline to raise funds would be two or three times as long. This extremely aggressive funding approach leaves abundant financial maneuvering as the duration of fundraising is extended.

To evaluate the sources on some measure, we provide a decision criteria matrix that measures equity, efficiency, neutrality, and productivity. We rank these criteria on a three-level scale: 0 - bad, 1 - fair, and 2 - good. We then average across these four criteria and compare funding sources relative to each other on their average scores.

Case Study Summary

In order to generate alternative funding packages for LTD's Package D proposal, we evaluate three other jurisdiction's public transit capital improvement implementation plans. The three jurisdictions are the Portland Streetcar in Portland, Oregon, the Denver Regional Transit District (RTF) of Denver, Colorado, and TriMet, an Oregon Municipal Transportation Corporation that operates in Portland, Oregon and the greater Portland, Oregon area. These three jurisdictions hold some similarities and some differences in their capital funding strategies to LTD and may hold funding sources or structuring that could better enable LTD's Package D transit expansion.

Portland Streetcar

Portland Streetcar is a unique service in that it was the first streetcar project to seek federal funding since World War II (Portland Streetcar 2018 Annual Report, 2019). The first route was completed in 2002 and went for 4.7 miles, connecting Portland State University to Northwest 23rd Avenue (Portland Streetcar 2018 Annual Report, 2019). After great success, the Portland Streetcar has experienced five expansion phases and now has just shy of 16 miles of routes with over 70 stops, 17 vehicles, and serves over 5 million rides a year, approximately 15,000 a weekday (Portland Streetcar 2018 Annual Report, 2019).

Portland Streetcar has a unique operating and governing structure in that it is managed by a non-profit, Portland Streetcar Inc., owned by The City of Portland, and receives significant funding through the regional transportation entity, TriMet, as well as the Portland Bureau of Transportation (Portland Streetcar 2018 Annual Report, 2019). The total cost of the implementation of the Portland Streetcar was $254 million and received one-third of funding through the federal government (Portland Streetcar 2018 Annual Report, 2019).

Given that Portland Streetcar is in Oregon, LTD and Portland Streetcar face very similar legal and regulatory environments. A clear caveat between LTD and Portland Streetcar is the population served and tax base. Portland and the greater Portland area has over two million people while the Eugene-Springfield metro area is approximately 350,000 (U.S. Census Bureau, 2015). The biggest lesson retrieved from this jurisdiction is to ensure a diverse source of funding so as not to be dependent on a single source and to minimize financial risk.

TriMet

TriMet is the reference jurisdiction that most reflects LTD as it is also an Oregon Municipal Transportation Corporation (ORS267§§010-390, 2018). TriMet was established under ORS 267 that enables Mass Transit and Transportation Districts in the same year as LTD (ORS267§§010-390, 2018). TriMet currently provides approximately 100 million trips annually and residents of the Portland Area take about 316,700 trips per day (TriMet, 2019). The Portland Metro Area is "the 24th largest U.S. metro area, but 11th in transit ridership (and 9th in ridership per capita)" (TriMet, 2019). The difference between LTD and TriMet is that TriMet has a larger operation are that TriMet allocates 29% of its annual budget to Capital Improvement Projects (CIP) (TriMet Adopted Budget 2020, 2019). For comparison LTD allocates 21% to CIP and seems to pay for improvements ad hoc through their capital reserves fund. (LTD 2019 Adopted Budget, p. 41). TriMet also allocates their state revenues to large scale capital improvement projects, and uses fares and other resources to cover operating costs (TriMet Adopted Budget 2020, 2019).

Denver RTD

The Denver Regional Transportation District (RTD) is a multi-transit agency that serves eight counties in Colorado which encompasses 2.8 million people (Denver RTD, 2019). RTD was established in 1969 after voters approved to raise the sales tax by 0.5% to raise money for the system (Denver RTD, 2019). In 2004, voters approved another sales tax increase to fund the RTD FasTracks system, in order to expand the network of bus and rail.

Sales tax is the largest source (47%) of income for RTD (Denver RTD, 2019). Many of the capital improvements file under the FasTracks program like the completion of the West Rail Line, the Denver Union Station, and the US 36 Bus Rapid Transit that goes from Denver to Boulder (Denver RTD, 2019).

RTD is also working with the City of Denver to enhance the East Colfax corridor by incorporating enhanced bus shelters with lighting and security cameras, along with operational improvements like bus bulbs (City of Denver, 2019). East Colfax has notoriously known as a dangerous place, and the City partnered with RTD to help make improvements (City of Denver, 2019). All of the current funding comes from grants from the Federal Transit Association and the Colorado Department of Transportation (City of Denver, 2019).

Funding Options

The following sections highlight three potential funding sources for an LTD expansion, as well as the baseline diverse funding package. The intention is that one of the three highlighted potential funding sources, an urban renewal district, food and beverage tax, and a gross receipts tax, will close the gap in funding that the diverse baseline funding package does not cover. Upon preliminary estimation, our baseline funding package generates $212,176,020.00 meaning that the funding gap to be closed is approximately $62 million.

This section describes the potential financial strategies and informs how the strategies would function given current socio-economic and jurisdiction conditions. Upon evaluation under our decision criteria, the three funding options scored the same on efficiency, neutrality, and productivity. The difference between the three lies in the equity category. The gross receipts tax is regressive, and the food and beverage tax may negatively impact the food and beverage industry, so both of those options receive lower equity scores (see figure 1). Additionally, we are aware that both of those strategies will have extreme political barriers for implementation, however, political feasibility does not fall within the decision criteria for deciding which funding source is best.

Figure 1: Funding Option Scoring Matrix

Option A, B, and C Scoring Matrix (0-Low, 1-Average, 2-High)

Funding Streams	Equity	Efficiency	Neutrality	Productivity	Average
Gross Receipts Tax	0	2	1	2	1.25
Food and Beverge Tax	1	2	1	2	1.5
Tax Increment Financing	2	2	1	2	1.75

Baseline Funding Package

The baseline funding package is a basket of 14 different funding sources (see Appendix Table A.1). A brief overview of each source, as well as how each source was estimated, is

presented in the appendix. Overall, the baseline funding package is derived from sources explored preliminarily by LTD, as well as a handful of innovative sources not currently utilized in the LTD operating area. These funding sources being a ride-share tax, an Emerald's minor league ticket tax, and a e-scooter tax. While these are minor sources of revenue, the diversity of funding they provide bolster the security of funding overall.

As a whole, the baseline funding package scores a 1.42 average with our decision criteria, placing it in between fair and good (see Appendix Table A.1). The highest scores are for efficiency and productivity and the lowest score is for neutrality.

When all sources are aggregated, the total generated amount over 10 years is $212,186,020.00 (see Appendix Table A.2)

Evaluation

The baseline funding package is a wide variety of potential funding sources. It provides financial diversity and minimizes risk of the project being held up in the event that a funding source is no longer available. One major drawback from this basket of sources is that it could be administratively very costly. Each additional funding source becomes another cost for administration. Also, given the dearth of information, it is unknown as to how exactly each of these sources corresponds with LTD's budget as a whole and whether the estimated sources are reasonable.

Option A - Gross Receipts Tax:

Gross receipts tax is a fee that business's pay based on the amount of revenue that they produce. Since Oregon does not have a sales tax, a gross receipts tax is a strategy to account for goods and services purchased in Oregon. In jurisdictions like the Denver RTD, sales tax makes up a considerable portion of the revenue. While LTD operates without income from sales tax or something similar, there is potential for that type of revenue stream to have great implications for a gross receipts tax on LTD's funding streams.

Generally, the tax is limited on utility companies but there are jurisdictions that have expanded a gross receipts tax to include other lines of industry. For Eugene, there are franchise fees on utility companies, because they operate with the benefit of using and a gross receipts tax would be an extension of that tax onto other industries. For LTD, it would be more beneficial to utilize a gross receipts tax on different types of industries like jurisdictions in Virginia, Washington, and Ohio. Traditionally utilities companies are required to pay the tax because they use special right-of-way services that the public provides in order to maintain the operate their companies. Some jurisdictions use a gross receipts tax on taxicab drivers as well, since they might also be given special treatment with street laws. However, jurisdictions like Virginia, Washington, and Ohio have rebranded their tax to be called a business, professional & occupational license tax, a business & occupation tax, or commercial activity tax. Each state has different tax rates for different types of industries that range from 0.051% to 0.75% (Watson, 2019).

Oregon voters agreed to a gross receipts tax for all businesses that sell over $1M, and the state is calling it a corporate activity tax. The tax will be $250 plus 0.57% of all revenue for affected industries. Support for this bill came after the state's long history of refusing any plans for a sales tax, with the most recent proposal being from 1993. The state imposed this tax to help fun $1B to help fund education, and the bill passed with an Oregon Senate vote of 18-11 (Vanderhart, 2019). Groceries, hospitals, health insurers, and motor vehicle fuel are all exempt from this tax. While a tax dedicated to public education may be a more compelling story than public transportation, it still shows LTD that a "corporate activity tax" is a strategy that should be considered.

For LTD, a gross receipts tax will act like a sales tax but hidden from the consumer. Because it is hidden, the transparency of the tax burden can be an opportunity or a barrier. While the business owner is the entity that has to pay the tax, it will also result in goods and services becoming more expensive and wages might be lower. This makes the tax regressive since an increase in goods and decrease in wages is more likely to impact lower income individuals. However, voters are more willing to accept this type of tax than a sales tax, as proven in the Oregon H.B. 3427 (CLA Connect, 2019). An advantage of this tax is that it is relatively easy to administer, and it provides for a steady source of revenue for a municipality. Other critics argue that it hurts businesses that operate on the margins with high revenues, like a grocery store. Jurisdictions have taken that into consideration and tax industries that provide services at a higher rate than industries that provide goods.

Another problem with gross receipts tax is the concept of tax pyramiding. This means that a final good might have been taxed multiple times before it finally reaches the consumer. For example, lumber might be taxed before it reaches a distributor company, taxed again when that is sold to a construction store, and taxed again when the consumer purchases lumber for a home project. In Oregon, some purchases are excluded from the gross receipts tax to mitigate the effects of pyramiding.

Example 1: Virginia Beach - Business Permit and Occupational License Tax (BPOL)

All cities in Virginia have the option to subject business to the BPOL tax. "Virginia Beach BPOL rates are flat fees of $40 for businesses under $25,000, $50 for those under $100,000, and a percentage method for receipts above $100,000" (Virginia Beach, 2019). However, new business that have gross receipts greater than $100,000 only have to pay the $50 fee for the first two tax years. The attempt of this incentive program is to encourage new business. While the program excludes some business from contributing greater amounts to the tax base, it may also encourage more businesses to locate in Virginia Beach, which strengthens the tax sources. The 2019-2020 budget estimated a 6.6% increase in revenue from the BPOL because Virginia Beach had a strong economic year and new business are exiting the incentive program. (Virginia Beach, 2019).

Evaluation

The gross receipts tax for the LTD expansion only seems plausible because Oregon passed H.B. 3427. This shows signs of positive momentum for this type of tax, and potential LTD can capitalize on the opportunity. The gross receipts tax could represent a large source of income and is relatively stable. This means that a small tax percentage could generate significant revenue. A gross receipts tax can be administratively challenging to design for different industries, since they operate with varying profit margins. A financial services company will $1M revenue will have a far different balance sheet than a pond shop with $1M revenue. As seen in other cities, an option is to have a differing tax rate for each type of industry, and exempt some industries from the tax, but this makes the design of the tax increasingly complicated. Overall, it's very uncertain how a gross receipts tax can affect a community, which may work to the advantage or disadvantage of how it is presented to the voting body. However, it can lead to a decrease in wages, which will decrease payroll taxes, which can inadvertently shrink the tax base.

Figure 2: Eugene's Gross Receipts Tax Calculation

Jurisdiction	Type	Population	Revenue	Scaled to Eugene*
Virginia Beach, VA	Business Permit and Occupational License Tax	442,707	$51,892,052	$19,799,547
Arlington, VA	Business Permit and Occupational License Tax	237,521	$65,620,000	$46,666,475
Richmond, VA	Business License Tax	227,032	$34,915,311	$25,977,636
Norfolk, VA	Business License Tax	242,628	$30,850,000	$21,477,565
Alexandria, VA	Business License Tax	144,301	$34,378,000	$40,242,232
Harrisburg, PA	Business Privilege Tax	49,192	$7,433,050	$25,523,684
Allentown, PA	Business Privilege Tax	118,032	$8,200,000	$11,735,048
San Francisco, CA	Gross Receipts Tax	884,363	$490,000,000	$93,591,478
Charleston, WV	Business & Occupation Tax	51,400	$43,930,000	$144,367,313
Huntington, WV	Business & Occupation Tax	49,138	$13,961,759	$47,994,719
Average Scaled Revenue**				**$29,927,113**

**Assumes a Eugene population of 168,916.*

***To remain conservative, the average excludes San Francisco and Charleston.*

Option B - Food & Beverage Tax:

The City of Ashland leverages a tax on sales from restaurants, delis, caterers, coffee shops and other establishments with prepared food. In Ashland, they collect 5% of all sales in order to pay for street maintenance. The tax is similar to a sales tax, but will only impact people who eat prepared foods. This makes the tax less regressive than a general sales tax by still making general grocery foods and all other goods tax free. A food & beverage tax can negatively impact the restaurant industry by increasing the cost of food and reducing wages for staff members. This is a major political and economic consideration, in addition to the decision criteria, if this option is explored further.

For option B, we propose to institute a 5% tax on restaurants in Eugene. Using a simple population ratio adjustment from Ashland to Eugene and scaling the revenues that Ashland has received, we estimate approximately $473 million over 10 years, as presented in figure 3. To clear the estimated $62 million funding gap left by the baseline financial package, LTD would need to receive approximately 13% of these estimated funds over the 10-year time span.

Figure 3: Eugene Food & Beverage Tax Calculation

	Population	Food & Beverage Tax (5%)
Ashland	21,363	5,980,765
Eugene	168,916	47,289,561
Ten Year Total		**472,895,614**

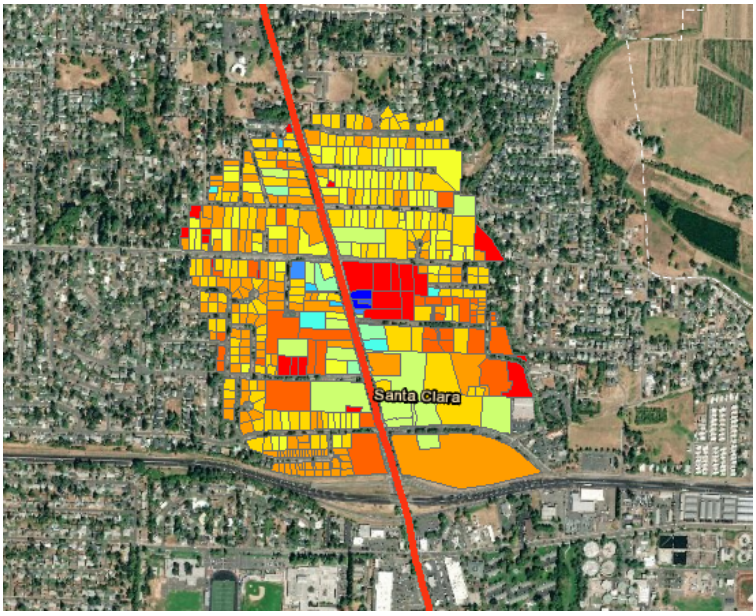
Evaluation

Using the specified decision criteria, a Food & Beverage Tax is evaluated as being fair in equity and neutrality, given that it is not as regressive as a general sales tax, but may have a negative impact on the restaurant and prepared food industry. It is also evaluated as being good in efficiency and productivity given that it would be administratively straightforward to implement and would generate a large sum of money. Overall, the average score for the Food & Beverage Tax is a 1.5 out of a maximum of 2.

Option C - Tax Increment Financing (Urban Renewal District):

Tax Increment Financing (TIF) will set up an Urban Renewal District along the River Road Corridor. We first had to determine the highest area of blight along the River Road corridor, which is the area that has the most opportunity for improvement. Using GIS, we used 2015 tax data and to generate a blight metric with a land/improvement value ratio. If the ratio is less than 1, a tax lot is deemed blighted. Our GIS hot spot analysis computed the greatest statistically significant concentration of blight shown in Figure 3.

Figure 4: Map of the River Road Urban Renewal District



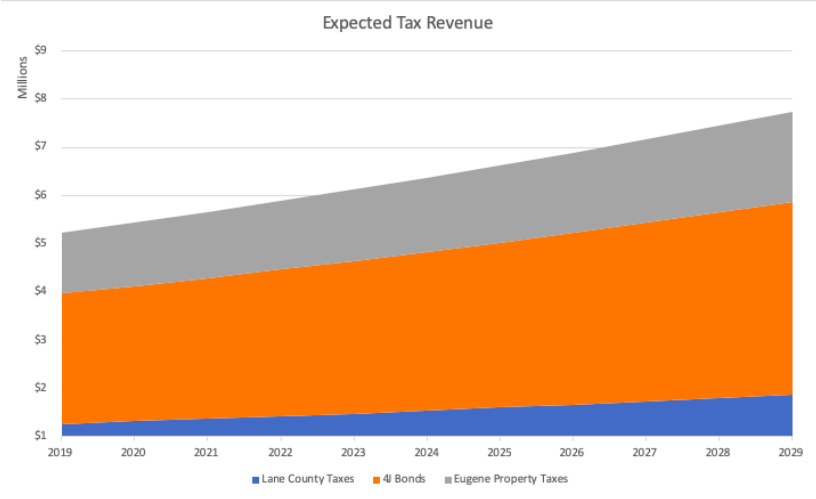
There are a few buildings that are not blighted and skewed the average in this area to 5.8 land/improvement value ratio. After removing these high outliers, we get a lower value of 0.47 average land/improvement value ratio indicating a very blighted area. Summing of the Total Assessed Value from tax data of these parcels determine that the Total Assessed Value for this area is $120,265,534.

To calculate the potential fiscal yield from this TIF we compared the Downtown-Riverfront Cost Benefit Analysis (CBA) conducted by the City of Eugene. For this project the City of Eugene took total assessed values of the area and calculated the potential yield from Lane County and Eugene property taxes, 4J bonds and LCC/Lane ESD bonds after development, over the next 10 years (Figure 5 and 6). The future expected revenue from these taxes pays back the TIF taken out to pay for improvements upfront. Unlike bonds, TIFs do not need ballot voter approval, only approval by the City Council where the TIF is implemented.

Figure 5: Tax Value Calculation of the River Road Urban Renewal District

Lane County Taxes	$	17,030,404
4J Bonds	$	36,493,723
Eugene Property Taxes	$	17,030,404
Total Expected Tax Revenue	**$**	**70,554,532**

Figure 6: Tax Value of the River Road Urban Renewal District



Evaluation

The Urban Renewal District scored the highest in most areas with an average score of 1.75. In terms of equity, it scored a 2 because there is a direct benefit to cost of a public transit improvement on property values. It scored a 2 in efficiency and productivity because it uses existing taxes to repay the TIF, which have collection systems already in place. The Urban Renewal District scored a 1 in neutrality because it does not need voter approval but does need a majority vote approval by city council to implement.

Conclusion

After reviewing three different options to be the main funding source, we assessed, using the decision criteria of equity, efficiency, productivity, and neutrality that the Urban Renewal District is the optimal strategy. We estimate that all three options are financially feasible and generate sufficient, and potentially excess, necessary revenue to fund the baseline funding gap for the LTD Capital project.

Within our scoring matrix, the Urban Renewal District scored the highest among the selected criteria. The variation in scoring appeared in the equity column. The gross receipts tax is regressive, and the food and beverage tax disproportionately impact restaurant employees. Additionally, the gross receipts tax will result in additional burden to business owners resulting in impacts to neutrality and political feasibility.

Even though there has been support among Oregon voters, other states have pushed back against the gross receipts tax with the argument that its disincentives business startups and may cause businesses to open elsewhere. From our research, our findings suggest that establishing an Urban Renewal District to utilize Tax Increment Financing can serve LTD's purpose to fund the capital project in the most equitable manner.

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Appendix A: Funding Tables

Table A1 - Additional Funding Sources Equity, Efficiency, Neutrality and Productivity Matrix

	General Bucket Matrix				
Funding Streams	**Equity**	**Efficiency**	**Neutrality**	**Productivity**	**Average**
Bonds	1	2	2	2	1.75
Regional Transportation Funds (MTIP & STIF)	2	2	2	2	2
Development District	2	2	2	2	2
LTD Employer and Self-Employment Tax	1	1	1	2	1.25
LTD Fares	0	2	0	1	0.75
LTD Advertising Funds	2	1	1	1	1.25
Oregon Lottery Funds	0	2	1	2	1.25
Local Gas Tax	0	2	1	2	1.25
City of Eugene Street Bond	2	2	1	2	1.75
System Development Charges	2	2	1	2	1.75
City of Eugene Enterprise Fund	1	1	1	1	1
Ticket Tax for Emeralds	1	1	0	0	0.5
Ride-Share Tax	2	2	1	2	1.75
Tax E-Scooters	2	2	1	1	1.5
General Bucket Total	**1.27**	**1.73**	**1.07**	**1.6**	**1.42**

Appendix Table A2 - Total Funding by General Package Source

	General Bucket Funding Amounts		
Tool	**Amount per Year**	**Amount over 10 years**	**Percent of Needed Funds**
Bonds	$3,000,000.00	$30,000,000.00	10.95%
Regional Transportation Funds (MTIP & STIF)	$8,900,000.00	$89,000,000	32.48%
LTD Employer and Self-Employment Tax	$2,300,000.00	$23,000,000.00	8.39%
LTD Fares	$710,000.00	$7,100,000.00	2.59%
LTD Advertising Funds	$100,000.00	$1,000,000.00	0.36%
Oregon Lottery Funds	$3,000,000.00	$30,000,000.00	10.95%
Local Gas Tax	$1,000,000.00	$10,000,000.00	3.65%
City of Eugene Street Bond	$1,000,000.00	$10,000,000.00	3.65%
System Development Charges	$175,000.00	$1,750,000.00	0.64%
City of Eugene Enterprise Fund	$202,011.60	$2,020,116.00	0.74%
Ticket Tax for Emeralds	$340,000.00	$3,400,000.00	1.24%
Ride-Share Tax	$216,964.50	$2,169,645.00	0.79%
Tax E-Scooters	$273,625.90	$2,736,259.00	1.00%
General Bucket Total	**$21,217,602.00**	**$212,176,020.00**	**77.43%**

Appendix B - Additional Funding Sources Description

Bonds: "Due to Oregon's property tax limits, owners of each property pay a different amount, depending on the difference between the assessed value and the real market value. The maximum rate for the local option levy is $1.50 per $1,000 assessed value. Most taxpayers pay less than the full rate. The average rate in property owners' 2017–18 tax bills was $1.01 per $1,000 assessed value." based on 4J renewal bond $14-$17 million. (4J Renewal Language, 2019)

Regional Transportation Funds: (MTIP & STIF): Regional Transportation funds have been set aside starting in FY18 by the Oregon Department of Transportation (ODOT). The Statewide Transportation Improvement Fund (STIF) and Metropolitan Transportation Improvement Program (MTIP) are two intergovernmental funds that LTD already received from ODOT and are earmarked for improvement projects. STIF Funds have been awarded to LTD at $5.2 million for FY20 and $5.8 million for FY21 respectively (cite). At an 11% increase annually, we forecast receiving $89M by FY30. MTIP is a federal grant matching program that LTD is enrolled in but only awards money based on 2-year itemized project descriptions. We recommend that LTD prioritize the EMX expansion in their itemization and allocate $1 million per year of MTIP funds towards this project.

LTD Employer and Self-Employment Tax: "A local employer tax and self-employment tax in the LTD district generates a total of approximately $38,000,000 annually. The employer tax is expected to generate $36.1 million in FY 2020, and the self-employment tax is expected to generate $1.9 million. These funds are primarily used for LTD operations. They can be used as match for federal and state funding, and a portion of the funds are set aside most years to serve as match funding for state and federal funding."

LTD Fares: Over the last six years, LTD's fare income has remained stable, hovering between 6.7M and 7.2M. A portion of fare income can be utilized to fund the capital projects.

LTD Advertising Funds: LTD has advertising space at bus stops, on the sides of busses, and inside of the buses. In FY 2018, $270,000 was generated from these ad placements. These funds are for both operational expenses and capital improvements.

Oregon Lottery Fund: The State of Oregon legislature uses lottery funds within the state to place payments on pass-through bonds. Between 2017-2019, $114 million in lottery funds were distributed towards specific legislature-designated programs and projects. LTD has received lottery funds for previous corridor projects.

The Local Gas Tax: Eugene has a local 5 cent gas tax that generates approximately $3 million a year. Eugene traditionally spends this money on road maintenance and by state law cannot use it to increase the transportation capacity of roads, nor give it directly to public transportation. However, this money can be used to fund bike lanes and alternative transportation projects in LTD corridors along routes.

The City of Eugene Street Bond: The bond is a voter approved bond to help with the repair of streets within Eugene. This is a 5-year bond that has been approved three times in total. Of the $8 million, $1 million per year can be allocated towards pedestrian and bicycle capital projects. These projects can be within LTD corridors.

System development charges: The city collects the SDC fees during new development. These funds are used to increase the capacity of public infrastructure where necessary to accommodate growth. There is a high likelihood that these funds could be used on LTD corridor expansions.

The City of Eugene Parking Enterprise Fund: The fund is funded through parking fees paid in city-owned parking garages, surface parking lots, on-street parking meters, and parking fines charged for improperly parked vehicles.

Eugene Emeralds Ticket Tax: The Eugene Emeralds had a total of 131,467 (Baseball Cube, 2019) people in attendance during the 2019 season with just under 3,500 people per game. This does not include people who bought tickets but did not attend, that data was not available. There are three types of seats in the stadium, 1) $9 bleacher seats, 2) $13 box seats, and 3) $16 premium box seats.

Ride-Share Tax: Some of the larger cities in the US have instituted a ride-share tax. San Francisco, Chicago, and Washington D.C have all instituted taxes and the burden of the tax rests on the drivers and customers.

Tax E - Scooters: With the introduction of scooters entering Eugene, there is an opportunity to tack on a usage tax for riders. Scooters use the public space to travel so it makes sense to use a tax to help make improvements. The sightline institute estimated that if Portland were to tax $0.25 per ride then it would create $1,049,375 of annual revenue (Anderson, 2019).

Appendix C - Additional Funding Source Calculations

Regional Transportation Funds (MTIP & STIF) Calculation

Year	Amount ($M)
2019	$5.20
2020	$5.80
2021	$6.47
2022	$7.22
2023	$8.05
2024	$8.98
2025	$10.01
2026	$11.17
2027	$12.46
2028	$13.89
Total	**$89.24**

LTD Employer and Self-Employment Tax - 10% of Moving Ahead Funding Options

LTD Farebox Revenue Calculation

	Eugene Fare Total	Tax (10%)
2020	7,000,000	700,000
2021	7,000,000	700,000
2022	7,000,000	700,000
2023	7,000,000	700,000
2024	7,000,000	700,000
2025	7,000,000	700,000
2026	7,000,000	700,000
2027	7,000,000	700,000
2028	7,000,000	700,000
2029	7,000,000	700,000
Ten Year Total		**7,000,000**

LTD Advertising Funds - 10% of Moving Ahead Funding Options

Oregon Lottery Funds - 10% of Moving Ahead Funding Options

Local Gas Tax - 10% of Moving Ahead Funding Options

City of Eugene Street bond - 10% of Moving Ahead Funding Options

System Development Charges Calculation - 10% of Moving Ahead Funding Options

City of Eugene Enterprise Fund (Parking Services)

Parking Services Tax Projections	
2020 Total Revenue	$8,080,463
Additional Tax	2.5%
Annual Revenue	$202,012
10 Year Revenue	**$2,020,116**

Eugene Tax Calculation

Eugene Emeralds Tax Projections	
Attendance	131,467
Ticket Price	$13
Tax Rate	20%
Annual Revenue	$341,814
10 Year Revenue	**$3,418,142**

Rideshare Tax Calculation

City	Population	Revenue	Scaled to Eugene*
San Francisco	884,363	30,000,000	5,730,090
Washington D.C.	633,427	18,000,000	4,800,061
Chicago	2,716,000	40,000,000	2,487,717
Average Scaled Revenue			4,339,289
Ten Year Total			43,392,894
5% to LTD			**2,169,645**

**Assumes a Eugene population of 168,916.*

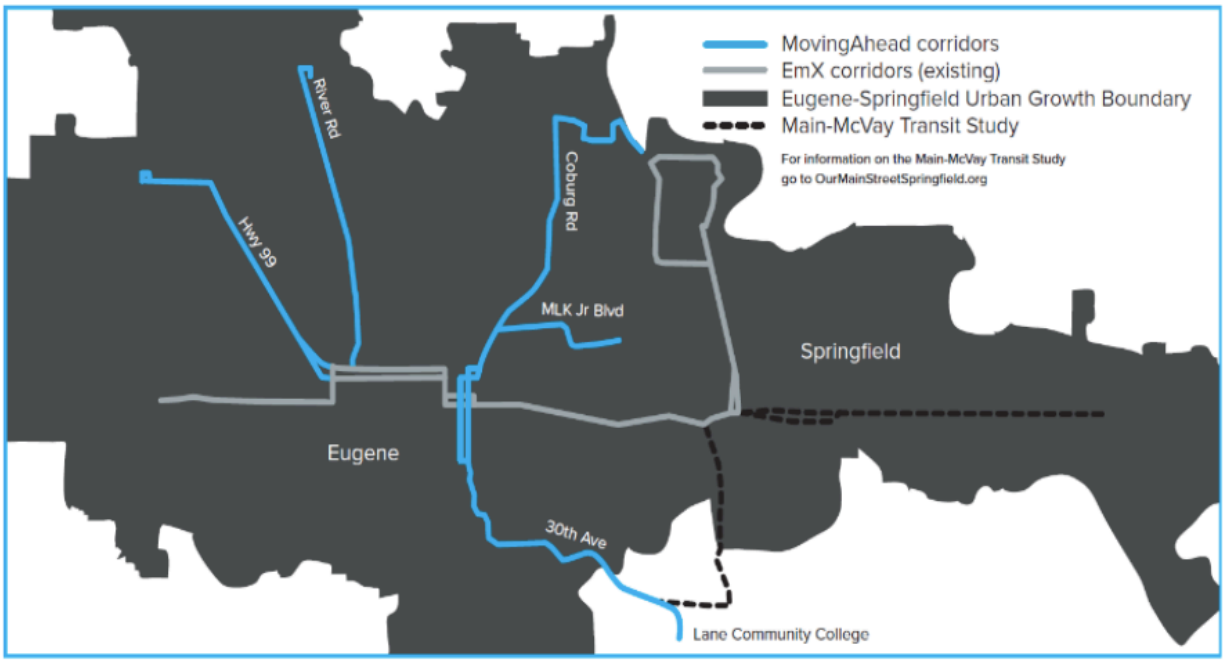
Scooter Tax Calculation

Scooter Tax Projections	
Portland Annual Revenue	$1,049,375
Portland Population	647,805
Eugene Population	168,916
Eugene/Portland	0.261
Eugene Est. Revenue	$273,626
10 Year Revenue	**$2,736,259**

Urban Renewal District Calculations

Year	Assessed Total Value	Lane County Taxes	4J Bonds	Eugene Property Taxes	
2019	$120,265,534	$1,262,788	$2,705,975	$1,262,788	
2020	$125,076,155	$1,313,300	$2,814,213	$1,313,300	
2021	$130,079,202	$1,365,832	$2,926,782	$1,365,832	
2022	$135,282,370	$1,420,465	$3,043,853	$1,420,465	
2023	$140,693,664	$1,477,283	$3,165,607	$1,477,283	
2024	$146,321,411	$1,536,375	$3,292,232	$1,536,375	
2025	$152,174,267	$1,597,830	$3,423,921	$1,597,830	
2026	$158,261,238	$1,661,743	$3,560,878	$1,661,743	
2027	$164,591,688	$1,728,213	$3,703,313	$1,728,213	
2028	$171,175,355	$1,797,341	$3,851,445	$1,797,341	
2029	$178,022,369	$1,869,235	$4,005,503	$1,869,235	
Total Tax Revenues		**$17,030,404**	**$36,493,723**	**$17,030,404**	**$70,554,532**

Appendix D: Moving Ahead EMX Expansion Map



Appendix C

Operations Group A Memo

MEMORANDUM

TO:	REBECCA LEWIS
FROM:	KELLY MASON, KERRY O'CONNOR, & RICK ZYLSTRA
SUBJECT:	SCYP PROJECT; OPERATING BUDGET STRATEGY RECOMMENDATION
DATE:	DECEMBER 11, 2019
CC:	LANE TRANSIT DISTRICT

EXECUTIVE SUMMARY

The purpose of this memorandum is to provide Lane Transit District (LTD) with three strategic funding packages to elevate its annual operating budget to fund the MovingAhead Project. Each package will include recommended financial strategies, estimates of these strategies' potential yields, and an evaluation of equity, neutrality, efficiency, and productivity. First, an overview of the evaluation criteria used to analyze the recommendations is provided. Followed by descriptions of each of the unique funding packages and estimates of their potential yields. Lastly, the memo concludes with a summary of our research and our final recommendation.

