



# Iowa Regional Transit District Funding

Prepared for DART Alternative Funding Advisory Committee

DART CEO, Elizabeth Presutti, and DART CFO, Kent Farver

Friday, October 7, 2022

# Agenda

- ▶ About DART
- ▶ 2017 Transit Funding Study
- ▶ Funding challenges
- ▶ Peer system funding analysis
- ▶ Funding scenarios



ALLEMAN ON CALL GRANGER ON CALL

# About DART

- ▶ Largest public transit agency in Iowa
- ▶ Serve 11 cities and Polk County
- ▶ Governed by a 12-member Board of Commissioners
- ▶ 145 buses and 1,600+ bus stops
- ▶ 70 RideShare vans
- ▶ #1 reason people ride is to get to work



30 + BUS  
ROUTES



20 + FREE PARKING  
LOCATIONS



DOOR-TO-DOOR  
SERVICE



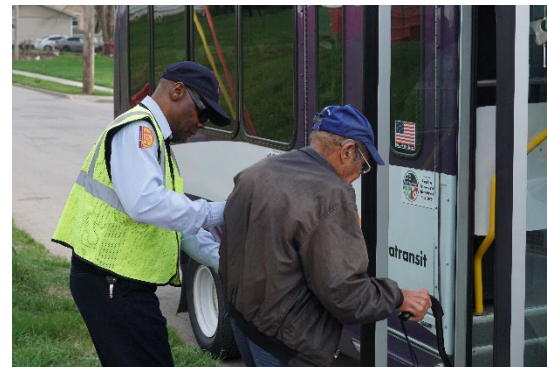
CAR AND VANPOOL  
RESOURCES



BIKE RACKS ON  
EVERY BUS



ALL BUSES ARE  
ADA ACCESSIBLE





# Workforce & Economic Development



Jobs



Medical appointments



Education



Fosters economic activity



Workforce recruitment and retention



Supports job creation





# Hy-Vee and DART partner to extend bus route into Ankeny





**“Iowa factory  
needed workers  
so badly it spent  
\$60,000 on city  
bus rides” – Des  
Moines Register**



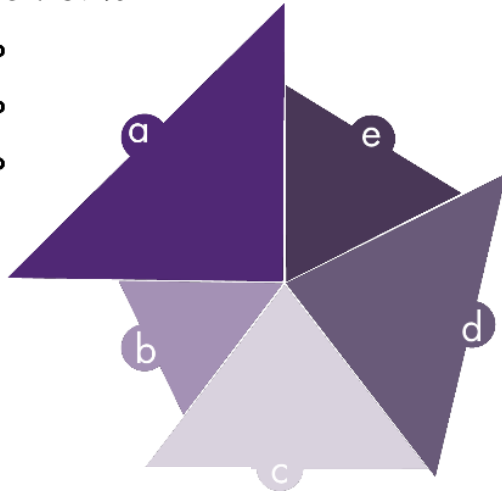
**81 Pella Corporation  
employees use  
DART to get to work  
in Carroll, Iowa**



# Who uses DART?

## Age

- a 34 and under: **37%**
- b 35-44: **22%**
- c 45-54: **19%**
- d 55-64: **16%**
- e 65+: **6%**



## Ethnicity

- Caucasian/White: **61%**
- African American/Black: **27%**
- Hispanic/Latino: **4%**
- Native American: **3%**
- Asian/Pacific Islander: **3%**
- Middle Eastern/North African: **0%**
- Other: **2%**



## Total household income\*

- \$75,000 and up: **6%**
- \$50,000 - \$74,999: **6%**
- \$25,000 - \$49,999: **30%**
- Less than \$24,999: **58%**



