

**DES MOINES AREA REGIONAL TRANSIT AUTHORITY ALTERNATIVE FUNDING
ADVISORY COMMITTEE
OCTOBER 7, 2022**

The Meeting of the Des Moines Area Regional Transit Authority Alternative Funding Advisory Committee was called to order by Director Scott Marler at 10:05 a.m. on the 7th day of October 2022, in Conference Room 102 in the State Capital, 1007 East Grand Avenue, Des Moines, Iowa. Present were Director Scott Marler, Iowa DOT, Co-Chair, Director Kraig Paulsen, Iowa Department of Revenue, Co-Chair, Supervisor Steve Van Oort, Polk County Board of Supervisors, Councilperson Kelly Whiting, Ankeny City Council, and Mayor Paula Dierenfeld, City of Johnston (DART representative). Also in attendance were *Ex-Officio*'s, Brian Best, Iowa House District 12, Marti Anderson, Iowa House District 36, Brad Zaun, Iowa Senate District 20, and Senator Janet Petersen, Iowa Senate District 18.

WELCOME AND INTRODUCTIONS: Introductions were performed.

ANTICIPATED PROCESS/SCHEDULE: Director Scott Marler, Iowa DOT, Co-Chair explained that the meeting was to review the language as to why the Committee was formed. The Department of Transportation shall establish a Des Moines Area Regional Transit Authority Alternative Funding Advisory Committee to study the most effective and efficient methods to increase funding for the Des Moines Area Regional Transit Authority that are alternatives to an increase in property taxes.

Director Marler mentioned that the meeting was for information gathering and to learn what the Committee may advise the legislature on in terms of funding. A website has been generated to get feedback from the public, and an announcement, along with the link <https://iowadot.gov/dartaltfunding/Overview>, was provided in a Press Release earlier in the week.

OVERVIEW OF RELATED IOWA DOT STUDIES: Iowa Department of Transportation (DOT), Public Transit Director Kristin Haar mentioned that there had been a couple studies done by the DOT in the past 15 years on funding and Long-Range Transit Planning. Today's presentation was to highlight some of the information from those studies. The presentation is available for full review at [Overview | DART alternative funding \(iowadot.gov\)](https://iowadot.gov/dartaltfunding/Overview). Director Haar provided a summary of the 35 public transit agencies serving all 99 counties in Iowa, funding sources and ridership. She noted that recommendations by the Committee will likely impact some or all other transit agencies in Iowa. A summary of the 2009 Iowa Passenger Transportation Funding Study was presented.

The Iowa Passenger Transportation Funding Study made the follow funding-related recommendations:

- Identify capital funding sources to update the statewide transit fleet
- Create local funding opportunities through technical changes to existing legislation
 - Transit Property Tax Levy: Change “municipal: to “public” transit
 - Eliminate the Regional Transit District minimum population threshold
- Formalize jurisdiction level (state and local) funding responsibilities to bridge the revenue gaps

- Continue financial support of the Public Transit Infrastructure Grant program (PTIG), which provides capital improvement funds to regional and urban transit systems

The full version and Executive Summary of the Iowa Passenger Transportation Funding study can be found at <https://iowadot.gov/transit/publications-and-studies#309461155-iowa-passenger-transportation-funding-study>.

Director Haar provided a summary of the Iowa Public Transit 2050 Long-Range Plan completed in July 2020. This Plan outlines the goals and strategies for public transit in the state of Iowa over the next 25+ years. The statewide ridership is expected to grow from 25 million in 2018 to roughly 34 million in 2050. The large urban portion of that, including DART, would grow from 21 million rides to 28 million rides. To accommodate the increase in ridership the need for heavy duty buses would grow from just over 300 vehicles to nearly 400 vehicles by 2050.

Through the planning process, four goal areas were identified: 1) Service, 2) Partnering, 3) Facility, Fleet & Personnel, and 4) Funding. The anticipated future costs and expected revenues were compared in order to identify financial gaps. These gaps represent shortfalls in transit funding that will need to be addressed in order to support the operating and capital investments that have been identified as priorities. Annually, using a conservative estimate of typical funding, there is a \$64 million statewide shortfall through 2030. That statewide shortfall grows to \$77 million from 2031-2050. In order to address the funding shortfalls, the Long-Range Plan identified potential revenue sources. The potential revenue sources would benefit public transit agencies statewide, in addition to DART. The types of financing reviewed were: 1) Population Threshold for Regional Transit Districts, 2) Property taxes, 3) Local Option Sales Tax, 4) Rebuild Iowa Infrastructure Fund (RIIF), 5) State Transit Assistance (STA), 6) Vehicle Rental/Lease Car Sales Tax, and 7) TNC Tax.

Discussion: The Advisory Committee had questions regarding the \$0.95 tax levy rate, which is the same across the state for municipalities, but not counties and the sources of local match, and how rural services are provided in suburbs versus demand service only. Medicaid funded rides were discussed. A recommendation of the 2009 study was to encourage the Medicaid transportation brokerage to give existing public transit providers the right of first refusal in providing brokered service. Additional information was requested on Medicaid as to the difference between a full trip cost versus general fare and with what each region is doing and what the federal match was for each Medicaid trip in the past five years compared to what is happening now.