EVALUATION CRITERIA

Four evaluation criteria, derived from the principles of public finance, were provided to our team to evaluate our recommendations. In addition to evaluating the strategies included in our recommendations, an evaluation of LTD's current operating revenues was also conducted and can be found in Appendix A-1. Brief descriptions of the evaluation criteria are provided below (Lewis, 2019).

EQUITY

- Looks at both horizontal and vertical equity
- **Horizontal equity**: examines the distribution among persons or businesses in comparable circumstances
- **Vertical equity**: examines the variation in the resulting burden across the spectrum of income

NEUTRALITY

- Examines if a strategy/package will distort the way an individual or community would otherwise make decisions or consume resources

EFFICIENCY

- Examines if a strategy/ package is administratively feasible and generates enough revenue to cover administrative costs.

PRODUCTIVITY

- Examines the strategies adequacy and stability; does the package produce revenues that will continue to meet the necessary levels of expenditure.

EVALUATION OF LTD'S CURRENT OPERATING BUDGET

The total adopted operating budget for LTD's Fiscal Year 2018-2019 was $63,378,277 (*Adopted Budget Fiscal Year 2018-2019)*. Evaluations of the LTD budget focus on the relationship and differences between two types of Revenues. 1) Operating that comes from services sold, i.e. the Cash Fares and Passes of various types, Advertising and Special Services provided. 2) and the sources that do not result in revenue directly from the services sold, Non-operating that come from the excise tax on employers, federal, state assistance, miscellaneous, and interest.

OPERATING REVENUES

Operating Revenue found in the Adopted Budget Fiscal Year 2018-2019 equaled $4,241,700. The amount of resources that are contributed by the revenue sources that come directly from the service offered by LTD to the total adopted budget is 11.25%. Per the National Transit Database (2019), in 2017 the average fare per trip was $0.74 and the Cost per trip being $6.13 with a loss per trip of $5.39.

NON-OPERATING REVENUES

Non-operating revenues found in the Adopted Budget Fiscal Year 2018-2019 totaled $46,332,655, contributing 73% of the non-operating resources. The lion's share of this source is the payroll and self-employment tax. Combined they contribute $38,798,155 or 83% of the income not generated by using the services. Assistance from outside federal, state, and local agencies and other sources contribute $7,534,500 or 16%.

Services offered only compose 11.25% of the sources, making the revenue sources unevenly distributed across those that are paying for the service. While this is common amongst this type of service to use Partial Costs for the service. It is possible to assume the reasons for the unevenness are that the service is used largely by low-income individuals, user numbers would drop drastically if riders paid the full price per ride or there is a desire to increase ridership. But this method does put the largest burden on the taxpayer, in this case, businesses with employees and self-employed individuals. The rate of taxation for employers and self-employed for the current calendar year of 2019 is 0.75% with a 0.01% increase per year until it reaches 0.80% in 2025 (*Adopted Budget Fiscal Year 2018-2019*).

EQUITY

Horizontal equity, the above-mentioned sources of revenue could be good horizontal equity when only considering individuals using the service but when considering those individuals that are business owners or self-employed, the horizontal equity becomes poor. *Vertical* equity, due to the relatively low rate per trip, the vertical equity is also good, but again only when considering the contributions of those actually using the services. And when consideration is given to the businesses the vertical equity is again poor. The overall equity of the revenue sources is poor due to the largest contributors when compared to the riders. In these situations, the individuals using the system do not pay their proportionate costs.

NEUTRALITY

With the largest contributors being business owners, the cost of trips is potentially less of a burden on the poor. This idea could be argued when considering the small business owner and self-employed. It could be argued that the neutrality of the revenue sources falls in the poor to good category. One must evaluate the community demographics, with regards to the balance of relieving the costs on the poor compared to the desire to improve economic development, one must again consider if the affordability of the service assists in economic development by providing transportation is an economic driver for the region.

EFFICIENCY

The efficiency of the collection of revenue could be considered good. Even in the event that the collections of fares and user costs are poor, the collections of 84% of the overall revenue is done through an agreement interred into pursuant under ORS 305.620, allowing for the Department of Revenue of the State of Oregon to collect taxes on behalf of the District (LTD Ordinances).

PRODUCTIVITY

While LTD has made improvements in the amounts of revenues with Ordnances 50 & 51, the productivity is poor for the following reasons. Considering the use of 84% of revenue is sourced from the payroll and self-employment tax, it ties the revenue to the regional job market. It is expected that times of high unemployment and recessions would result in a lower than proposed/expected revenue that could lead to shortfalls within the budget. The same high unemployment and/or recession could also potentially result in a higher demand for the service as a result of owning and driving a personally owned vehicle is considerably more expensive than the costs of fares. This is also a lack of diversification of revenues in the fact that such a substantial revenue is sourced from one tax source.

PACKAGE 1: VOTER APPROVED LTD JURISDICTIONAL PROPERTY TAX

One recommended funding strategy is a voter approved jurisdictional property tax, at a rate of 0.192/1000 or 0.0192%. Compared to the 2015 Lane County Tax Data (QGIS Geographic Information System 2019 Release 2.18.14, Lane County Assessment & Taxation, ERSI shapefile, Lane County Oregon, 2015), this would net $4,311,610. Another potential property tax option is a voter approved municipality property tax. For example, the Rogue Valley Transit District generates approximately $4.76 million each year from jurisdictional property taxes (Rogue Valley Transit District). After moving the 2015 Lane County Tax GIS data into Excel for further calculations, it was discovered that the assessed property values within the LTD jurisdictional boundaries project sustainable, realistic potential revenue to meet the MovingAhead goals.

Boundary or Jurisdiction	Property Tax Rate	Estimated Revenue
LTD Jurisdiction only	0.192/1000 or 0.0192%	$4,317,143

At this rate, a property valued at $100,000, the increase would be close to $19.20 per year, or for a property valued at $1,000,000, the increase would be close to $192 per year. The aforementioned amounts and figures were created using 2015 Lane County Tax Data in a GIS format using Assessed Taxable Value.

EVALUATION

- Equity – Good
    - The use of Property taxes is distribution among income levels
- Neutrality - Very good
    - Property taxes already adjusted to available property tax benefits
- Efficiency - Good
    - Can be centralized in notifications and collections
- Productivity - Poor/good

PACKAGE 2: NAMING RIGHTS, ADVERTISING, & VOTER APPROVED JURISDICTIONAL PROPERTY TAX

In order to reach the desired $4.3 million, our second package is a combination of expanding naming rights, concessionaires, and advertising, supplemented by a voter approved jurisdiction property tax.

The Greater Cleveland Regional Transit Authority (RTA), one of the reference jurisdictions in Appendix B-3, was used to approximate potential naming rights and concessionaire revenue. If LTD were to replicate the RTA prices (Greater Cleveland Regional Transit Authority), we estimate a potential increase in revenue of $218,513.

The majority of the estimated potential advertising revenue is based on replicating Central Florida's Regional Transportation Authority (LYNX) model. The LYNX advertising campaign is extremely successful, generating $2.5-3 million annually, making them a perfect model to strategically replicate (Francis & Antmann). LYNX uses two full-time commissioned staff people to aggressively market and sell the surface of the 250 buses, interior poster space, 100 bus shelters, print ads in schedule books, as well as sponsorships. There is a 10% commission earned on the bus advertisements and 15% on the shelters respectively. This model stands out because LYNX has gone above and beyond simply advertising local and regional businesses and attractions and they have become a vital part of the community. For example, LYNX co-sponsors the annual LYNX Jazz Festival has created recognizable mascots and even conducted a wedding ceremony for the mascots. Based on the comparable factors, if LTD were to follow the LYNX model it could bring in an additional $710,542 in revenue.

To cover the rest of the $4.3 million goal, we suggest implementing a voter approved jurisdictional property tax to offset the remaining cost. To make up the rest of this revenue, we suggest implementing the same property tax in Package 1 but at a lower adjusted rate of 0.150/1000 or 0.0150%, which would generate $3,370,925.

EVALUATION

- Equity – Good
    - Property tax is distributed among income levels, the use of Advertising and Naming Rights potentially covers the cost it imposes the increases of sales by an advertiser.
- Neutrality - Very good
    - Demand on the district's service is neither stimulated on diminished by the sources of revenue to the district.
- Efficiency - Good
    - Tax portion can be centralized in, naming rights initially require the complexity of name change out but with the longevity of use, the impact can be lower over the life of the name & advertising potentially would require more administrative complexity.
- Productivity - Poor/good
    - Property tax values that have flexibility, naming rights, and advertising have market flexibility.

PACKAGE 3: HODGEPODGE

Our final package includes a combination of multiple strategies that together, could potentially bring in $4.4 million in revenue, which is slightly higher than the projected increase necessary to complete the MovingAhead project.

The first portion of this package would use the same strategy for advertising as previously discussed in Package 2.

Next, the strategy of leasing property, in recent years transit agencies have found leasing underutilized land to be an effective tool to fund projects and improvements (Metro Transit, 2017). Currently, LTD has a piece of property on Garfield that is vacant. While other pieces of land typically go for $6-10 per square foot (LoopNet, 2019), because this land is vacant it could reach $3 per square foot. LTD's 2017-2018 CAFR shows a 45.7% increase in total Land Capital Assets (Shew), with a total net depreciation equal to $17,612,178 and this option could potentially bring in close to $1 million.

Additionally, for this package, a fare increase of 10% is being suggested because cash fares and group passes make up roughly $6.4 million of LTD's budget and the slight increase would increase revenues by $647,000.

The last piece of this funding package includes a Transportation Utility Fee (TUF), which is a stable revenue source that doesn't require voter approval. At just $1 per month for all customers within the service area, this source is productive and equitable overall and would provide an additional $1.8 million in revenue annually.

1. ADVERTISING

This package includes the same calculations and revenues used from the previous package. Please refer to Package 2.

2. LEASING PROPERTY

According to 2015 Tax data, LTD owns a property that is 5.2 acres of Vacant Industrial land that could be leased at tax map #17-04-25-30 Tax Map #5701, (no address assigned). Currently advertised Industrial building space for lease range from $6-$8 dollars per square foot (LoopNet, 2019). Seeing how the property in question is vacant and offers no building the appropriate lease amount would need to be negotiated. But for a range of potential amounts,

- At $0.25 per square foot = $57,056 for a 1-year lease
- At $0.50 per square foot = $114,168 for a 1-year lease
- At $0.75 per square foot = $171,168 for a 1-year lease
- At $1.00 per square foot = $228,224 for a 1-year lease
- At $1.50 per square foot = $342,335 for a 1-year lease
- At $2.00 per square foot = $456,447 for a 1-year lease
- At $3.00 per square foot = $684,671 for a 1-year lease

Using the methods mentioned above at $3.00 per square foot and applying the 45.7% increase in total Land Capital, revenue could potentially be as much as $997,565. What is unknown in the aforementioned package is the size, condition, and uses of properties owned by the District.

3. FARE INCREASE

LTD has not raised fare prices for multiple years. Despite being commonly viewed as inequitable, we find a 10% fare increase to be a viable strategy. As the day pass would remain under $2.00, we believe this strategy is not overly regressive and a wise option.

Type of pass	Current	10% Increase
Single Ride	$1.75	$1.93
Day Pass	$3.50	$3.85
1 month	$50.00	$55.00
3 months	$135.00	$148.00
10 rides	$16.00	$17.60

4. TRANSPORTATION UTILITY FEE (TUF)

Using Eugene Water and Electric Board (EWEB) Quarterly Strategic and Operational Report Q1– 2019, it was determined that 154,000 customers are billed monthly. At a rate of $1.00 per month, a TUF would generate $1,848,000 a year. The administrative process for the implementation of this strategy was unable to be found.

EVALUATION

- Equity – Good
    - The combination of different sources creates a good distribution among incomes and businesses in comparable circumstances.
- Neutrality - Poor
    - The fair increase should be minor enough not to decrease the demand, other sources spread out the costs to non-users.
- Efficiency - Poor / Good
    - The combination of sources has the downside of different administrative needs for each of the sources.
- Productivity - Good
    - The use of combined and different sources creates a more robust and available source, but each source has its own limitations associated with it.

OTHER VIABLE REVENUE SOURCES

LOCAL TRANSIT NETWORK COMPANIES (TNC) FEE

As TNCs become increasingly more common, it is important that society accounts for the resulting negative externalities such as increases in congestion, pollution, and road use. To account for these externalities, many municipalities are setting TNC fees to fund transportation capital projects (Draft: MovingAhead Potential Funding Strategies). We recommend initially implementing a fee of $0.10 per ride, and after the first year, conducting a review of TNC fee revenues and considering increasing the fee per ride.

REDUCED ABSENTEEISM

SFMTA has worked hard to reduce employee absenteeism; the Absence Management Efforts Can Be Enhanced Through Improved Organizational Culture and More Effective Program Management Tools (2016) states:

> An effective absence management program minimizes the negative impacts of absences, including increased costs associated with unscheduled absences, increased pressure on employees to cover for absent coworkers, increased administration time to cover for absent employees, and services not being delivered. Absence management encompasses aspects of human capital and technical elements (p. 3).

We suggest reviewing and mirroring the policies outlined in the San Francisco Municipal Transportation Agency: Absence Management Efforts Can Be Enhanced Through Improved Organizational Culture and More Effective Program Management Tools to reduce LTD's operating costs, in turn increasing operating revenues.

MUNICIPAL PROPERTY TAX

Another source of revenue that could be further explored is the use of municipal funds. The City of Eugene has not typically dedicated general funds to transportation projects as general funds are for city operations. But the total annual amount for the general fund is $106,100,000 (Draft: MovingAhead, 2019).

RECOMMENDATION

If strictly choosing from the three recommended packages above, we recommend Package 1 as political feasibility was not a part of our evaluation criteria. Political considerations aside, jurisdictional property taxes have been a successful tool in other Oregon communities that share the lack of the ability to levy a sales tax. For example, the Rogue Valley Transit District brings in $4,761,000 from the ad valorem tax. (Rogue Valley Transit Distric8) As previously mentioned, property tax ranks well across all evaluation criteria, with equity, neutrality, and efficiency all ranging from good to very good. Further advantages of exploring the use of property taxes are:

- A more diversified and stable source of revenues that would help with mid-year shortfalls
- Do not fluctuate at the same rate as the business tax during economic downturns from changing economic conditions
- Tax relief can be targeted to certain households or property owners
- Non-resident property owners who use the system would be reached
- Harder to evade
- the combination of the revenue sources could be used to create a unique form of autonomy (Bland, 2014)

The only downside to jurisdictional property tax is the limitations associated with property tax, particularly related to real estate markets and property tax relief/ abatement programs.

CONCLUSION

While the main objective of this memorandum is to provide three funding packages, a key takeaway we would like to highlight is that many different viable options have been presented here. We recommend further analysis of each of the potential funding strategies mentioned and the inclusion of property tax in the final strategic funding package. We believed all of the potential revenue strategies explored have merit. For that reason, our ultimate final suggestion is further consideration of each of the options explored, summarized below and in Appendix A-4. We believe more research will likely conclude using multiple revenue resources may be the most effective strategy to achieve the necessary operating revenue increase.

Revenue Source	**Rate**	**Estimated Potential Revenue**	**Included in**
Jurisdictional Property Tax	0.192/1000 or 0.0192%	$4,311,610	Package 1
Jurisdictional Property Tax	0.150/1000 or 0.0150%	$3,370,925	Package 2
LYNX model	See calculations above	$710,542	Advertising in Packages 2 & 3
Naming Rights	Normalized to service area based on Cleveland RTA revenue	$218,513	Advertising in Packages 2 & 3
Lease	$3/Sq. ft.	$997,565	Package 3
Fare Increase	10%	$646,901	Package 3
TUF	154,000 EWEB customers @ $1/month	$1,848,000	Package 3

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APPENDIX A: ADDITIONAL PAPER RESOURCES

1. PACKAGE 1 CALCULATIONS

A recommended revenue source would be a voter-approved Property Tax for properties within the LTD Jurisdiction of 0.214/1000 or 0.0241%. Compared to 2015 Lane County Tax Data this would net $4,311,610. This could also be achieved using a municipality only criteria.

Boundary or Jurisdiction	Property Tax Rate	Estimated Revenue
LTD Jurisdiction only	0.192/1000 or 0.0192%	$4,317,143
Municipalities only within LTD Jurisdiction	0.214/1000 or 0.0214%	$4,311,610

When considering the criteria these packages are weighed against, it is important to consider that LTD District only would have the most Neutrality and Equity due the tax base benefiting equally conversely, municipalities within LTD District only would the largest tax base that would receive services without contributing to district.

LTD JURISDICTIONAL PROPERTY TAX

- Total of LTD Jurisdiction had a taxable value of $ 22,485,118,585,
- By Leveeing a tax rate of 0.192/1000 or 0.0192% would net $ $4,317,143
- For a property with a tax value of $100,000 the increase would be $19.20 per year
- For a property with a tax value of $1,000,000 the increase would be $192.00 per year

MUNICIPALITIES WITHIN LTD JURISDICTIONAL PROPERTY TAX

- Total of Municipalities within LTD Jurisdiction had a taxable value of $20,147,712,184
- By Leveeing a tax rate of 0.214/1000 or 0.0241% would net $4,311,610
- For a property with a tax value of $100,000 the increase would be $21.40 per year
- For a property with a tax value of $1,000,000 the increase would be $214.00 per year

2. PACKAGE 2 CALCULATIONS

NAMING RIGHTS AND CONCESSIONAIRES

Transit Authority	Service Population in 2018	Revenue (Potential Revenue) Generated
Greater Cleveland Regional Transit Authority (RTA)	1,243,857 (US Census Bureau)	$900,000 (Greater Cleveland Regional Transit Authority, 2019)
Lane Transit District	302,200 (Federal Transit District, 2017)	$218,513

LTD VS LYNX

Using data from the Federal Transit Administration's 2017 Annual Agency Profile's for Lane Transit District (LTD) and Central Florida Regional Transportation Authority (LYNX), and the LTD and LYNX 2017/2018 Comprehensive Annual Financial Reports.

- LTD has 33% of the number of Bus and rapid Transport vehicles of LYNX
- LTD has 19% of the square miles of LYNX
- LTD Has 14% of the Population of LYNX
- LTD has 75% of the Population Density of LYNX
- LTD has 29% of the Annual Passenger Miles (PMT) of LYNX
- LTD has 45% of the number of Service Routes of LYNX
- LTD has 23% of the Vehicles Miles Operated of LYNX
- LTD has 25% of the Vehicles Hours Operated of LYNX
- LTD has 42% of the ridership of LYNX
- LTD has 9% of the Advertising Revenue of LYNX

The following bullet points exhibit the projected amounts of advertising revenue if LTD was using the LYNX Model. These numbers are the result of LYNX Operating Revenue multiplied by LTD percentages of LYNX by the listed subject. (i.e. LTD Population served is 14% of LYNX, LYNX advertising Revenue is $2,846,718. Outcome of $2,846,718 x 14% = $410,754.18)

- By Population served $410,754
- By Service Routes $1,269,482
- By Miles Operated $656,122
- By Hours Operated $698,328
- By Ridership $1,204,827
- By Square Miles served $540,203
- By number of Busses, including Rapid Transit $934,251

Averaging all of these projections result in a $952,328 increase. Since LTD has 75% of the Population Density of the LYNX we estimate an average revenue of $710,542.

JURISDICTIONAL PROPERTY TAX

The same methods in Package 1, but at a lower adjusted rate of 0.150/1000 or 0.0150%, which would generate $3,370,925.

3. PACKAGE 3 CALCULATIONS

ADVERTISING

- same as Package 2

LEASING

- 5.2 acre property:

- At $0.25 per square foot = $57,056 for a 1 year lease
- At $0.50 per square foot = $114,168 for a 1 year lease
- At $0.75 per square foot = $171,168 for a 1 year lease
- At $1.00 per square foot = $228,224 for a 1 year lease
- At $1.50 per square foot = $342,335 for a 1 year lease
- At $2.00 per square foot = $456,447 for a 1 year lease
- At $3.00 per square foot = $684,671 for a 1 year lease

FARE INCREASES

- 10% increase across all ride passes
- (Current rate)(0.1)= New Rate

Type of pass	Current	New
Single Ride	$1.75	$1.93
Day Pass	$3.50	$3.85
1 month	$50.00	$55.00
3 months	$135.00	$148.00
10 rides	$16.00	$17.60

TRANSIT UTILITY FEES (TUF)

154,000 EWEB Customers @ $1/month ($12/year) = $1,848,000/year
(154,000) (12) = 1,848,000

4. ALL RECOMMENDED SOURCES

Revenue Source	Rate	Estimated Potential Revenue	Included in
Jurisdictional Property Tax	0.192/1000 or 0.0192%	$4,311,610	Package 1
Jurisdictional Property Tax	0.150/1000 or 0.0150%	$3,370,925	Package 2
LYNX model	See calculations above	$710,542	Advertising in Packages 2 & 3

Naming Rights	Normalized to service area based on Cleveland RTA revenue	$218,513	Advertising in Packages 2 & 3
Lease	$3/Sq. ft.	$997,565	Package 3
Fare Increase	10%	$646,901	Package 3
TUF	154,000 EWEB customers @ $1/month	$1,848,000	Package 3

APPENDIX B: REFERENCE JURISDICTION CASE STUDIES

1. THE ROGUE VALLEY TRANSIT DISTRICT (RVTD)

Overview

The Rogue Valley Transit District (RVTD) has a coverage of approximately 158.5 square miles and encompasses the cities of Medford, Ashland, Central Point, Talent, Phoenix and the unincorporated community of White City. With a fleet of 23 buses, at a 30-minute frequency, the RVTS logs over one million passenger miles annually. For those residents within the district boundaries who are physically restrained from riding the bus line, the District also provides Valley Lift. Valley lift is a Private/Public venture where services are provided from a private contractor that uses vehicles owned and maintained by the District.[1]

Enabling Statutes

The enabling statutes for the Transportation District are not readily available online. By searching through the Jackson County statutes, one can find some info. But unfortunately, it is also vague and does not speak to all the existing ORS for establishing the Transit District.

- The current form of the RVTD and its boundaries was established by Jackson County Board Order 66-75, passed on May 9, 1975, Board Order 238-80, establishing requirements for the disbursement of funds in connection with the District was passed on June 11, 1980.[2]
- Chapter 1060 of the Codified Ordinances of Jackson County does call out the timeline of establishing the RVTD but speaks little to the details of board orders mentioned above. The Chapter does cross reference the following Oregon Revised Statutes:
  - ORS 184.689, establishing Powers and Duties of the Department
  - ORS 267.210, Preparation of a general plan for a mass transit system
  - ORS 267.225, Intergovernmental agreements
  - ORS 268.030, 268.310 et seq. Metropolitan Service Districts
  - ORS 825.115 Temporary authority to provide transportation services
- In general, Chapter 1060 of the Codified Ordinances of Jackson County does mention the establishment of the district in 1975 and disbursement of finds in 1980 but offers no details on the following

[1] ROGUE VALLEY TRANSPORTATION DISTRICT Fiscal Year 2018-2019 Operating Budget Pg. 7

[2] CODIFIED ORDINANCES OF JACKSON COUNTY CHAPTER 1060 - Public Transportation

- 267.085 Resolution to form a district
- 267.080 Creation of district
- 267.205 Classification and designation of service areas
- 267.300 Authority of the district to finance system,
- 267.615 Financing methods

Community Served

- RVTD serves a portion of 219,200 residents of Jackson County[3]. Within the RVTD Boundary are the city's populations[4] and highlighted summary demographics[5] of:
  - Medford, Population of 80,375, above average demographics of youth, low income
  - Ashland, Population of 20,815, above average demographics of the older adult population
  - Central Point, Population of 17,895, above average demographics of youth
  - Talent, Population of 6,380, no above average demographics identified
  - Phoenix, Population of 4,620, above average demographics of low income, peoples with disabilities, older adult
  - Unincorporated area of White City Population 8,710[6], no above average demographics identified
  - Unincorporated areas outside of Urban Growth Boundaries that lie between mentioned cities[7]. No above average demographics identified
- RVTD potentially serves 63% of Jackson County residences by District Boundaries. This number can be reduced when considering 57% of Jackson County has access to transit within ½ mile.[8] the ¾ mile from line requirement for services related to Valley Lift.

Geographic Extent

The Rogue Valley Transit District (RVTD) has a coverage of approximately 158.5 square miles and encompasses the cities of Medford, Ashland, Central Point, Talent, Phoenix and the unincorporated community of White City. Please see attached Map in Appendix A.

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[3] Portland State University, College of Urban & Public Affairs: Population Research Center 2018 Certified Population Estimates. https://www.pdx.edu/prc/population-reports-estimates

[4] Portland State University, College of Urban & Public Affairs: Population Research Center 2018 Certified Population Estimates. https://www.pdx.edu/prc/population-reports-estimates

[5] ROGUE VALLEY TRANSPORTATION DISTRICT 2040 TRANSIT MASTER PLAN, 4.1 Demographics, Pg. 17

[6] ROGUE VALLEY TRANSPORTATION DISTRICT 2040 TRANSIT MASTER PLAN, Table 3: Jackson County Population 2000–2017 Pg. 17

[7] ROGUE VALLEY TRANSPORTATION DISTRICT 2040 TRANSIT MASTER PLAN, figure 19, Existing Fixed Bus Routes and Park-and-Ride Lots Pg. 44

[8] ROGUE VALLEY TRANSPORTATION DISTRICT 2040 TRANSIT MASTER PLAN, figure 19, Percent of Population with Service Availability Pg. 43

Governing Structure

The governing structure of the RVTD is in the form of a seven-member board. The elected board members serve terms of four years with elections alternating on a two-year cycle[9]. The management staff consists of eight management positions to include an elected position as the Budget officer[10]. Other management positions include General Manager, Administration Manager, Operations/Maintenance Manager, Alternative Transportation Manager, Planning and Strategic Programs Manager, Transportation Manager and Information Technologies Manager[11].

Budget Requests

No specific policies surrounding budget requests were found from publicly available online sources. The 2018-2019 Budget document does describe the Budget Process with minimal detail. The process outlined starting in March with a review of programs and services followed by the workflow, but no solid dates outside of the July 1 deadline were identified. The budget document speaks to Unforeseen Changes, but again with minimal detail[12].

Revenue Sources, Rates and Total Budget

The three largest sources of Revenue found in the Rogue Valley Transportation District, Fiscal Year 2018-2019 Operating Budget are Property tax, Intergovernmental Grants and Beginning Fund Balance. The identified revenue sources and their contributing amounts are identified as,

- **Property Taxes**, for a contribution of $4,761,000
- **Other Taxes**, for a contribution of $215,000
- **Intergovernmental Grants**, for a contribution of $12,502,012
- **Intergovernmental Contracts**, for a contribution of $1,472,355
- **Charges for Services-Fares**, for a contribution of $1,513,500
- **Charge for Services-Other**, for a contribution of $4,577,146
- **Sale of Natural Gas**, for a contribution of $17,000
- **Sale of Advertising**, for a contribution of $84,000
- **Other Revenues,** for a contribution of $194,700
- **Internal Charges,** for a contribution of $11,000
- **Beginning Fund Balance**, for a contribution of $12,823,000

Fairs contribute only $1,472,355 or 3.86% to the overall budget. fares can be found on the RVTD website and are outlined as such,[13]

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[9] Retrieved from https://www.rvtd.org/Page.asp?NavID=88

[10] ROGUE VALLEY TRANSPORTATION DISTRICT, Fiscal Year 2018-2019 Operating Budget, Manager's Letter of Transmittal and Budget Message Pg. 4

[11] ROGUE VALLEY TRANSPORTATION DISTRICT, Fiscal Year 2018-2019 Operating Budget, Management Staff Pg. 4

[12] ROGUE VALLEY TRANSPORTATION DISTRICT, Fiscal Year 2018-2019 Operating Budget, Overview Pg. 7 & 8

[13] Retrieved from https://www.rvtd.org/SectionIndex.asp?SectionID=4

- For full fare pricing, a single ride is $2.00, day pass is $6.00, a 20-ride pass is $32.00, and a one-month pas is $56.00
- For reduced fare pricing, a single ride is $1.00, Day pass is $6.00, a 20-ride pass is $16.00, and a one-month pass is $28.00. Reduced far is offered for,
    - Summer Youth Pass far ages 10-18 during the months of June, July and August
    - Helping Hands Pass for 6-rides to Non-profit organizations for $6.00
    - Passengers 62 years or older
    - Passengers 10-17 years
    - Medicare cardholders
    - Disabled Veterans
    - Valley Lift Clients
    - People with disabilities

The 2018/2019 Budget Document Identified the total operating budget to be $38,170,713 from the above-mentioned sources of revenue, Property Taxes contributions are at a permanent rate of $0.1772/$1,000 of assessed value.

Bonds

Special Levy Tax of $0.1300/$1,000 of assessed value for 5 years, due to end in 2021.[14] This bond is to restore Saturday service and increase overcrowded routes.[15]

Capital Projects

RVTD 2018-2019 Budget Document identified 12 Capital Purchases, totaling $8,641,069, partially funded by grants on the amount of $6,021,232 and partially by general fund in the amount of $2,601,837.[16]

- **Exhaust System on Maintenance Bldg**. - $58,200 funded from general fund.
- **Bathrooms - Front Street Station** - $100,000 funded from general fund.
- **Transfer Station Roof** - $50,000 funded from general fund.
- **Communication Equipment** - $21,000 funded from general fund.
- **Passenger Information System – FSS** - $25,000 funded from general fund.
- **Transit Signal Priority** - $1,620,014 – funded with $1,020,014 from grant and $600,000 from general fund
- **ODOT Emitters** - $100,000 all funded with grants
- **Vans -3 for alternative Transportation Vehicles** - $215,000, funded with $177,677 from grants and $37,333 from general fund
- **Vehicles- 3 New Buses-5339** - $1,601,000, funded with 1,233,718 from grants and $367,282 from general fund
- **Vehicles- 7 New Buses- FTA** - $4,250,000, funded with $3,018,750 from grants and $1,231,250 from general fund
- **Vehicle - 1 Bus STF Dis**. - $588,855, funded with $471,083 from grant and $117,772 from general fund.
- **Vehicle Lift** – $12,000 funded from general fund

[14] ROGUE VALLEY TRANSPORTATION DISTRICT, Fiscal Year 2018-2019 Resolution 17-11 Pg. 11

[15] Notice of Measure Election 15-141 May 17, 2016 election date.

[16] ROGUE VALLEY TRANSPORTATION DISTRICT, Fiscal Year 2018-2019, Schedule of Capital Purchases, Pg. 88

Key Expenditures

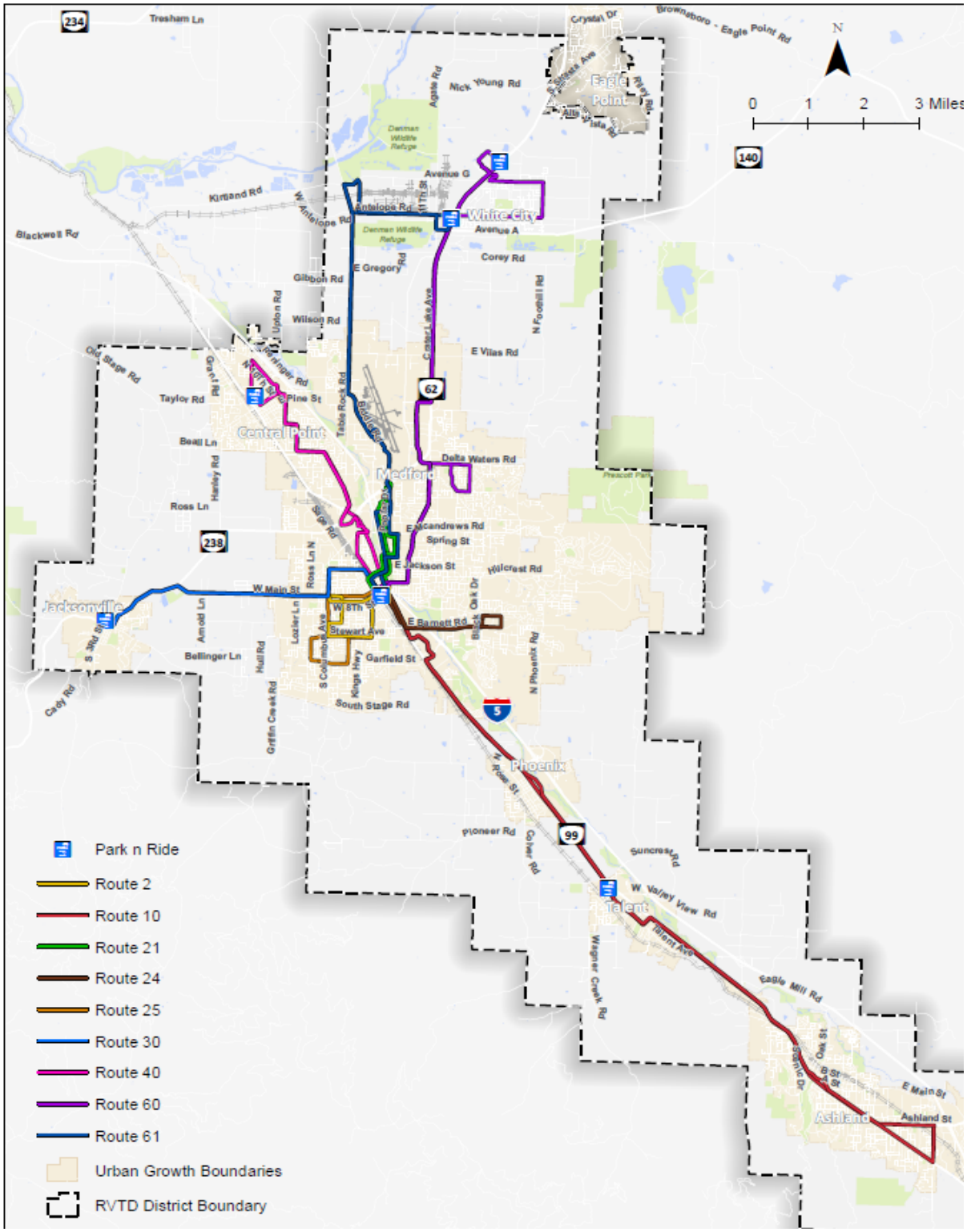
Of the 2018-2019 Budget Expenditures, the largest portions of expenditure are total Personnel Services, to include wages and benefits at 34.98% followed by Capital outlay at 29.93%. [17] Of the Capital Outlay that is identified in the Budgeted Expenditures, $1,716,304 or 65.51% is for the purchase of 11 vehicles. Total cost of purchasing those 11 vehicles $6,439,855, with the remaining required funding from various grant sources.

