CHAPTER VI

Institutional and Financial Options

INTRODUCTION

One of the principal challenges facing any Colorado transit system is developing a funding system that supports capital investment (buses, maintenance facility, etc.) and provides a stable source of revenue for operations and maintenance. Organizational and legal issues for multi-jurisdictional transit agencies in Colorado further compound this challenge. This chapter provides an evaluation of funding and organizational alternatives for transit in Grand and Jackson Counties.

FUNDING SOURCES

Successful transit systems are strategic about funding. They try to develop funding bases that enable them to operate reliably and efficiently within a set of clear goals and objectives, and according to both long- and short-range plans. Potential strategies for funding a transit system in Grand and Jackson Counties are described below.

Capital Funding

The transit system(s) for this region will require capital funding for bus fleet procurement and for development of physical plant including maintenance facilities, fueling systems, vehicle storage, administrative offices, park-and-ride facilities, and bus stops and shelters. The following strategies for funding capital development should be considered:

- Federal funding (along with any state match funds) should be maximized, both within existing 5310 and 5311 programs, and through pursuit of discretionary grants (both through FTA channels and through direct Congressional earmark). Small transit systems often underachieve their potential for federal grant assistance because they assume they cannot compete in that arena. Close coordination with Colorado DOT and with the Colorado Association of Transit Agencies will help the transit system be aware of opportunities and compete for funding.

- In general, the best use of federal discretionary grant funding is for capital needs since this is a highly speculative source of money that requires extensive political effort at a level that is feasible only as a one-time or occasional undertaking.

- Planning for capital facilities should take into account long-range system development needs. Many transit systems outgrow their facilities quickly and face costly relocation and expansion needs because of inadequate space or other constraints.

- The transit system financial management system should include specific provision for recapitalization of the fleet and of certain other capital investments. A sinking fund for capital replacement should be established and some amount of money from local funding sources should be set aside annually based on a recapitalization plan. Note that buses and certain other capital facilities purchased with federal cost participation (80 percent under TEA-21) are eligible for federal participation in the cost of replacement once they reach maturity (as defined in FTA rules).

Operations and Maintenance Funding

Over time, the primary financial requirement of a local or regional transit system will be funding routine operations and maintenance, including daily transit service, vehicle maintenance, and system administration. Labor represents about 75 percent of the costs of running a transit system with much of that going to drivers' salaries. The following strategies for funding operations and maintenance should be considered:

- Reliance on general fund appropriations from local governments should be avoided if possible. It is common for local and regional transit agencies in Colorado to be dependent on annual appropriations from their constituent towns, cities, and/or counties. As a practical matter this means it will not be possible to forecast future funding levels, given the exigencies of local government funding. Such a transit agency will be unable to undertake capital planning and will continually face potential service cutbacks. This, in turn, makes it difficult or impossible for the transit agency to enter into partnership arrangements with other agencies or with private entities (e.g., resorts). Transit agencies, like highway agencies, require that most or all of their operations and maintenance funding come from dedicated sources so that they can undertake responsible planning and offer reliable, consistent service.

- It may be necessary to collect fares as part of system funding, but this is not an ideal source of revenue. Due to realities of our transportation system cost and financing structure, it is generally not possible to recoup more than 30 to 40 percent of operations and maintenance costs at the farebox. Fare collection incurs costs for farebox maintenance, cash management, and auditing. Fare collection slows down vehicle boarding and increases operating costs by increasing the time required to run each route. Finally, fare collection deters ridership. Many mountain transit systems in the West operate as fare-free systems to encourage ridership (reducing congestion and parking demand), improve system efficiency, and enhance the resort experience. Competitively, a fare-free system is a desirable goal for Grand County in particular.

- Operations and maintenance funding mechanisms should be designed explicitly to anticipate transit system growth. Successful rural and resort transit systems around the Intermountain West are experiencing annual growth in ridership. It is important to be able to respond to such growth by increasing service levels to meet demand. This means that the ideal funding sources for operations and maintenance are those that have the flexibility to be increased or expanded as demand grows. Such flexibility will, in most cases, require voter approval, but the important consideration is that the need for growth has been anticipated and the potential for larger budgets is not precluded by the choice of a source of funding.

Overall Service Considerations

There are also a few overarching considerations in developing a coherent transit system funding strategy, including:

- Issues of funding and service equity are of paramount importance in designing funding systems. Informal systems based on annual appropriations, and systems without specific accounting for the distribution of costs and benefits struggle with local elected bodies to find acceptable allocations of cost responsibility. This can become a significant barrier to transit system establishment and, later, to system growth.

- The strongest regional transit systems are those that make extensive use of partnerships. Examples include partnerships with private companies and resorts, partnerships with National Parks or other major public facilities, and partnerships with adjacent jurisdictions. Partnership arrangements enable a transit system to broaden its base of beneficiaries, expand its funding source alternatives, achieve better governance, and improve public support.

Potential Local and Regional Funding Sources

In Colorado, statutory municipalities and counties have only those powers to fund transit that are explicitly created by state statute. Home rule governments have those powers set forth in their charters. The principal funding sources for local and regional transit systems in Colorado (outside the RTD service area in the Front Range) are described below.