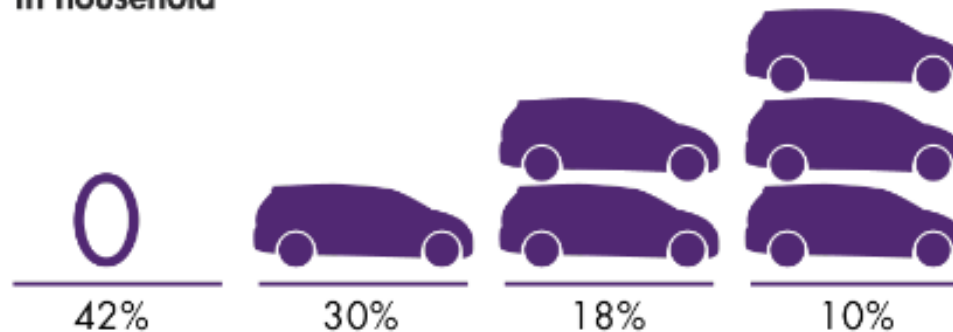
## Valid driver's license

**NO**  
46%

**YES**  
54%



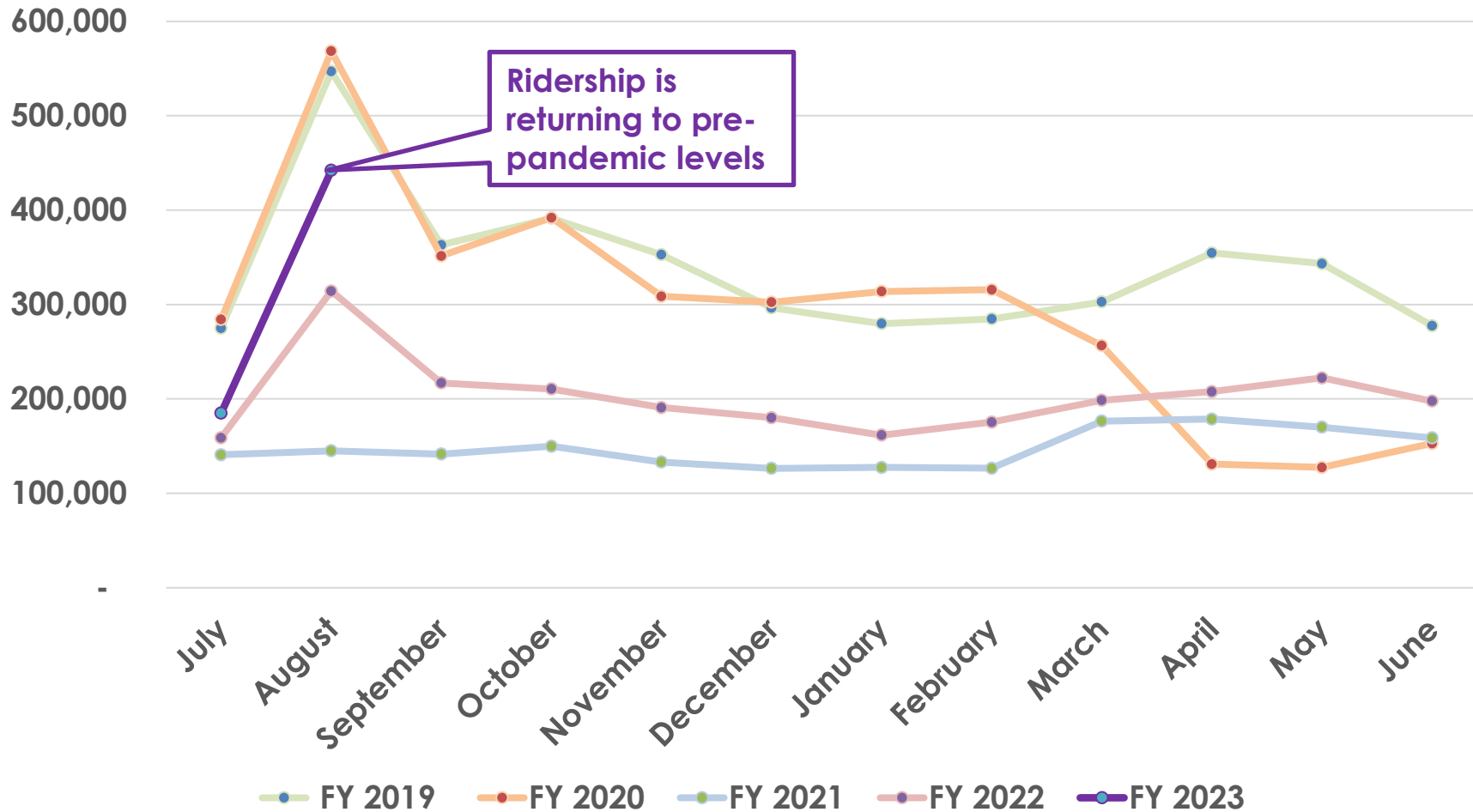
## Working vehicles in household





# Ridership

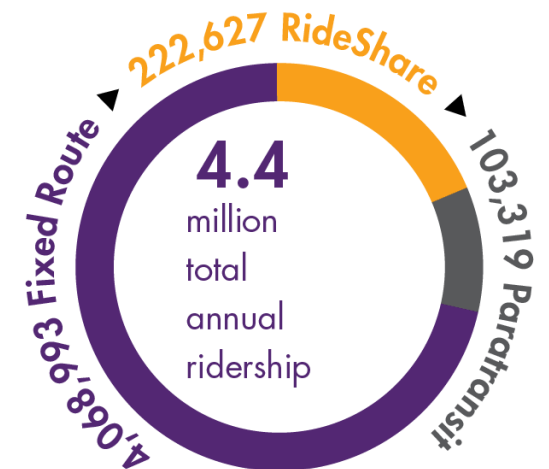
