



Iowa Regional Transit District Funding

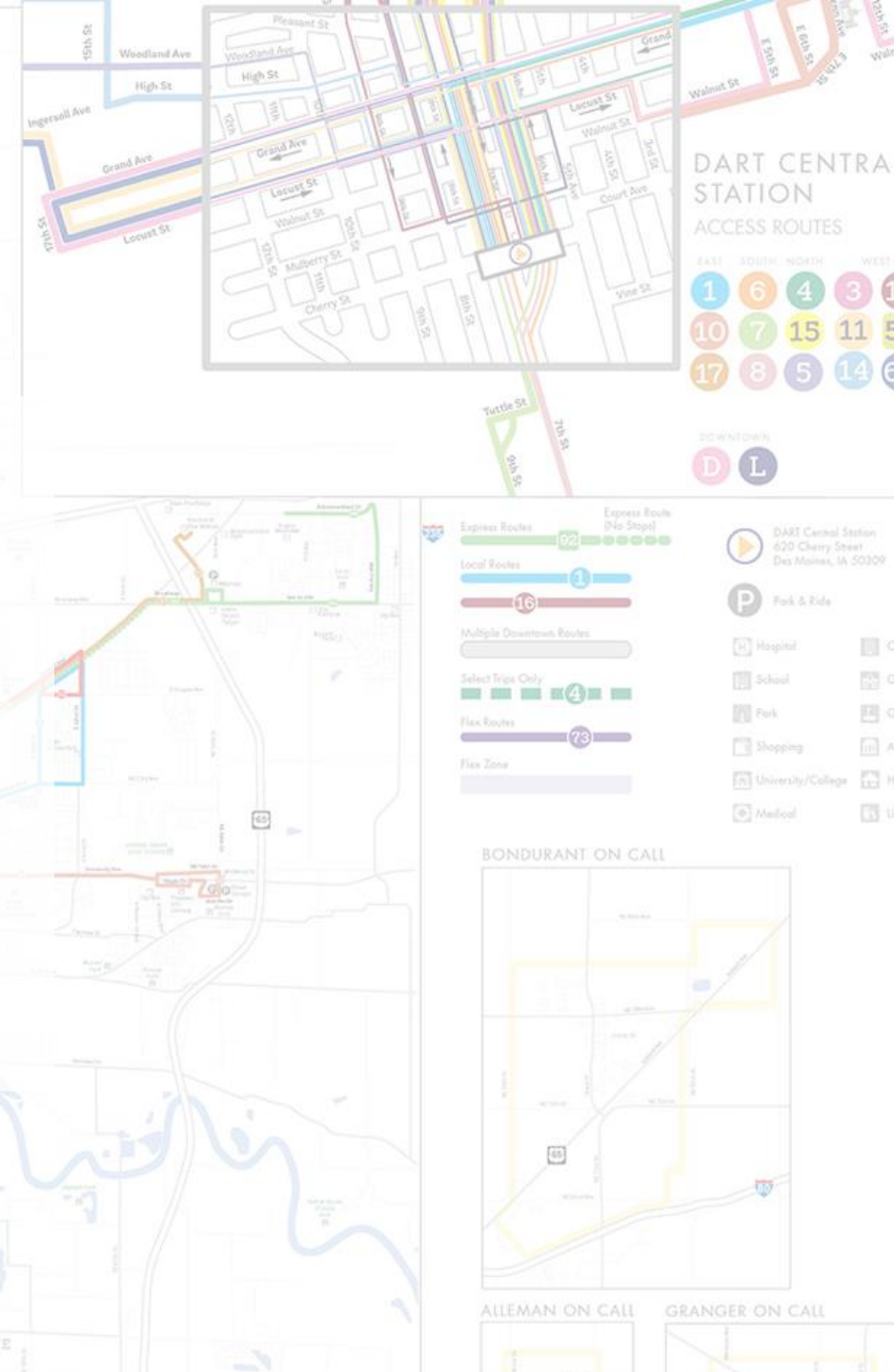
Prepared for DART Alternative Funding Advisory Committee

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



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**



Who uses DART?

