

VALDOSTA-LOWNDES COUNTY TRANSIT IMPLEMENTATION



PUBLIC TRANSPORTATION FUNDING PLAN

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I. INTRODUCTION

This paper describes the methodology and assumptions used to prepare a funding plan for the construction and operation of the Valdosta-Lowndes County Transit System project. Topics addressed in this document include a description of estimated capital construction and annual operating and maintenance (O&M) costs, proposed funding sources and a twenty (20) year cash flow analysis.

This funding plan shows that the Valdosta-Lowndes County Transit System can be constructed, maintained and operated over a 20-year period with reliance upon several funding sources noted in this plan. The plan provides for the full construction of the Valdosta-Lowndes County Transit System.

Purpose and Need for Transit Funding Plan

Getting a transit system related project funded is a complex, often confusing process. There are a myriad of funds available, including federal, state, and local sources. Project often require multiple-year funding commitments, and relatively few are funded by a single revenue source. Most sources have their own eligibility and application process. To move a project towards construction, project proponents and policy makers must shape comprehensive funding packages based on this puzzling array of programs and funds. Interested citizens often feel left out of the process of planning, especially the funding aspects of local transit projects.

This Transit Funding Plan has been compiled to present important basic information about transit funding processes in a simple, easily-accessible, visual way. That is, emphasis is placed on providing information about funding sources for transit projects rather than street, highway or airport projects.

Goal of Transit Funding Plan

This transit funding plan has three main objectives. The first is to help interested individuals, project proponents, transportation professionals, and decision makers quickly identify funding sources for which the transit project may be eligible. Second, this transit funding plan aims to provide the user with important basic information about who, what, when, and how of the funding program. Finally, the transit funding plan provides the reader with important information on the costs associated with construction, operation and maintenance.

II. PROJECT DESCRIPTION

III. PROJECT COSTS

The capital cost methodology and capital cost estimates are based on the estimates and methodology prepared as part of the Valdosta-Lowndes Transit System planning activities conducted in the preparation of the Service and Operation plans. The detailed

estimates were prepared by Grice & Associates, Inc. These estimates were also reviewed for their reasonableness by the Transit Steering Committee and the Southern Georgia Regional Commission Project Manager and Technical Staff. The project, as defined in 2009, forms the foundation for these new cost estimates, with a few exceptions that are noted such as a phase implementation versus implementation all at once.

As a result, the Valdosta-Lowndes County Transit System has updated its construction cost estimate based on the following construction elements:

- Seven (7) - Transit Buses
- Two (2) – Para-transit Buses
- Bus Shelters
- Communications Systems
- Bicycle Equipment
- ADA Vehicle Equipment
- Transit Center
- Onboard Security System
- Fare Collection System
- AVL / CAD System
- ADP Hardware and Software
- Real-time Traveler Information System
- Maintenance and Shop Equipment
- Annual Maintenance
- Marketing and Promotion

Tables 1 present the total capital costs for the project in the 1st quarter of fiscal year 2011, for the transit and other components, respectively. The transit project is estimated to cost \$ 4.16 million. This funding plan presents project cost in 2010 dollars. The 20-year cash flow analysis and all forecasted capital cost drawdowns are based on 2010 dollar value.

Table 1: Transit System Capital Cost Estimates (2010\$)	
Cost Category	2010 Dollars
Transit Buses	1,310,000
Para-Transit Buses	140,000
Bus Shelters	100,000
Communications Systems	10,000
Bicycle Equipment	10,000
ADA Vehicle Equipment	30,000

Transit Center	100,000
Onboard Security System	25,000
Fare Collection System	160,000
AVL / CAD System	260,000
ADP Hardware and Software	30,000
Real – Time Traveler Information System	50,000
Marketing and Promotion	200,000
Subtotal	\$ 2,425,000

Like the capital cost estimate, operating and maintenance (O&M) costs for the transit system were developed during the preliminary planning phase of the project, more specifically, during the development of the service plan. The O&M estimates were prepared by Grice & Associates, Inc. These estimates were also reviewed for their reasonableness by the Transit Steering Committee and the Southern Georgia Regional Commission Project Manager and Technical Staff. Table 2 presents the annual O&M costs for the 1st quarter of 2011. The 20-year cash flow analysis and all forecasted operating and maintenance cost are based on 2010 dollar value.

Table 2: Annual Operating and Maintenance Cost Estimates (2010\$)	
Cost Category	2010 Dollars
ADA Service	495,350
Maintenance and Shop Equipment	100,000
Annual Maintenance	50,000
Five (5) Route System Operations	1,244,000
Administration Facility	30,000
Transit Manager	100,000
Subtotal	\$ 2,019,350
Total Transit System Cost	\$ 4,444,350
Revenue Category	2010 Dollars
Farebox – 15% Estimate	261,000
Advertising – 1% Estimate	17,400
Subtotal	\$ 278,400
Total Transit System Cost less Revenue	\$ 4,165,950

Tables 3 present the total capital costs for Phase 1 of the phased implementation project in the 1st quarter of fiscal year 2011, for the transit and other components, respectively. The Phase 1 transit project implementation is estimated to cost \$ 2.3 million. This funding plan presents project cost in 2010 dollars.