Monthly Ridership



**FY 2019**

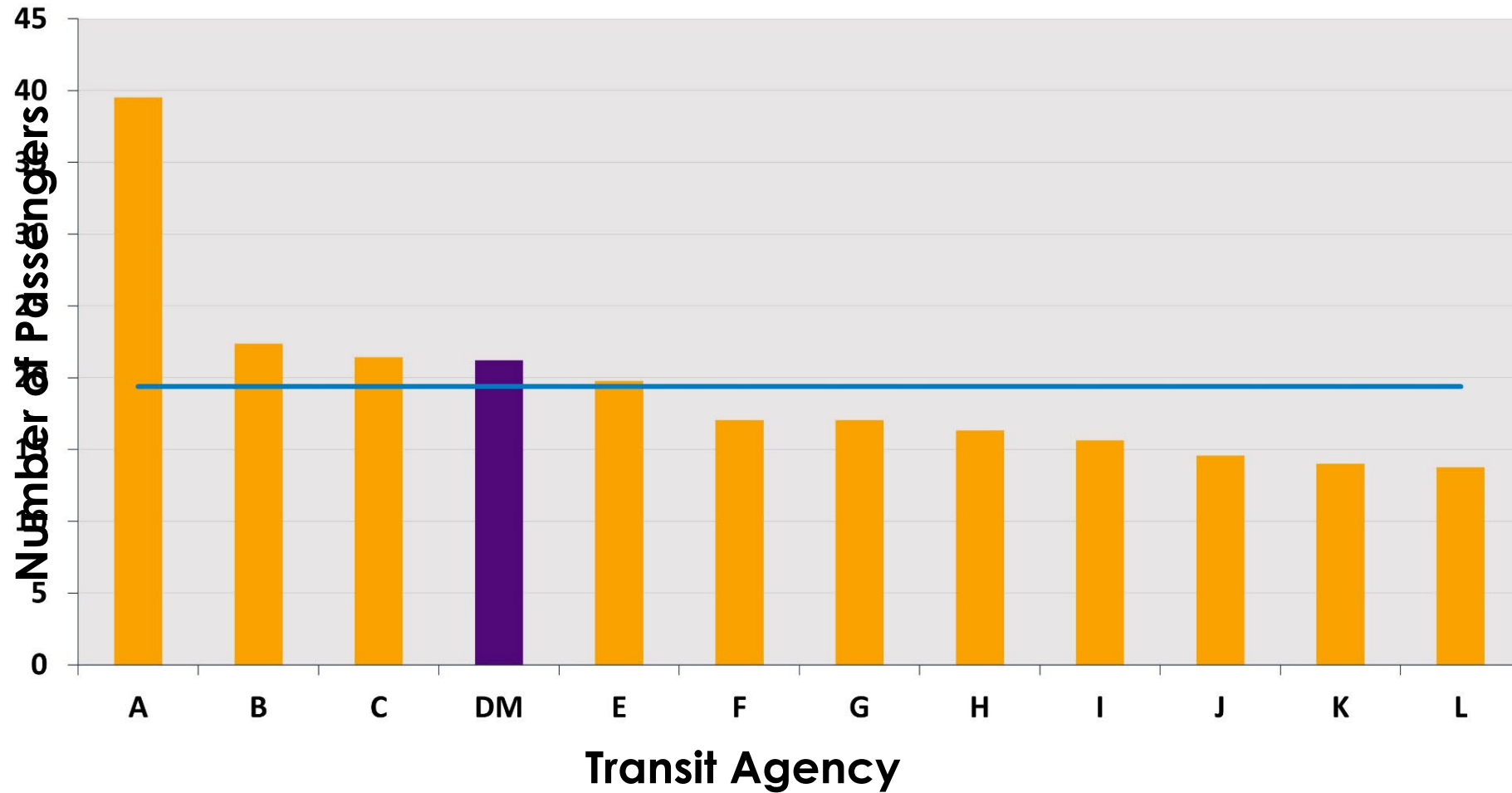
**14,971**

Average weekday ridership



# Passenger per hour peer comparison

Passengers per Revenue Hour (FY 2020)