Findings / Conclusion / Recommendations

The largest take-away from this was that the information available from online sources was inconsistent. For example, the recently (June 2019) adopted Rogue Valley Transit Master Plan and 2017-2021, United We Ride Plan for the Rogue Valley were easily findable, but the Adopted 2019-2020 Budget was not. Pulling the necessary information together was done using the Adopted 2018-2019 Budget Document does not reflect the current programs that are projected for the current fiscal year. After gathering information was left with gaps in the information and feel that the RVTD has left crucial information unavailable to the general public. This was also apparent in the formation and policies of the District. I would recommend to lane Transit District to be diligent in the release of easily findable documentation.

[17] ROGUE VALLEY TRANSPORTATION DISTRICT, Fiscal Year 2018-2019 Adopted Budget Expenditures, Pg. 27

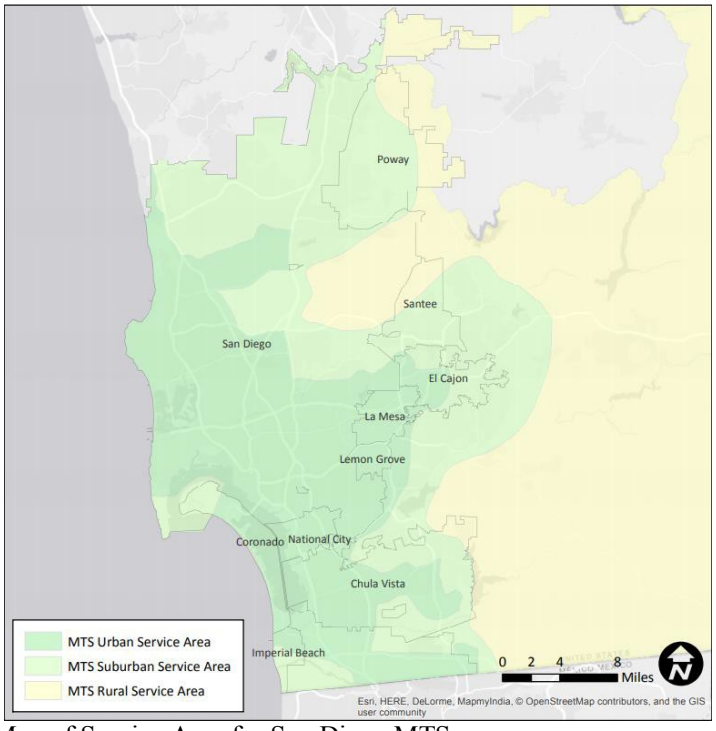
Appendix A [18]



2. SAN FRANCISCO MUNICIPAL TRANSPORTATION AGENCY (SFMTA)

Overview

The San Diego Metropolitan Transit System provides management and coordination of the public transportation system in the San Diego Metropolitan area (MTS Adopted Fiscal Year 2020 Budget, 9). It serves nearly three million people over a 570 square mile area of San Diego County and this includes the following cities; Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, Santee, San Diego and unincorporated areas in San Diego County as well. There are fixed-route entities that have come together to form the Metropolitan Transit System in order to improve coordination, fares, and transfers. The services include bus operations, rail operations, and ferry services. Under the state of California public utilities code, San Diego County Transit District has specific powers for contracts, property, facilities, debt, investments, and taxation. In addition to these powers the Metropolitan Transit District owns assets of the San Diego Trolley, Inc., San Diego Transit Corporation, and 108 miles of the San Diego and Arizona Eastern Railway Company.



Map of Service Area for San Diego MTS

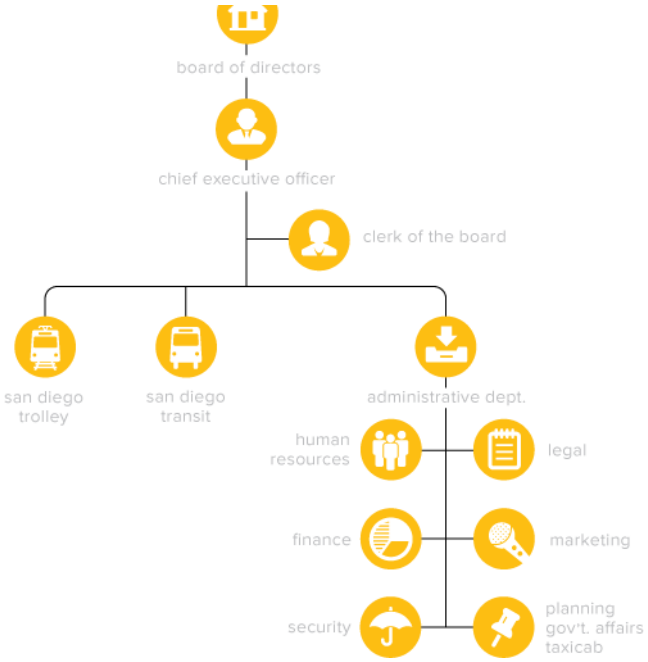
[18] ROGUE VALLEY TRANSPORTATION DISTRICT 2040 TRANSIT MASTER PLAN, Figure 19: Existing Fixed Bus Routes and Park-and-Ride Lots Pg. 44

Background

In 1975 Senate Bill 101 passed and the Metropolitan Transit Development Board was created, later in 2002 the Metropolitan Transit Development Board and all of their planning, programming, project development, and construction functions were merged with the regional planning organization, the San Diego Association of Governments (SANDAG). Then, in 2005 Metropolitan Transit Development Board changed their name to Metropolitan Transit System. The Metropolitan Transit System has an annual operating budget of $278 million, and $96 million of that comes from fares which accounts for 34.5% of the annual operating costs. This is "one of the highest fare box recovery ratios among similar transit systems (FY18)" (MTS Website). The ridership is reflective of the large area that the Metropolitan Transit System serves.

With over 88 million annual passenger trips and 300,000 trips each weekday, the agency has 7,000 trips each weekday with 128 trolley cars and 800 buses total in the fleet to accommodate the high demand for public transit. Funding for the Metropolitan Transit System comes from various sources, from federal and state to local sources such as, the California Transportation Development Act, Federal Transit Administration, TransNet funds which is a local sales tax, and fares. The Metropolitan Transit System structure is as follows, they are governed by a Board of Directors, Chief Executive Officer, Clerk of the Board, and lastly the Administrative Department. The Board of Directors is made up of various city Mayors, Council members from each incorporated area, and one member is appointed from the San Diego County Board of Supervisors.

Organization Chart for San Diego MTS:



Operating Budget

The San Diego Metropolitan Transit System budget includes a variety of different revenue sources. One of the main sources of revenue is passenger fares, they make up 31.8% or $97.1 million of the $305.1 million operating budget proposed for the 2020 fiscal year and are projected to increase by 5.4% compared to fiscal year 2019. Some of the other sources of revenue include advertising, interest income, rental income, land management income, energy credits, income related to Taxicab administration, and income from the San Diego and Arizona Eastern Railway Company. Outside of these revenue sources they also receive federal, state, and local subsidy funds, and the MTS also maintains reserve funds. The subsidy funds that San Diego MTS receives account for $187.9 million which is a 5.1% increase from fiscal year 2019 and this is due to an increase in federal preventative maintenance funding, growth in sales tax revenues, gas tax revenues, and additional TransNet operating reimbursement. TransNet is a voter approved (2004) forty-year extension of "the one-half cent sales tax original ordinance that was set to expire in 2008" (MTS Adopted Fiscal Year 2020 Budget, 27). the tax is used to fund a variety of transportation projects throughout San Diego County with the goal of reducing congestion. The impacts of TransNet are, ensured funding moving forward and that the Bus Rapid Transit and Superloop programs will receive most of their funding from this resource.

Bus Operations Budget

San Diego's fleet of 273 buses is expected to serve 23 million customers during fiscal year 2020. The Metropolitan Transit System bus operates on 27 routes, 16 being urban, 5 Express, and 6 Rapid. The area served stretches from National City as far as the City of Escondido and from the Pacific Ocean to the City of La Mesa in the east. The reasons for customer trips include work, school, shopping, medical appointments, recreational activities, and more. The Metropolitan Transit System has been recognized by APTA for top safety amount all large transit agencies and all buses are fueled by environmentally friendly compressed natural gas.

For the fiscal year 2020 the proposed bus operations budget is $94.9 million which is a $4 million increase from 2019. The revenue sources specific to bus operations include fares, which account for $23.3 million of the operations budget, and subsidy revenue which accounts for $79.8 million. The budget document for San Diego's bus operations doesn't give specific details to the line item "other operating revenue" and also doesn't give additional details about expenditures. Some of the expenditures that are listed include, labor and fringe expenses, personnel, materials and supplies, and debt service.

Capital Projects

Each agency within San Diego Metropolitan Transit District was given the opportunity to submit requests for capital projects, they were submitted for review by finance staff and then placed in priority order, with top priority being given to operationally critical projects. $120.8 million was funded for preventative maintenance and the remainder of the projects competed for available funding. The available funding was allocated to projects such as vehicle fleet replacement for $54.4 million, another $28.8 million was dedicated to facility and construction projects, and $19.5 million was dedicated to rail infrastructure projects. Part of the funds for these capital

projects came from the CIP (Capital Improvement Program), a portion of the money was federal funds, and the remaining funds came from various other sources such as a local match. A list of some of the commonly received federal grants include, Urban Area Formula Grants, Formula Grants for Rural Areas, State of Good Repair Funding, and Bus and Bus Facilities Funding all for capital improvements specifically.

Conclusion

The San Diego Metropolitan Transit System is located in the state of California which operates quite differently than the state of Oregon. The MTS transit agency relies on revenues from the TransNet sales tax initiative that was approved by voters to fund a variety of transportation related issues. Lane Transit District may not be able to implement a similar strategy due to the unwillingness of Oregon voters to approve sales tax in the state of Oregon or even regionally. Other revenue sources that may be of interest to LTD are advertising income and land management income if that is a possibility. MTS uses income from property, fares, and business activity as well in their operating budget and LTD could use a similar strategy in reviewing their fare prices, and other opportunities for business revenue in Lane County. In review of the MTS budget documents it is clear that they are not catering to a public audience. While these documents were readily available on their website, the information in the budget for 2020 was hard to follow, contained many charts and figures and didn't specifically explore each of their transit options in great detail which made it difficult to take a closer look at their Express Bus program. Overall, the two transit agencies are different in their funding structures and the communities that they serve. The Transportation for America document describes opportunities for federal loans such as a TIFIA which is a low-interest flexible line of credit, state funding, and a variety of local funding strategies that are useful tools in the planning process (Transportation for America, 29). The needs for LTD are specific and the agency will need to be creative in their funding structure moving forward.

References

1. "San Diego Metropolitan Transit System." *Home | San Diego Metropolitan Transit System*, 2019, www.sdmts.com/.
2. "Transportation for America. "Thinking Outside the Farebox, Creative Approaches to Financing Transit Projects ." *t4america.org*, 2019, t4america.org/wp- content/uploads/2012/08/T4-Financing-Transit-Guidebook.pdf. drive.google.com/file/d/1SsY4g0hG6rYSY60UvC3tpreZ1wavK2N5/view.
3. "2014 California Code :: Public Utilities Code - PUC :: DIVISION 10 - TRANSIT DISTRICTS :: PART 8 - SAN DIEGO COUNTY TRANSIT DISTRICT :: CHAPTER 6

- Powers and Functions of District." *Justia Law*, 2019, law.justia.com/codes/california/2014/code-puc/division-10/part-8/chapter-6/.

3. THE GREATER CLEVELAND REGIONAL TRANSIT AUTHORITY (RTA)

EXECUTIVE SUMMARY

This memo provides a case study analysis of the Greater Cleveland Regional Transit Authority (RTA) for Lane Transit District (LTD). The Greater Cleveland Regional Transit Authority's "Operating and Capital Budget for the Year 2019[19]" and the "2018 Comprehensive Annual Financial Report[20]" provided the information used in this analysis. This case study aims to provide an assessment of the RTA operations for LTD to review and reference for successful practices to emulate and ineffective practices to avoid. The following sections give an overview of the service area and community served, the district's governing

[19, 3] "Operating and Capital Budget for the Year 2019" The Greater Cleveland Regional Transit Authority. 2019. Retrieved from: http://www.riderta.com/sites/default/files/pdf/budget/2019/2019Budget_Full.pdf.

[20] "Comprehensive Annual Financial Report for the Years Ended December 31, 2018 and 2017 Cuyahoga County, Ohio" The Greater Cleveland Regional Transit Authority. 2019. Retrieved from: http://www.riderta.com/sites/default/files/cafr/2018_CAFR.pdf.

structure, budget process, revenue sources and rates, and key categories of expenditures. The memo concludes with the overall findings and recommended take-aways for LTD.

SERVICE AREA

The Greater Cleveland Regional Transit Authority (RTA) is a multimodal system that provides bus, paratransit, heavy rail, light rail, and bus rapid transit services across Cuyahoga County, Ohio. Cuyahoga County is one of the largest counties in the United States and is the largest metropolitan area in Ohio. It includes the City of Cleveland, two townships, and 56 other jurisdictions, ultimately totaling to a population of approximately 1.24 million people. Exhibit 1 (located in the appendix) provides an image of the service area.

Cuyahoga County's population has been declining since 2000 and the City of Cleveland's since the 1980s. Ohio's unemployment rates were already above the national average before the economic crisis in 2008 and have yet to recover[3].

Historically, heavy industry and manufacturing were the foundation of the region's economic vitality. In 2018 the largest areas of employment were in the following industries:

- Healthcare/Education
- Trade/Transportation/Utilities
- Professional/Business services
- Government
- Insurance

GOVERNING STRUCTURE

In December 1974, the Authority was created by ordinance of the City of Cleveland, Ohio, and resolution of the Board of County Commissioners of Cuyahoga County, Ohio. The Authority is an independent political subdivision of the State of Ohio. The definition and functions of "independent political subdivisions" can be found in the Ohio Revised Code, but no information is provided on their funding sources. [4] [21]

DIVISION OF POWER

- Policies and the direction of upper management are established by the Board of Trustees. The Board is composed of ten members, who serve overlapping, three-year terms.
- The Interim CEO, General Manager/Secretary-Treasurer manages line administration and supervises five Deputy General Managers who head the Operations, Legal Affairs, Finance & Administration, Engineering & Project Management and the Human Resources divisions.
- The Information Technology and the Marketing and Communications department reports directly to the Interim General Manager because they function outside of the divisional configuration.
- The Internal Audit Department reports to the Board of Trustees and works closely with the Interim General Manager.
- Exhibit 2, located in the appendix, depicts this information in an organization chart.

BUDGET PROCESS

A single enterprise fund to report operation results and annual cash-basis accounting are used to maintain the Authority's finances. Separate funds are additionally maintained to best account for revenues with a

[4] "Comprehensive Annual Financial Report for the Years Ended December 31, 2018 and 2017 Cuyahoga County, Ohio"

designated special purpose. Budgetary control is held at the department level. The budget for each Division and Department is represented via appropriation. After holding public discussions, Division and Department Managers propose a budget to the Board of Trustees, who decides whether or not to amend them or adopt them into the final total budget. Ultimately, each department is responsible for the proper administration of it's operations in a way that ensures the use of funds matches the goals and programs authorized by the Board of Trustees.

GENERAL FUND REVENUE

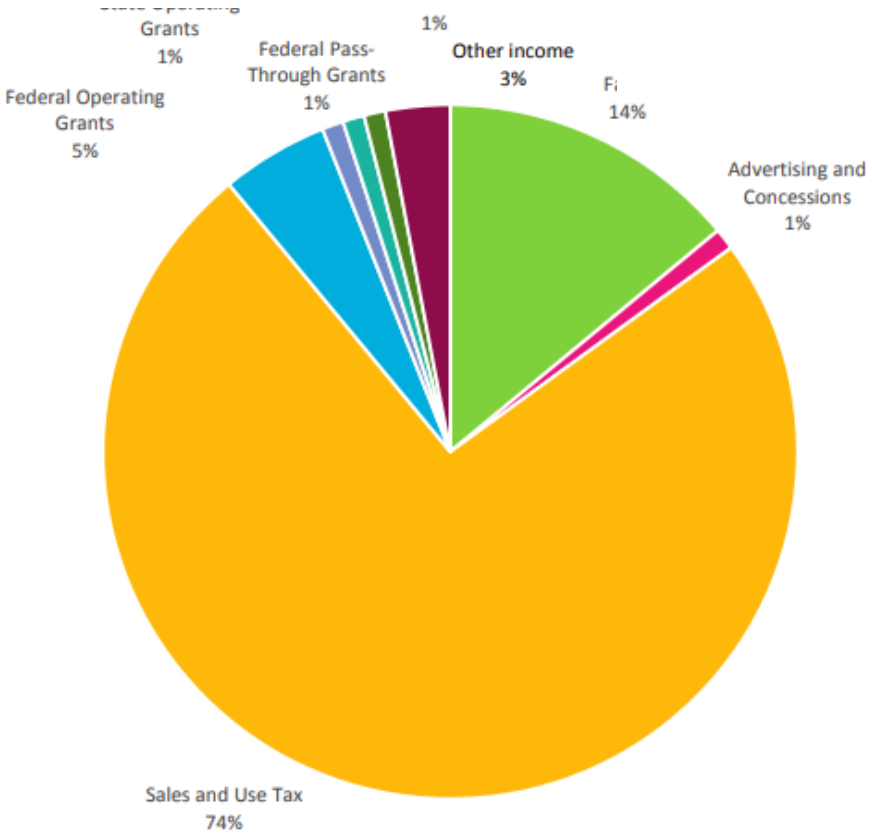
In 2019, a projection of $277.7 million in General Fund revenue and $312.8 million in total resources were projected. This is a $15.3 million decrease in total resources compared to the 2018 year-end estimate. The removal of Medicaid Managed Care Organizations (MCOs) from the state's sales tax base, implemented in July 2017, is the cause of this decrease in resources. Despite this change, Sales & Use Tax remains above 70 percent of total revenue. The second largest source of revenue in 2018 was Passenger Fares, which makes up 16.7 percent of total revenue. Due to a decrease in ridership over the past few years, this stream of revenue has slowly been declining. Exhibit 3 and 4 highlight revenue source information.
Approximately $2.2 million dollars in revenue from advertising and concessions were projected in 2019. This local revenue source consists of three subcategories. First is the current advertising contract, which was budgeted at $1.3 million for 2019. A new contract for advertising on the bus shelters is the second subcategory. Last is the revenue generated from naming rights for the HealthLine, Cleveland State Line, and Metro Health Line and concessions. This subcategory was projected to create $900,000 in 2019.

Exhibit 3: RTA General Fund Financial Sources (Millions of Dollars) [5] [22]

	2018	2017	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Fares	$45.1	$46.4	($1.3)	(2.8) %
Advertising and concessions	2.4	2.1	0.3	14.3
Sales and Use Tax	226.4	217.1	9.3	4.3
Federal operating grants	16.1	16.1	-	-
State/local operating grants	1.2	1.9	(0.7)	(36.8)
Federal pass-through grants	0.2	0.1	0.1	100.0
Investment income	1.6	0.6	1.0	166.7
Other income	9.9	1.8	8.1	450.0
Total	$302.9	$286.1	$16.8	5.9 %

Exhibit 4: RTA General Fund Revenue Source Percents [6]

[5, 6] "Comprehensive Annual Financial Report for the Years Ended December 31, 2018 and 2017 Cuyahoga County, Ohio." Pg. 23.



EXPENDITURES

Personnel cost makes up the bulk of RTA expenses. This is not surprising since the RTA had 2,138 employees as of December 31, 2018. Total expenditures can be presented in many different forms. The formats presented here are from the “Operating and Capital Budget for the Year 2019” and "Comprehensive Annual Financial Report for the Years Ended December 31, 2018 and 2017 Cuyahoga County, Ohio."

- Exhibit 5 presents the General Fund Operating Expenditures.
- Exhibits 6 and 7 present expenses by object class.
- Exhibits 8 and 9 categorize expenses by function. Operating expenditures by Department can be found on page 96 of the “Operating and Capital Budget for the Year 2019.”

Exhibit 5: 2019 Proposed Expenses [23]
Exhibit 5: Expense by Object Class (in Millions)[7] [24]

Areas of Expenditure Growth
2019 Proposed Budget

2018 Projected Operating Expenses		**$ 245,838,578**	
Personnel		**$ 5,134,154**	**2.7%**
Salaries & Overtime	$ 3,131,157		
Health Care/Prescription Fringe Benefits	$ 2,002,997		
Fuel / Utilities		**$ 1,412,499**	**9.9%**
Diesel Fuel	$ 63,871		
Natural Gas & CNG	$ 52,358		
Propulsion Power	$ 166,000		
Electricity	$ 29,241		
Telephone	$ 368,121		
Other Utilities	$ 732,908		
Service Opportunities		**$**	
Maintenance Contracts & Services	$ 2,153,579		
Inventory	$ 269,488		
Tires & Tubes	$ 500		
Other Services & Supplies	$ 518,332		
Purchased Transportation	$ (1,618,660)		
Other		**$ 809,306**	**14.9%**
Liabilities	$ 611,977		
Training, Travel & Professional Expenses	$ (88,120)		
Miscellaneous	$ 285,448		
Expenditure Growth		**$ 8,679,198**	**3.5%**
2018 Budgeted Operating Expenditures		**$254,517,776**	

Exhibit 6: Expense by Object Class Percentages [8]

[23] "Operating and Capital Budget for the Year 2019." Pg. 10.

[7, 8] "Comprehensive Annual Financial Report for the Years Ended December 31, 2018 and 2017 Cuyahoga County, Ohio." Pg. 25.

Exhibit 9: Expense by Function (in Millions)[9, 25]

	2018	2017	Amount	Percent
nsportation	$92.5	$111.0	($18.5	
inter				
neral				
preci				)
s-thr				
erest				)
tal				)

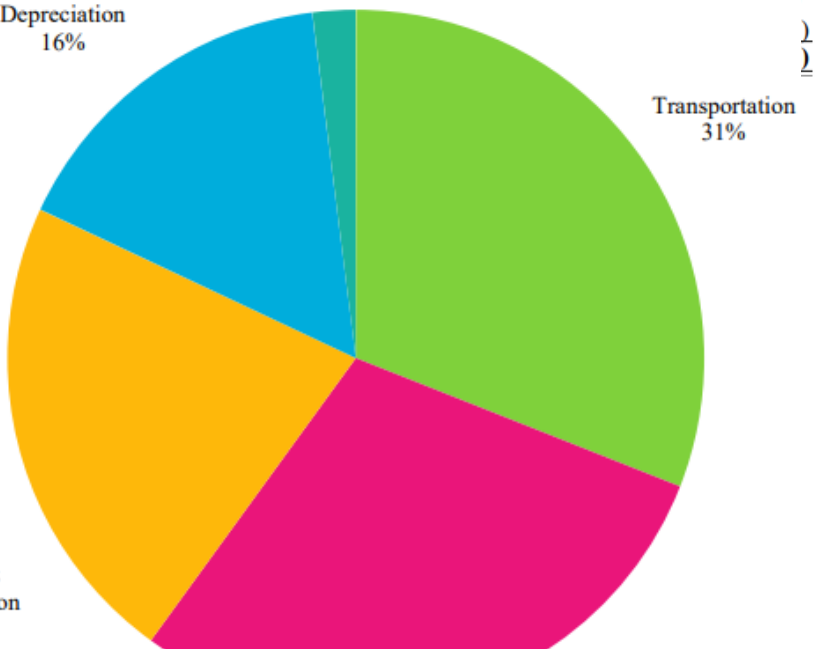


Exhibit 10: Expense by Function Percentages [10]

FINDINGS

Comparing the operating budgets of the Greater Cleveland Regional Transit Authority (RTA) and Lane Transit District (LTD) is not extraordinarily beneficial due to the fact that RTA heavily depends upon Sales and Use Taxes. This single source of revenue constitutes approximately 74% of the RTA's General Fund revenue. Although implementing Sales and Use Taxes on this scale is not a realistic option for LTD, a major takeway from this information is to avoid becoming continuously reliant on a single revenue stream.
Two successful practices observed in this case study and recommended as key takeaways are techniques to maximize revenue generated by investment income and advertising and concessions. To achieve the maximum financial return on investments, RTA pursues an aggressive cash management and investment

[9, 10] "Comprehensive Annual Financial Report for the Years Ended December 31, 2018 and 2017 Cuyahoga County, Ohio." Pg. 26.

program, where idle cash balances are invested at the optimal available interest rates within the constraints imposed by State law and RTA financial policies. Additionally, to achieve maximum advertising and concessions revenue, in 2016 overhead speaker commericials were implemented in buses and trains. Ultimately, due to the differences in tax revenue contributions, comparing these transit authorities is somewhat like comparing apples to oranges. Despite this difference, LTD can learn from ways that RTA mitigated decreases in revenue. Techniques referenced by RTA to decrease expenditures include reducing services, closing a bus garage, and reducing the pay of non-bargaining by 3%.

APPENDIX

Exhibit 1: RTA Service Area

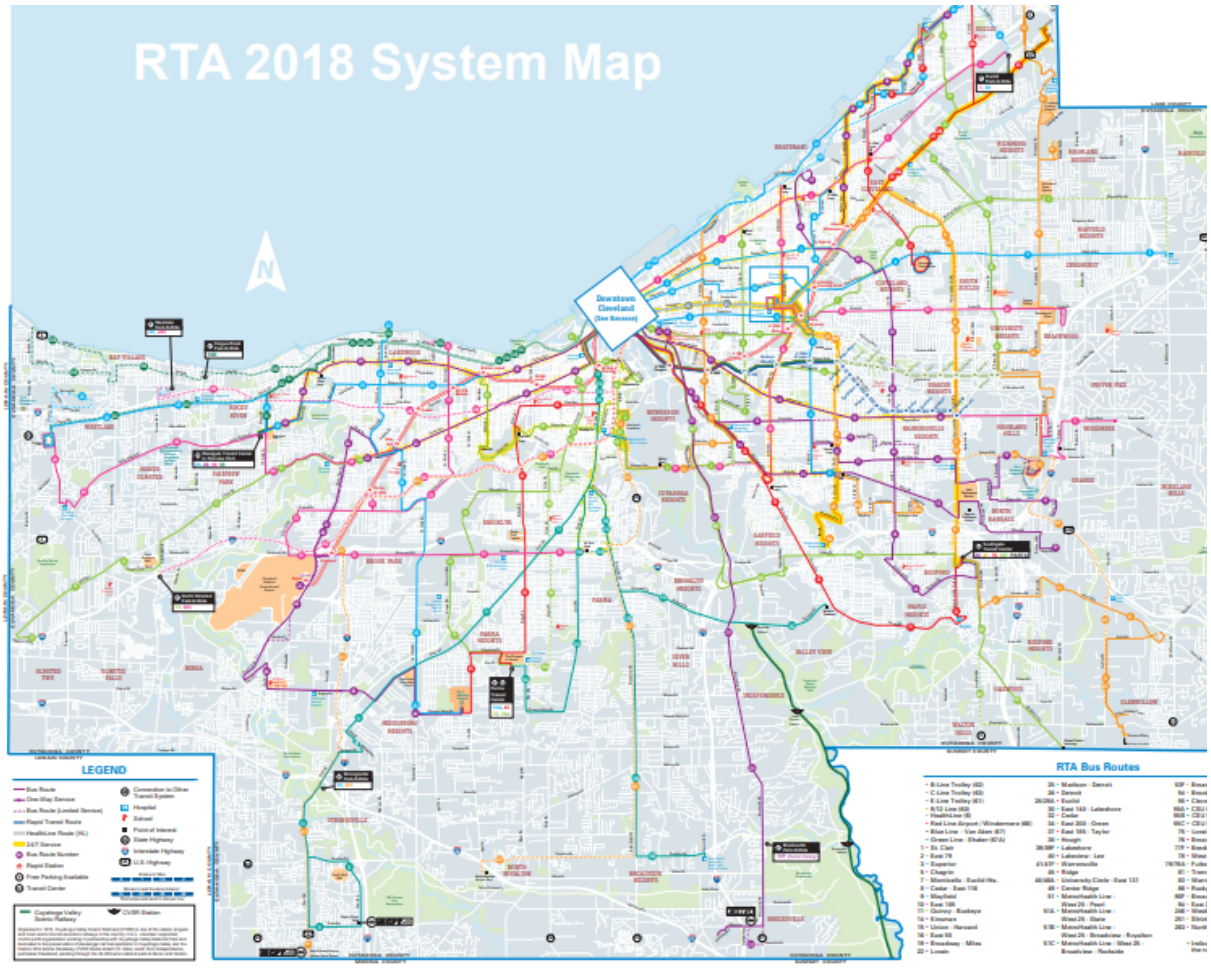
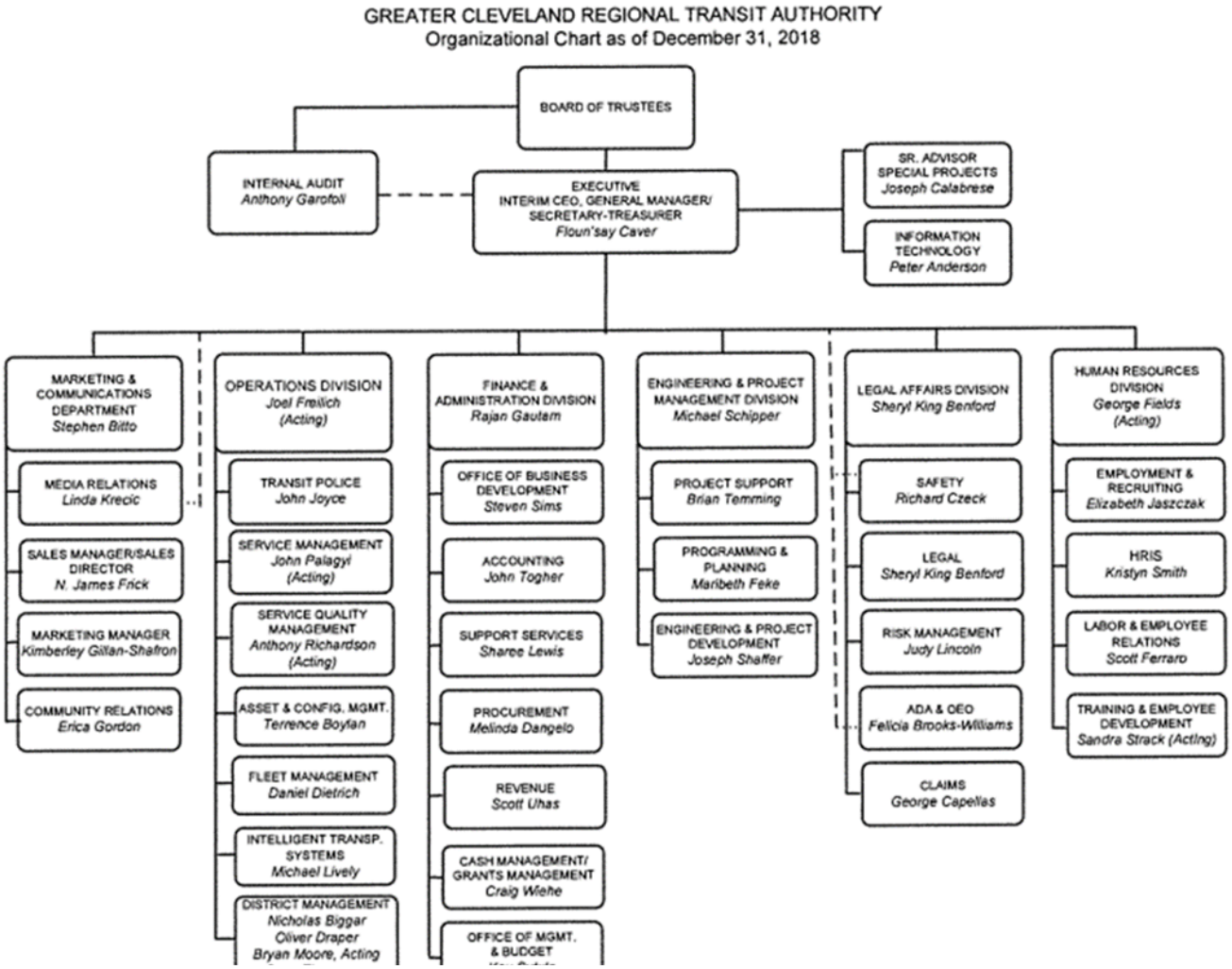
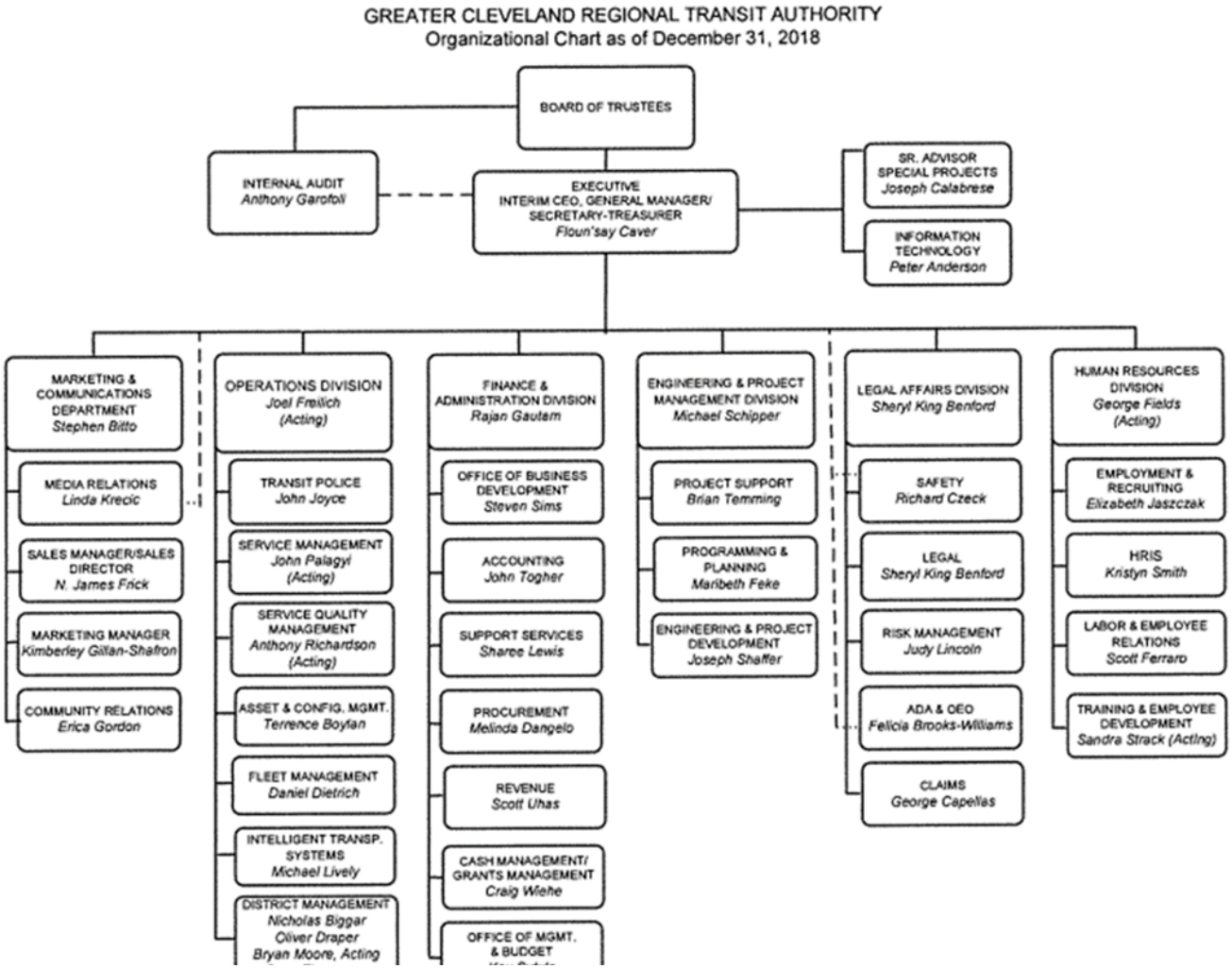