Table 3: Phase 1 Transit System Capital Cost Estimates (2010\$) (Westside Route)	
Cost Category	2010 Dollars
Transit Buses	525,000
Para-Transit Buses	140,000
Bus Shelters	100,000
Communications Systems	10,000
Bicycle Equipment	15,000
ADA Vehicle Equipment	30,000
Transit Center	40,000
Onboard Security System	25,000
Fare Collection System	96,000
AVL / CAD System	260,000
ADP Hardware and Software	30,000
Real – Time Traveler Information System	50,000
Marketing and Promotion	200,000
Subtotal	\$ 1,521,000

Like the Phase 1 capital cost estimate, operating and maintenance (O&M) costs for the transit system were developed during the preliminary planning phase of the project, more specifically, during the development of the service plan. The Phase 1 O&M estimates were prepared by Grice & Associates, Inc. These estimates were also reviewed for their reasonableness by the Transit Steering Committee and the Southern Georgia Regional Commission Project Manager and Technical Staff. Table 4 presents the annual Phase 1 O&M costs for the 1st quarter of 2011. The 20-year cash flow analysis and all forecasted operating and maintenance cost are based on 2010 dollar value.

Table 4: Phase 1 Annual Operating and Maintenance Cost Estimates (2010\$) (Westside Route)	
Cost Category	2010 Dollars
ADA Service	100,000
Maintenance and Shop Equipment	100,000
Annual Maintenance	10,000

Phase 1- Westside Route System Operations	518,200
Administration Facility	30,000
Transit Manager	100,000
Subtotal	\$ 858,200
Total Phase 1 Transit System Cost	\$ 2,379,200
Revenue Category	2010 Dollars
Farebox – 15% Estimate	85,820
Advertising – 1% Estimate	8,582
Subtotal	\$ 94,402
Total Phase 1 Transit System Cost less Revenue	\$ 2,284,798

Southern Georgia Regional Commission has been applying for and receiving federal grants to assist with the planning, development and implementation of the Valdosta Lowndes Transit System. To date, the SGRC has encumbered several federal grants to assist with the implementation of a transit system. Because the federal grants only covers a portion of the full system cost, there must be a local partner to help fund the planning, development and implementation of the transit system. Although the majority of the funding relies on federal grants, the local partner’s commitment is needed to further development of the transit system. Based upon the encumbered federal grants and the above associated costs, the local funds needed to implement the full Valdosta-Lowndes Transit System or the Phase 1 Transit System are \$1,073,070 or \$381,899, respectively.

IV. PROPOSED SOURCES OF FUNDS

Funding for transit systems and services is available from many sources. This section presents an overview of the major federal, state and local sources used to fund transit in Georgia and throughout the United States. This section allows one to understand what funding sources are available, however, after locating a potential funding source, one would need to research more fully the goals and restrictions of the particular program before applying for funds. Many of the funding programs have similar, but divergent language in their eligibility requirements.

Federal Revenue Sources

Federal Transit Administration

The Federal Transit Administration (FTA) operates several grant programs that help fund operating and administrative costs of transit providers and that provide assistance in making capital purchases such as vehicles, facilities, software and other transit-related equipment. All of these grant programs require a local funding match ranging from 10 to 50 percent of the total project cost, depending on how the monies are used.

Section 5307 - Urbanized Area Formula Program

These funds are available to urbanized areas of more than 50,000 people; the amount of funding going to a region is determined through a formula that takes the population density into account. Funds can be used for transit capital expenditures, operating assistance and transportation planning. Up to 10 percent of the formula funds can be used to fund ADA service for persons with disabilities.

Section 5309 – Transit Capital Investment Program

The section 5309 program provides capital assistance primarily for three (3) purposes:

- New and Replacement Buses and Related Facilities
- Modernization of Existing Rail Transit Systems
- New Fixed Guideway Transit Systems

Bus and Bus-Related Program

Funds granted under this part of the Section 5309 program can be used to purchase and maintain buses, maintenance and administrative facilities, transfer facilities, park-n-rides, bus stops and shelters, and other bus related items. These funds are typically awarded on a discretionary basis.

Section 5309 grants are an important funding source for smaller transit providers since they do not receive formula funding. However, the discretionary nature of 5309 funding makes it an unpredictable funding source for these providers.

Fixed-Guideway Modernization

This program provides funds to modernize or improve existing rail or other fixed guideway systems. Eligible projects include updating or rehabilitation of vehicles, track, signals, stations, maintenance facilities and other structures. These funds are awarded by formula to urbanized areas that have rail systems that have been in operation for at least seven years.

Major Capital Investments – New Starts

The New Starts program funds construction of new fixed guideway transit systems or extensions to existing systems. New Starts funds can also be used for other projects in the transit corridor such as construction of park-n-rides and purchase of right-of-way.

Eligible transit authorities or public agencies must have completed planning and project development processes before funds can be awarded.