Age

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



Valid driver's license

NO
46%

YES
54%

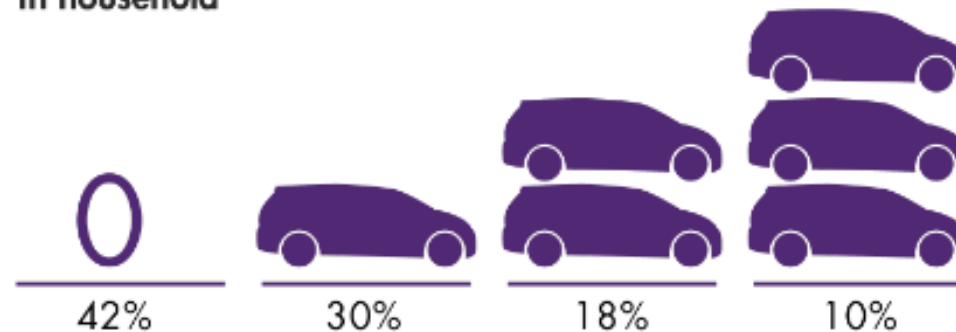


Ethnicity

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



Working vehicles in household



Total household income*

\$75,000 and up

6%

\$50,000 - \$74,999

6%

\$25,000 - \$49,999

30%

Less than \$24,999