Exhibit 2: RTA Organizational Chart



REFERENCES

Exhibit 2: RTA Organizational Chart



Appendix D

Operations Group B Memo

December 11, 2019

To	Lane Transit District
From	SCYP Lane Transit District Group B
Subject	*MovingAhead* Operations Funding Strategy

1. OVERVIEW

The purpose of this project is to determine alternative operating revenue sources for Lane Transit District (LTD) that meet a need to generate an additional $4.3 million to cover operations and maintenance costs. This project is in response to *MovingAhead*, a regional partnership between LTD, City of Eugene, and other community partners that is currently exploring investment packages for long-term transportation corridor investments in the region. Through analysis and evaluation of alternative funding strategies, this project recommends an operations funding strategy for LTD to consider as it pursues operating revenue sources for *MovingAhead*.

1.1. Project Approach

To reach a recommended operations funding strategy, this project first conducted case study analysis and evaluation of fiscal provisions of public transportation operations in jurisdictions selected by LTD; Anchorage, AK; Bridgeport, CT; Dover, DE; and Tucson, AZ (see Appendix C). Next, this project analyzed funding strategies that cover both existing and innovative taxes and fees for LTD. Funding strategies were evaluated based on potential revenue yield, as well as whether the sources are equitable, neutral, efficient, and productive (see definitions in Figure 1). Strategies are bundled into packages meeting or exceeding $4.3 million in revenue. For packages containing multiple strategies, the total score reflects a weighting based on its revenue contribution to the package in addition to the four evaluation criteria. Comprehensive evaluation of funding packages resulted in one recommendation for consideration by LTD.

Figure 1. Definitions of Evaluation Criteria

Equity. A revenue structure that promotes fairness to all sectors and citizens in the community. Fairness is established by imposing benefits based-based levies, minimizing tax favors, and balancing the burden across income groups. Equity is evaluated horizontally (i.e., distribution among persons or businesses in comparable circumstances) and vertically (i.e., variation in tax burden across the spectrum of incomes).[1]
Neutrality. A tax or fee should not distort the way someone would otherwise make decisions or use resources, unless it is socially desirable. The key is selecting policies that do not interfere with or hinder the market. This means relying on flat taxes levied on broad bases, using benefits-based levies as feasible, avoiding interjurisdictional rate differentials, and being attentive to local business taxes.[2]
Efficiency. Pertains to costs of administering the tax (i.e., notification, collection, disbursement, enforcement). Administration should be feasible and efficient, and administration costs should not be out of proportion to revenue. Also considers how easy or difficult it is for the taxpayer to comply.[3]
Productivity. A tax should produce sufficient, stable revenues to meet locally desired expenditures.

[1] Bland, Robert. (2013) A Budgeting Guide for Local Government. p. 26-30 & 309
[2] Bland, Robert. (2013) A Budgeting Guide for Local Government. p. 32 - 38 & 314
[3] Bland, Robert. (2013) A Budgeting Guide for Local Government. p. 40

2. BACKGROUND

LTD is a special-purpose district in Lane County enacted by the State of Oregon and led by a seven-member board of directors. LTD has been providing transit services to the Eugene-Springfield Metropolitan Area (Metro Area) and surrounding communities since 1970. While centered in the Metro Area, LTD's service area expands east to Highway-126 to McKenzie Bridge, west to Veneta, south to the communities of Creswell, Lowell, and Cottage Grove, and north to communities of Coburg and Junction City (Figure B-1, Appendix B). LTD offers fixed-route bus service, fixed-route bus rapid transit service (EmX in the Metro Area), park-and-ride, and paratransit service (RideSource in the Metro Area). LTD also operates Point2Point, an informational initiative to assist community members in choosing alternative transportation options. LTD, as part of *MovingAhead,* will be enhancing services along five routes to better serve the Metro Area population of 234,224, spanning 60 square miles (Figure B-2, Appendix B).[4,5] A critical portion of this project is financing the increased operation and maintenance costs associated with the enhancements.

2.1. Current Budget & Expected Increase

LTD's FY 2019-2020 budget is $114.2 million. This amount is split among the (1) General Fund, (2) Specialized Services Fund, (3) Medicaid Fund, (4) Capital Projects Fund, and (5) Point2point Fund. Increases in operating costs from *MovingAhead* will be drawn from the General Fund, the primary fund for LTD's day-to-day operations. As it stands, total General Fund resources are $63.9 million, the majority are payroll taxes (57%), beginning working capital (17%), and federal assistance (7%) (Figure B-3, Appendix B). The largest General Fund expenditure is personnel services (61%), followed by materials and services (17%), and operating reserve (14%) (Figure B-4, Appendix B).[6] LTD expects that under *MovingAhead,* operation and maintenance costs will increase by $4.3 million, a 6.7% increase over current General Fund resources, necessitating the identification of alternative or expanded funding options by LTD.

3. CASE STUDY ANALYSIS

LTD selected four jurisdictions for analysis of the fiscal provisions of jurisdictional public transportation operations (Appendix C). The team analyzed the Anchorage Public Transportation Department of Anchorage, AK, Greater Bridgeport Transit of Bridgeport, CT, Delaware Transit Corporation of Dover, DE, and Tucson Department of Transportation of Tucson, AZ. Key findings of the governance structure, services, and fiscal provisions are summarized in a comparison figure in the Appendix (Figure C-1, Appendix C). Ultimately, analysis of the fiscal provisions of these jurisdictions did not result in alternative funding recommendations for LTD's operational needs; however, analysis resulted in five general recommendations for LTD to consider in its identification of alternative funding options (See Appendix C).

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[4] U.S. Census Bureau. (2018). 2018 Population Estimates. Retrieved from https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF & https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF

[5] U.S. Census Bureau. (2010). Quick Facts. Retrieved from https://www.census.gov/quickfacts/fact/table/springfieldcityoregon,eugenecityoregon,US/LND110210

[6] Lane Transit District. (2019). 2019-2020 Adopted Budget. Retrieved from https://www.ltd.org/annual-budget/

4. FUNDING STRATEGIES

Two documents were used to determine applicable funding strategies: *MovingAhead Potential Funding Options* (2019) and the City of Eugene Budget Committee's *Revenue Team Report* (2014). Each funding strategy was analyzed and evaluated based on area-specific data as well as secondary sources that summarized best practices and exemplary case studies of jurisdictions that have implemented such strategies. Figure 2 summarizes each funding strategy.

Figure 2. Revenue Projections, Assumptions, & Rationale for Funding Strategies

Funding Strategy	Projected Revenue	Evidence-Based Assumptions & Rationale
Motor Fuel Tax	$3 million	Eugene has a $0.05 per gallon motor fuel tax which generates approximately $3 million per year. If this motor fuel tax were doubled to $0.10 per gallon, it would generate an additional $3 million annually.
User Fares	$3.5 million	From 2016-2018, LTD fares generated an average of $7.1 million annually. If LTD were to increase fares by 50% and ridership numbers held steady, this would lead to an additional $3.5 million in annual revenue.
Parking Tax	$1.6 million	Parking taxes are imposed on off-street, non-residential parking. An ad valorem tax is most common in the U.S.; nearly 49 cities impose a tax ranging from 10% - 37.5%. Per space levies are common outside of the U.S., ranging from $400 - $500 USD per space annually. If the City of Eugene imposed a 20% tax on its off-street parking, and $100 levy per commercial parking space, they could generate $1.6 million annually.
Payroll Tax	$1.8 million	Projected revenue for an increase in payroll tax was calculated using the average of FY16-18 total payroll tax revenue, which was approximately $36.32 million. Multiplying this average by 5% would detail a 5% increase over the current 0.001% to 0.00105%, generating an estimated $1.8 million annually.
Prepared Foods Tax	$4.4 million	Projected revenues from a 1.25% prepared foods tax were estimated by examining prepared food tax revenue of cities comparable in population to Eugene. Estimates, however, do not account for other differences between Eugene and the selected cities such as median income, tourism, and the greater underlying tax structure, which undoubtably influence revenues. Despite these limitations, this estimation method is considered more robust than the two alternative methods.
Transportation Utility Fee	$4.8 million	Utility fees do not require voter approval and have been historically used in Oregon to fund public activities. This fee would be included in Eugene Water and Electric Board's (EWEB) customer's utility bills. Projected revenues from a $2.00 monthly transportation utility fee were estimated using approximate number of customers served by EWEB within LTD's service area.

See Appendix A for more detailed rationale and calculations for each funding strategy.

5. REVENUE PACKAGES

In this section, we present four funding packages LTD can use to cover the $4.3 million dollar increase in operation and maintenance costs associated with *MovingAhead*. Packages A and B each comprise a single strategy, transportation utility fees and prepared foods tax, respectively. Package C is a combination of motor fuel tax and parking tax, and Package D consists of user fare and payroll tax increases. Within each package, strategies and estimated revenues are described, and then briefly evaluated across four criteria; equity, neutrality, efficiency, and productivity, on a five-point scale. More details and calculations can be found in Appendix A.

PACKAGE A

Package A consists of a Transportation Utility Fee (TUF) applied to Eugene Water and Electric Board (EWEB) customers within LTD's service area. Total projected revenue generated from Package A is **$4.8 million**.

Funding Strategy: Transportation Utility Fee ($4.8 million)

TUFs have been utilized by at least 30 cities in Oregon to fund public activities. The League of Oregon Cities conducted a statewide survey in 2015 to examine local transportation funding strategies including the use of TUFs. Survey results include at least 8 cities that impose a flat fee on jurisdiction residents, including commercial customers, average revenue raised was $853,370, and at least 12 cities used TUFs revenue to fund operations.[7] The City of Hillsboro, OR (approx. population: 108,389 in 2018 [8]) utilizes a TUF where $8.79 is added to monthly utility bills for single family residential customers and $7.91 for multi-family residents as well as non-residential customers.[9] The City of Hillsboro collects approximately $5.1 million annually in revenue from TUFs that is used to fund city service needs.[10]

To implement this type of fee, LTD could work with the different utility districts within its service area. Utility districts within LTD's jurisdiction include EWEB, Lane Electric, Springfield Utility Board and Emerald people's utility district. However, for *MovingAhead,* improvements will primarily be made in Eugene with the City of Springfield choosing to opt out. Therefore, EWEB, who serves approximately 200,000 customers in and around Eugene, can be the primary utility district that LTD should look into partnering with. Revenue generated from a TUF applied to EWEBs customers are detailed in Figure 3 below.[11]

Figure 3. Estimated Revenue Generated from an EWEB Transportation Utility Fee

Utility District	Number of Customers	Revenue ($2.00/month)	Annual Revenue	90% Capture	80% Capture
EWEB	200,000	$400,000	$4,800,000	$4,560,000	$3,840,000
Total	200,000	$400,000	**$4,800,000**	**$4,560,000**	**$3,840,000**

[7] League of Oregon Cities. (2015). Gas Tax & Transportation Utility Fee Survey Results. Retrieved from https://www.bendoregon.gov/home/showdocument?id=40379

[8] World Population Review. (2019). *Hillsboro, Oregon Population 2019.* Retrieved from http://worldpopulationreview.com/us-cities/hillsboro-or-population/

[9] City of Hillsboro, OR. (2019). Transportation Utility Fee. Retrieved from https://www.hillsboro-oregon.gov/our-city/departments/public-works/transportation/street-and-road-maintenance/transportation-utility-fee

[10] Ibid

[11] EWEB. (2019). *2017 Report to Customers.* Retrieved from http://www.eweb.org/report-to-customers

If a TUF of $2.00 per month was applied to all EWEB customers, LTD could raise an additional $4.8 million dollars annually, which exceeds the additional revenue requirement of $4.3 million. However, EWEB provides discounted rates based on income, including its customer care program where households can receive $260 in annual bill assistance.[12] Approximately 18.8% of Lane County residents live in poverty.[13] Taking into account these equity considerations, additional estimates include a 90% capture total, where approximately 106% of the required $4.3 million is collected and a 80% capture total where 89% of the required $4.3 million would be collected. The $2.00 monthly rate would be subject to a 2% annual increase to mirror inflation.[14] Based on these calculations, LTD would meet its $4.3 million additional operating revenue need at a 100% and 90% capture rates. For additional information on TUF revenue estimates see Appendix A.

Evaluation of Package A (Total Score: 16 out of 20)

When ranked on a one to five scale this package scores well on productivity, neutrality and efficiency. Productivity is ranked the highest due to estimated revenue exceeding the $4.3 million requirement. Efficiency also ranks highly because the fee is applied to existing utility bills and administrative costs would be relatively low compared to revenue. This package also performs well in neutrality where, due to the low monthly fee, there should be relatively low impact on decisions of businesses and consumers. However, there are equity concerns because some EWEB customers may not utilize LTD's services. The total score for Package A is 16 out of a possible 20. For a more detailed breakdown of these scores see Appendix A.

PACKAGE B

Package B consists of revenue generated from a prepared foods tax levied across the Eugene. Total projected revenue generated from Package B is **$4.4 million**.

Funding Strategy: Prepared Foods Tax ($4.4 million)

A prepared foods tax, also called a meals tax, is a tax typically applied to purchases of prepared food and drink intended for immediate consumption. This includes food ordered at sit down restaurants, drive throughs, and at hot counters in grocery stores and delis. Groceries and other non-prepared foods are not subject to this tax. Prepared food taxes are collected from customers at the time of food purchase and reported to the tax imposing jurisdiction on either a quarterly (as in Ashland, OR), or monthly (as in select Virginia cities) basis. Jurisdictions typically let businesses retain a portion of the tax revenues to cover related accounting costs.

Prepared food taxes are popular with local governments as they are viewed in the same light as luxury taxes and are partially exportable to tourists.[15] Cities in Oregon can implement prepared

[12] EWEB. (2019). Income-Based Assistance. Retrieved from http://www.eweb.org/residential-customers/income-based-assistance
[13] U.S. Census Bureau. (2019). Lane County, Oregon Individuals below poverty level. Retrieved from https://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml?src=bkmk
[14] U.S. Inflation Calculator. (2019). Current U.S. Inflation Rates: 2009-2019. Retrieved from https://www.usinflationcalculator.com/inflation/current-inflation-rates/
[15] Walczak, Jared. (2017). Punching the Meal Ticket: Local Option Meals Taxes in the States. Retrieved from https://taxfoundation.org/punching-meal-ticket-local-option-meals-taxes-states/#_ftn2

food taxes given that they pass voter approval. Two cities in Oregon currently have a prepared foods tax, Ashland (est. 1993), and Yachats (est. 2006). Other Oregon jurisdictions have attempted to implement the tax but have not succeeded (Hood River County in 2019, Cottage Grove in 2011, Grants Pass in 2006, and Eugene in 1993).[16,17]

Three different methods were used to estimate the revenue from a prepared food tax in Eugene (see Appendix A for full details). The findings from the most robust method, in which revenues from Eugene are estimated by looking to similarly sized jurisdictions, are presented in Figure 4. We see a general increase in revenue as city size increases, as would be expected. Eugene's estimated 2018 population is 171,245, placing it between Alexandria and Newport News in terms of population size. Using these Virginia cities as a proxy, we can expect revenues from a 1.25% prepared food tax in Eugene to be in the mid four-million-dollar range. Revenue estimates for a Metro Area prepared foods tax are also show in Figure 4 for completeness, though it is unlikely Springfield would contribute revenues toward LTD given that they are not participating in *MovingAhead* discussions and proposed transit enhancements are located in Eugene.

Figure 4. Adjusted rate revenues across select Virginia cities, 2018

City	Population	2%	1.5%	1.25%	1%
Roanoke, VA	99,920	$6,267,741	$4,700,806	$ 3,917,338	$3,133,871
Hampton, VA	134,313	$5,576,564	$4,182,423	$ 3,485,352	$2,788,282
Alexandria, VA	160,530	$7,313,473	$5,485,105	$ 4,570,921	$3,656,736
Eugene, OR	**171,245**	**$7,000,000**	**$5,250,000**	**$ 4,375,000**	**$3,500,000**
Newport News, VA	178,626	$7,003,653	$5,252,739	$ 4,377,283	$3,501,826
Richmond, VA	228,783	$9,681,584	$7,261,188	$ 6,050,990	$4,840,792
Eugene/Springfield, OR	**234,224**	**$8,600,000**	**$6,450,000**	**$ 5,375,000**	**$4,300,000**
Chesapeake, VA	242,634	$8,816,747	$6,612,560	$ 5,510,467	$4,408,374
Norfolk, VA	244,076	$9,892,774	$7,419,580	$ 6,182,983	$4,946,387

While the numbers presented in Figure 4 are the most conservative estimates of all three methods, the estimates do not account for other potentially crucial differences between Eugene and the selected Virginia cities such as median income and tourism, which influence revenues.

Evaluation of Package B (Total Score: 12 out of 20)

This package scores well in productivity because of the substantial potential for revenue even when applied at low rates. It did not receive the highest score in productivity due to the tax's procyclical nature. The package does not score highly in equity because the tax is regressive, and the benefits received principal is not applicable, particularly when exported to tourists. There are also neutrality concerns depending on how the tax is implemented, across just Eugene or both Eugene and Springfield (where Springfield uses the revenue for other purposes). The total score for Package B is 12 out of 20. For a breakdown of these scores see Appendix A.

[16] The Oregonian. (2019). Hood River County voters say resounding no to sales tax on restaurant meals. Retrieved from https://www.oregonlive.com/dining/2019/05/hood-river-county-voters-say-resounding-no-to-sales-tax-on-restaurant-meals.html

[17] City of Eugene. (2014). Revenue Team: Report to the City of Eugene Budget Committee. Retrieved from https://www.eugene-or.gov/DocumentCenter/View/15856/Revenue-Team-Final-Report?bidId=

PACKAGE C

Package C consists of a motor fuel tax and parking tax and has the added benefit of incentivizing residents to drive personal vehicles less. Additionally, less personal vehicle use in Eugene will lead to fewer CO_2 emissions, complementing Eugene's Climate Action Plan which calls for a 50% reduction in CO_2 emissions by 2030.[18] Overall, Package C can be viewed as a partial Pigouvian tax in that in addition to raising revenue, it is also attempting to alter behavior. Total projected revenue generated from Package C is **$4.6 million**.

Funding Strategy: Motor Fuel Tax ($3 million)

Currently, the City of Eugene collects a $0.05 tax on every gallon of motor vehicle fuel sold in the city limits.[19] This is the second-highest local jurisdiction motor vehicle fuel tax in the state, and there are 21 other local jurisdictions in Oregon with motor vehicle fuel taxes.[20] According to the City of Eugene's most recent Comprehensive Annual Financial Report, the motor vehicle fuel tax has generated an average of over $3 million annually over the past three years.[21] If the City of Eugene and LTD came to a tax administration agreement, they could implement an additional $0.05 per gallon tax on every gallon of motor fuel sold in the city limits. This would generate an additional $3 million, which could be devoted to LTD operations. This would also mean that Eugene would have a total of $0.10 in local fuel taxes, the same amount collected in the Portland. However, Portland's $0.10 fuel tax is set to sunset and be sent back to voters in 2020.[22]

Funding Strategy: Parking Tax ($1.6 million)

A parking tax could serve as an alternative revenue source for public transportation through the City of Eugene in conjunction with LTD. The City of Eugene's Operating Budget specifies a Parking Services Fund for its Parking Services Program, which is a self-sufficient enterprise fund. Direction of surplus revenue from this fund is decided by City Council and is typically directed toward supporting public safety services and personnel. Operation of the City's parking system – including off-street and on-street parking facilities – is projected to generate about $6.9 million in charges for service for FY 2020-2021.[23]

There are four considerations when implementing a parking tax; implementation area, city wide or downtown focused; charge structure, by parking transaction or parking space; and charge application; publicly or privately owned and operated parking lots. In line with example cities described in Appendix A, Figure A-8 we propose that the City focus the application of its parking tax to off-street parking within a commercial hub, such as downtown Eugene. This approach could serve as a parking and travel demand management tool considering recent parking supply challenges and City goals to reduce carbon emissions.

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[18] "Eugene's Community Climate Action Plan 2.0: Playbook for Eugene's Climate Journey," Fall 2019.
[19] "Gas Tax & Transportation Utility Fee Survey Results" (League of Oregon Cities, March 2015).
[20] "Local Gas Tax | Eugene, OR Website," accessed November 19, 2019, https://www.eugene-or.gov/1085/Local-Gas-Tax.
[21] City of Eugene, Oregon. (2018) Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018. Retrieved from https://www.eugene-or.gov/DocumentCenter/View/44075/FY18-Comprehensive-Annual-Financial-Report
[22] Andrew Theen, "Portland Will Send 10-Cent Gas Tax Back to Voters in May 2020," oregonlive, March 21, 2019, https://www.oregonlive.com/commuting/2019/03/portland-will-send-10-cent-gas-tax-back-to-voters-in-may-2020.html
[23] City of Eugene, Oregon, *FY20 Adopted Budget*, by Lucy Vinis, Mayor, Eugene, Oregon, 2019, https://www.eugene-or.gov/DocumentCenter/View/47638/FY20-Adopted-Budget, pg. 210.

There are approximately 13,000 off-street parking spaces in downtown; of which, 3,000 are publicly owned and operated, and 10,000 are free or paid commercial parking provided by private operators.[24] For the publicly owned and operated off-street facilities, the City expects to generate $3.3 million in FY 2020-21. A 20% parking tax per transaction of public facilities would generate an annual revenue of $660,000, in addition to $1 million in annual revenue if a $100 levy per space is imposed on private facilities. As such, the City could expect to generate approximately $1.6 million from a parking tax focused on off-street parking in downtown.

Evaluation of Package C (Total Average Score: 12.6 out of 20)

Package C's average score varies by motor fuel and parking tax, with motor fuel tax scoring relatively high in efficiency and equity. The parking tax is more variable, scoring lower in equity, neutrality, and productivity. Both revenue sources are subject to fluctuations in economic activity, and as such, may not be stable or predictable sources. For example, motor fuel tax revenue for the City of Eugene dipped below $3 million in 2013-2015 due to economic downturn.[25] Additionally, both revenue sources are likely directly impact consumer behavior – shifting driving and purchase power to neighboring areas. However, this package is likely to assist in shifting travel behavior from use of single occupancy vehicles to alternative modes of transportation, which may have longer-term implications for the City's CO_2 emission reduction goals. The total weighted score for Package C is 12.6 out of 20. See Appendix A for more details.

PACKAGE D

Package D consists of increasing LTD's user fares and payroll tax. Total projected revenue generated from Package D is $5.3 million.

Funding Strategy: Increase User Fares ($3.5 million)

LTD collected over $6.8 million in fares in 2018, down from over $7 million in 2017 and 2016. From 2016 to 2018, the average fare revenue generated was just shy of $7.1 million.[26] Assuming ridership numbers hold steady, a fare increase of 50% would lead to additional revenue of $3.5 million annually. Current fares of $1.75 per trip would increase by $0.88 to a new rate of $2.63 per ride, which is slightly higher than current fares of $2.50 per ride for TriMet in Portland.[27]

Funding Strategy: Increase Payroll Tax ($1.8 million)

LTD utilizes an employer/self-employment payroll tax for wages earned within LTD's service area to fund operating expenses. The rate as of 2018 is 0.73% of wages paid to individuals.[28] Revenue from this tax is collected by Oregon's State Department of Revenue on behalf of LTD. LTD currently increases its payroll tax rate by 0.001% each year. From FY2011-2018, the average increase in revenue from the payroll tax was approximately 7%. Payroll tax also accounts for the

[24] City of Eugene. (2014). Revenue Team: Report to the City of Eugene Budget Committee.
[25] City of Eugene, Oregon. (2018) Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018. Retrieved from https://www.eugene-or.gov/DocumentCenter/View/44075/FY18-Comprehensive-Annual-Financial-Report
[26] Lane Transit District. (2018). Lane Transit District Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2018 and 2017. Retrieved from https://www.ltd.org/comprehensive-annual-financial-reports/
[27] "Fares for TriMet Buses, MAX and WES," accessed December 1, 2019, https://trimet.org/fares/
[28] Ibid.

majority of LTD's overall revenue; in FY2017-2018, payroll taxes accounted for 62% of total revenues. If LTD were to implement a 5% increase of the normal 0.001% increase, the new rate increase (0.00105%) would generate an estimated $1.8 million in additional revenue.

Evaluation of Package D (Total Average Score: 14.1 out of 20)

This package scores well on efficiency and productivity due to the combined estimated revenue exceeding the $4.3 million requirement with relatively low administrative costs and high yield capacity. Productivity, while high, is not ranked as a five because both revenue sources are likely to fluctuate with changes in economic activity and stability. The revenue sources score lower for neutrality as an increase in fares could decrease ridership (high ridership is socially desirable) and an increased payroll tax could prompt businesses and employees to located outside of Eugene. The total average score for Package D is 14.1 out of 20 (See Appendix A for details).

6. Rankings and Recommendation

Package Evaluation Rankings

The four packages were evaluated on equity, neutrality, efficiency, and productivity. Each funding strategy was ranked from one to five across each criterion, with one being the lowest (least desirable) score and five being the highest (most desirable). The total score for each package was calculated by adding the strategy scores across the criteria. The score for packages containing multiple strategies reflects a weighting of each strategy based on its revenue contribution to the package. Funding packages are ranked and described below (Figure 5).

1. Package A (Transportation Utility Fee) - Score: 16. The transportation utility fee is expected to generate approximately $4.8 million in annual revenue, which exceeds the $4.3 million requirement. Of all packages, this package is most predictable and stable, with low anticipated administrative costs relative to revenue generated, and is least likely to distort the market, given the legalities surrounding utility payments.

2. Package D (User Fares & Payroll Tax) - Score: 14.1. The combination package of increasing user fares and payroll taxes ranked second at 14.1 points across the evaluation criteria. Similar to Package A, Package D exceeds the $4.4 million requirement, with relatively low administrative costs and a higher yield capacity. However, there are negative implications of this package that lower its overall effectiveness as a strategy. These implications include greater economic vulnerabilities and higher likelihood of market distortion (i.e., ridership decrease, relocation of businesses).

3. Package C (Motor Fuel Tax and Parking Tax) -Score: 12.6. Package C has broader implications for curbing carbon emissions by influencing travel behavior. As such, this package has the potential to advance the City of Eugene's climate goals and to address downtown parking supply and demand. However, this package ranks low in neutrality because of potential impacts to consumer and travel behavior, which in turn can distort these respective markets. In addition, this package ranks lowest in productivity.

4. Package B (Prepared Foods Tax) -Score: 12. This package's low ranking is due to a more complex administrative processes and equity concerns; the tax is regressive and exportable. This package ranks well in productivity because of its revenue potential but at the same time it is subject to market fluctuations. Depending on how the tax is levied there may also be neutrality concerns around business and consumer behavior.

Figure 5. Overview of Funding Package Scores

	Packages	Equity	Neutrality	Efficiency	Productivity	Percent of Package	Weighted Score	Package Score
A	Transportation Utility Fee	3	4	4	5	100%	16	16
B	Prepared Foods Tax	2	3	3	4	100%	12	12
C	Motor Fuels Tax	4	2	5	3	65%	9.1	12.6
	Parking Tax	3	2	3	2	35%	3.5	
D	User Fares	5	1	5	3	66%	9.24	14.1
	Payroll Tax	2	3	5	4	34%	4.9	

Recommendation

Overall, our recommendation is to pursue Package A. We recommend Package A because it ranks highly across the four evaluation criteria and exceeds the $4.3 million requirement. While the package does rank slightly lower in equity, there is potential for this to be addressed through EWEB bill assistance programs as well as expansion of LTD services to increase the ridership base. This would shift the TUF toward a greater alignment with the benefits-received principle.

Regarding other evaluation criteria, the TUF is relatively neutral in that we do not expect such a modest monthly fee to considerably change where potential residents locate. The TUF is highly efficient in that it can be incorporated into EWEB's existing billing process. There is also the option to allot a portion of collected revenues (e.g. 5%) to EWEB for any administrative duties related to implementation of the TUF. The TUF is a highly productive and stable revenue source, generating half a million over LTD's $4.3 million goal. Lastly, to make sure TUF revenues keep pace with inflation, we suggest LTD consider a 2% increase in the TUF fee each year.