# FY 23 Budget

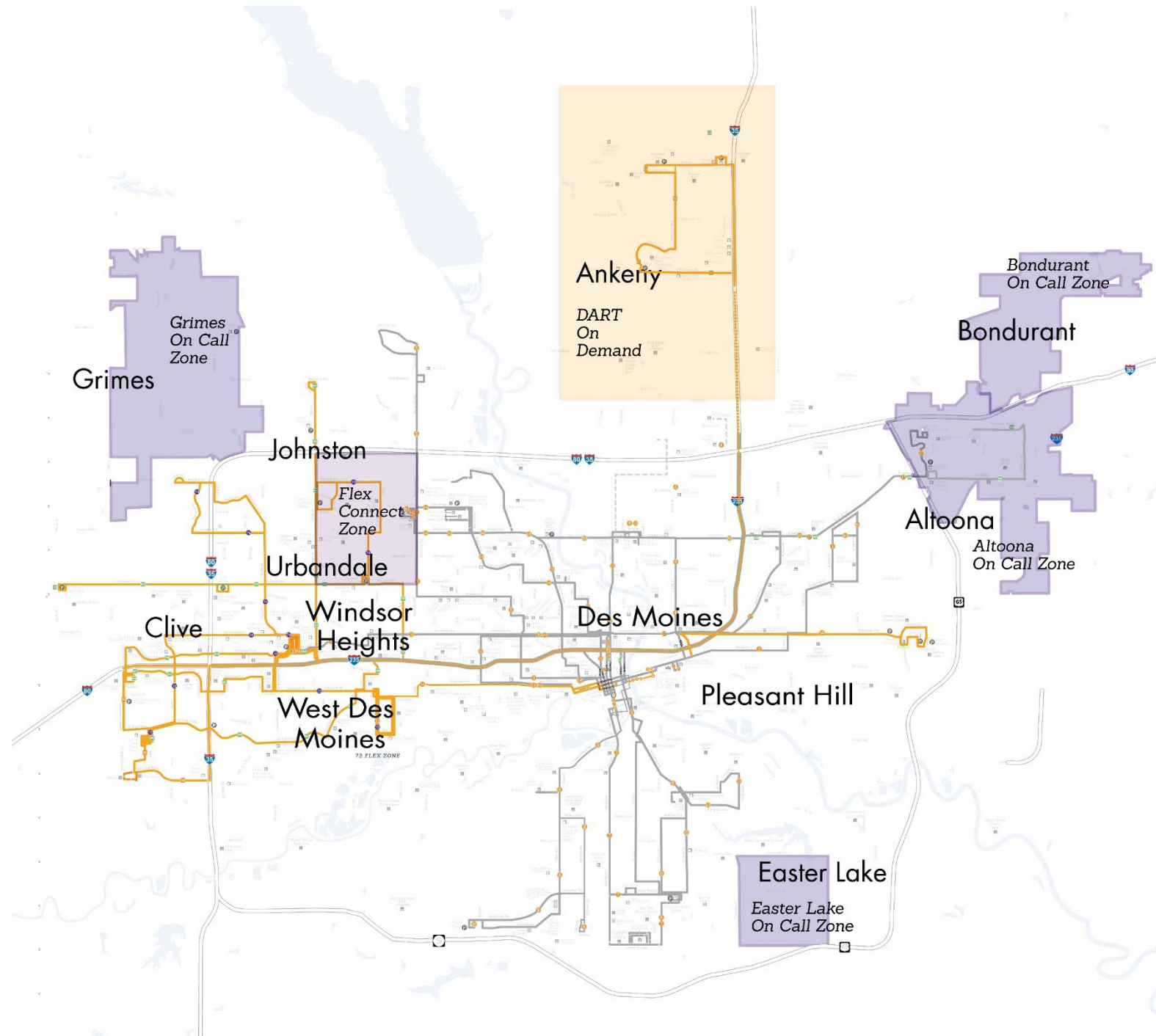
## \$40.4 million

### FY 2023 Revenues

62% Local Property Taxes  
12% Fares & Contracts  
19% Federal Funding  
4% State Funding  
3% Other

### FY 2023 Expenses

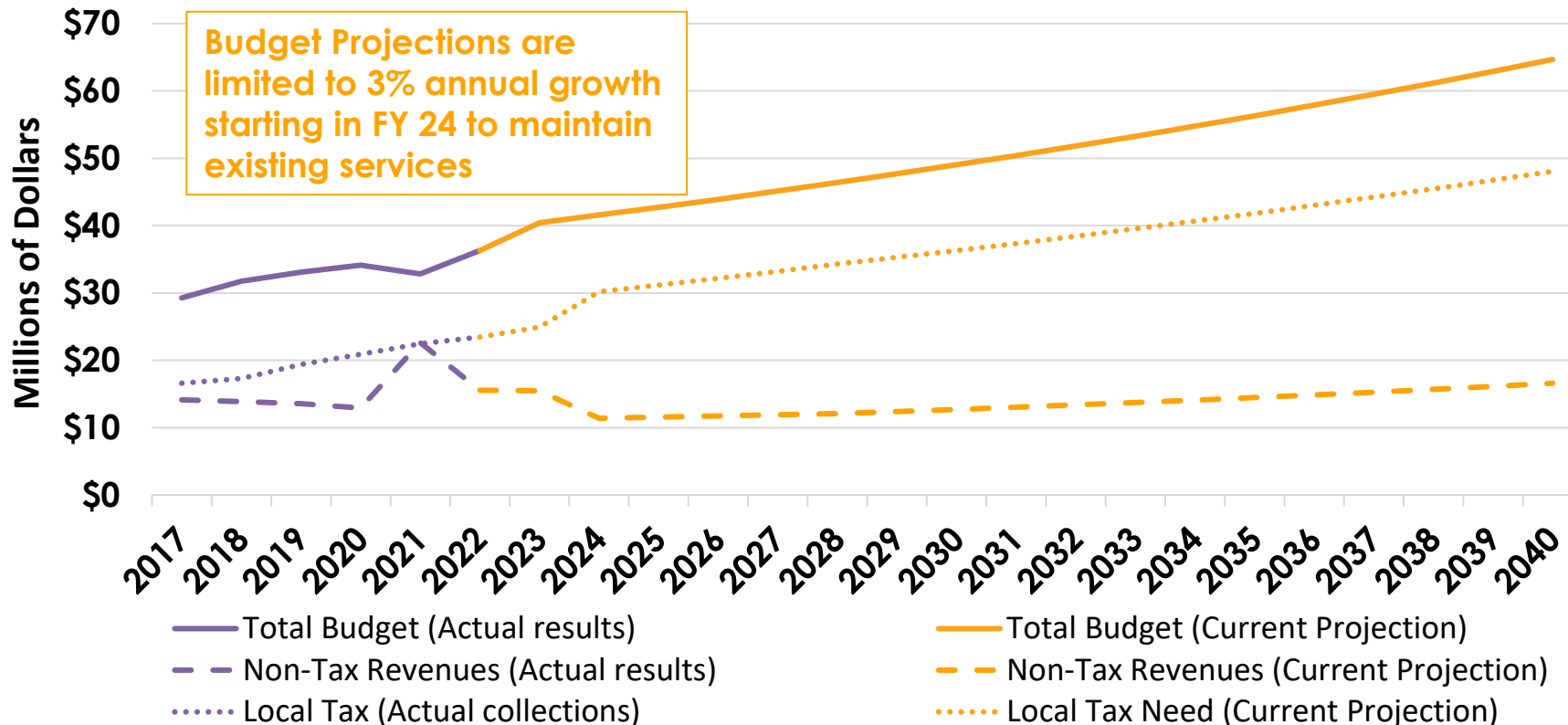
65% Salaries, Wages & Fringe  
11% Services  
6% Fuels & Lubricants  
4% Equipment Repair & Parts  
5% Local Match  
3% Insurance  
6% Other Expenses



# Why are we here today?

- ▶ DART operating revenue is flat, driving increase in property taxes
- ▶ Property tax levy cap is \$0.95/\$1,000