58%



FY 23 Budget

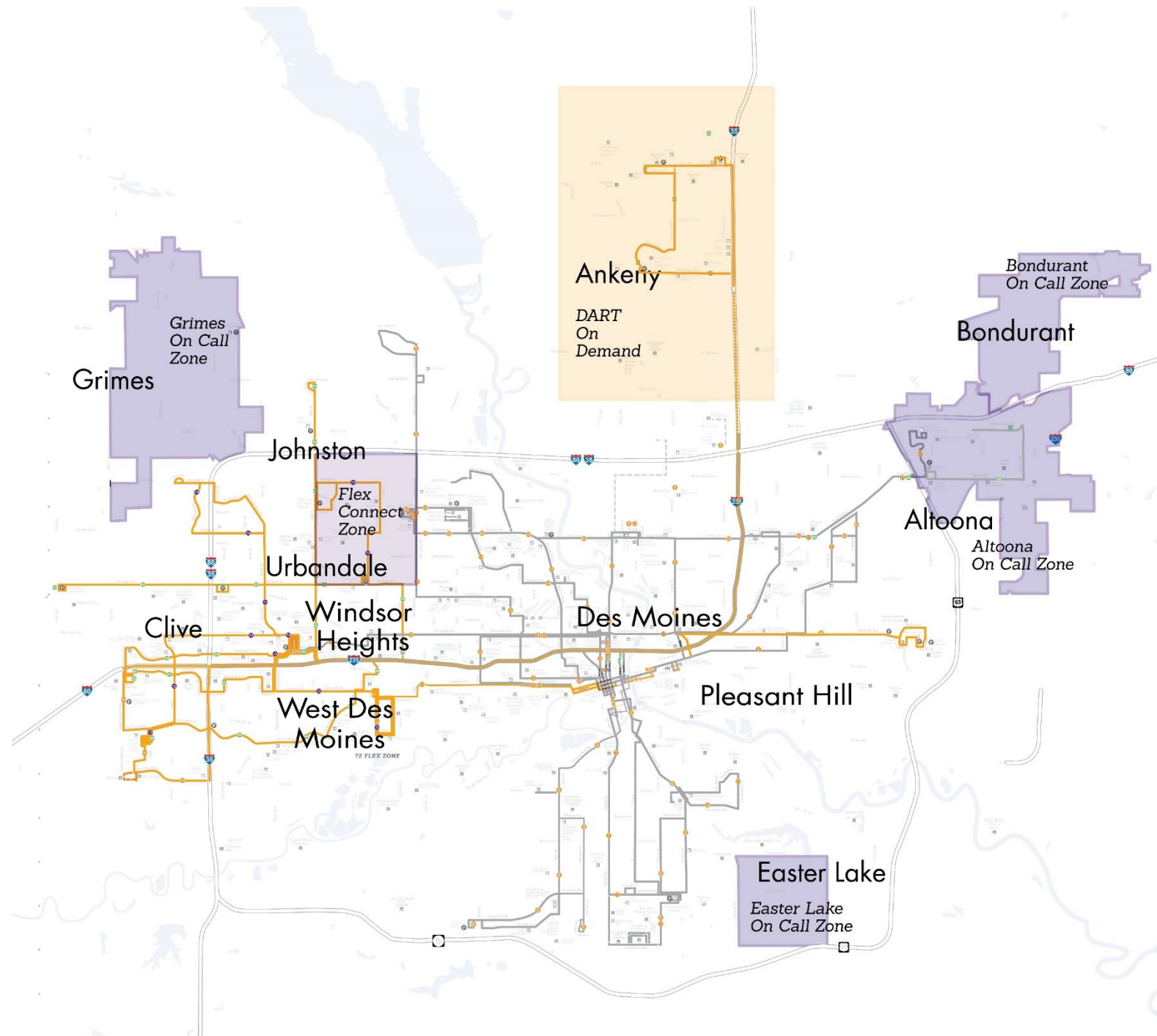
\$40.4 million

FY 2023 Revenues

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

FY 2023 Expenses

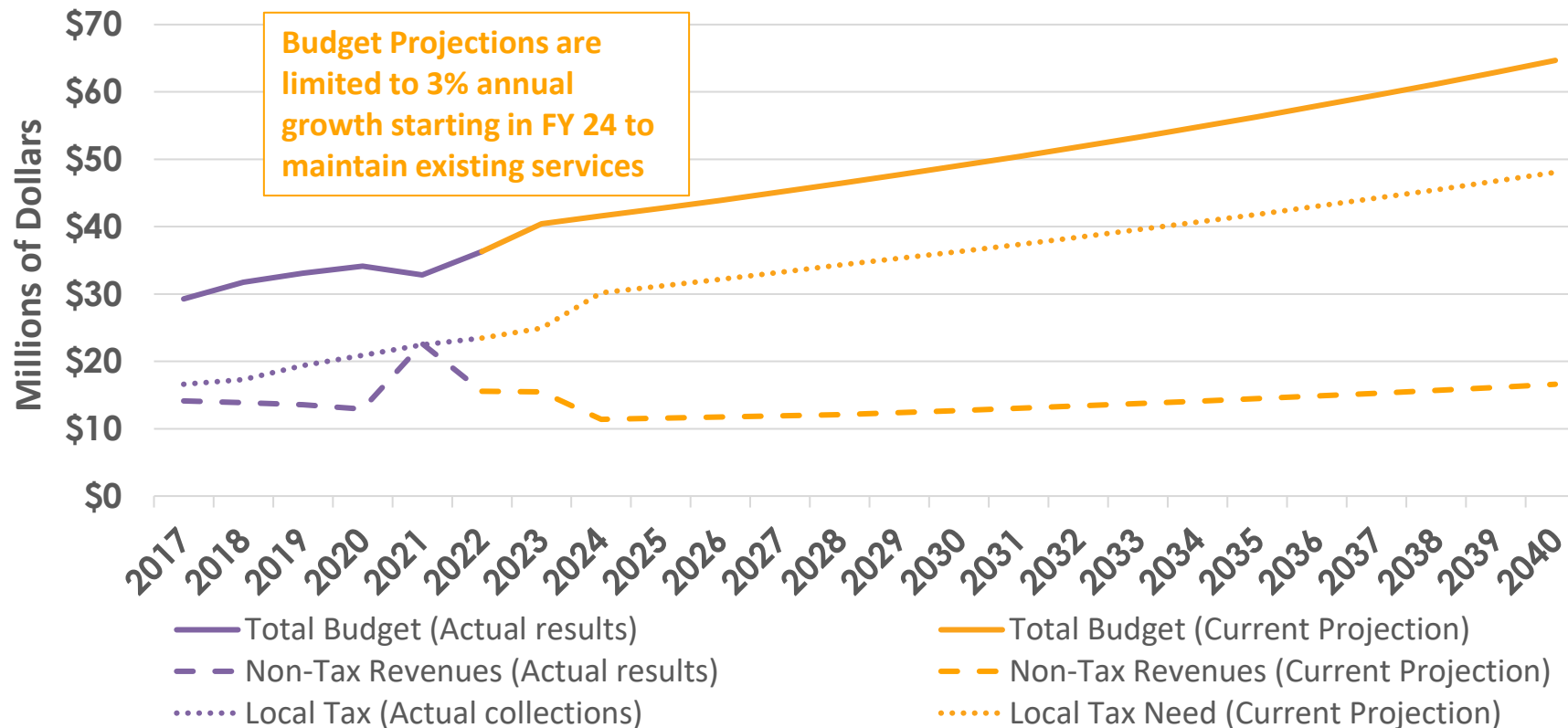
65% Salaries, Wages & Fringe
11% Services
6% Fuels & Lubricants
4% Equipment Repair & Parts
5% Local Match
3% Insurance
6% Other Expenses