Even more, municipalities in Oregon have the legal authority to levy a TUF without seeking voter approval because TUFs are regarded as usage fees rather than taxes.[29] As such, we expect there to be minimal political feasibility challenges if LTD and EWEB are transparent with the purpose of this fee to help fund *MovingAhead.*

[29] LTD. (2019). *MovingAhead Potential Funding Options.*

Appendix A – FUNDING STRATEGIES

TRANSPORTATION UTILITY FEE

League of Oregon Cities Transportation Utility Fee Survey Supplemental Information

The League of Oregon Cities conducted a statewide survey in 2015 to examine local transportation funding strategies including the use of Transportation Utility fees. The survey asked respondents (local jurisdictions) three questions: (1) how the TUF is charged (residential vs. commercial), (2) how much revenue do you generate, and (3) what the revenue is used for?[30]

Figure A-1. Oregon cities that utilize TUFs, 2015

Transportation Utility Fee	Methodology:		Revenue used for:							
City:	Residential	Commercial	Revenue generated in FY2013-14	Construction	Repair/ maintenance/ preservation	Sidewalks	Bike/ pedestrian	Operations	Administration	Other
Ashland	Flat Fee	Other	$1,358,379	Yes	Yes	Yes	Yes	Yes	Yes	No
Bay City	Flat Fee	Other	$48,500	No	Yes	No	No	No	No	No
Brookings	Flat Fee	Flat Fee	$186,000	No	Yes	No	No	No	No	Yes
Canby	Flat Fee	Trip Generation	$538,102	Yes	Yes	No	No	No	No	No
Central Point	Flat Fee	Trip Generation	$495,000	Yes	Yes	Yes	Yes	Yes	No	No
Corvallis	Trip Generation	Trip Generation	$482,169	No	Yes	No	No	No	Yes	No
Eagle Point	Flat Fee	Trip Generation	$300,000	No	Yes	No	No	Yes	Yes	No
Florence	Flat Fee	Flat Fee	$287,800	Yes	Yes	No	No	No	No	No
Grants Pass	Trip Generation	Trip Generation	$899,979	Yes	Yes	No	No	Yes	No	No
Hillsboro	Trip Generation	Trip Generation	$1,748,281	No	Yes	No	Yes	Yes	No	No
Hubbard	Flat Fee	Flat Fee	$68,660	No	Yes	No	No	No	No	No
La Grande	Flat Fee	Flat Fee	$400,000	Yes	No	No	No	No	No	No
Lake Oswego	Flat Fee	Trip Generation	$2,400,000	Yes	Yes	No	No	Yes	Yes	No
Medford	Trip Generation	Trip Generation	$8,121,940	No	Yes	No	No	Yes	Yes	No
Milwaukie	Flat Fee	Trip Generation	$618,943	No	Yes	No	No	No	No	No
Myrtle Creek	Flat Fee	Flat Fee	$4,000	No	Yes	No	No	Yes	No	No
North Plains	Trip Generation	Trip Generation	$25,538	Yes	Yes	Yes	Yes	Yes	Yes	No
Oregon City	Flat Fee	Trip Generation	$2,033,790	No	Yes	No	No	No	No	No
Philomath	Flat Fee	Trip Generation	$52,600	No	Yes	No	No	Yes	Yes	No
Phoenix	Trip Generation	Trip Generation	$143,883	Yes	Yes	No	No	Yes	Yes	No
Sherwood	Other	Other	$277,603	No	Yes	No	No	No	No	No
Silverton	Flat Fee	Flat Fee	$210,564	Yes	Yes	No	No	No	No	No
Stayton	Flat Fee	Flat Fee	$84,000	No	Yes	No	No	No	No	No
Talent	Flat Fee	Trip Generation	$155,384	Yes	Yes	Yes	Yes	Yes	Yes	No
Tigard	Other	Other	$1,946,284	No	Yes	No	No	No	No	No
Toledo	Other	Other	$1,900	No	No	Yes	Yes	No	No	No
Tualatin	Flat Fee	Trip Generation	$975,000	No	Yes	Yes	No	No	No	No
West Linn	Flat Fee	Trip Generation	$1,350,783	Yes	Yes	Yes	Yes	No	No	No
Wilsonville	Flat Fee	Flat Fee	$679,846	No	Yes	No	No	No	No	Yes
Wood Village	Trip Generation	Trip Generation	$211,199	No	Yes	Yes	No	No	No	No

Source: League of Oregon Cities, 2015, pg. 5

Calculating a Transportation Utility Fee for LTD's Service Area

Two revenue estimations where calculated with the recommend estimation utilizing one of the four utility districts, EWEB, in LTD's service area. An alternate revenue estimation that utilizes four utility districts within LTD's service area is provided below with corresponding assumptions.

[30] League of Oregon Cities. (2015). Gas Tax & Transportation Utility Fee Survey Results. Retrieved from https://www.bendoregon.gov/home/showdocument?id=40379

In the alternate revenue estimation, the estimated number of customers for each utility district was found on each utility district's website from 2017-2018.[31] [32] [33] [34]

Assumptions are labeled as **EWEB only**, **four utility districts** or **both (EWEB + utility districts)**:

1. LTD partners with four utility districts within its service area. (**four utility districts**)
2. A majority of customers eligible for low income programs would receive benefits, which is accounted for in the 90% and 80% capture rates. (**Both**)
3. Population of LTD's service area will continue to grow at projected rates. From 2015-2018, Lane County's population has grown by approximately 4,079 people per year from 2015-2018.[35] (**Both**)
4. There would be reduced administrative costs for utility districts if a flat rate for the utility fee was applied for both residential and business customers. (**Both**)

The revenue estimation in Figure A-2 includes four utility districts in LTD's service area in contrast to the main revenue estimation that only utilizes EWEB due to *MovingAhead* being primarily based on improvements in services in Eugene. If a TUF of $1.50 per month is applied to customers with these four utility districts, estimated annual revenue generated would be approximately $4.78 million. Requirement of $4.3 million would be collected in 100% and 90% capture totals.

Figure A-2. Estimated revenue from the Transportation Utility Fee (4 utility districts)

Utility District	Number of Customers	Revenue $1.50/month)	Annual Revenue	90% Capture	80% Capture
EWEB	200,000	$300,000	$3,600,000	$3,240,000	$2,880,000
Springfield Utility Board	31,000	$46,500	$558,000	$502,200	$446,400
Emerald people's Utility	21,500	$32,250	$387,000	$348,300	$309,600
Lane Electric	13,000	$19,500	$234,000	$210,600	$187,200
Total	265,500	$398,250	**$4,779,000**	**$4,301,100**	**$3,823,200**

Evaluation of the Transportation Utility Fee

1. ***Equity (score 3):*** This funding strategy addresses equity issues among social factors such as socioeconomic status with several programs available for households that provide discounted utility bill rates and assistance to eligible households. Businesses would also share the burden with residents. Without these bill assistance programs, this utility fee would most likely be regressive in nature where lower income households are disproportionately impacted. There may be issues with fairly distributing the tax burden based on the benefits received from LTD. For example, residents in the Eugene-

[31] Emerald People's Utility District. (2018). Comprehensive Annual Financial Report December 31, 2018 and 2017. Retrieved from https://www.epud.org/wp-content/uploads/2018-Audited-Financials.pdf
[32] EWEB. (2017). 2017 Report to Customers. Retrieved from http://www.eweb.org/report-to-customers
[33] Lane Electric. (2019). Lane Electric Cooperative About Us. Retrieved from https://laneelectric.com/about/
[34] Springfield Utility Board. (2019). SUB Statistics. Retrieved from http://www.subutil.com/about-sub/sub-statistics/
[35] Lane Council of Governments. (2019). Historical Population of Lane County and Cities. Retrieved from https://www.lcog.org/DocumentCenter/View/1370/Historical-Population-of-Lane-County-and-Cities

Springfield urban area utilize LTD at higher rates then residents LTD's service area living in a more suburban/rural environment where there is less availability and options for utilizing LTD's services. One can argue that LTD ridership would increase with the expansion of services and the reliance on person automobile transport will decrease, which can in the long run reduce Lane County carbon emissions and improve air quality that benefits society at large.

2. ***Neutrality (score 4):*** The utility fee is relatively neutral with a flat rate for both residential and business customers. The relatively low monthly fee may impact decisions businesses, producers, consumers and investors within LTD's service area. However, any new fee or tax would impact neutrality to some extent.

3. ***Efficiency (score 4):*** The TUF ranks highly in terms of efficiency. Since this fee would be applied to existing utility bills, administrative costs will be reasonably low since there is already necessary staff and services available at these utility districts within LTD's service area to collect this fee. LTD could elect to charge the recommended flat $2.00 monthly fee to residential and business customers and further reduce administrative costs of associating different fee amounts based on customer type.

4. ***Productivity (score 5):*** The TUF only funding strategy would also perform well along the productivity criteria where the product, energy/electricity, has relatively inelastic demand where customers are very unlikely to discontinue services due to the $2.00 monthly TUF and would more likely make adjustments in energy consumption or other purchases. The TUF has a very high yield where 100% and 90% capture of estimated revenue would account for LTD's required $4.3 million in operating revenue with opportunity to adjust monthly rates based on requirements.

PREPARED FOODS TAX

Prepared Foods Tax Overview

A prepared food tax, also called a meal tax, is a tax typically applied to purchases of prepared food and drink for immediate consumption. This includes food ordered at sit down restaurants, drive thus, and at hot counters in grocery stores and delis. Groceries and other non-prepared foods are not subject to this tax.

Prepared food taxes are popular with local governments as they are viewed in the same light as luxury taxes and are partially exportable to tourists.[36] In total, twenty states authorize prepared food taxes, either as local options (Massachusetts), at the state level (Maine and New

[36] Walczak, Jared. (2017). Punching the Meal Ticket: Local Option Meals Taxes in the States. Retrieved from https://taxfoundation.org/punching-meal-ticket-local-option-meals-taxes-states/#_ftn2

Hampshire), or both (Vermont).[37] Prepared food taxes in Oregon and Vermont cities must be approved by voters, elsewhere they are adopted by ordinance or provided for statutorily.

Examples from Oregon

Ashland and Yachats are the only two Oregon cities to implement prepared food taxes. Yachats provides limited information on the tax and it was not itemized in their 2019-2020 city budget, hence a more detailed examination is not offered. Information on Ashland is provided below. More recently Hood River County offered citizens a 5% prepared food tax option to make up for the county's operating deficit which has grown as federal timber funding has dropped off.[38] The measure failed 59 to 41 percent. [39] A similar measure was voted down in Grants Pass in 2006 and a 3% prepared food tax was rejected before making it to the ballot in Cottage Grove in 2011.[40]

Ashland

Ashland is located in southern Oregon along the I5 corridor. In 2018 it has an estimated population of 21,263.[41] Ashland is best known for its Oregon Shakespeare Festival which brings in approximately 125,000 people annually.[42] A prepared food tax was first introduced in Ashland in 1993 and was reapproved in 2009. The current tax, set at 5%, will expire in 2030. In November 2016 citizens approved a change to the original disbursement of the tax. The tax is modeled after the transient room tax. Every quarter, businesses report and pay taxes to the city, keeping 5% to cover related accounting costs.[43]

Ashland operates on a biennium. The 2017-2019 biennium budgeted for $5,980,765 (or $2,990,383 per year) in prepared food tax revenue.[44] Twenty-five percent of the revenues goes toward acquisition, planning, development, repair, and rehabilitation of city parks. A total of $3,209,200 is being used to repay debt on a wastewater treatment plant and capital improvement projects and the remaining portion is being used for street maintenance and reconstruction.

Calculating a Prepared Foods Tax in the Eugene and the Eugene-Springfield Metro

The revenue a prepared foods tax would generated if implemented in Eugene and the Eugene-Springfield Metro area is difficult to quantify, though ballpark estimates can be made by, 1) "scaling up" revenues from Oregon examples (Ashland), 2) looking to other similarly sized

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[37] Ibid
[38] The Oregonian. (2019). Hood River County voters say resounding no to sales tax on restaurant meals. Retrieved from https://www.oregonlive.com/dining/2019/05/hood-river-county-voters-say-resounding-no-to-sales-tax-on-restaurant-meals.html
[39] Fitzgerald, Emily. (2019). County revenue measures defeated on the ballot. Retrieved from https://www.hoodrivernews.com/news/county-revenue-measures-defeated-on-the-ballot/article_9668f1ac-7d90-11e9-b9b3-6f34019da01f.html
[40] City of Eugene. (2014). Revenue Team: Report to the City of Eugene Budget Committee. Retrieved from https://www.eugene-or.gov/DocumentCenter/View/15856/Revenue-Team-Final-Report?bidId=
[41] U.S. Census Bureau. (2018). 2018 Population Estimates. Retrieved from https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF
[42] Oregon Shakespeare Festival. (2018). Facts & Figures. Retrieved from https://www.osfashland.org/~/media/files/pdf/About%20OSF/facts-and-figures-2018.ashx
[43] The Bulletin. (2013). Sales tax Islands. Retrieved from https://www.bendbulletin.com/entertainment/restaurants/1457291-151/sales-tax-islands
[44] City of Ashland, Oregon. (2017). 2017-2019 Biennium Budget. Retrieved from https://www.ashland.or.us/Page.asp?NavID=17426

jurisdictions, and 3) using data from the 2012 economic census. All methods have their weaknesses; "scaling up" assumes revenues increase with population in a linear fashion (which they may not), looking to outside jurisdictions, even those of similar size, introduces uncertainty as these jurisdictions operate under different tax standards and norms, and economic census data is dated and aggregates accommodations and food services.

Here we examine estimates using all three methods for both Eugene and the Eugene-Springfield Metro area for completeness, though it is unlikely Springfield would contribute revenues toward LTD because of their lack of interest in *MovingAhead* and the location of the transit enhancements (Eugene).

Method 1: Scaling up Ashland

In 2018, Ashland had an estimated population of 21,263 and brought in $3,209,200 through their 5% prepared food tax. Assuming the same revenue per capital, the amount generated from Eugene (estimated 2018 population of 171,245) would be $25,845,809. If implemented across the Eugene/Springfield metro (estimated combined 2018 population of 234,224) revenues would be $35,351,157. If this population revenue relationship holds true, then a 1.25% prepared food tax would generate $6,461,452 in the Eugene and $8,837,789 in the Eugene/Springfield Metro, as seen in Figure A-3.

Figure A-3. Revenue estimates using Ashland as a base

	Population	5%	2%	1.5%	1.25%	1%
Ashland	21,263	$ 3,209,200	$ 1,283,680	$ 962,760	$ 802,300	$ 641,840
Eugene	171,245	$ 25,845,810	$ 10,338,324	$ 7,753,743	$ 6,461,452	$ 5,169,162
Metro	234,224	$ 35,351,157	$ 14,140,463	$ 10,605,347	$ 8,837,789	$ 7,070,231

Method 2: Similar sized jurisdictions

Numerous states have prepared food taxes, some are levied by counties (Utah), others by cities (Kentucky), some are statewide (Maine), while others are select areas or combinations of jurisdictions.[45] We limited comparison to just cities (not counties), and found that Virginia, in particular, has a number of comparably sized cities, see Figure A-4, and very accessible budget documents. In Virginia cities and towns with general tax authority are able to levy prepared food taxes by ordinance and have no rate caps.

[45] Walczak, Jared. (2017). Punching the Meal Ticket: Local Option Meals Taxes in the States. Retrieved from https://taxfoundation.org/punching-meal-ticket-local-option-meals-taxes-states/#_ftn2

Figure A-4. Revenues of comparably sized cities in Virginia (2018)

City	Population	Revenue	Rate
Roanoke, VA	99,920	$ 16,609,514	5.3%
Hampton, VA	134,313	$ 20,912,114	7.5%
Alexandria, VA	160,530	$ 18,283,682	5.0%
Newport News, VA	178,626	$ 26,263,697	7.5%
Richmond, VA	228,783	$ 36,305,939	7.5%
Chesapeake, VA	242,634	$ 24,246,055	5.5%
Norfolk, VA	244,076	$ 32,151,514	6.5%

If we adjust the revenues to reflect tax rates of 2%, 1.5%, 1.25%, and 1% across all cities revenues are as follows in Figure A-5. We see a general increase in revenue as city size increases, as would be expected.

Eugene's population is 171,245 (2018 estimates), placing it between Alexandria and Newport News in terms of population size. Using these Virginia cities as a proxy, we can expect revenues from a 1.25% prepared food tax in Eugene to be in the mid four-million-dollar range. Revenue estimates for the same tax in the Eugene/Springfield Metro would be in the mid five-million-dollar range. These estimate of course do not account for other potentially crucial differences between Eugene and the selected Virginia cities such as median income and tourism, which influence revenues.

Figure A-5. Adjusted rate revenues across select Virginia cities (2018)

City	Population	2%	1.5%	1.25%	1%
Roanoke, VA	99,920	$6,267,741	$4,700,806	$ 3,917,338	$3,133,871
Hampton, VA	134,313	$5,576,564	$4,182,423	$ 3,485,352	$2,788,282
Alexandria, VA	160,530	$7,313,473	$5,485,105	$ 4,570,921	$3,656,736
Eugene, OR	**171,245**	**$7,000,000**	**$5,250,000**	**$ 4,375,000**	**$3,500,000**
Newport News, VA	178,626	$7,003,653	$5,252,739	$ 4,377,283	$3,501,826
Richmond, VA	228,783	$9,681,584	$7,261,188	$ 6,050,990	$4,840,792
Eugene/Springfield, OR	**234,224**	**$8,600,000**	**$6,450,000**	**$ 5,375,000**	**$4,300,000**
Chesapeake, VA	242,634	$8,816,747	$6,612,560	$ 5,510,467	$4,408,374
Norfolk, VA	244,076	$9,892,774	$7,419,580	$ 6,182,983	$4,946,387

Method 3: Economic Census Data

The most recent economic census data available for Eugene and Springfield are from 2007 and 2012 (2017 data are currently being released in stages). Data include numbers on sales in accommodations and food services. The census justifies the aggregation of accommodations and food services because the two activities are often combined in the same establishment. This aggregation makes our estimates of revenue from a prepared food tax artificially high, though still provides a (dated) ballpark number, as can be seen in Figure A-6. The figure also includes the growth rate from 2007 to 2012 to highlight how revenues changed over a five-year period (and thus may be substantially different in the 2017 economic census as well).

Using economic census data, a 1.25% prepared foods sales tax in Eugene would generate approximately $5.2 million in revenues, if applied across the entire Metro the tax would generate $6.9 million in revenue.

Figure A-6. Estimated revenues using economic census accommodations and food services data

	Year	Total	2%	1.5%	1.25%	1%	Growth Rate
Eugene	2007	$ 369,764,000	$ 7,395,280	$5,546,460	$4,622,050	$3,697,640	
	2012	$ 417,750,000	$ 8,355,000	$6,266,250	$5,221,875	$4,177,500	12.98%
Springfield	2007	$ 120,726,000	$ 2,414,520	$1,810,890	$1,509,075	$1,207,260	
	2012	$ 135,999,000	$ 2,719,980	$2,039,985	$1,699,988	$1,359,990	12.65%
Metro	2007	$ 490,490,000	$ 9,809,800	$7,357,350	$6,131,125	$4,904,900	
	2012	$ 553,749,000	$11,074,980	$8,306,235	$6,921,863	$5,537,490	12.90%

Comparison across methods

The three methods used to estimate prepared food tax revenue in Eugene resulted in very different numbers. Scaling up from Ashland gave us a 1.25% tax rate revenue estimate of $6,461,452, using comparably sized cities gave us an estimate of about $4,300,000, and census data predicted a revenue of approximately $5,200,000. Of these three methods I believe the comparably sized city is the best one, data are more up to date and disaggregated, and there are no assumptions of linear growth. This is also the most conservative estimate. When 2017 economic census data becomes available, they may be worth examining and an attempt to disaggregate accommodations and food services revenues can be made.

Evaluation of the Prepared Foods Tax & Recommendations

1. ***Equity (score 2):*** A prepared food tax is regressive in that the greater effective burden is borne by lower income individuals. It is not, however, as regressive as a general sales tax because it excludes necessities like groceries and other household goods. Furthermore, a prepared food tax does not follow the benefits received principle; especially for visitors, those paying the tax may not be benefiting from the enhanced transit service the tax pays for.

    - ***Recommendation 1:*** Make special accommodations for food purchased on educational campuses and in hospitals, where other options are limited.

2. ***Neutrality (score 3):*** A prepared food tax artificially influences the market by imposing an additional charge on prepared food and beverages. It is possible that consumers and businesses will make different decisions because of the tax. If businesses think their revenues will be negatively impacted, they may decide to locate somewhere without a prepared food tax. Consumers may decide to not go out to eat, avoiding the tax by preparing their own food.

- *Recommendation 2:* Levy the tax at the same rate across both Eugene and Springfield to minimize edge effects (option for Springfield to use revenue in an alternative way)

3. *Efficiency (score 3):* The wide use of prepared food taxes at varying rates and in both small and large jurisdictions is a testament to the tax's efficiency. There will be an adjustment period in which restaurants and other prepared food providers learn the rules and regulations behind the tax and adjust their purchase programming. Eugene and Springfield may need to hire additional staff to implement the tax and interface with LTD. Taxes can then be turned in every quarter, as is done in Ashland, or at the end of every month, as is done in the Virginia cities discussed earlier. The simplicity of a sales tax from a consumer viewpoint is also beneficial. The tax is easy to understand, there are no forms to file, and the small charge is relatively innocuous.

    - *Recommendation 3:* Allow business to retain 5% of tax revenue to cover administration costs.

    - *Recommendation 4:* Develop guidelines for what will and will not be taxed. For example, a bottle of soda purchased in the checkout line of a grocery store will not be taxed but a soda fountain purchased at a restaurant will.

4. *Productivity (score 4):* As was seen in Ashland and selected Virginia cities, a prepared food tax can generate substantial sums of money. Oregon is shifting from a resource to service economy, a sales tax on prepared foods would capture some of the growth in this rising sector while also setting a precedent for future tax revenues. A prepared food tax, like other consumption taxes, is procyclical, rising and falling with the business cycle. If jurisdictions rely too heavily on the tax or are too liberal with their revenue forecasting, they are at risk of incurring deficits during times of market contraction. Implementing this tax prior to the world track and field championships to be hosted in Eugene in 2021 could allow jurisdictions to capture considerable revenue from visitors during this massive event.

    - *Recommendation 5:* Understand the volatile nature of prepared food tax revenue and create contingency plans if yields unexpectedly drop.

MOTOR FUEL TAX

Motor Fuel Tax Overview

Currently, the City of Eugene collects a $0.05 tax on every gallon of motor fuel sold in the city. This is the second-highest local motor fuel tax in the state, after the City of Portland. As outlined in the most recently available CAFR, the City of Eugene collects approximately $3 million annually from this motor fuel tax (Figure A-7).

Figure A-7. City of Eugene Annual Motor Fuel Tax Revenues

Eugene $0.05 fuel tax per gallon											
Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2016-2018 Average
Fuel Tax Revenue	$2,976,107	$3,138,296	$3,118,882	$3,045,192	$2,908,491	$2,868,768	$2,996,958	$3,050,845	$3,081,192	$3,135,901	$3,089,313

Source: City of Eugene, Oregon. (2018) Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018.

If the city were to simply double to local fuel tax to $0.10 per gallon (matching that of Portland), an additional $3 million in revenue could be raised, assuming that motor fuel sales remain steady into the future.

Implementing an additional motor fuel tax in Eugene would likely come with political difficulty, especially if it was to fund transit. Furthermore, the motor fuel tax would be subject to market conditions and may not be a stable source of revenue during recessions and other economic downturns. The effect of the great recession on Eugene's motor fuel tax can be seen in the data presented in the latest available CAFR when revenue dipped below $3 million in 2013, 2014 and 2015.[46] Also, even though motor fuels are a relatively inelastic item for consumers, a motor fuel tax is regressive and disproportionately impacts lower income persons. Furthermore, neutrality of the market may be affected as consumers may choose to purchase motor fuels in neighboring cities such as Springfield. Finally, consumption of motor fuels will likely decline in the future due to more efficient cars and more electric vehicles, meaning that the City of Eugene may have to share revenue with the State of Oregon's vehicle miles traveled program.

Evaluation of the Motor Fuel Tax

1. ***Equity (score 4):*** An increase in the motor fuel tax in Eugene would generally be regressive in nature as it would disproportionally impact households of lower socioeconomic status. However, in terms of horizontal equity, a motor fuel tax is slightly better due to the fact that all consumers in the area will pay the same tax.

2. ***Neutrality (score 2):*** A higher motor fuel tax in Eugene is ranked below average when it comes to neutrality. The neighboring city of Springfield also has a motor fuel tax, but it is lower at $0.03 per gallon. A motor fuel tax of $0.10 may be acceptable for some consumers in Eugene, and it may push others to seek out cheaper motor fuels and therefore distort the market.

3. ***Efficiency (score 5):*** Increasing the motor fuel tax in Eugene would be incredibly efficient. The tax is already in place and would just require some small adjustments in order to start collecting it.

[46] City of Eugene, Oregon. (2018) Comprehensive Annual Financial Report, Fiscal Year Ended June 30, 2018. Retrieved from https://www.eugene-or.gov/DocumentCenter/View/44075/FY18-Comprehensive-Annual-Financial-Report

4. ***Productivity (score 3):*** The data from the last several years shows that the motor fuel tax in the City of Eugene has been overall reliable and stable. However, revenue may fluctuate with market conditions as was seen in the aftermath of the great recession. Furthermore, as vehicles become more efficient and also shift to electric power, a motor fuel tax may become a less-stable source of revenue in the future.

PARKING TAX

Parking Tax Overview

The parking tax is a selective sales tax on parking, often called a "parking tax," "parking occupancy tax," "parking surcharge," or "parking space rental tax." There are two types of parking taxes: (1) commercial parking tax or, (2) a per space or area levy that are described in greater detail below. Benefits with application of parking taxes vary by jurisdiction. In general, jurisdictions utilize a parking tax to as parking management tool, revenue generator, and/or to shift travel mode toward alternative modes of transportation to reduce congestion. Setting the tax rate depends on external costs to be covered (e.g. congestion, parking supply and demand).

1. ***Commercial Parking Tax:*** A commercial parking tax is imposed on user-paid parking transactions as an *ad valorem tax*. It can be structured as an excise tax associated with the rental of parking spaces, or as a gross receipts tax imposed on private employers that provide parking for employees or customers. As such, this type of parking tax can be implemented by parking operators or businesses, requiring maintenance of reliable records of taxable activity. Jurisdictions may require use of specific revenue control systems with receipts and recorded transactions; tax returns are generally filed monthly, quarterly, or annually based on receipts. Commercial parking taxes are primarily applied in downtowns and urban areas where there is a greater amount of priced parking.

2. ***Per Space or Area Levy:*** A per space or area levy is a special tax on parking facilities, either per-space/stall or by surface area. This type of parking tax can be applied to the number of parking spaces or the surface area of parking facilities. Implementation of a parking levy is like property taxes. It requires an inventory of parking spaces to be incorporated into property tax assessment rolls. Per space or area levies are generally applied to city-wide parking facilities but may also be applied within a geographic focus area such as a downtown or commercial district. Per space levies are more common outside of the U.S., ranging from $400 - $500 USD per space annually; primary examples include Sydney, Perth, and Melbourne, Australia.[47]

Examples of Parking Taxes

At least 49 U.S. cities impose a parking tax, ranging from 10% to 37.5%. Figure A-8 illustrates seven (7) example jurisdictions. In these cases, residential parking and on-street parking are exempt from the parking tax. Revenue generated from the parking tax is generally directed to

[47] Litman, Todd. (2013) "Parking Taxes: Evaluating Options and Impacts." Retrieved from https://www.vtpi.org/parking_tax.pdf

area-wide general services, or specifically for transportation in some cases. The example jurisdictions each outline guidelines and regulations for parking operators to implement and impose the parking tax on parking transactions at the specific tax rates. In some cases, the example jurisdictions require operators to be licensed or registered with the City.

Figure A-8. Comparison of Parking Taxes Across Jurisdictions, 2019

Berkeley, CA	The City of Berkeley imposes a Parking Space Rental Tax of 10% on all off-street, non-residential parking transactions. Revenues are deposited into the General Fund.
Los Angeles, CA	The City of Los Angeles imposes a 10% Parking Occupancy Tax on all parking transactions, excluding on-street and residential parking.
Bremerton, WA	The City of Bremerton imposes a 15% Commercial Parking Tax on commercial parking transactions, to be used explicitly for transportation.
Miami, FL	The City of Miami's Parking Surcharge Ordinance requires a 15% surcharge levied on the sale, lease, or rental of space at parking facilities to be deposited into the General Fund annually.
Oakland, CA	The City of Oakland imposes an 18.5% Parking Tax on all transactions for off-street parking. Revenues are deposited into the General Fund.
San Francisco, CA	The City of San Francisco imposes a 25% Parking Occupancy Tax on total parking transactions for all off-street, non-residential parking throughout the city. Ten percent of the total 25% is allocated to public transportation.
Pittsburgh, PA	The City of Pittsburgh's Parking Tax Regulations require a 37.5% parking tax for all non-residential parking transactions. In 2016, the City in addition to the Urban Development Authority released Parking Tax Diversion Guidelines to outline how revenues may be directed.

Calculating a Parking Tax in Eugene

The four options and calculations for implementing a parking tax in Eugene are described below.

1. ***Parking Tax – Applied to Publicly-Owned and Operated Parking Facilities (City-wide per Transaction, Off-Street and On-Street):*** Operation of the City of Eugene's city-wide parking system is projected to generate about $6.9 million in charges for service (i.e., parking transactions/fees) in 2020; these resources account for both off-street and on-street parking.[48] The off-street parking system includes surface lots and garages, whereas the on-street system includes meters, 2-hour signs, and residential parking permit zones. Adding a parking tax of 10% would generate $690,000, 15% would generate $1 million, and 20% would generate more than $1.3 million, if parking demand will remain relatively stable with increased parking costs (Figure A-9). These numbers do not reflect private, commercially owned and operated parking facilities.

[48] City of Eugene, Oregon, *FY20 Adopted Budget*, by Lucy Vinis, Mayor, Eugene, Oregon, 2019, https://www.eugene-or.gov/DocumentCenter/View/47638/FY20-Adopted-Budget, pg. 210.

Figure A-9. Parking Tax Option 1 (City-wide, per transaction; off-street & on-street)

Option 1	
City-wide, per transaction	
Off-street & on-street	
Tax Rate	***Annual Revenue***
10%	$690,000
15%	$1,000,000
20%	$1,300,000

2. ***Parking Tax – Applied to Publicly-Owned and Operated Parking Facilities (Downtown per Transaction, Off-Street):*** Alternatively, the City could focus its parking tax on a geographic area, such as downtown Eugene, and on a specific parking facility, such as off-street surface lots and garages. In turn, this could serve the City as a parking management tool in light of recent parking supply and demand challenges between off-street and on-street options. A 2006 parking needs assessment identified 15,520 parking spaces in downtown; of which, 5,000 are publicly owned off-street and on-street parking. The City projects a revenue generation of $3.3 million from its off-street parking system in 2020. Adding a parking tax of 10% would generate $330,000, 15% would generate $495,000, and 20% would generate $660,000, if parking demand remains stable (Figure A-10).

Figure A-10. Parking Tax Option 2 (Downtown, per transaction; off-street)

Option 2	
Downtown, per transaction	
Off-street only	
Tax Rate	***Annual Revenue***
10%	$330,000
15%	$495,000
20%	$660,000

3. ***Parking Tax – Applied to Privately-Owned and Operated Parking Facilities (Downtown per Space Levy, Off-Street):*** Another option is for the City to exclude publicly-owned and operated parking facilities, instead focusing on commercially-owned and operated parking facilities in the downtown area. Of the 15,520 parking spaces in downtown that were identified by the 2006 parking needs assessment, approximately 10,000 are free or paid commercial parking provided by private operators. If the City taxed $50 annually per space, the tax would produce $500,000 annually; or, $750,000 if taxed $75 annually per space or $1 million if taxed $100 annually per space (Figure A-11).

Figure A-11. Parking Tax Option 3 (Downtown, per space; off-street)

Option 3	
Downtown, per space	
Commercial only	
Levy Rate	***Annual Revenue***
$50	$500,000
$75	$750,000
$100	$1,000,000

4. ***Parking Tax – Combination of Publicly and Privately-Owned and Operated Parking Facilities in downtown (per transaction + per space):*** Because a majority of parking options in Eugene are off-street and downtown, it may be worthwhile to consider a parking tax combination that applies to publicly and privately-owned and operated public facilities in downtown (i.e., a combination of Options 2 and 3). This would exclude residential and on-street parking, and potentially influence private parking operators to price unpriced parking. At the lowest tier, the City could expect to generate $880,000 annually, $1.2 million annually, to $1.6 million at the highest tier (Figure A-12).