**Projected and Actual Results, FY 2017 - FY 2040**



**If alternative funding is not available DART will have a funding gap of \$4.7M in FY 25**

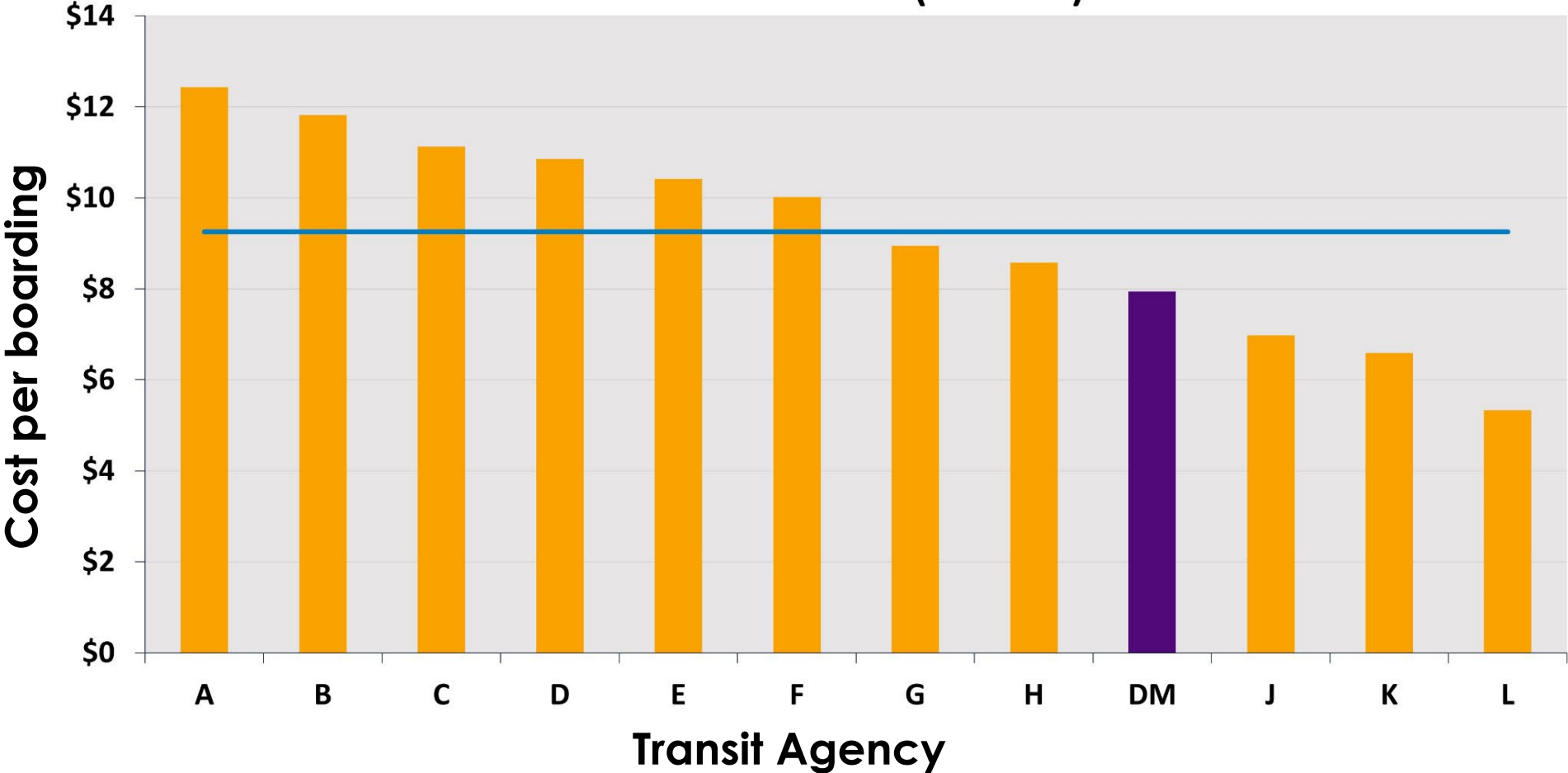




**Keeping Central Iowa moving...**

# Cost per boarding peer comparison

Cost Effectiveness (Operating Cost per Boarding) as Constant 2020 Prices (FY 2020)





# 2017 Transit Funding Study

\$	Funding Mechanism	Permissible for Transit in IA	Reliability	Sustainability	Recent Growth (2015-2019)	Annualized Growth	Equitable Source	
	Sales Tax			Medium	High	12.6%	3.7%	Medium
	Income Tax			Medium	High	45.4%*	4.6%	Medium
	Payroll Tax			Medium	High	15.0%	4.3%	High
	Parking Tax			Medium	Low	49.4%	7.8%	Low
	Hotel-Motel Tax			Medium	High	17.8%	6.6%	Medium
	Vehicle Tax			High	Medium	5.4%	1.8%	Low
	Rental Car			Medium	Medium	34.6%	7.2%	Medium
	Fuel Tax			Medium	Low	9.1%	1.3%	Low

# Funding Sources Further Evaluated

Potential Funding Source	Implementation Options
<b>Sales Tax</b>	<ul style="list-style-type: none"><li>■ Voter referendum and agreement between cities/county and DART to split new revenue, <b>OR</b></li><li>■ Modify state law to allow dedicated DART tax</li></ul>
<b>Vehicle Tax</b>	<ul style="list-style-type: none"><li>■ Voter referendum and agreement between county and DART to split new revenue, <b>OR</b></li><li>■ Modify state law to allow dedicated DART tax</li></ul>
<b>Hotel/Motel Tax</b>	<ul style="list-style-type: none"><li>■ Agreement with cities to redirect existing tax revenue to DART, <b>OR</b></li><li>■ Modify state law to raise 7% cap and/or allow dedicated DART tax</li></ul>
<b>Property Tax</b>	<ul style="list-style-type: none"><li>■ Modify state law to increase \$0.95 cap</li></ul>



# Funding Scenarios and Stakeholder Feedback

- ▶ Four types of funding scenarios tested:
  - ▷ Scenario 1: Baseline (no new funding source)
  - ▷ Scenario 2: Prolong the existing property tax
  - ▷ Scenario 3: Supplement the property tax with new revenue
  - ▷ Scenario 4: Property tax relief with new revenue

WHICH FUNDING TYPE IS THE BEST APPROACH FOR DART?