OVERVIEW OF DART FUNDING AND 2017 STUDY: Present were DART Executive Officer, Elizabeth Presutti and DART's Chief Financial Officer Kent Farver. The DART presentation is available for review at [Overview | DART alternative funding \(iowadot.gov\)](#). Ms. Presutti stated that DART is the largest in Iowa as they serve 11 cities and Polk County. They are governed by a 12-member Board of Commissions. DART offers a family of transportation services that help connect people to where they need to go. Their primary services are fixed routes services that carry most passengers and are designed to cover the densest areas of their region.

It was noted that pre-pandemic DART averaged around 15,000 rides each weekday for a total of 4.4 million rides each year. The number of rides during the pandemic remained high due to those who were essential workers. She noted that currently DART is providing around 11,500 rides each workday and are slowly working back up to pre-pandemic numbers. DART averages around 22 riders per hour.

Ms. Presutti said that the cost to provide ridership for FY 23 is \$40.4 million. It was mentioned that the FY 23 revenues come from local property taxes, fares and contracts, federal funding, state funding, and other. DART's ability to maintain these services will be hard if they are not able to identify another source of revenue. Current budget projections are limited to a 3% annual growth starting in FY24 to maintain the existing services; however, if alternative funding is not found by 2025 then there will be a funding deficiency of \$4.7 million. DART has been able to live in the \$0.95 cap for the past 12 years but doesn't see this amount as being sustainable. She pointed out that many of the strategies that the DOT listed in its Long-Range Transportation Plan are already being implemented by DART. The DART Commission and staff have been working hard to be creative and innovative in how they meet the most critical transportation needs in the region while being as cost efficient as possible.

In 2017, DART completed a Transit Funding Study. In the early phase of the study, it identified several potential solutions, and each funding mechanism was evaluated for reliability, sustainability, and geographic alignment. The funding mechanisms evaluated were: 1) Sales tax, 2) Income tax, 3) Payroll tax, 4) Parking tax, 5) Hotel/Motel Tax, 6) Vehicle tax, 7) Rental car, and 8) Fuel tax. Ms. Presutti stated that the study suggested focusing on funding sources that were readily permissible to transit in Iowa. Those funding sources included sales tax, vehicle tax, hotel/motel tax, and property tax. When looking at the different scenarios it was discovered that 52% of the participants preferred supplementing the existing property tax, and 55% indicated sales tax was the preferred option.

Mr. Farver stated that there had been a lot of changes since the 2017 study. When looking at funding challenges the impacts have been the loss of property tax backfill (around \$800,000 annually), multi-residential rollback (around \$730,000 annually), contracted Medicaid trips (\$1.2 million annually) in the last five years. The change in ridership has also had a huge impact. DART is starting to see ridership go back up but are still not close to pre-pandemic levels. Mr. Farver indicated that the operating revenue is not increasing as fast as the expenses.

The DART Commission had asked DART to come up with a Five-year Financial Plan and look at what the future of DART looked like. A couple of different assumptions that were made was that DART would not have their expenses grow more than 3% per year during the five years and would also hold the property tax levy at 3%. Mr. Farver stated that there were three parts to DARTS operating budget which were: 1) Total Operating Revenue, 2) Total Operating Expenses, and 3) Non-Operating Revenue. He reviewed the projected structural deficit for FY 2024-2028 and pointed out that each year the deficit continued to go up as the revenue would not be able to keep up with the anticipated 3% growth. He pointed out that these numbers were for maintaining the status quo and did not include any growth.

DART provided three alternative funding scenarios to supplement or replace property taxes with alternative local funding sources. Scenario 1 was to increase hotel/motel tax to 5%; Scenario 2 was to use sales tax and reduce property tax by half; and Scenario 3 was to use sales tax and eliminate property tax. A couple of scenario parameters used was to assume a new local funding source became available in FY25 and this was projecting a local tax revenue of \$31.2 million. He stated that they did not include property tax as one of the DART Commission's goals is to reduce property tax. The three scenarios are outlined in DART's presentation.

Discussion: The Advisory Committee requested information on DART's efficiencies, a benefit-cost analysis or economic impact study of transit services, and projects in order to measure the impact and overall benefit to social welfare, including how each route is contributing overall to the strategic plan and having the ridership numbers broken down by route.

The Committee asked several questions regarding the use of CARE funding and if it was included in funding projections, which it was not. DART was asked for more information on the 3% projection rate. Mr. Farver said that amount was set by DART as a guide. Property tax values have been going up at an aggressive pace and wanted to clarify that DART was not capturing that data into the projections. Mr. Farver confirmed that was correct and explained that how DART's property tax formula and allocation worked is that DART sets the dollar amount in the budget and then there is a formula that allocates the dollar amount that each member community is responsible for and then their evaluation determines what the levy rate fund would be. It was noted that all service territories are at different levels, not all territories are at the \$0.95.

The alternative funding scenarios of hotel/motel tax was discussed and ridership by visitors was asked about. A presentation was requested on Local Option Sales Tax and to look at the process further.

Bus size and ridership were discussed. It was noted that the life of a bus is 12 years and when those buses come up for replacement they are fully reviewed. Emergency Medical Services (EMS) and ambulance services were also discussed. The Committee noted that whatever model the Committee decides may be used in other areas of Iowa as well.

DISCUSSION AND NEXT STEPS: The following items were asked for:

1. Information on local option sales tax and hotel/motel tax.
2. Additional information on the loss of revenue from Medicaid and how many Medicaid riders there are.
3. Input received regarding the study and the survey results from the DOT website.
4. Information from DART on past efficiency measures and individual route ridership.

The next meeting will be on Friday, November 18, 2022, at 10:00 a.m.

ADJOURNMENT: 11:42 am