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...

2017 Transit Funding Study

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

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

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)
 - ▷ Lost fare revenue from pandemic (\$1.2 M)





Structural Deficit FY 24-28 (Projected)

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

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)

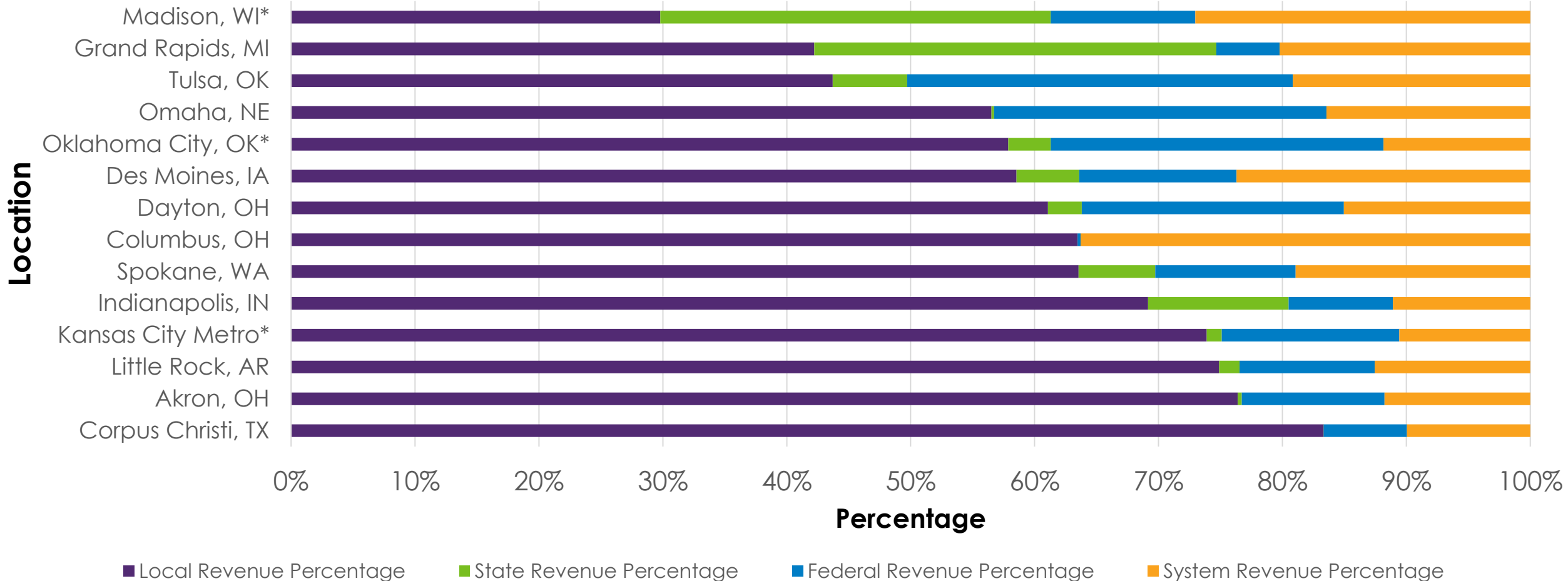
Local Funding Source

*Municipal System

Location	Primary Local Funding Source	Funding Type
DART	Property Tax - Levy rate determined by DART Commission	Dedicated, agency sets rates
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