**52%** Supplement Existing Property Tax

WHICH SUPPLEMENT TAX FUNDING OPTION IS PREFERRED?

**55%** Sales Tax

# Current Funding Challenges

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# Funding Challenges

- ▶ Structural deficit, compounded by lost revenue
- ▶ Estimated annual revenue impact:
  - ▷ Backfill *(\$800,000)*
  - ▷ Multi-Residential Rollback *(\$730,000)*
  - ▷ Contracted Medicaid trips *(\$1.2 M)*
  - ▷ Pandemic impact on fare revenue *(\$1.2 M)*





# Structural Deficit FY 24-28 (Projected)

	FY 24	FY 25	FY 26	FY 27	FY 28
<b>Total Operating Revenue</b>	\$5,786,476	\$5,986,992	\$6,195,893	\$6,413,543	\$6,640,324
<b>Total Operating Expenses</b>	41,576,524	42,724,566	43,910,217	45,134,825	46,399,792
<b>Non-Operating Revenue</b>	31,314,762	32,049,335	32,809,736	33,595,709	34,408,021
<b>Excess/(Deficit)</b>	<b>(\$4,475,287)</b>	<b>(\$4,688,239)</b>	<b>(\$4,904,587)</b>	<b>(\$5,125,572)</b>	<b>(\$5,351,446)</b>

# Peer System Funding Analysis



# Agencies Evaluated

- ▶ Des Moines, IA (DART)
- ▶ Omaha, NE (Metro)
- ▶ Kansas City, MO/KS (KCATA, JCT, UGT)
- ▶ Akron, OH (METRO)
- ▶ Dayton, OH (Dayton RTA)
- ▶ Grand Rapids, MI (The Rapid)
- ▶ Tulsa, OK (MTTA)
- ▶ Little Rock, AR (Rock Region METRO)
- ▶ Corpus Christi, TX (CCRTA)
- ▶ Columbus, OH (COTA)
- ▶ Oklahoma City, OK (EMBARK)
- ▶ Spokane, WA (STA)
- ▶ Indianapolis, IN (IndyGo)
- ▶ Madison, WI (Metro)