Figure A-12. Parking Tax Option 4 (Combination – parking tax + per space levy)

Option 4	
Downtown, per transaction + space	
Off-street & commercial	
Tax + Levy Rate	***Annual Revenue***
10% + $50	$830,000
15% + $75	$1,245,000
20% + $100	$1,660,000

Evaluation of the Parking Tax & Recommendations

1. ***Equity (score 2):*** In general, a parking tax may be considered more inequitable because it is not based on income of the customer utilizing the parking facility, and because it is applied limitedly to priced parking. If constrained further by geographic area (e.g. downtown), it may be inequitable to those that rely on driving to access jobs, goods, or resources in that geographic area. However, it is possible through tax reform to increase equity of parking taxes. In particular, the tax base should be broad and well-defined in order to evenly distribute the tax burden and to not facilitate competitive advantages of certain populations. Lastly, the revenues generated from a parking tax should cover external costs (e.g. congestion, air quality) and broadly benefit the community.

    - ***Recommendation 1:*** Implement and impose a parking tax that is applied to both publicly and privately owned and operated parking facilities.

    - ***Recommendation 2:*** Direct tax revenues generated toward efforts to mitigate external costs of driving, such as public transportation improvements.

2. ***Neutrality (score 2):*** A parking tax will increase the cost of parking. In turn, this may result in parking demand changes. Drivers may be influenced to shift modes of transportation, choose different destinations, and/or decide to park for shorter durations. Even more, a parking tax that is applied in one area may cause spillover effects whereby business activity and parking demand shifts to other areas where parking is cheaper or free.

    - ***Recommendation 3:*** The City should confirm that its parking prices – both on-street and off-street parking – adequately reflect market rates.

- *Recommendation 4:* The parking tax should be part of a system-wide parking and travel demand management program; if possible, the parking and travel demand management program should be coordinated across the region to ensure that land use, travel or economic impacts (e.g. sprawl) are addressed.

3. *Efficiency (score 3):* Administration costs of a parking tax is likely to be small to moderate and fall directly on parking operators to either absorb or transfer. This may require that operators use new accounting systems to meet City accounting requirements for reliable records or taxable activity. For the City, there may be additional operating costs for employees to collect, monitor, and enforce the tax.

    - *Recommendation 5:* The City should work with parking operators to ensure that regulations, procedures, and policies are efficient and fair.

    - *Recommendation 6:* The City should require that operators use new accounting systems that meet the City's accounting requirements.

4. *Productivity (score 2):* The predictability and stability of a parking tax is variable, likely moderate to low predictability and stability. This is generally because parking tax revenue is vulnerable to fluctuations in business activity, employment, and parking rates. In addition, tax returns may be collected at different intervals (e.g. monthly, quarterly, or annually). The productivity can be further impacted where only a portion of parking activity is taxed.

    - *Recommendation 7:* The City should require that operators transfer implementation and administration costs to the customers.

    - *Recommendation 8:* The City should establish an evaluation program that analyzes the impacts of the parking tax on parking supply and demand, pricing, business activity, congestion, and other spillover effects.

PAYROLL TAX

Calculating estimated revenue from an increase of LTD's payroll tax

A sensitivity analysis was utilized to estimate revenue from a greater increase of LTD's payroll tax rate. The normal payroll tax rate increase is .001% annually. Average total revenue from payroll tax from FY16-18 was approximately $36.32 million. Multiplying this average payroll tax revenue amount by 5% reflects a 5% increase of the normal .001% increase, which would be a .00105%

annual increase. This would generate an estimated additional revenue of $1.81 million. However, the payroll tax hasn't increased more than .001% since 2007.[49]

Figure A-13. Revenue from LTD payroll tax 2011-2018 [50]

Fiscal Year	Employer	Self-employment	Total	% Change Total Revenue	% of Revenues
2011	$22,197,770	$1,440,902	$23,638,672	4.0%	51%
2012	$23,047,471	$1,507,575	$24,555,046	3.9%	51%
2013	$24,891,777	$1,576,626	$26,468,403	7.8%	50%
2014	$25,374,737	$1,647,329	$27,022,066	2.1%	50%
2015	$30,981,560	$1,673,967	$32,655,527	21.0%	54%
2016	$34,394,558	$1,902,866	$36,297,424	11.0%	57%
2017	$32,827,455	$1,973,365	$34,800,820	-4.0%	62%
2018	$35,797,722	$2,072,662	$37,870,384	9.0%	62%

Evaluation of the Employer/Self-Employment Payroll Tax

1. Equity (score 2): The increase in the payroll tax rate would perform well in regard to horizontal equity in that people with similar income and living situations would pay relatively the same amount in taxes unless they are eligible or apply for a waiver. For example, public school districts are exempt from this payroll tax. However, this payroll tax performs poorly along the benefits received principle as it taxes a significant amount of people who do not utilize LTD's services.

2. Neutrality (score 3): A payroll tax increase may impact decisions of producers, consumers and business within LTD's service area. However, LTD historically has collected a payroll tax since the 1970s, so forecasts of potential impact on the private market could be completed as part of the decision-making process.

3. Efficiency (score 5): The payroll tax performs very well along the efficiency criteria. LTD defers collection of tax to the Oregon State Department of Revenue. Administrative costs associated with collection are relatively low (FY18: $551,892, FY17: $391,988) in comparison to yield.

4. Productivity (score 4): Revenue from the payroll tax is relatively predictable and stable in comparison to other revenue sources. Accurate forecasting is required to estimate yield based on a variety of factors including service area population forecasts along with total wages earned.

[49] Lane Transit District (LTD). (2018). *Lane Transit District Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2018 and 2017.* Retrieved from https://www.ltd.org/comprehensive-annual-financial-reports/

[50] Lane Transit District (LTD). (2018). *Lane Transit District Comprehensive Annual Financial Report Fiscal Years Ended June 30, 2018 and 2017.* Retrieved from https://www.ltd.org/comprehensive-annual-financial-reports/

USER FARES

Estimating Additional Revenue from an LTD Fare Increase

From 2016 through 2018, LTD collected fare revenue of an average of $7.1 million annually. A sensitivity analysis shows how increases of 10%, 25% and 50% would affect fare revenue, assuming that ridership remains steady as shown below (Figure A-14).

Figure A-14. Projected Revenue Increases for LTD Fares

LTD Fares (2016-18 Average)	Projected revenue with 10% fare increase	Projected revenue with 25% fare increase	Projected revenue with 50% fare increase
$7,093,032	$7,802,335	$8,866,290	$10,639,548
Additional revenue:	$709,303	$1,773,258	$3,546,516

Evaluation of LTD Fare Increase

1. ***Equity (score 5):*** While an increase in user fares is overall regressive, it is still ranked higher in terms of equity due to the benefits received principle and the fact that it is equally applied and ranking highly in horizontal equity.

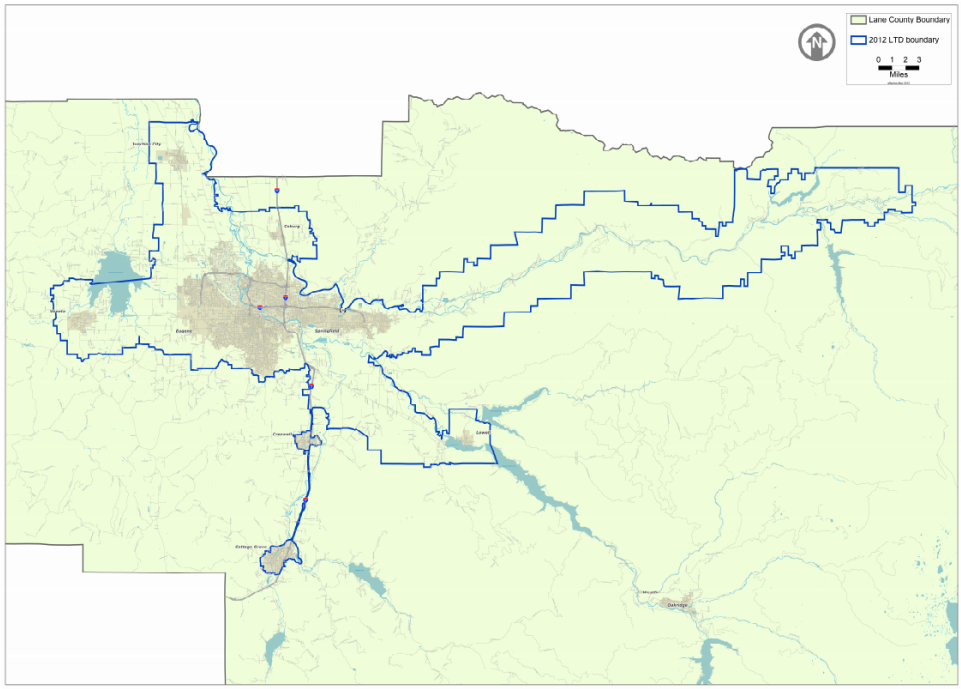
2. ***Neutrality (score 1):*** A significant increase in LTD's fares may distort ridership numbers substantially as people seek other transportation options.

3. ***Efficiency (score 5):*** Any increase in LTD fares would be incredibly easy to administer for LTD, especially now that the bus system is transitioning to contact card fares rather than cash or printed passes.

4. ***Productivity (score 3):*** Bumping up fares on LTD's system is right in the middle when it comes to productivity. However, ridership may decline with a fare increase which would reduce overall productivity going forward.

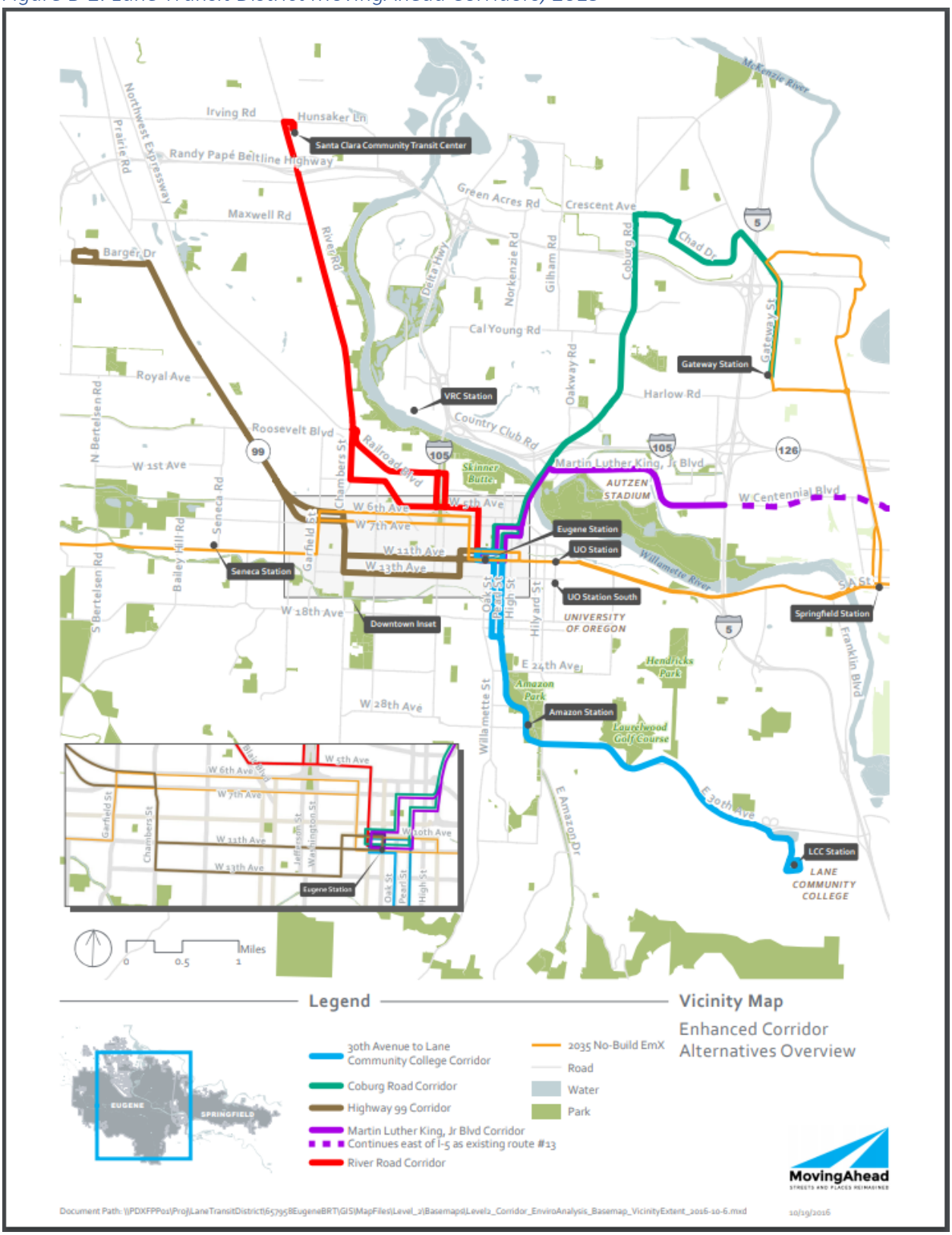
APPENDIX B – LANE TRANSIT DISTRICT

Figure B-1. Lane Transit District Service Area Boundary Map, 2012



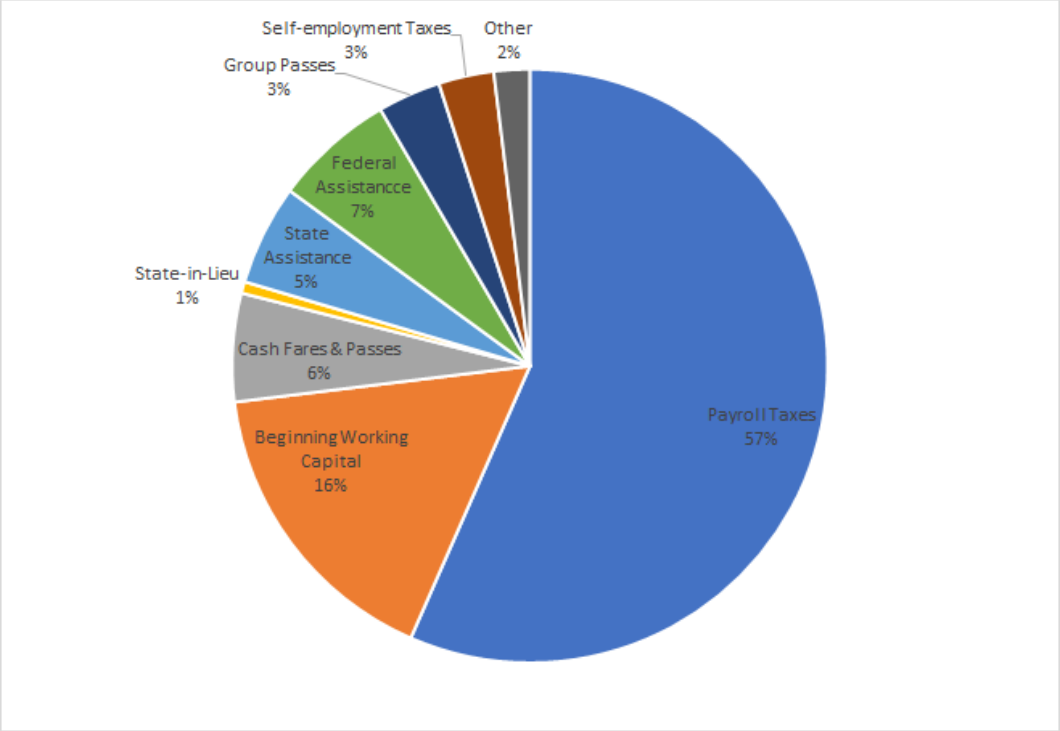
Source: Lane Transit District Boundaries, 2012 https://www.ltd.org/ltd-ordinances/

Figure B-2. Lane Transit District MovingAhead Corridors, 2019



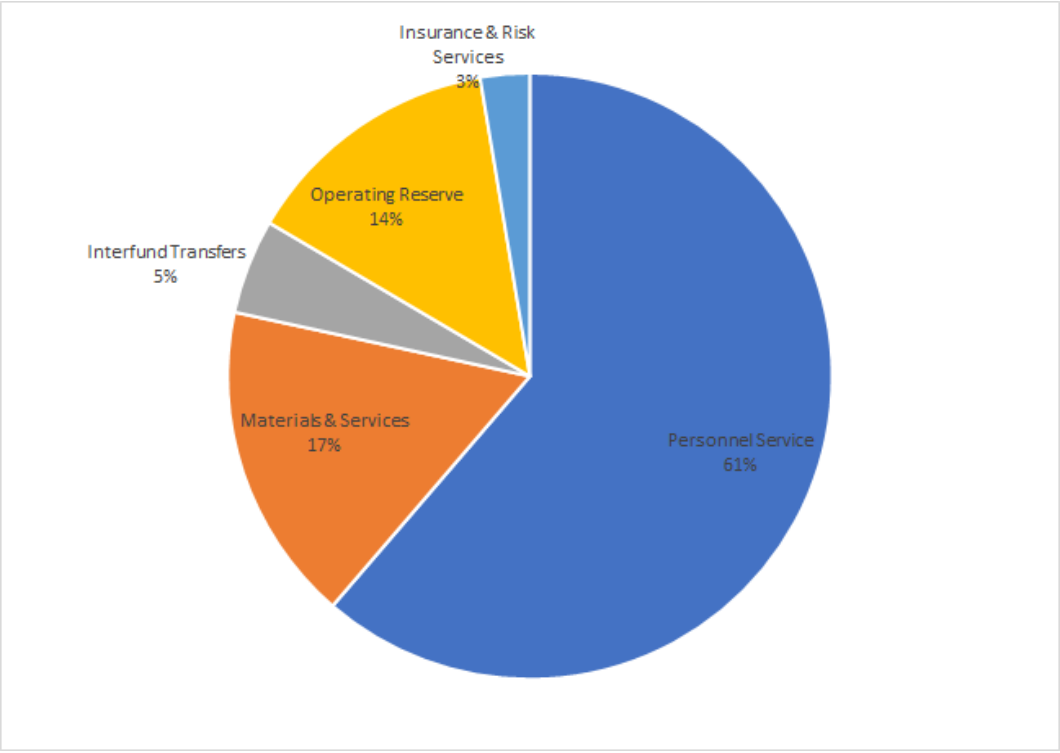
Source: http://www.movingahead.org/wp-content/uploads/2015/03/Level2_Corridor_EnviroAnalysis_Basemap_VicinityExtent_EC-DOWNTOWN.pdf

Figure B-3. Lane Transit District, General Fund Resources FY 2019 – 2020 ($63,971,785)



Source: Lane Transit District 2019-2020 Adopted Budget, p.11

Figure B-4. Lane Transit District General, Fund Expenditures, FY 2019 – 2020 ($63,971,785)



Source: Lane Transit District 2019-2020 Adopted Budget, p.11

Appendix C – Case Studies

OVERVIEW

Transportation operations of five jurisdictions were analyzed; each case study is presented below, and key characterizes are listed in Figure C-1. Overall, the case studies resulted in five general recommendations for LTD to consider in its identification of alternative funding options. Recommendations are as follows.

1. Avoid Reliance on State and Federal Assistance. On average, approximately 69% of GBT's operating activities were funded by state grants from 2013 to 2017. In comparison, state and federal funding account for 86% of Anchorage PTD's operating revenue sources for 2019. This overreliance on outside sources opens the jurisdictions to vulnerabilities in economic cycles on both the state and federal levels. For example, the State of Alaska is in a position where it is unable to assist at the same levels as previous years, transferring specific cots to local jurisdictions. Rising fuel costs in Alaska as a result of statewide oil prices plummeting is one example of how the instability of an economic cycle can impact public transportation services; the Municipality of Alaska responded with raising fares and seeking grant funding.

2. Ensure Pricing Strategies for Fares are Competitive. GBT's average cost per trip for its fixed route of $3.60 seems to be substantially less for fixed route services in comparison to LTD and other transportation systems. GBT has seen its ridership peak at 6 million in 2015, followed by steady decline to 5.2 million in 2018, which indirectly impacts operating revenue sources. GBT has attempted to increase user fees to offset costs; however, 90-minute and 1-day passes remain at $1.75 and $4.00 respectively from 2010 to 2019. Instead, GBT has focused on increasing fares for 7-day ($17.50) and 31-day ($70) unlimited passes. While GBT's daily fares are much lower than LTD's, its longer-term fares are significantly higher.

3. Take Large Transit Projects to Voters. When the City of Tucson and the region sought funding to improve transportation, voters overwhelmingly approved a half-cent excuse tax to fund the improvements and create the Regional Transportation Agency. While a sales/excise tax may appear to be politically infeasible in Oregon, it may be in the best interests to gauge voter sentiment within LTD's service area and then ask for voter approval to fund transportation improvements in the future.

4. Avoid Too Many Debt Obligations. The City of Tucson devotes 9% of its budget to debt obligations in the amount of $135 million. Furthermore, the Regional Transportation Authority of Pima County had over $211 million in liabilities as of June 30, 2018, the majority of which were bonds. The RTA ended the fiscal year a net position of negative $119 million. Even more, according to the Delaware's State budget, 50% of the DTC's

budget goes toward debt obligations for a Transportation Trust Fund.[51] While the prospect of improving public transportation and services in the LTD service area is appealing, LTD should move slowly and ensure that funding is secured before embarking on large projects and service upgrades that may impact its future debt obligations. In addition, LTD should consider how the selection of funding strategies may affect ability for debt service (e.g. payroll taxes and potential for economic cycle vulnerabilities).

5. **Keep an Eye on Transit on the Move.** The Municipality of Anchorage is undergoing a short-range transit planning process, Transit on the Move, that is evaluating current operations and service levels of the transportation system. The intention of this process is to identify changes to route alignments, schedules, service hours, and bus stops over the next three to five years. Transit on the Move began in Fall 2018 with project scoping, followed by baseline analysis, establishment of needs, values, and objectives, and is currently developing a project list based on public feedback and involvement. Operational restructuring will likely follow, which will have implications for funding allocations.

[51] Delaware House Bill NO. 225, by Delaware House of Representatives, 2019, p. 42 http://legis.delaware.gov/BillDetail?legislationId=47647 (Accessed November 13, 2019)

Figure C-1. Key Characteristics of case study jurisdictions

	Governance Structure	Population/ Geography	Services Offered	Total Budget	Revenue Sources	Expenditure Categories
Anchorage Public Transportation Department	City Department	298,225/ 77 sq. miles	• Fixed Route • Paratransit • Rideshare	$23.6 million	• Program Generated Revenue • State & Federal Assistance	• Personnel • Benefits • Materials Supplies
Greater Bridgeport Transit Authority	Special District	930,000/ 104 sq. miles	• Fixed Route • Paratransit • Coastal Link	$25 million	• Program Generated Revenue • State & Federal Assistance	• Personnel • Benefits • Materials Supplies
Delaware Transit Corporation	Operating Division of State Transportation Department	952,064/ 1,949 sq. miles	• Fixed Route • Intercounty • Seasonal • Paratransit	$186 million	• Program Generated Revenue • Transfers • Federal Assistance	• Personnel • Capital • Professional Services
Tucson Department of Transportation	City Department / Special District	520,116/ 227.7 sq. miles	• Fixed Route • Paratransit • Streetcar	$332 million	• Excise tax • General fund • State gasoline tax	• CIP • Contracted labor

CASE STUDIES

Anchorage Public Transportation Department

1. OVERVIEW

The purpose of this memo is to describe and evaluate the fiscal provisions of public transportation operations in the Municipality of Anchorage, Alaska. In particular, this memo focuses on the Anchorage Public Transportation Department (PTD) and its governing structure, services, revenues, and expenditures to provide points of consideration for the Lane Transit District (LTD) of the Eugene-Springfield Metropolitan Area. Anchorage's PTD was selected by the LTD for a case study due to comparable ridership and operating costs when adjusted for scale, and because both jurisdictions face limitations in applicable tax revenues by absence of general sales taxes. This memo concludes with key takeaways from the analysis for LTD.

2. BACKGROUND

2.1. Community Context

The municipality of Anchorage is a consolidated city-county located in the southcentral part of Alaska and covers a land area of approximately 1,958 square miles – the "Anchorage Bowl" (See Figure 1. Vicinity Map in Appendix A).[52] Anchorage is the most populous city in Alaska with approximately 298,225 residents, experiencing an estimated 2% increase since 2010.[5354] Major employment sectors are: health care, tourism, construction, and transportation.[55]

2.2. Governance Structure

The Municipality of Anchorage operates under a strong mayor form of government. The Mayor appoints a Municipal Manager to head the departments and run day-to-day governmental activities.[56] Public Transportation in Anchorage is operated by the Municipality's Public Transportation Department (PTD), which is overseen by the Municipal Manager. The PTD comprises four divisions: (1) Administration, (2) Marketing and Customer Service, (3) Program Planning, and (4) Transit Operations and Maintenance (See Figure 2. PTD Organizational Structure in Appendix B-1). In addition, there is a nine member Public Transit Advisory Board that is tasked with working with the Municipality toward the creation of a balanced public transit system. Responsibilities range from recommendations for levels of service, fares, budget, investment and development of transit facilities and corridors, to promoting the use of transit.[57]

52 Municipality of Anchorage, Alaska, *2020 Proposed General Government Operating Budget and Six Year Fiscal Program*, by Ethan Berkowitz, Mayor, Anchorage, Alaska, 2019, http://www.muni.org/Departments/budget/operatingBudget (Accessed October 20, 2019).
53 U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates (B01003).
54 U.S. Census Bureau, Profile of General Population and Housing Characteristics: 2010 (DP-1).
55 Municipality of Anchorage, Alaska, *2020 Proposed General Government Operating Budget and Six Year Fiscal Program.*
56 Municipality of Anchorage, Alaska, *Charter: Article V*, Anchorage, Alaska, 2019, https://library.municode.com/ak/anchorage (Accessed October 20, 2019).
57 Municipality of Anchorage, Alaska. "PTAB Member Responsibilities." http://www.muni.org/Departments/transit/Pages/PTABMemberResponsibilities.aspx (Accessed November 7, 2019).

2.3. Public Transportation – Services

There are three types of public transportation services offered by the PTD: (1) People Mover is the fixed-route service; (2) AnchorRIDES is the paratransit service for senior citizens (60+) and people with disabilities; and, (3) RideShare is the carpool/vanpool matching service.

Source: Visit Anchorage Alaska, www.anchorage.net

People Mover is the largest public transit service in Alaska. The service averages 12,000 daily trips and 2.1 million traveled miles annually; in 2018, there were 3.2 million total riders, traveling a total 2.4 million miles.[58][59] The fleet includes 52 buses that travel fixed routs serving Anchorage, South Anchorage, and Eagle River, with a transit center in downtown. There are 14 routes: four "frequent," four "standard," four "neighborhood," and two "commuter." Smaller buses serve neighborhood and commuter routes to cut back on costs in light of lower ridership. Buses have headways between 15 and 60 minutes.

Source: Alaska Channel, www.alaskachannel.com

AnchorRIDES is a paratransit service of 46 vehicles that provides accessible transportation throughout the municipality for those unable to use People Mover. Paratransit services are available for the disabled, senior citizens (60+), and those eligible for Medicaid Waivers through the State of Alaska. Anchorage contracts with the national private transportation service firm, MV Transportation, to provide this service.

[58] Municipality of Anchorage, Alaska. "Public Transportation Department." https://www.muni.org/Departments/transit (Accessed November 7, 2019).

59 Municipality of Anchorage, Alaska, *2018 Comprehensive Annual Financial Report,* by Ethan Berkowitz, Mayor, Anchorage, Alaska, 2018, http://www.muni.org/Departments/finance/controller/CAFR/2018%20CAFR.pdf, pg. 228. (Accessed November 7, 2019).

Source: AK RideShare, www.facebook.com

RideShare provides subsidies and car matching services for carpool or vanpool groups of five to 14 riders to commute or travel together by car or van. Since 2016, COMMUTE with Enterprise manages and operates rideshare services for the municipality. Qualifying members have access to benefits, including but not limited to driver safety training, auto liability insurance, ride-matching support, Guaranteed Ride Home Program, and monthly subsidy incentives.[60] There are 76 vehicles available in Anchorage.

The geographic extent of these services largely relies on the People Mover fixed route, which reaches 77 of the nearly 2,000 square miles of the municipality (See Figure 3. People Mover Transit Map in Appendix B-1). The geographic extent of the paratransit and carpooling services are also dependent on demand for the services. Given the land area of the municipality, several neighborhoods do not have any public transportation service.

3. FISCAL PROVISIONS

Anchorage operates under a service area concept, by which goods and services are accounted for by separate appropriations and sub-funds in the Operating Budget. Anchorage Municipal Charter Section 27.40.010 – Areawide powers, generally grants power to exercise public transportation on an areawide basis. As such, public transportation falls within the General Areawide Fund of the Operating Budget. PTD's budget process is therefore part of the Municipality's annual budget process, following a January to December Fiscal Year. Departmental budget requests are submitted in June, concluding in September with a compilation and prioritization of requests by the Mayor to balance the budget. The approval process is then carried out through December, with final approval by appropriation.

3.1. General Areawide Fund

The General Areawide Fund was appropriated $136.7 million in 2019, or 27% of the $515 million Operating Budget. Public transportation was appropriated $23.6 million, or 15% of the Areawide General Fund.[61] Taxes and user fees are the major revenue sources for the Areawide General Fund, accounting for nearly 85% of revenue (See Figure 4. General Areawide Fund Revenue Sources in Appendix B-1). Transit advertising fees, bus pass sales, fare box receipts, and sales of publications are considered fees and charges for services. Of the taxes, utility and enterprise service assessments (28%) accounted for the largest revenue sources, followed by the tobacco (23%), fuel excise (15%), and auto taxes (14%).

60 Municipality of Anchorage, Alaska. "RideShare." http://www.muni.org/Departments/transit/ShareARide/Pages/default.aspx (Accessed November 7, 2019).
61 Municipality of Anchorage, Alaska, *2019 Approved General Government Operating Budget and Six Year Fiscal Program*, by Ethan Berkowitz, Mayor, Anchorage, Alaska, 2018, http://www.muni.org/Departments/budget/operatingBudget (Accessed November 7, 2019).

3.2. Revenue Sources

The General Areawide Fund revenue sources only partially covers public transportation costs; the PTD is primarily funded by federal and state grants (See Figure 5. Public Transportation Department Revenue Sources in Appendix B-1). General Areawide revenue sources for the PTD are rereferred to as "Program Generated Revenue" and include Sale of Publications, Transit Advertising Fees, Transit Bus Pass Sales, Transit Fare Box Receipts, and Build America Bonds Subsidies, described in greater detail below (Figure 6. Program Generated Revenue Sources). These sources totaled $3.3 million in 2019; cash fares and passes totaled $3 million, followed by advertising fees at $260,000 and sales of publications at $4,000. In comparison, federal and state assistance accounted for $20.5 million in 2019 for transportation planning, senior transportation, vehicle maintenance, and marketing.[62] As the State of Alaska faces budget cuts due to falling oil prices, municipalities are increasingly required take on costs in light of declining state assistance. This transition of fiscal responsibility will likely impact public services, such as transportation. For example, the Municipality raised fare prices in July 2019 to account for fuel cost increases.

Figure 6. Program Generated Revenue Sources

Sale of Publications:	Fees charged for the sale of maps and publications to the public. The People Mover Annual Ride Guide ($1.00) is an example of publications for sale.
Transit Advertising Fees:	Fees for advertising posted on public transit coaches. Advertising fees include painting plus advertising costs for advertisements on People Mover (exterior, interior, or full wrap) or AnchorRIDES (exterior). Sales are coordinated by Alaska Channel, a sales company that also concessions with area airports and the Convention Center.
Transit Bus Pass Sales:	Fares collected from People Mover passengers for the sales of daily, weekly, monthly, or annual passes. As of July 2019, a Day Pass is $5.00, Weekly Pass is $26.00, Monthly Pass is $60.00, and an Annual Pass is $660.00.[63] Those eligible for Half Fare include seniors (60+), youth (5-18), and Medicare Card holders.
Transit Fare Box Receipts:	Fares collected from People Mover passengers through fare box collections of cash. Riders are required to pay a fare each time they board a bus. Half Fare single rides and day passes can be purchased at the fare box for same-day trips.
Build America Bonds Subsidy:	A federal subsidy that helps state and local governments pursue needed capital products which build infrastructure and create jobs. Subsidies directly fund transit administration.

Source: Municipality of Anchorage, Alaska, 2019 Approved General Government Operating Budget and Six Year Fiscal Program

[62] Municipality of Anchorage, Alaska, *2019 Approved General Government Operating Budget and Six Year Fiscal Program.*

63 Municipality of Anchorage, Alaska, *2019-2020 Ride Guide,* by the Public Transportation Department, Anchorage, Alaska, 2019. 2019).http://www.muni.org/Departments/transit/PeopleMover/Documents/%212019%20Service%20Change/2019%20Ride%20Guide%20for%20web%28v2%29.pdf. (Accessed November 7, 2019).