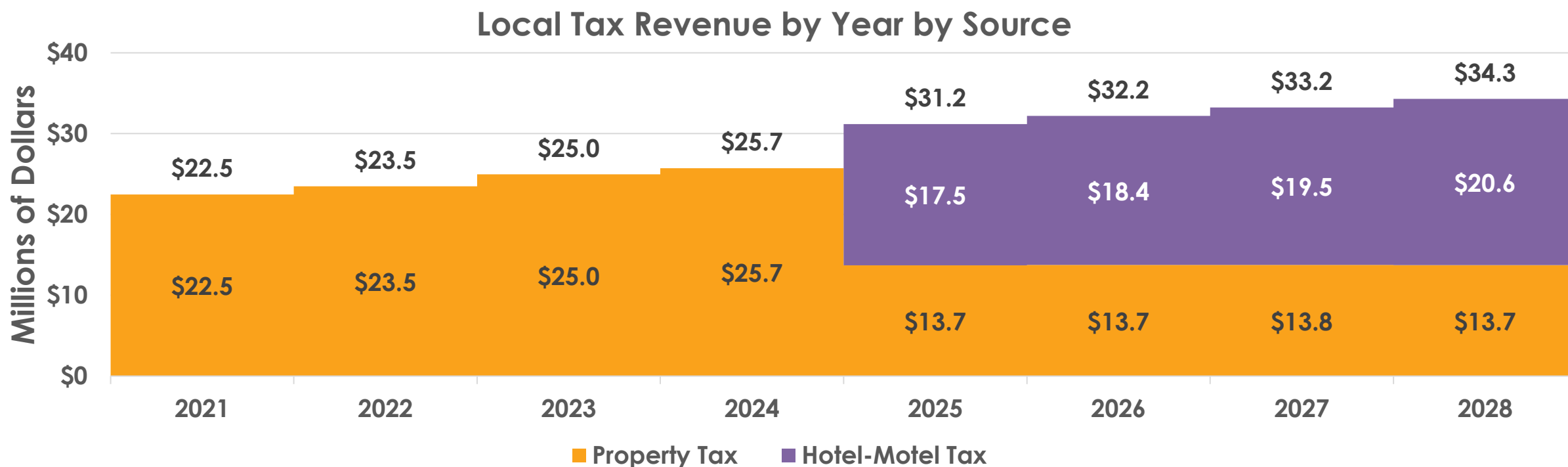


Alternative Funding Scenarios

- ▶ 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

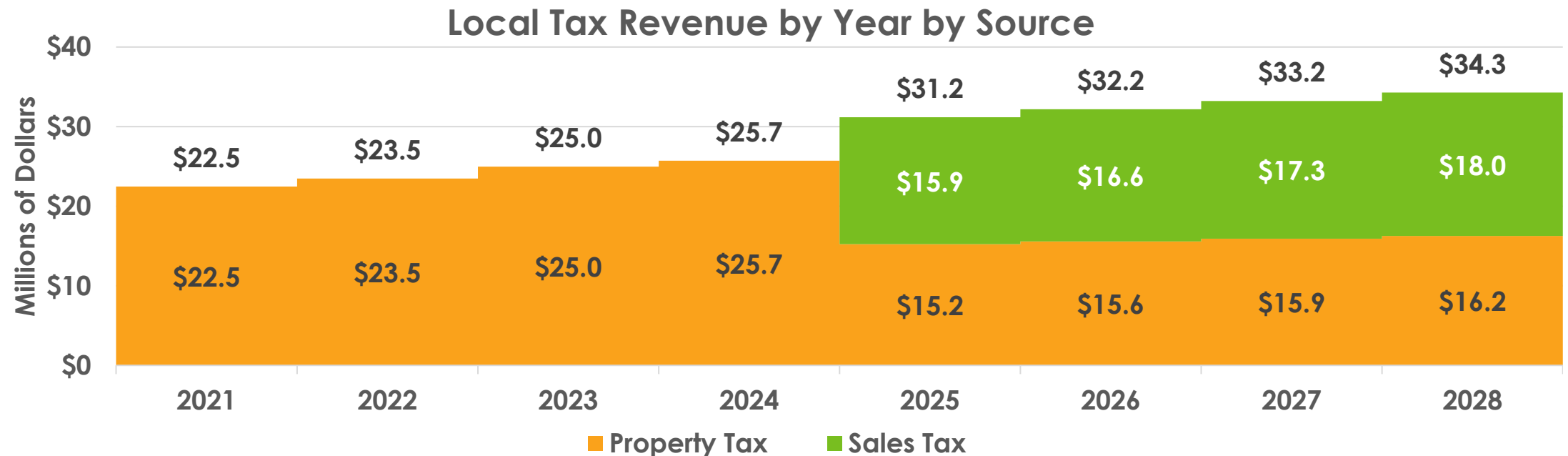
Scenario 1: 5% Hotel-Motel Tax