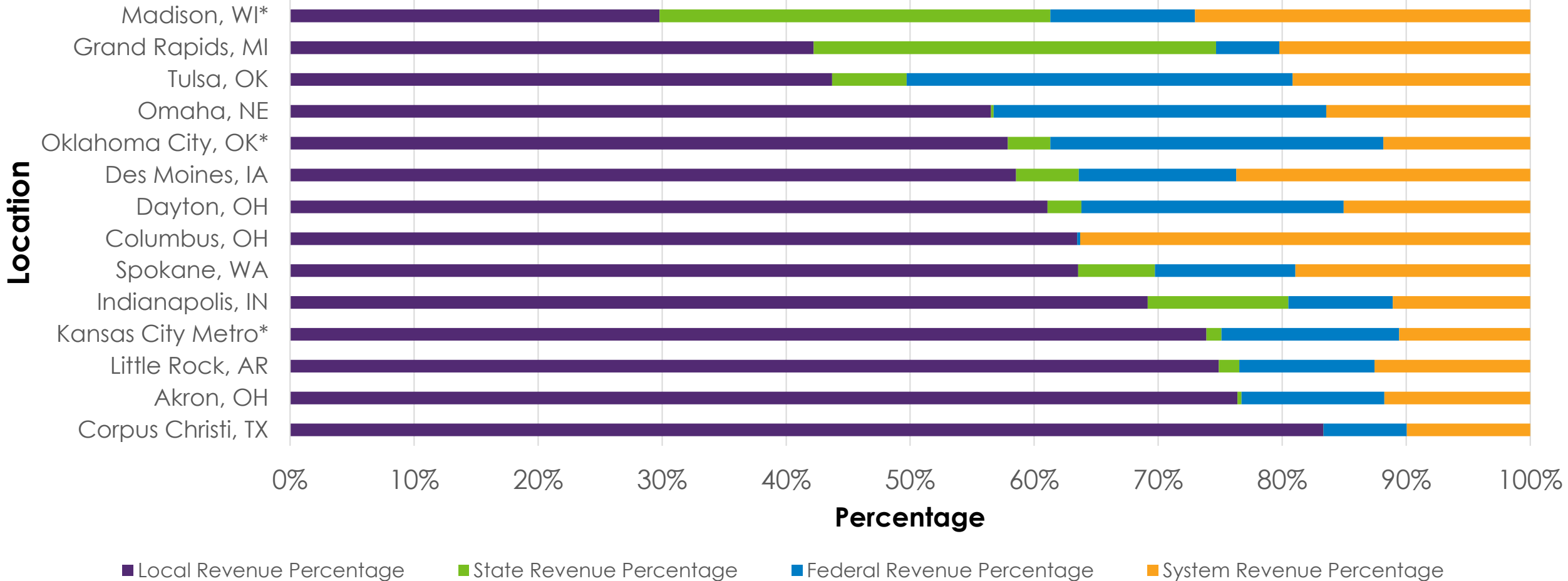
# Local Funding Source

\*Municipal System

Location	Primary Local Funding Source	Funding Type
<b>DART</b>	<b>Property Tax - Levy rate determined by DART Commission</b>	<b>Dedicated, agency sets rates</b>
Omaha, NE	Property Tax – Fixed Millage Rate collected by the City of Omaha	Part fixed rate (millage), part annual appropriations
Kansas City, MO/KS*	Sales Tax – ½ cent Sales Tax through City of Kansas City, 3/8 cent sales tax directly to KCATA.	Part fixed rate (KCMO 3/8 tax), part annual appropriations
Akron, OH	Sales Tax – ½ cent Sales Tax in Summit and Stark Counties	Dedicated, fixed rate
Dayton, OH	Sales Tax – ½ cent Sales Tax in Montgomery County	Dedicated, fixed rate
Grand Rapids, MI	Property Tax – Levy determined by Transit Authority	Dedicated, agency sets rate
Tulsa, OK	City of Tulsa Local Funds – Various Sales Taxes	Annual appropriation by city
Little Rock, AR	Local Government Funding – Sales and Use Taxes	Annual appropriation by cities
Columbus, OH	Sales Tax – Permanent 0.25% Sales Tax, Temporary 0.25% Sales Tax	Part fixed rate, part negotiated
Corpus Christi, TX	Sales Tax – ½ cent Sales and Use Tax	Dedicated, fixed rate
Oklahoma City, OK*	City of Oklahoma City General Fund – Principally funded by Property Tax	Annual appropriation by city
Spokane, WA	Sales Tax – Levy determined by PTBA Board (jurisdiction representatives)	Dedicated, agency sets rate
Madison, WI*	City of Madison General Fund – Principally funded by property taxes	Annual appropriation by city
Indianapolis, IN	Income Tax & Property Tax – Income Tax Rate of 0.25%, Property Tax must be approved by board	Part fixed, Part agency sets rate


















# Agency Operating Funding by Source (Percent)

2019 O&M Data via NTD



\*Municipal System

# Funding Scenarios

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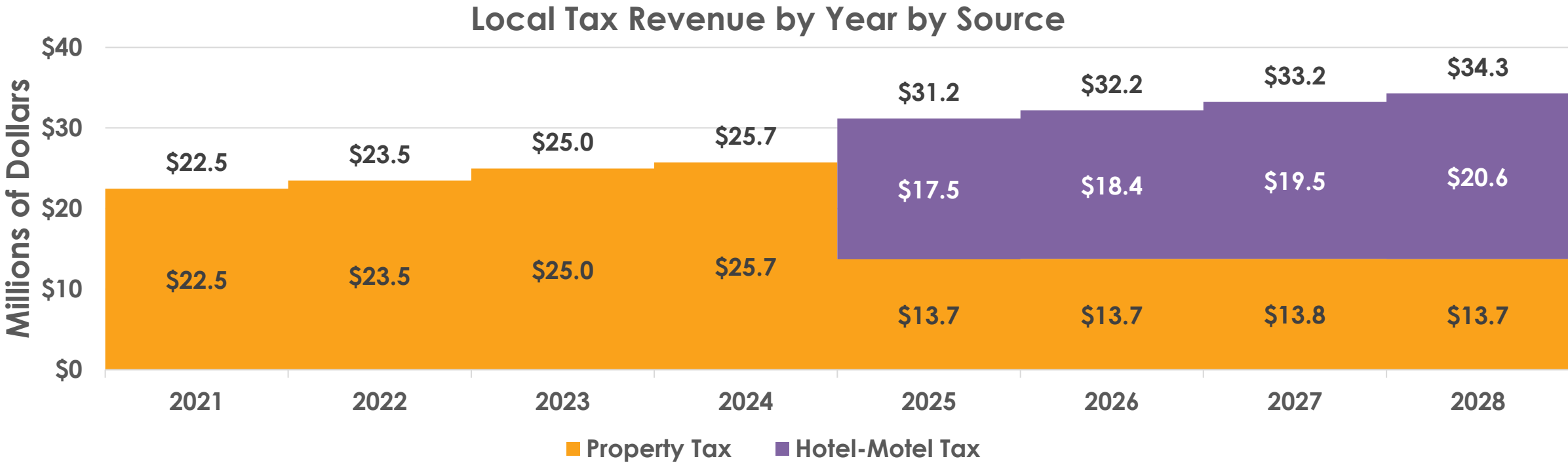


# Alternative Funding Scenarios

- ▶ Supplement or replace property tax with alternative local funding sources:
  - ▷ Scenario 1: 5% hotel-motel tax
  - ▷ Scenario 2: Sales tax; reduce property tax by half
  - ▷ Scenario 3: Sales tax; eliminate property tax
- ▶ Scenario parameters
  - ▷ Assume new local funding source becomes available in FY 25
  - ▷ FY 25 local tax revenue: \$31.2 million