3.3. Expenditure Categories

Expenditure categories of public transportation operational services include Personnel, Supplies, Travel, Contractual/Other Services, Equipment/Furnishings, and Debt Service. In 2019, personnel accounted for the largest expenditure at $16.5 million or 70%, followed by Contractual/Other Services (17%), and Supplies (10%) (See Figure 7. Expenditure Categories in Appendix B-1). Although the budget does not specify, Contractual/Other Services is likely for the AnchorRIDES and RideShare services. As of 2019, Anchorage PTD consists of 165 full-time employees – a 12% increase from 2017 and 2018. The largest increase of employees was for bus operators, accounting for 73% of employees. The increase was due to expansion of neighborhood routes; the budget narrative states that operation costs for increased personnel would be covered by fare increases and grant funding.[64]

3.4. Capital Projects and Bonds

The PTD received $1.5 million in general obligation bonds and $8.7 million from the federal government in 2019 for capital improvement projects for 2020 – 2024. [65] Bonds were largely appropriated for ITS/Automated Operating Systems, Transit Facility Rehab/Upgrades, and Transit Fleet Vehicle Replacement, serving as matching to federal funds. The suite of projects were part of a safety and transportation bond approved by voters in 2019.[66] The proposition estimated a property tax rate of $1.34 per $100,000 in assessed property value.[67] ITS/Automated Operating Systems received a majority of investment to upgrade PTD's hardware and software for future operational needs. Overall, it may be worthwhile to revisit the progress of this suite of projects for future enhancements to operational capacity.

4. SIGNIFICANCE TO LANE TRANSIT DISTRICT

Despite similarities of LTD and PTD, analysis of PTD's fiscal provisions did not result in alternative revenue sources to recommend to LTD. However, in addition to the information provided, there are two key takeaways for LTD to consider as it continues to determine fund sources for its needs.

A. **Avoid overreliance on grant funding.** Anchorage's PTD largely relies on federal and state funding, with minimal Areawide General Fund assistance. This overreliance may diminish the PTD's ability to be self-reliant, opening the Municipality to vulnerabilities in economic cycles on both the state and federal levels. For example, the State of Alaska is in a position where its unable to offer assistance at the same levels as previous years, transferring specific costs to local jurisdictions. Rising fuel costs as a result of statewide oil prices plummeting is one example of this shift impacting public transportation services, by which the Municipality raised People Mover fares and sought grant funding to cover increases in operational costs.

[64] Municipality of Anchorage, Alaska, *2019 Approved General Government Operating Budget and Six Year Fiscal Program*.
[65] Municipality of Anchorage, Alaska, *2018 Adopted Capital Improvement Budget*, by Ethan Berkowitz, Mayor, Anchorage, Alaska, 2018, http://www.muni.org/Departments/budget/capitalbudgets (Accessed November 7, 2019).
[66] Municipality of Anchorage, Alaska, *2018 Adopted Capital Improvement Budget.*
[67] Municipality of Anchorage Alaska, Regular Election April 2, 2019 – Official Ballot, by Barbara A. Jones, Municipal Clerk, Anchorage, Alaska, 2019, http://www.muni.org/Departments/Assembly/Clerk/Elections/. (Accessed November 7, 2019).

B. **Keep an eye on Transit on the Move.** The Municipality is undergoing a short-range transit planning process, Transit on the Move, that is evaluating current operations and service levels of the transportation system. The intention of this process is to identify changes to route alignments, schedules, service hours, and bus stops for People Mover, AnchorRIDES, and RideShare over the next three to five years. Transit on the Move began in Fall 2018 with project scoping, followed by baseline analysis, establishment of needs, values, and objectives, and is currently developing a project list based on public feedback and involvement (See Figure 8. Project Timeline in Appendix B-1). Operational restructuring will likely follow, which will have implications for funding allocations.

Overall, the Anchorage PTD case study does not provide useful strategies for fiscal provisions for the LTD to consider. Though, the recent planning efforts by the PTD for system changes and expansion in addition to ongoing capital projects to increase capacity may prove helpful. Results from these efforts are likely to be available after 2024.

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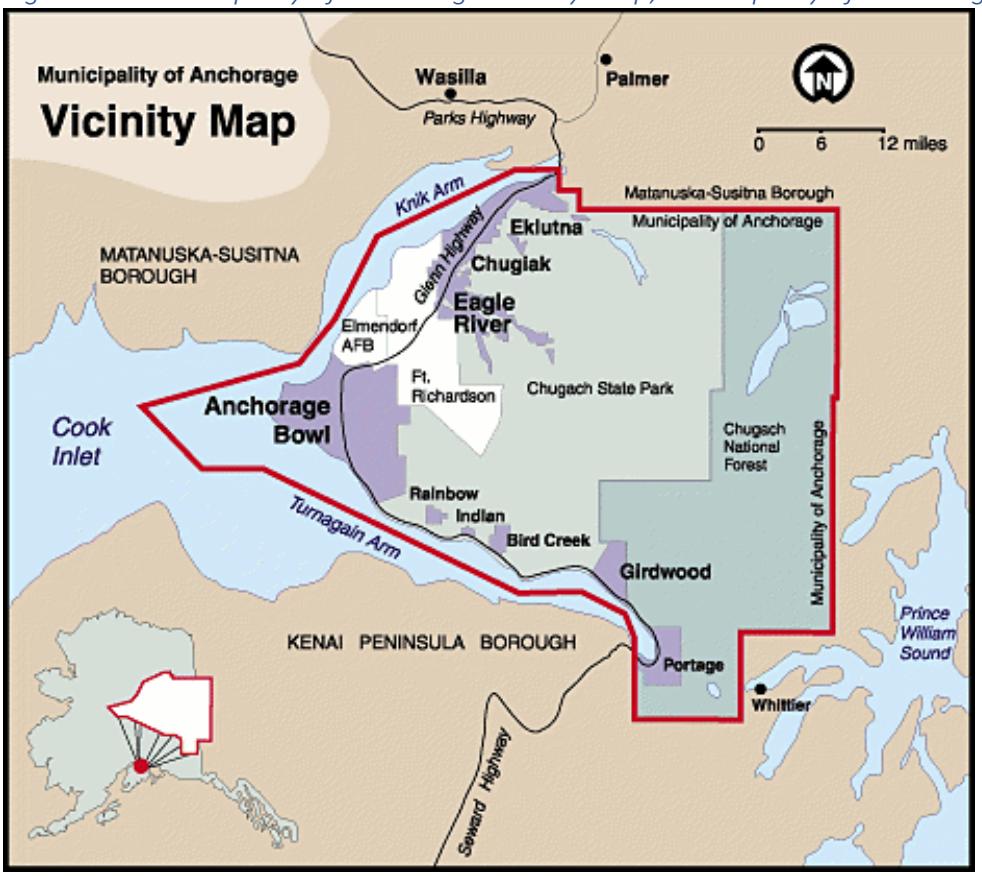
Municipality of Anchorage, Alaska. "RideShare." http://www.muni.org/Departments/transit/ShareARide/Pages/default.aspx (Accessed November 7, 2019)

U.S. Census Bureau, 2013-2017 American Community Survey 5-Year Estimates (B01003)

U.S. Census Bureau, Profile of General Population and Housing Characteristics: 2010 (DP-1)

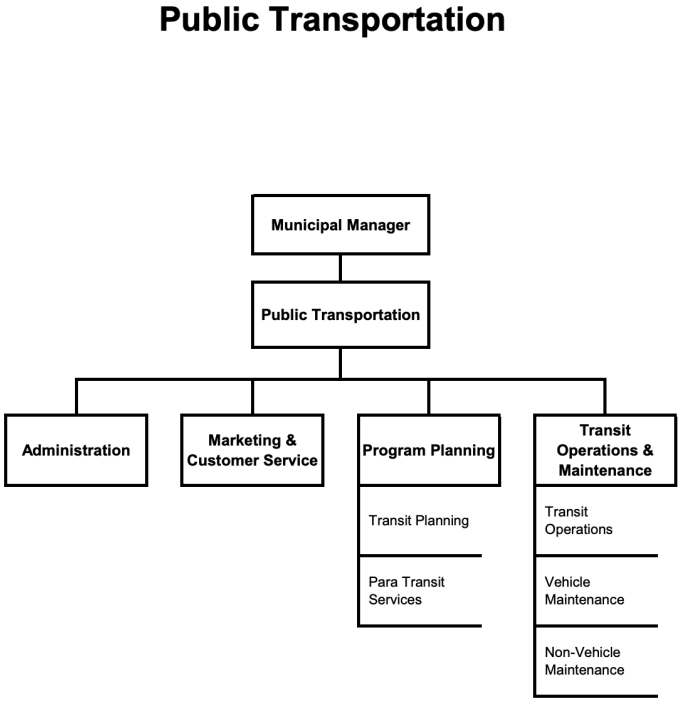
Appendix C-1

Figure C-1. Municipality of Anchorage Vicinity Map, Municipality of Anchorage, Alaska, 2019



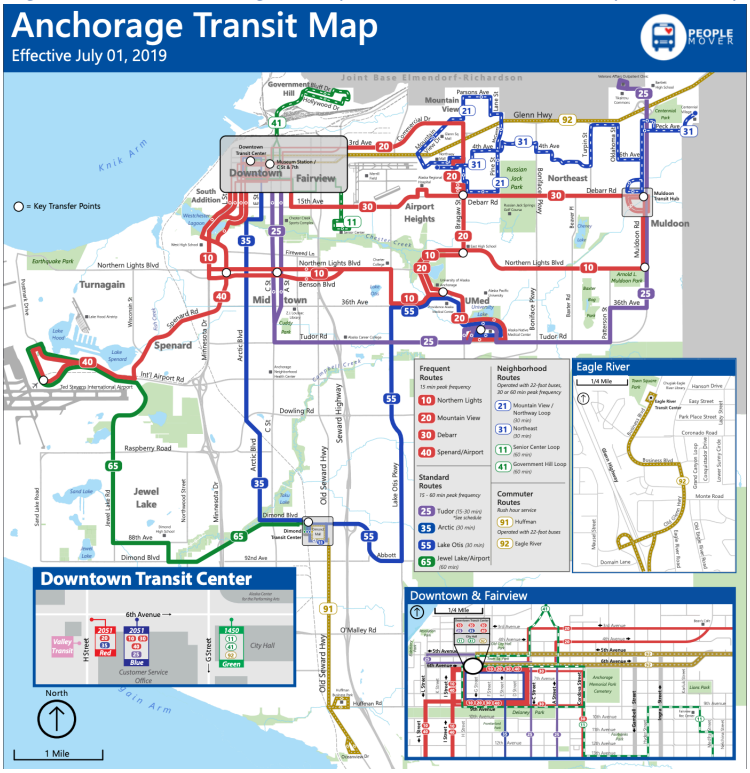
Source: www.tourmaps.com/amchorage-municiaplity-map.html

Figure C-2. Municipality of Anchorage, PTD Organizational Structure, Municipality of Anchorage, Alaska, 2019



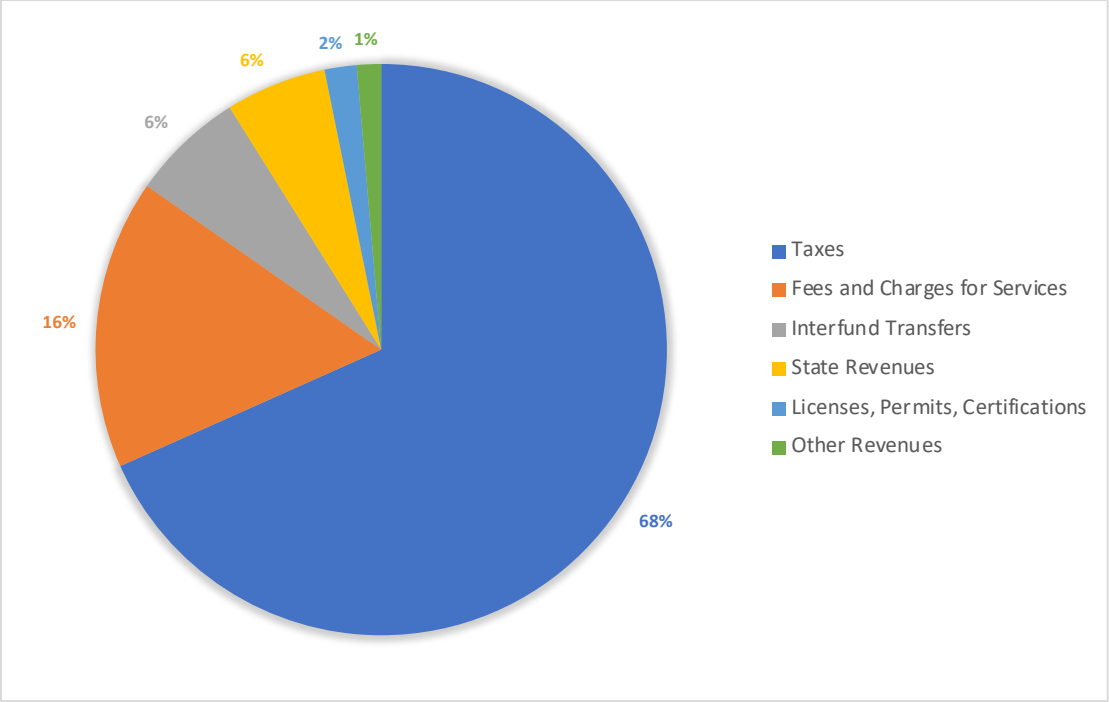
Source: Municipality of Anchorage, Approved Operating Budget 2019

Figure C-3. Anchorage People Mover Transit Map, Municipality of Anchorage, Alaska, 2019



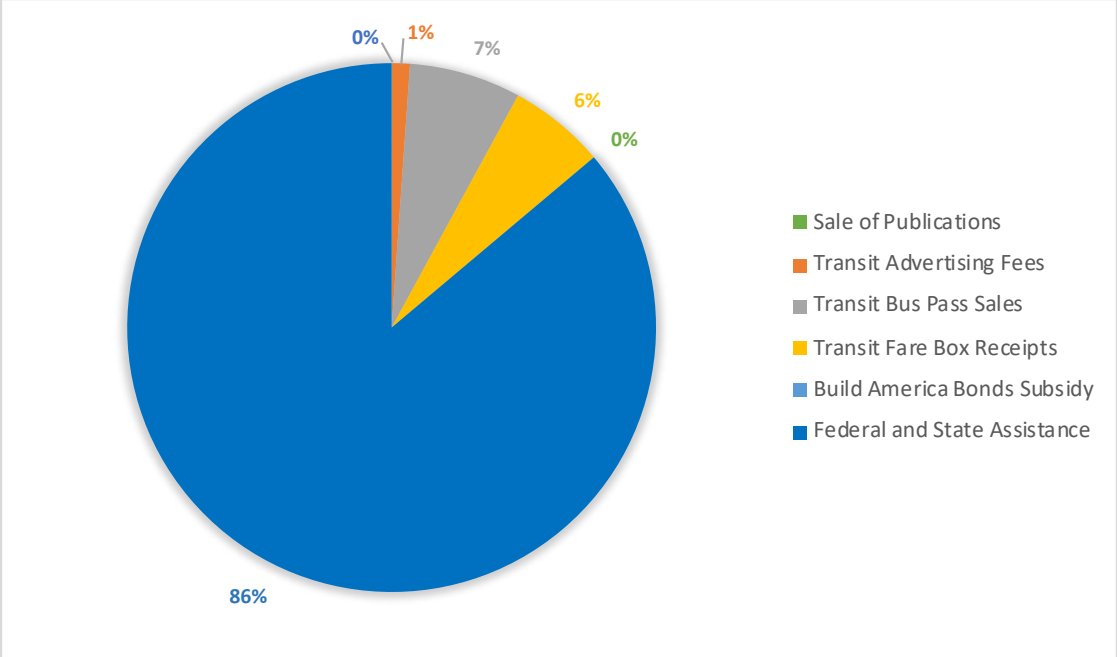
Source: Municipality of Anchorage, Proposed Operating Budget 2020-2021

Figure C-4. General Areawide Fund - Revenue Sources, Municipality of Anchorage, Alaska, 2019



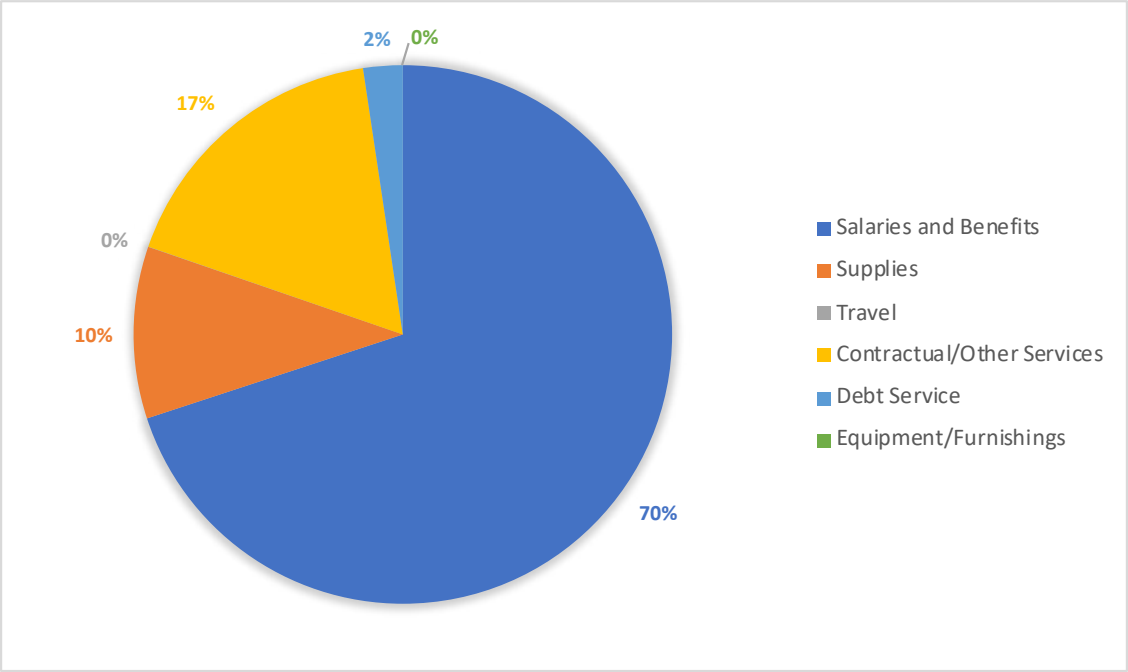
Source: Municipality of Anchorage, Approved Operating Budget 2019

Figure C-5. Municipality of Anchorage, Public Transportation Department Revenue Sources, Municipality of Anchorage, Alaska, 2019



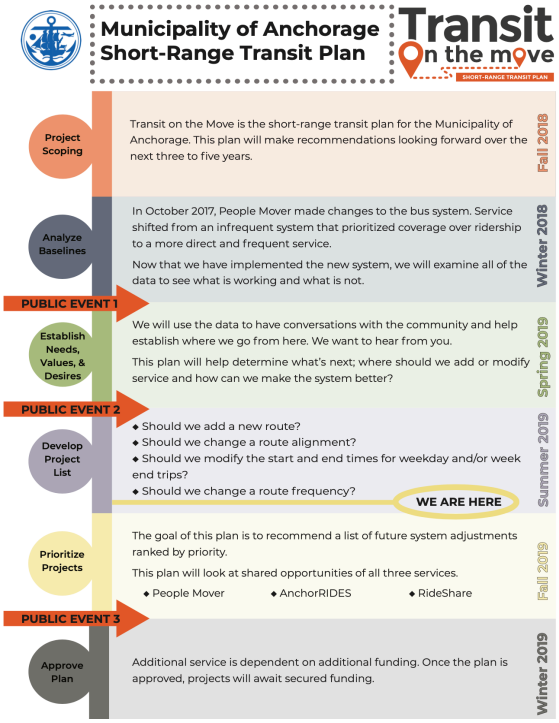
Source: Municipality of Anchorage, Approved Operating Budget 2019

Figure C-6. Municipality of Anchorage, Public Transportation Department Expenditure Categories, Municipality of Anchorage, Alaska, 2019



Source: Municipality of Anchorage, Approved Operating Budget 2019

Figure C-7. Municipality of Anchorage, Public Transportation Department – Transit on the Move Project Timeline, Municipality of Anchorage, Alaska, 2019



Source: Municipality of Anchorage, Public Transportation Department, Transit on the Move

Greater Bridgeport Transit

1. OVERVIEW

Lane Transit District (LTD) in partnership with the University of Oregon are looking for innovative practices that will help solve community problems today as well as lay the groundwork for a sustainable future. The Greater Bridgeport Transit Authority (GBT) has been identified as a comparison point in examining operations strategy due to similarities such as size of population served. Key documents that will be examined in this case study include GBT's Comprehensive Annual Financial Reports (CAFRs) from 2012-2018, GBT's 2018 Rider's Guide, Greater Bridgeport Regional Council's Regional Transportation Plan 2015-2040, and district information from the National Transit Database as well as Federal Transit Administration (FTA) from 2013-2017.

2. BACKGROUND

The Greater Bridgeport Transit Authority is based in Bridgeport. Bridgeport is Connecticut's largest city with an estimated population of 145,936 residents in an area of 19.4 square miles (City of Bridgeport, CT, 2019). According to GBT's FY18 CAFR, GBT currently has 4 member cities including Bridgeport, Stratford, Fairfield and Trumbull (GBT, 2018, pg. 3). This special district services an urbanized area, Bridgeport-Stamford, CT-NY, of approximately 104 square miles and approximately 923,000 people (National Transit Database, 2017). According to GTB's FY18 CAFR, ridership for FY18 consisted of approximately 5.2 million boardings. GBT was formed under the provisions of Chapter 103a of Connecticut General Statutes (GBT, 2018, pg. 3).

3. GREATER BRIDGEPORT TRANSIT AUTHORITY DESCRIPTION

This case study of the GBT will include the following 5 sections: (1) geographic extent of services, (2) governing structure, (3) budget characteristics including key revenue sources, rates, total budget, (4) bonds/capital projects and (5) key categories of expenditures. Information on how GBT submits budget requests were not available from the documents examined.

3.1. Geographic extent of services

GBT has 19 local fixed routes with 2 additional routes, 19X and 22X, that provide stop and express service during peak demand hours in the morning and evening (Greater Bridgeport Regional Council, 2015). For a map detailing geographic extent of GBT's fixed bus routes see Appendix B-2 Figure 1. GBT's Rider's Guide provides information on its 23 bus stops/points of interest detailed in Appendix B-2 Figure 2.

3.2. Greater Bridgeport Transit's governing structure

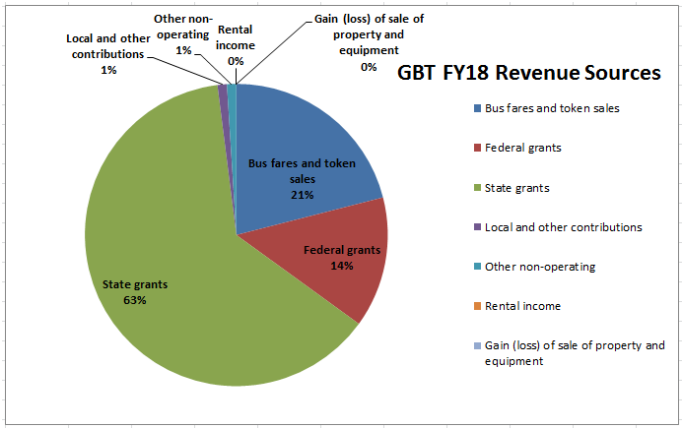
GBT's FY18 CAFR provides information relating to governing structure. GBT is comprised of approximately 160 employees and 3 operating divisions including Terminal, Para-Transit and Fixed Route (GBT, 2018). The Chief Executive Officer (CEO) coordinates operations of all divisions according the policy and direction of the Authority's Board of Commissioners. The board of commissioners consists of 10 members representing the 4 cities/towns under the GTB's jurisdiction. Terms are for four years and members are appointed by the mayor (City of Bridgeport, CT, 2019).

3.3. GBT's Revenue sources, rates and total budget

GBT's CAFRs were not available on the district's website due to it being under construction. However, GBT's CAFRs for FY13, FY17 and FY18 were found on Connecticut's state government website and this provided historical financial data from FY11-18. GBT operates on an accrual basis of accounting. A summary of FY18's key revenue sources used for operating activities will be provided followed by a brief analysis of historical financial data from FY11-18, a description of rates and total budget characteristics.

Revenue sources for FY18 are divided into operating and non-operating revenue on page 6 of the CAFR. Bus fare and token sales, approximately $5.37 million, is the only item included in operating revenues and account for about 21% of all operating and non-operating revenue. However, non-operating revenue sources account for approximately 80% of total revenue with state grants (63% or $15.81 million) and federal grants (14% or $3.53 million) accounting for about 77% of all revenue. Private sources are listed in 2 items of non-operating including local and other contributions ($118,000 or 1%) and other non-operating ($152,000 or 1%, includes advertising revenue) (GBT, 2018, pg. 6). A pie chart was created using data from GBT's FY18 CAFR to further illustrate the proportion of different revenue sources (GBT, 2018).

Figure C-8.



When examining GBT's CAFRs from 2011-2018, revenue from user fees peaked in 2013 at approximately $6.43 million or 22% of operating revenues. However, since 2013 revenue from user fees have steadily declined where revenue from user fees was $5.37 million in 2018 or approximately 21% of operating revenues. On average between FY11-18, GBT funds approximately 24% of its operating activities from user fees and average revenue was approximately $6.16 million (Appendix B-2 Figure 3). GBT has a $4 million dollar line of credit with Peoples United Bank with a 2-4% interest rate on debt (GBT, 2018). Total budget characteristics from FY11-18 are displayed in Appendix B-2 Figure 4. Average operating and non-operating revenues from FY11-18 was approximately $22.56 million. Average operating expenses over the same time period was $24.54 million (GBT, 2018; GBT, 2017; GBT, 2013). GBT experienced a net position loss for 3 of the 7 fiscal years examined, 2011, 2015, and 2016 respectively. In 2017, GBT had it's largest positive net position of approximately $20.27 million,

however this was largely due to a $18.28 million dollar federal grant that was used for capital asset acquisition (GBT, 2017).

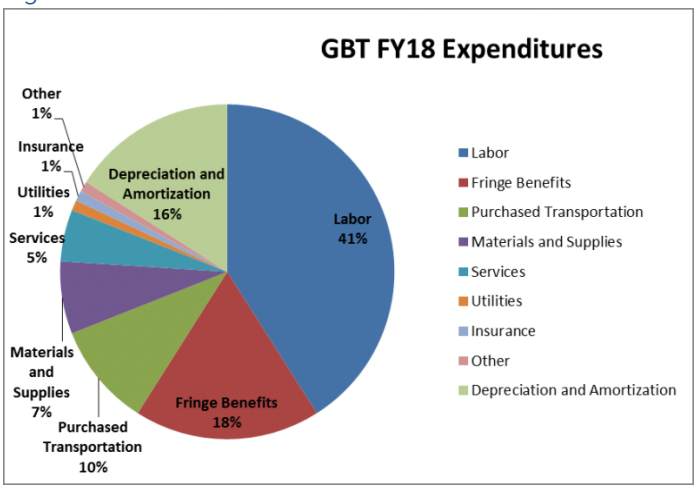
3.4. GBT Capital Projects

When examining GBT's FY18 CAFR, capital projects are listed on page 8 under "Capital acquisitions and construction activities". For FY18, $4.3 million was spent on capital asset acquisition with the majority being spent on a new bus wash, steam room improvements and paratransit buses. In FY17, $22.8 million was spent on capital asset acquisition with the majority being spent on purchasing new fixed route buses (GBT, 2018). Greater Bridgeport Regional Council's Regional Transportation Plan 2015-2040 provides additional information on this fixed route bus replacement capital project that began in 2015 and spans 5 years. This replacement plan includes fleet information, specifically how GBT currently owns and maintains a fleet of 57 large buses with 42 purchased in 2003/2004 and 15 purchased in 2013. The useful life of these fixed route buses are 12 years or 500,000 miles. Extended use of vehicles beyond 12 year life or 500,000 can increase maintenance costs as well as out of service times. The regional transportation plan also detailed GBT's maintenance garage expansion project to build capacity to repair and maintain its fleet as well as to prepare for growth of operations and demand. Another capital project mentioned was a bus shelter replacement program that revolved around the installation of 60 passenger waiting shelters. This project started in spring 2015 and was completed in fall 2016 (Greater Bridgeport Regional Council, 2015).

3.5. GBT key categories of expenditures

Key expenditures for FY18 are detailed on page 7 and are broken out into 8 categories listed from largest proportion, labor (41%), followed by fringe benefits(18%), purchased transportation(10%), materials and supplies(7%), services(5%), utilities(1%), insurance(1%) and other(1%). A corresponding pie chart was created from GBT's FY18 CAFR to provide a clearer snapshot of GBT's expenditures.

Figure C-9



When examining GBT's CAFRs from FY11-18 in regards to key expenditures, labor remains the largest expenditure and ranges from 38% to 41% of GBT's operating expenses (FY11: 41%, FY12: 40%, FY13: 38%, FY15: 37%, FY16: 39%, FY17: 40%). The second highest operating expense from the same time period is fringe benefits, or GBT's employee pension expense (GBT, 2018; GBT, 2017; GBT, 2013).

4. ASSESSMENT

Overall, GBT would not be a good district to examine in regard to how to finance operating activities. However, there is some key information that could be useful for LTD on what practices they may look into emulating and some that they should avoid. This assessment will include 4 sections that highlight what was learned from this case study including (1) GBT's reliance on state grants for operating activities, (2) low reliance on other revenue sources, (3) user fee pricing strategies and (4) capital projects. Below is the original case study description for GBT and different parts of the description will be addressed throughout the following sections.

"Greater Bridgeport Transit Authority (Bridgeport, CT) – Connecticut DOES have state sales tax. This agency serves a similar population size as LTD. While this agency has approximately 36 percent less ridership on its fixed-route bus system than LTD, its operating budget to do so is 53 percent less than LTD. The cost per trip for this agency is $3.60 for fixed-route service compared to $6.13 at LTD."

4.1. Reliance on state grants for operating activities

Since Connecticut has a state sales tax that is administered and collected by the state, it seems that a proportion of these funds are allocated to state grants that are available for GBT to apply for. When examining GBT's FTA annual agency profiles from 2013 to 2017 several trends in how operating activities are funded can be determined. For example, on average approximately 69% of its operating activities are funded by state grants from 2013 to 2017 with an average amount awarded by the state being approximately $14.79 million (FTA, 2019). For full breakdown of year by year state grant award amounts see Appendix B-2 Figure 5. GBT's reliance on state grants to fund operating activities differs substantially from LTD's operating revenue sources so this is arguably not very useful in the broad scope of the LTD SCYP Operating project.

4.2. Low reliance on other revenue sources

In comparison to LTD, GBT does not rely on other revenue sources such as advertising, local fees/taxes/contributions to offset operating expenses. See Appendix B-2 Figure 6 and 7 for detailed information on these revenue sources. It's interesting to note that there was a sharp decrease in local or other contributions for GBT from 2012 to 2013, $1.29 million to $128,000, and for the following years this amount doesn't exceed $185,000. This difference is attributable to the State of Connecticut contributing 2 hybrid buses to GBT's fleet in 2012 and it be listed as a "other contribution."

4.3. Fares / User Fee Pricing Strategies

GBT's average cost per trip of $3.60 seems to be substantial less for fixed route service in comparison to LTD due to low reliance on local fees/taxes and passenger fares for funding.

Ridership has grown from 5.2 million passenger boardings annually from FY11 to 5.9 million in FY14 to approximately 6 million passenger boardings in FY15 (Greater Bridgeport Regional Council, 2015). However, according to the National Transit Database (2018) annual ridership data, ridership peaked in 2015 and has steadily decreased to approximately 5.2 million boardings in FY18 (National Transit Database, 2018). GBT's CAFRs from 2011-2018, reflect these differences in demand with revenue from user fees peaking in 2013 at approximately $6.43 million or 22% of operating revenues. However, since 2013 revenue from user fees have steadily declined where revenue from user fees was $5.37 million in 2018 or approximately 21% of operating revenues. GBT also has looked to increase user fees to offset operating expenses. Historical prices of bus passes and packages were not available on GBT's website. However, several news articles were found dating back to 2010 detailing GBT's user fee adjustments. For example, GBT's 31 day unlimited pass in 2010 increased from $60 to $70 in 2010 (Burgeson, 2010). GBT also increased the price of its 7 day unlimited pass from $7.50 in 2010 to $17.50 in 2019 (Burgeson, 2017). Within this same 2017 news article, GBT was also proposing route reductions in attempts to improve efficiency and balance the budget. However, follow up on if these route reductions occurred were not available or published online. Also, LTD's service area encompassed approximately 482 square miles in 2017 in comparison to GBT's 104 square miles (FTA, 2019). There is also a substantial difference in demand for services between LTD and GBT. GBT had 39% less annual passenger miles compared to LTD in 2017 (45,688,893 annual passenger miles compared to 17,821,314 for GBT) (FTA, 2019). This difference in demand can account for substantial less operating expenses for GBT associated with labor.

GBT's prices for 90 minute and 1 day passes, $1.75 and $4.00 respectively, have remained the same price from 2010 to 2019. Bridgeport's pricing strategy seems to focus on increasing the price of their 7 day and 31 day unlimited passes and keeping their 90 minute and 1 day passes the same price. This pricing strategy could be something LTD may look into emulating to increase revenue from user fees. When looking at LTD's fare pass pricing in comparison to GBT's, LTD's 1 month pass is $50, which is $20 less than GBT's 1 month pass. GBT's 1 day pass is also 50 cents more than LTD (GBT, 2019; LTD, 2019).