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



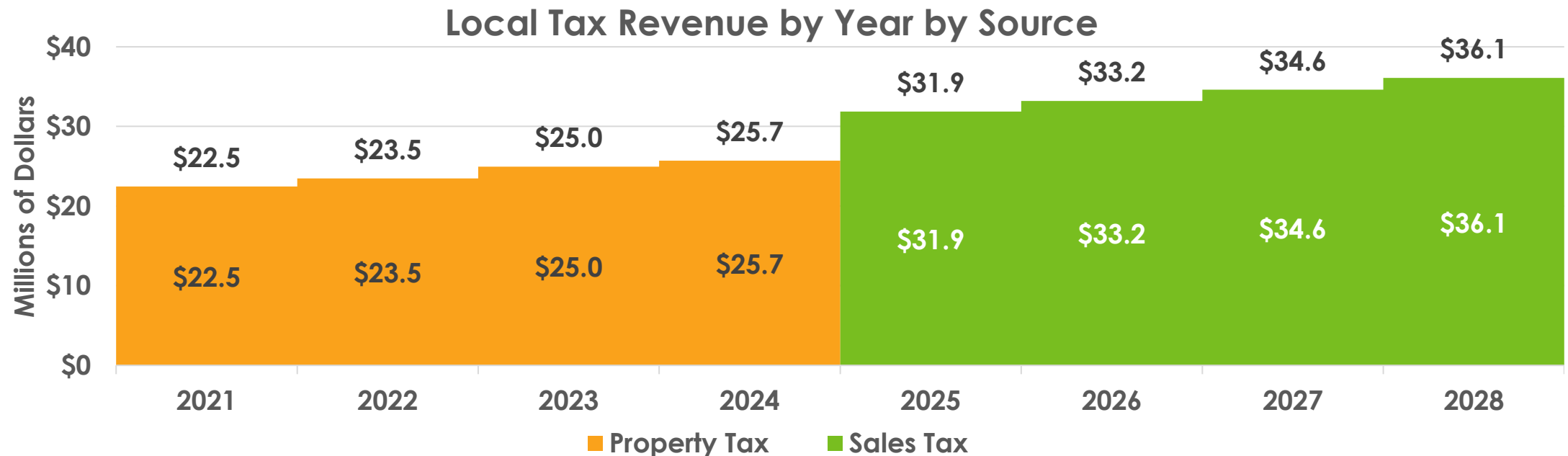
Scenario 2: Sales Tax, Reduce Property Tax by Half

- ▶ 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

Thank you