- General Fund Appropriations: Counties and municipalities may appropriate funds for transit operations and maintenance and for transit capital needs. Moneys to be appropriated come generally from local property taxes and sales taxes. Competition for such funding is tough and local governments generally do not have the capacity to undertake major new annual funding responsibilities for transit.

- County Transportation Authority: Counties outside the RTD service area are authorized (CRS Sec. 29-2-103.5) to levy a county sales tax, use tax, or both of up to one-half percent for transit. This tax is exempt from the 7 percent sales tax ceiling. Voter approval is required. Total taxable sales in Grand County (including its municipalities) are currently just under $200 million annually, yielding a theoretical potential for $1 million in annual funding from this source. Total taxable sales in Jackson County (including its municipalities) are currently just under $10 million annually, yielding a theoretical potential for $50,000 in annual funding from this source.

- Ad Valorem Property Taxes for Capital Projects: Counties are authorized (CRS Sec. 30-25-202) to impose property taxes for specific capital projects with voter approval. Such special property taxes are exempt from the 5.5 percent limit. Total assessed valuation in Grand County (including its municipalities) is currently about $350 million, yielding a theoretical potential for $350,000 in annual funding from each mil of tax. Total assessed valuation in Jackson County (including its municipalities) is currently about $21 million, yielding a theoretical potential for $21,000 in annual funding from each mil of tax.

- Rural Transportation Authority: Legislation adopted in 1997 and amended in the 2000 session (CRS Sec. 43-4-603) provides authority for Colorado municipalities and counties (again outside the RTD area) to establish RTAs. RTAs are able to impose a $10 annual vehicle registration fee and, with voter approval, may levy a sales tax of up to one percent and/or a visitor benefit fee of up to two percent of the price of overnight lodging. Local governments have considerable flexibility in designing the boundaries of RTAs, which may include all or a portion of the areas of participating jurisdictions. An RTA is a regional, multi-jurisdictional entity that becomes a separate subdivision of the state, but which operates pursuant to an intergovernmental agreement adopted by its member governments.

  Total taxable sales in Grand County (including its municipalities) are currently just under $200 million annually, yielding a theoretical potential for $2 million in annual funding from the sales tax authority. Total taxable sales in Jackson County (including its municipalities) are currently just under $10 million annually, yielding a theoretical potential for $100,000 in annual funding from the sales tax authority.

  Grand County is registering about 35,000 vehicles, yielding a theoretical potential for $350,000 in annual funding from the $10 registration fee. Jackson County is registering about 3,500 vehicles, yielding a theoretical potential for $35,000 in annual funding from the $10 registration fee.

  The visitor benefit fee was added to the statute in the 2000 legislative session. Extensive research would be required to estimate the funding potential from this source.

- Special Districts: Colorado local governments also may create a variety of local districts including special districts (CRS Sec. 32-1-101), service authorities (CRS Sec. 32-7-101), municipal general improvement districts (CRS Sec. 31-25-601), county public improvement districts (CRS Sec. 30-20-501), municipal special improvement districts (CRS Sec. 31-25-501), and county local improvement districts (CRS Sec. 30-20-601). In general, these districts are funded from fees or property taxes, with the exception of the county improvement district, which, with voter approval, may levy a sales tax of up to 0.5 percent. In general, these districts are limited in their usefulness as mechanisms for funding transit systems, particularly in a multi-jurisdictional setting.

The best and most versatile of the above funding sources for local and regional transit services will be the RTA, which offers more options for funding sources and much greater flexibility in designing the boundaries and makeup of a multi-jurisdictional transit system. However, for a system operated by one county, the county transportation authority is also a potentially viable approach in either Grand or Jackson County. If both counties wish to work together within the framework of a single regional transit system, the RTA is the only viable alternative under current statutes.

ORGANIZATIONAL STRUCTURE

The organizational design of a transit authority or agency will be tied directly to its funding source.

County transportation authorities are, of course, a creature of their parent county, with members of the transit authority board appointed by the County Board. The County Board must approve major system design and funding decisions, but significant day-to-day decision making can be delegated to the authority and its staff.

Rural Transportation Authorities are more complex organizations. The organizational structure of a Colorado RTA is determined in part by statute and in part by the intergovernmental agreement creating the RTA. There is considerable flexibility to design an organization that has the support of the member governments and the public. One significant advantage of an RTA is the capability to bring several municipalities and counties together in funding and operating a transit system.

Finally, it is common in Colorado to operate a transit system that exists by virtue of an intergovernmental agreement between two or more political subdivisions of the state (generally municipalities and counties). However, such an agreement can create an entity with powers limited to the powers authorized to the member jurisdictions. Such an IGA-based transit system is a potential solution in Grand and/or Jackson County, but would not offer the flexibility or long-term sustainability of an RTA.

In the design of a transit system under any of the above approaches, specific consideration should be given to how to form partnerships with private businesses and resorts. In the case of Grand County, obviously, the largest existing transit service (The Lift) is primarily a function of the Winter Park Resort Association, although additional funding is provided by a variety of organizations, including the town of Winter Park. Continuing and broadening this partnership should be a key organizational strategy.