4.4. Capital Projects

GBT has completed several capital projects that may be good practices for LTD to consider when examining ways to improve its operating budget strategy. For example, LTD could examine GBT's fixed route bus replacement capital project and see if there are any practices they could emulate that may reduce operating expenses in the long run as well as increase operating revenues. However, GBT's 2017 fleet (64 vehicles) of buses is substantial less then LTD's (277 vehicles) so maintenance and labor expenses will reflect this difference (FTA, 2019). This logic also applies to GBT's maintenance garage expansion project in that LTD may look into similar improvements to improve their fleet maintenance program. The bus shelter replacement program could also be examined further by LTD, especially if these improvements may lead to increased ridership and operating revenue.

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Appendix C-2

Figure C-10. From Greater Bridgeport Regional Council's Regional Transportation Plan for the Greater Bridgeport Planning Region 2015-2040 pg. 29

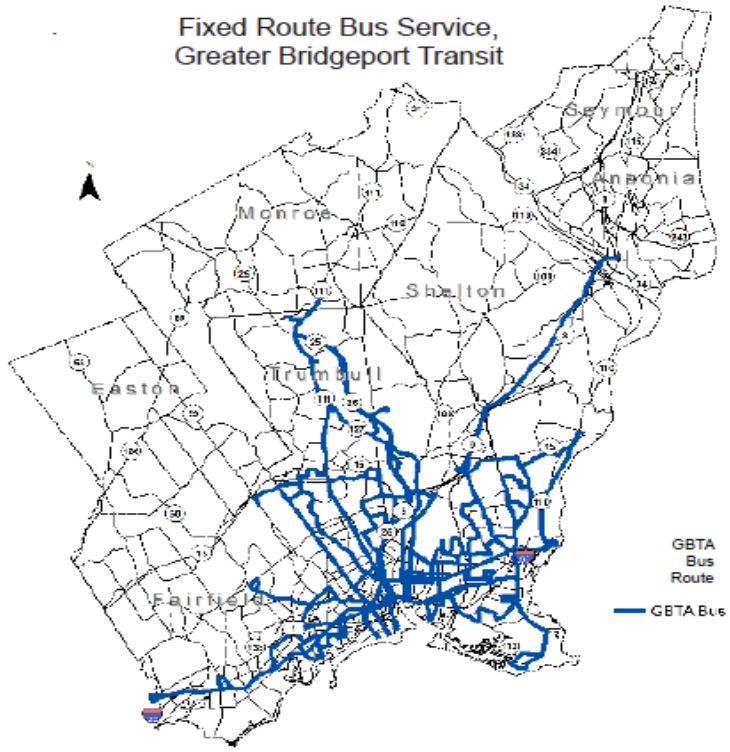


Figure C-11. From GBT 2018 Rider's Guide pg. 11

Points of Interest | Puntos de interés

GBT Routes	Bridgeport Train Station	Stratford Train Station	Fairfield Train Station	Bridgeport - Port Jeff Ferry	St. Vincent's Medical Center	Bridgeport Hospital	Sacred Heart University	University of Bridgeport	Housatonic Community College	Westfield Trumbull Mall	Westfield CT Post Mall	Connecticut's Beardsley Zoo	The Arena at Harbor Yard	Bridgeport's Discovery Museum	Barnum Museum	Stratford Crossing/Stratford Square & the Dock Shopping Ctr.	Central High School	Bassick High School	Harding High School	Black Rock Restaurant Entertainment District	Howley Lane Mall	Swiss Army/Victorinox Dr.	Clocktower Place/Monroe
1	•			•				•	•				•		•	•		•					
CL	•	•	•	•					•		•				•	•				•			
3	•			•					•	•					•		•						
4	•			•			•		•	•				•	•			•	•				
5	•			•					•						•					•			
6	•			•						•								•					
7	•		•	•					•						•								
8	•			•	•					•			•		•								
9	•			•				•	•			•			•						•		
10	•	•		•																			
13	•			•		•													•				
15	•			•															•		•		
17	•			•					•						•								
19X	•			•																			
22X	•			•																			
23	•	•		•		•													•				

Figure C-12. From GBT CAFR financial data FY11-18 Note: Data for FY14 not available

Fiscal Year	Bus fares and token sales (Source: CAFR)	% total revenues (Source: CAFR)
2011	$6,369,000	28%
2012	$6,416,000	25%
2013	$6,430,000	22%
2015	$6,357,000	28%
2016	$6,330,000	28%
2017	$5,838,000	13%
2018	$5,373,000	21%
Average	**$6,159,000**	**24%**

Figure C-13. From GBT CAFR financial data FY11-18 Note: Data for FY14 not available

Fiscal Year	Revenues (Source: CAFR)	Expenses (Source: CAFR)	Net position
2011	$22,630,000	$23,242,000	**-$612,000**
2012	$25,462,000	$23,525,000	$1,937,000
2013	$29,738,000	$24,595,000	$5,143,000
2015	$22,872,000	$26,646,000	**-$3,774,000**
2016	$22,990,000	$26,015,000	**-$3,025,000**
2017	$44,159,000	$23,884,000	$20,275,000
2018	$25,064,000	$23,907,000	$1,157,000
Average	$27,559,286	$24,544,857	$3,014,429

Figure C-14. From FTA GBT Annual Agency Profiles 2013-2017

Fiscal Year	State Grants Amount for Operating Activites (Source: FTA)	% Operating Activities Funded by State Grants (Source: FTA)
2013	$14,029,588	68%
2014	$14,798,958	68%
2015	$14,913,862	67%
2016	$15,387,627	70%
2017	$14,834,793	71%
Average	$14,792,966	69%

Figure C-15. From GBT CAFR 2012-2018 Note: Data for FY14 not available

Fiscal Year	Other non-operating (Advertising) (Source: CAFR)
2012	$118,010
2013	$135,299
2015	$135,000
2016	$131,000
2017	$125,000
2018	$152,000

Figure C-16. From GBT CAFR 2012-2018 Note: Data for FY14 not available

Fiscal Year	Local Contributions (Source: CAFR)
2012	$1,290,686
2013	$128,130
2015	$143,000
2016	$185,000
2017	$118,000
2018	$118,000

Delaware Transit Corporation

1. OVERVIEW

This memo presents financial and service information for Delaware Transit Corporation (DTC). DTC is being examined in hopes of finding innovative financing mechanisms that could be used by Lane Transit District (LTD) to fund the forthcoming rise in operating costs associated with Moving Ahead, LTD's service expansion project. LTD is specifically interested in DTC because Delaware, like Oregon, has no general sales tax with which to fund transit operations.

This memo examines DTC's operating area and population served, governing structure and enabling statutes, how budget requests are submitted and total budget, expenditures and revenue sources, and bonds and capital projects. The limited information on DTC finances and operation makes a full examination difficult at times. Much of the information contained here is drawn from a single document, the 2018 Delaware Transit Corporation Financial Statements. This memo concludes with a brief assessment of what LTD can learn from DTC's financing strategies as they attempt to augment their own operating funds.

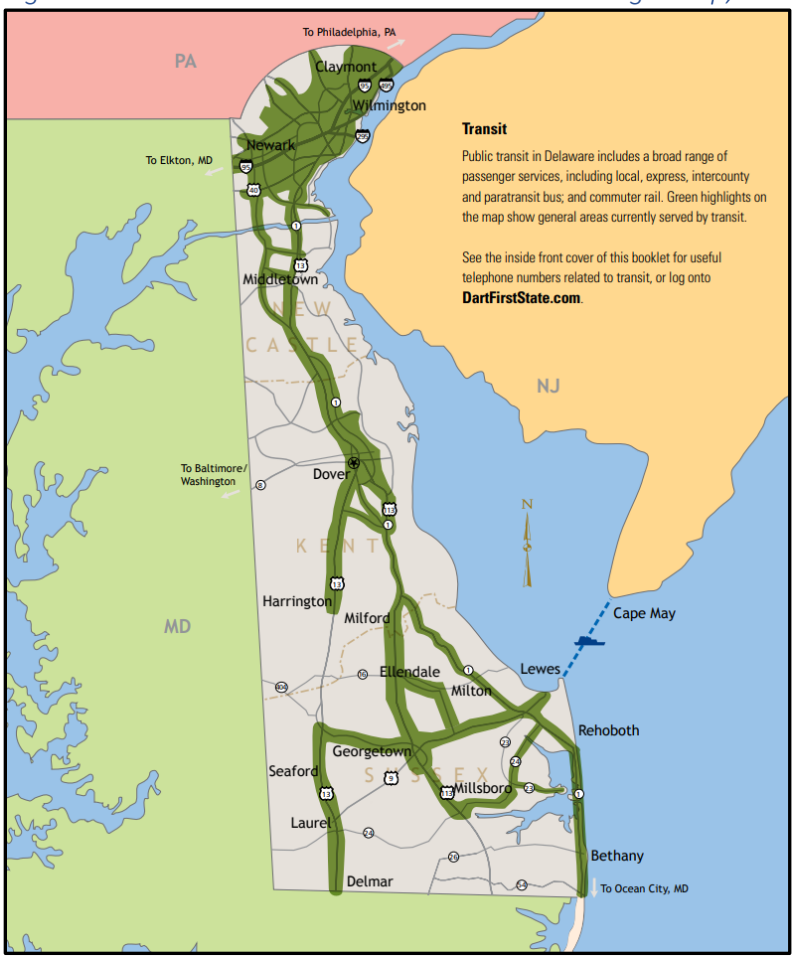
2. BACKGROUND

2.1. OPERATING AREA & POPULATION SERVED

DTC operates the Delaware Administration for Regional Transit State First Public Transportation Service (DART State First). DART State First is the transportation service provider for the entirety of the state of Delaware. The state had an estimated population of 976,171 in 2018 and

encompasses 2,489 square miles.[68] DART State First has a service area of 1,949 square miles and services approximately 952,064 people.[69] Figure 1, DART State First Transit Area Coverage Map, shows only the general areas served by transit in Delaware. DART State First services include fixed route, intercounty, seasonal bus, paratransit, commuter train service to Philadelphia, PA and Baltimore, MD contracted through Southeastern Pennsylvania Transportation Authority, and RideShare, Delaware's ride matching program.

Figure C-17. DART State First Transit Area Coverage Map, 2017



Source: Delaware Transportation Facts 2017, p. 9

2.2 GOVERNING STRUCTURE & ENABLING STATUTES

DTC is an operating division of the Delaware Department of Transportation (DelDOT), which is itself a Delaware State agency. Under title 2, chapter 13, section 1309, subsection 28 of the Delaware State code DTC is delegated the rights and responsibilities to 1) foster efficient and

[68] Annual Estimates of the Resident Population: April 1, 2010 to July 1, 2018, by U.S. Census Bureau, Population Division, https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=CF (Accessed November 15, 2019)
[69] Delaware Transit Corporation (DTC), by National Transit Database, https://www.nationaltransitdatabase.org/delaware/delaware-transit-corporation/ (Accessed November 8, 2019)

economical public transportation and 2) serve citizens requiring special transportation. DTC is also granted the authority to fix schedules, routes, rates or fares, and charges without approval of the Public Service Commission or any other agency.

3. FISCAL PROVISIONS

3.1 BUDGET REQUESTS, TOTAL BUDGET, EXPENDITURES, & REVENUE SOURCES

DTC submits their operating and capital budgets as part of DelDOT's submission to the Delaware General Assembly.[70] Operating and capital budget requests are turned into the Office of Management and Budget in October, are heard in agency budget hearings in November, submitted by the Governor in January, and heard by the legislature in February through May before final adoption.[71]

DTC's total budget for the fiscal year 2020 as reported in Delaware's State budget is $186,274,300 (approximately half for operations and half for debt service coverage).[72] More detailed, though less up to date, information is available from the 2018 Delaware Transit Corporation Financial Statements, as seen in Figures 2 and 3. Figure 2 shows DTC's operating expenditures, the largest portion of which was payroll, accounting for 70% of expenses. The next greatest expense was professional fees and services (17%), followed by materials and supplies (9%). Note that total operating expenses in Figure B 2 do not account for the $20,089,463 in depreciation which took place over the fiscal year.

Figure C-18. DTC FY18 Operating Expenditures

Payroll expenses	$	91,014,151	70%
Professional fees and services	$	22,627,353	17%
Materials and supplies	$	11,451,973	9%
Office and miscellaneous	$	5,620,464	4%
Total Operating Expenditures	**$**	**130,713,941**	**100%**

Source: Delaware Transit Corporation Financial Statements, June 30, 2018, p. 11

Figure 3 shows DTC operating revenue, the majority of which was collected from passenger fares (88%), followed by auxiliary transportation and miscellaneous.

[70]Delaware Transit Corporation Financial Statements June 30, 2018 (With Independent Auditor's Report Thereon), by KPMG LLP and Delaware Transit Corporation, 2018, https://auditor.delaware.gov/wp-content/uploads/sites/40/2018/12/Delaware-Transit-Corporation-Financial-Statements-June-30-2018.pdf (Accessed November 8, 2019)

[71] Fiscal Year 2020 Operating and Capital Budget Preparation Guidelines, by State of Delaware Office of Management and Budget, 2020, https://budget.delaware.gov/budget/fy2020/documents/guidelines.pdf (Accessed November 15, 2019)

[72] Delaware House Bill NO. 225, by Delaware House of Representatives, 2019, p. 42 http://legis.delaware.gov/BillDetail?legislationId=47647 (Accessed November 13, 2019)

Figure C-19. DTC FY18 Operating Revenue

Passenger fare	$ 18,029,965	88%
Advertising	$ 621,397	3%
Miscellaneous	$ 898,587	4%
Auxiliary transportation	$ 880,007	4%
Total Operating Revenue	**$ 20,429,956**	**100%**

Source: Delaware Transit Corporation Financial Statements, June 30, 2018, p. 11

Including nonoperating revenues and expenses and deprecation DTC operated at a loss in FY18 of $130,373,488, before accounting for transfers from DelDot, $102,177,731 ($92,382,282 towards noncapital activities), and federal capital contributions, $9,689,134. After transfers and contributions, DTC operated at a loss of $15,072,871 (not including deficit rolled over from the prior fiscal year, approximately $19,000). Nonoperating revenue sources are detailed in Figure 4 transfers from DelDOT account for the vast majority of nonoperating revenue at 85%.

Figure C-20. DTC FY18 Nonoperating Revenues

Transfers from DelDOT	$ 102,177,731	85%
Federal capital contributions	$ 9,689,134	8%
Federal operating assistance	$ 6,380,646	5%
Pass-through grant revenue	$ 1,861,445	2%
Income from investments	$ 194,831	0%
Total Nonoperating Revenue	**$ 120,303,787**	**100%**

Source: Delaware Transit Corporation Financial Statements, June 30, 2018, p. 11

3.2. BONDS & CAPITAL PROJECTS

Over the course of the FY18 approximately $19.4 million was invested in capital assets, including new vehicles, facility construction and renovations, communications equipment, and the new bus stop shelters. Funding came from $9.7 million in federal capital grants and $9.7 million in state capital grants.[73]

4. SIGNIFICANCE TO LANE TRANSIT DISTRICT

DTC was identified as a transit provider of interest by LTD because, like LTD, DTC does not have access to sales tax funds. However, DTC operates at the state level and their budget is part of DelDOT's. This creates some fundamental differences between DTC and LTD, as can be seen by the transfers to DTC from DelDOT which fund a large portion of DTC's operations. More detailed information on DelDOT's budget was not forthcoming and thus precluded a more extensive examination into their (and DTC's) funding sources. Overall, the information gathered about DTC is very limited in its usefulness to LTD.

[73] Delaware Transit Corporation Financial Statements June 30, 2018 (With Independent Auditor's Report Thereon), by KPMG LLP and Delaware Transit Corporation, 2018, p. 5, https://auditor.delaware.gov/wp-content/uploads/sites/40/2018/12/Delaware-Transit-Corporation-Financial-Statements-June-30-2018.pdf (Accessed November 8, 2019)

One thing LTD can keep in mind when evaluating potential operating fund sources is how their choice of revenue will impact their ability to pay dept service on capital projects. Half of DTC's FY2910-2020 budget is for debt service, to pay this back a steady revenue stream would be preferable to one subject to market volatility. The assuredness of the revenue stream has further implications on interest rates on any borrowed funds, with more consistent revenues garnering lower interest rates.

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Delaware House Bill NO. 225, by Delaware House of Representatives, 2019, file:///C:/Users/Catherine/Downloads/HB%20225%20-%20FY20%20Operating%20Budget%20with%20Index%20(1).pdf (Accessed November 13, 2019)

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Delaware Transportation Facts 2017, by Delaware Department of Transportation and United States Department of Transportation, Federal Highway Administration, 2017, https://deldot.gov/Publications/reports/fact_book/pdfs/2017/DelDOTFactBook.pdf (Accessed November 8, 2019)

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Tucson Department of Transportation

1. OVERVIEW

This memo is a brief examination of the fiscal provisions and governance structure of the public transportation system in Tucson, Arizona. What follows includes an overview of how transit systems in Tucson are governed, as well as major sources of revenues and expenditures for transit services. Furthermore, this memo will serve as a case study with points of consideration

for the Lane Transit District (LTD) which is concentrated in the Eugene-Springfield area of Oregon. The City of Tucson's transit system has received many awards over the years.[74]

2. BACKGROUND

2.1. Regional Context

According to the adopted budget for fiscal year 2019, the City of Tucson had a population of 520,116 in 2010, and in the same year the city was spread over 227.7 square miles.[75] Tucson is the second-largest city in Arizona and the 32nd largest city in the U.S. as of 2010.[76] The adopted budget also notes that fixed route bus service in the city exceeded 9.7 million annual miles, while paratransit was nearly 4.5 million annual miles. Annual streetcar miles were 204,557.[77] (see Appendix B-3 for Transit Map).

2.2. Governance Structure

Tucson has a councilor-manager city government with six councilors that are elected citywide, though they are nominated in their wards of residence.[78] The assistant city manager oversees the Tucson Department of Transportation (see Appendix B-3 for organizational chart). Tucson's transportation system is jointly funded by the Regional Transportation Authority (RTA) of Pima County, a special taxing district within Pima County. Meanwhile, the RTA is managed by the Pima Association of Governments.[79] Furthermore, Sun Tran, which provides fixed-route bus service, is the main public transportation service in the region and is managed by RATP Dev North America,[80] a subsidiary of the RATP Group which is a French transportation company which traces its roots to Paris' first metro line that opened in 1900.[81] These networks create a complex and intertwined system of finances and governance with financial reports becoming quite opaque at times.

2.3. Public Transportation Services

The public transportation system of Tucson, Arizona is divided into three main areas of service: Sun Tran which provides fixed-route bus service, Sun Van, which provides paratransit service, and Sun Link, which is a 3.9-mile streetcar route in downtown Tucson. All of these services are operated by private companies, with the vehicles and equipment owned by the city.[82]

[74] "About Sun Tran : History - Sun Tran - Tucson, AZ," accessed November 15, 2019, https://www.suntran.com/about_history.php.
[75] City of Tucson, Arizona. "Adopted Budget Fiscal Year 2019." Accessed November 15, 2019. https://www.tucsonaz.gov/files/budget/COT_Adopted_Budget_Fiscal_Year_2019_r2207_10.31.2018_2_08PM.pdf
[76] Ibid.
[77] Ibid.
[78] Ibid.
[79] Regional Transportation Authority. "Fiscal Year 2017-18 Annual Report." Accessed November 15, 2019. http://www.rtamobility.com/documents/2017-18RTAannualreportWeb_010719.pdf.
[80] Sun Tran. "About Sun Tran: History - Sun Tran - Tucson, AZ." Accessed November 15, 2019. https://www.suntran.com/about_history.php.
[81] RATPDev. "About Us." Accessed November 15, 2019. http://www.ratpdev.com/en/group.
[82] City of Tucson. "Transit Services Division," Accessed November 16, 2019. https://www.tucsonaz.gov/transit.

 Source: Kold.com	**Sun Tran** The fixed-route bus service throughout the Tucson metro area runs 41 routes and operates 204 vehicles in maximum service.[8384] Sun Tran reported over 78.5 million annual passenger miles in 2017.[85]
 Source: metro-magazine.com	**Sun Van** Sun Van is Tucson's paratransit on-demand service. The city operates a maximum of 123 of these vehicles and FTA reports show that Sun Van produced nearly 4.5 million annual passenger miles in 2017.[86]
 Source: sunlinkstreetcar.com	**Sun Link** Tucson's streetcar was part of the $2.1 billion transportation packaged approved by voters in 2006 and was the largest construction project ever undertaken by the City of Tucson.[87] The 3.9-mile streetcar route connects the city's downtown with the University of Arizona campus and provides service seven days a week with lead times between 10 and 30 minutes, depending on the day and time. FTA data from 2017 shows that Sun Link produced 1.5 annual passenger miles.[88]

3. BUDGET RESOURCES

3.1. Revenue Sources

In addition to a general fund, the City of Tucson has a mass transit fund "where the financial transactions of the public transportation system (buses and vans) for the City are recorded."[89] The most recently available CAFR for Tucson shows that the mass transit fund recorded $36 million in revenue, mainly from Federal grants, other agencies, and charges for services.[90] Furthermore, in the most recent adopted budget for the City of Tucson, the Department of Transportation section shows that the highest source of revenue is $72 million from "Mass

[83] Sun Tran "Routes & Times: Sun Tran." Accessed November 15, 2019. https://www.suntran.com/routes.php.
[84] Federal Transit Administration. "City of Tucson, 2017 Agency Profile." Accessed November 15, 2019. https://www.transit.dot.gov/sites/fta.dot.gov/files/transit_agency_profile_doc/2017/90033.pdf
[85] Ibid.
[86] Ibid.
[87] Sun Link. "History | Sun Link - The Tucson Streetcar." Accessed November 15, 2019. https://www.sunlinkstreetcar.com/history.
[88] Federal Transit Administration. "City of Tucson, 2017 Agency Profile." Accessed November 15, 2019. https://www.transit.dot.gov/sites/fta.dot.gov/files/transit_agency_profile_doc/2017/90033.pdf
[89] City of Tucson, Arizona. "Comprehensive Annual Financial Report, Fiscal Year July 1, 2017 - June 30, 2018." Retrieved from https://www.tucsonaz.gov/files/finance/Accounting/Final_Audited_FY18_CAFR_1.pdf
[90] Ibid.

Transit Fund: General Fund Transfer,"[91] followed by $34 million from the highway user revenue fund, a state gasoline tax. Furthermore, an audited financial report of the RTA shows $23 million spent on transit operations.[92] The RTA is mainly funded by a local half-cent excise tax that voters approved in 2006, and in fiscal year 2017-18, this generated $82 million.[93] The FTA Agency Profile of Tucson from 2017 shows that operating expenses for the city's department of transportation were funded by fares (15.8%), local funds (57.1%), state funds (17.5%), federal assistance (7.4%), and other funds (2.2%).[94]

3.2. Total Budget

The total budget for the Tucson Department of Transportation is $332 million. Of this figure, $130 million is for operating expenses and the remainder is for the capital improvement program. In a statement in the adopted budget, the Department of Transportation notes that securing long-term funding is challenging, and that the department is anticipating when bonds will be paid off so that those funds can be directed towards infrastructure improvements.[95]

3.3. Capital Projects and Bonds

The most recent CAFR available for the City of Tucson, under the mass transit fund section on page 11, notes that "planned capital projects were delayed until fiscal year 2019."[96] Street and highway revenue bonds as of June 30, 2018 were $42 million outstanding, down from $56 million the previous year.[97]

3.4. Expenditures

The capital improvement program was the Department of Transportation's largest expenditure at $201 million (out of a total of $332 million). Within operating expenditures, the largest expense was for contracted labor at $53 million.[98] This may be due to the fact that city transportation services are managed and provided by a private company. When the budget is broken down by program, the largest percentage was devoted to Sun Tran, at 45%. Other allocations of interest include Sun Van at 13% and Sun Link at 3%. (see Appendix B-3 for TDOT Program Allocation).

[91] City of Tucson, Arizona. "Adopted Budget Fiscal Year 2019." Accessed November 15, 2019. https://www.tucsonaz.gov/files/budget/COT_Adopted_Budget_Fiscal_Year_2019_r2207_10.31.2018_2_08PM.pdf
[92] Regional Transportation Authority. "Single Audit Reporting Package." Accessed November 16, 2019. http://www.rtamobility.com/documents/FY2017-18RTAAudit.pdf.
[93] Regional Transportation Authority. "Fiscal Year 2017-18 Annual Report." Accessed November 15, 2019. http://www.rtamobility.com/documents/2017-18RTAannualreportWeb_010719.pdf
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4. SIGNIFICANCE FOR LANE TRANSIT DISTRICT

4.1. Ask for Voter Approval for Large Transit Projects

When the City of Tucson and the region wanted funding to improve transportation voters overwhelmingly approved a half-cent excise tax to fund the improvements and create the RTA. While a sales/excise tax may be politically infeasible in Oregon, it may be in the best interests to gauge voter sentiment within LTD's coverage area and then ask for voter approval to fund transit improvements in the future.

4.2. Avoid Too Many Debt Obligations

The City of Tucson devotes a full 9% of its budget to debt obligations in the amount of $135 million.[99] Furthermore, the Regional Transportation Authority of Pima County had over $211 million in liabilities as of June 30, 2018, the majority of which were bonds. The RTA ended the fiscal year a net position of negative $119 million.[100] While the prospect of improving public transportation and services in the LTD service area is appealing, LTD should move slowly and ensure that funding is secured before embarking on large projects and service upgrades that may impact its future debt obligations.

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Figure C-21. Transit Map of Tucson

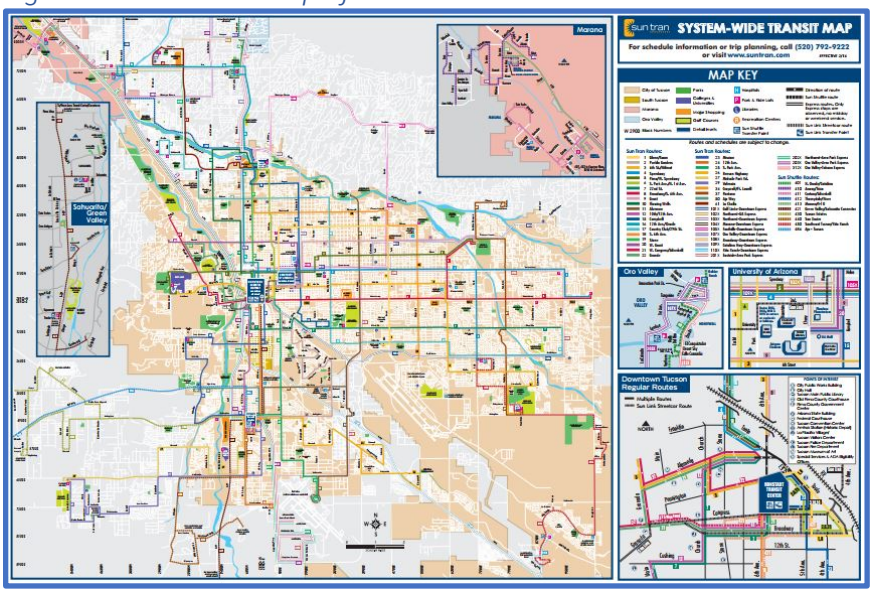


Figure C-22. City of Tucson Organizational Chart

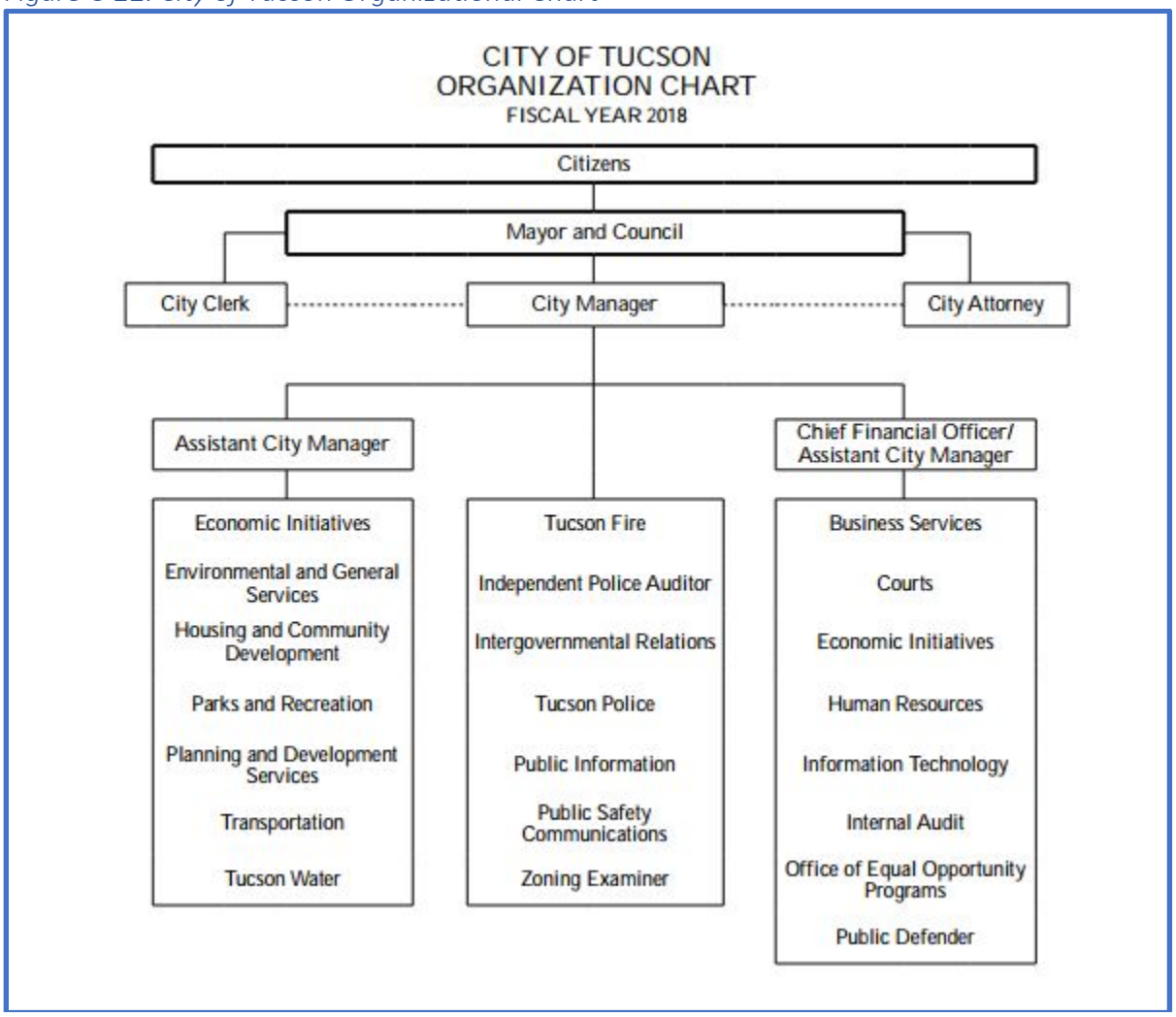
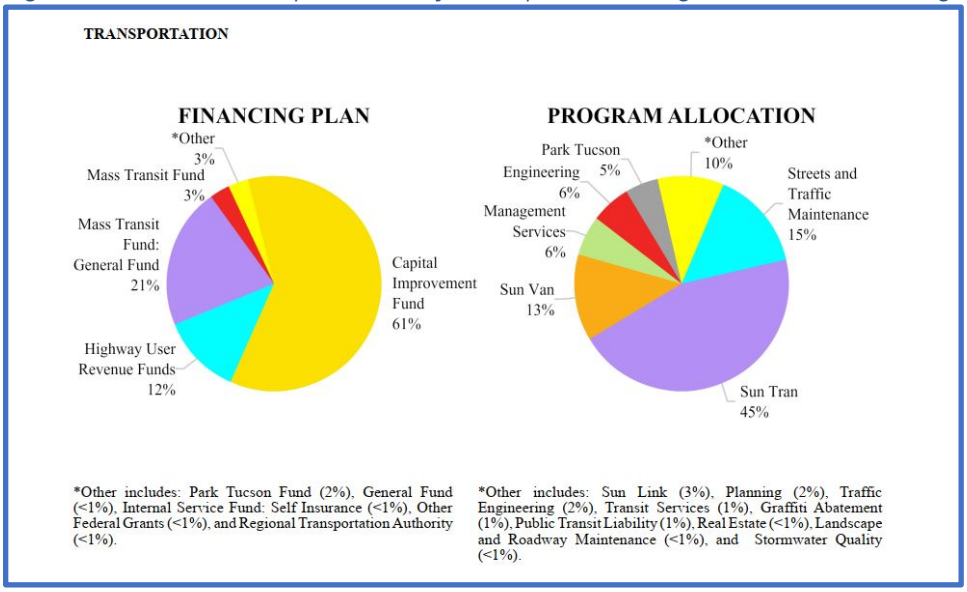


Figure C-23. Tucson Department of Transpiration Program Allocation Budget.



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