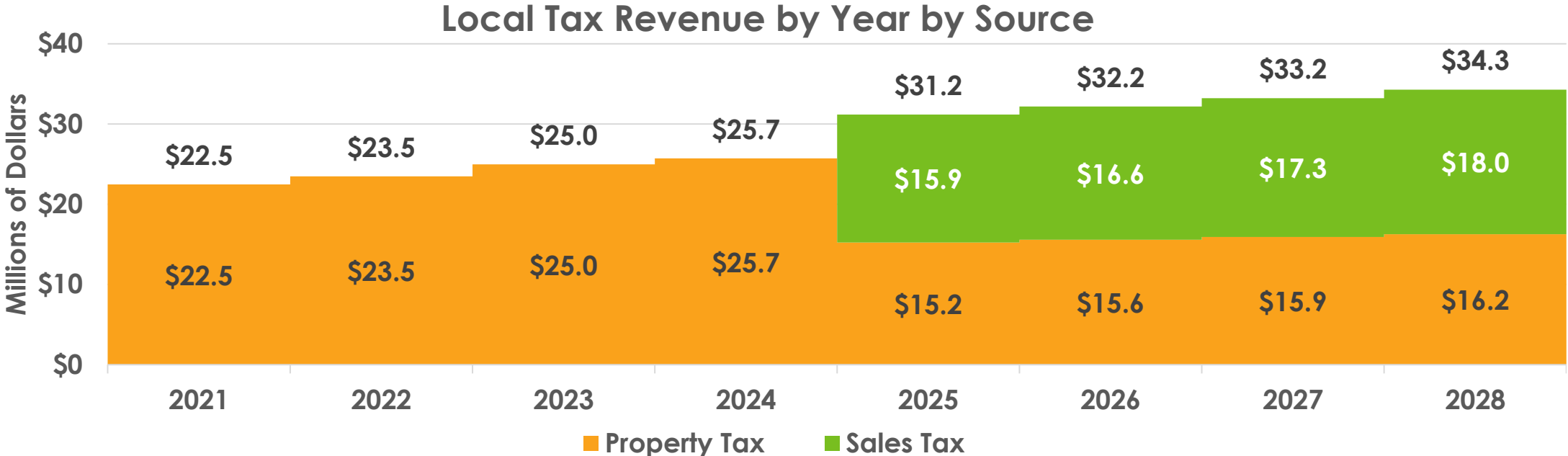
# Scenario 1: 5% Hotel-Motel Tax

- ▶ Property tax levy rate declines by around half
- ▶ All member communities below \$0.95 cap



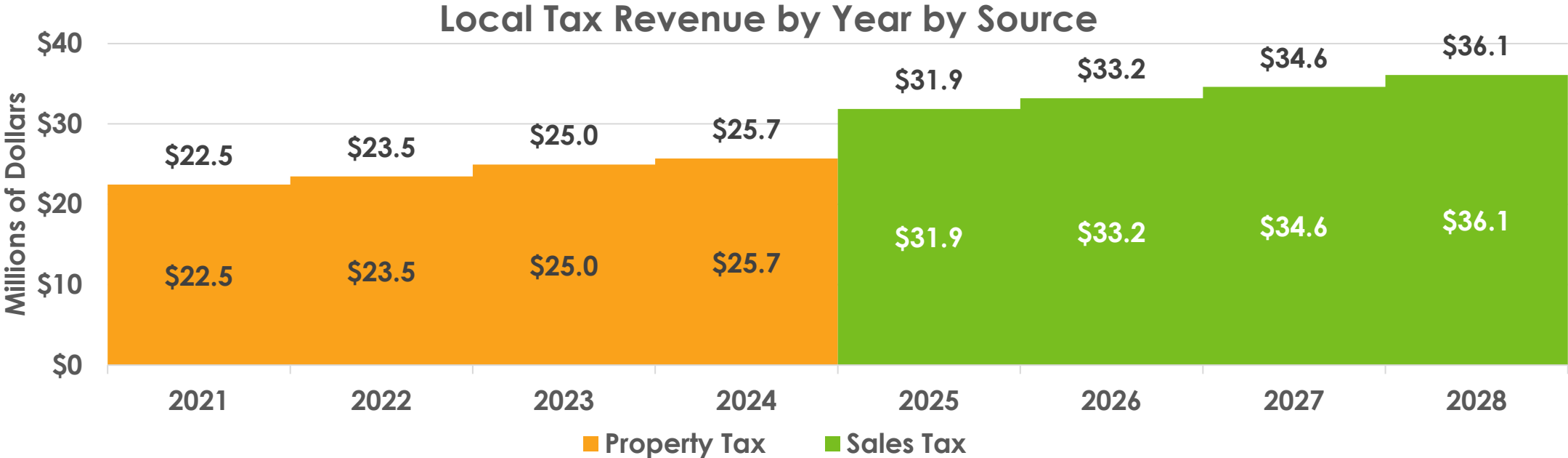
# Scenario 2: Sales Tax, Reduce Property Tax by Half

- ▶ 0.125% (one eighth penny) sales tax
- ▶ Property tax levy rates approximately flat from FY 25 – FY 28



# Scenario 3: Sales Tax, Eliminate Property Tax

- ▶ 0.25% sales tax
- ▶ Revenue grows slightly faster than DART budget, small surplus in future years (likely needed for rainy day/recession fund)





# Summary

- ▶ FY 25 local tax revenue needed to sustain existing service: \$31.2M
- ▶ If no alternative funding is available, DART will have a funding gap of \$4.7M in FY 25, growing to \$5.4M in FY 28
- ▶ Goals:
  - ▷ Reduce reliance on property taxes
  - ▷ Maintain a critical public service for a growing region

Scenario	Amount generated in FY 25	Total collected from property tax levy
5% Hotel-Motel Tax	\$17.5M	\$13.7M
0.125% Sales Tax	\$15.9M	\$15.2M
0.25% Sales Tax	\$31.9M	\$0

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**Thank you**