New Starts funding is discretionary. Typically, many transit agencies around the country compete for these earmarked funds. The Secretary of Transportation recommends projects in an annual report to Congress. A full funding grant agreement is established for projects that receive New Starts grants; the agreement defines the scope of the project and outlines the federal financial commitment to the project.

Section 5310 – Elderly and Persons with Disabilities Grant Program

The Section 5310 program provides funding to private, non-profit agencies that provide transportation for the elderly and disabled. Section 5310 funds are distributed by FTA to GDOT; individual transit providers then apply to GDOT for the funds. FTA allows these funds to be used for both capital purchases and to purchase services from other providers. GDOT awards Section 5310 grants only for capital purchases.

Section 5311 – Nonurbanized Area Formula Program

This program provides capital, operating and administrative funds for general public transit in areas with fewer than 50,000 people. Transit services in rural portions of City of Valdosta and Lowndes County are eligible for these funds. Like Section 5310 funds, Section 5311 funds are distributed to GDOT and transit providers then apply to GDOT for the funds. State and local governments, non-profit organizations and other public transit providers are eligible. At least 15 percent of the total state apportionment must be used for intercity bus service.

Section 5316 – Job Access and Reverse Commute Program

The Job Access and Reverse Commute (JARC) program was instituted to help develop new transportation options for welfare recipients and other low-income individuals to get to jobs and to better develop transportation links between urban areas and suburban job sites. Funds can be used for capital purchases, for operating costs and for promoting use of transit vouchers and passes. Under SAFETEA-LU the program changed from a discretionary to a formula-based program. In the State of Georgia, GDOT acts as the designated recipient for the funds. In the rural and small urbanized areas, GDOT acts as the designated recipient.

Section 5317 – New Freedom Program

Section 5317 New Freedom funding is designated for new public transportation services that are beyond the ADA requirements. Projects that do not meet both criteria (new and beyond the ADA) will not be eligible for funding. The new service is limited to projects that are not already in the Transportation Improvement Plan (TIP) or State Transportation Improvement Program (STIP). As with JARC, GDOT acts as the designated recipient for the funds.

State and Local Revenue Sources

Funding beyond the Federal Revenue sources for transit systems and other benefitting purposes is established, managed and maintained on the State or Local levels. These revenue sources are initiatives that are developed and agreed upon by the State or Local policy makers. From a review of additional revenue sources that is being used by other transit systems within the United States, the following sources are being utilized elsewhere:

- General Fund
- Regional Transit Authority
- Vehicle Registration Fees
- Employer / Employee Taxes
- Concessions
- General Sales Tax
- Vehicle Leasing and Rental Fees
- Alcohol Tax
- Cigarette Tax
- Parking Fees and Fines
- Property Taxes
- Fares and Fare Related Income
- Contracts or Purchase of Service
- Lease Revenue
- Advertising
- Concessions / Rental Income
- Realty Transfer Taxes / Mortgage Recording Fees
- Corporate Franchise Taxes
- Hotel / Motel Taxes
- Utility Fees
- Public Private Initiatives (PPI)
- Transportation Development or Tax Allocation Districts (TDDs or TADS)

From the review and analysis of each of these revenue sources (Source: Georgia State University Andrew Young School of Policy Studies – Georgia’s Taxes – A Summary of Major State and Local Government Taxes, January 2010), it was determined that three out of the following four sources are within current legislation of the State of Georgia that can be administered under the current laws to collect revenue to fund a transit system. And, although the fourth source, Transportation Investment Act of 2010 isn’t readily available, it is presently moving through the legislation process which will be voted on by citizens in the near future.

Based upon the funding analysis of the options available to the City of Valdosta and Lowndes County, the following options deem to be most beneficial for this effort. There are as follows:

- Alcohol Tax
- Advertising Fees
- Hotel / Motel Taxes
- General Sales Tax (Transportation Investment Act of 2010 – TIA 2010)

Alcohol Tax

Alcohol tax is made on the first sale, which is remitted by the distributors. It is determined based upon the final delivery of alcohol beverages, including malt beverages, wine, and distilled spirits in Georgia.

Tax Rate:

Distilled Spirits – Counties and municipalities may levy excise taxes on distilled spirits at rates not to exceed twenty-two (22) cents per liter or proportional rates for other size containers on distilled spirits sold by the package. Counties and municipalities may also levy excise taxes at rates up to three (3) percent of the price charged for mixed drinks.

Malt Beverages: A uniform local government beer tax is levied at five (5) cents per twelve (12) ounces for bottled and canned malt beverages with proportional rates for sizes other than twelve (12) ounces. The rate for bulk (tap or draft) malt beverages is \$6 per container for containers up to 15 ½ gallons with proportionate rates for other sized containers.

Wine: Counties and municipalities may levy excise tax not to exceed 22 cents per liter.

From the above list of taxes levied, one major exemption exists for beverages with less than ½ of 1 percent alcohol content by volume. The County and municipal governing authority is responsible for administration of the levied tax. The distributors of the beverage have to remit the tax to the local government levying the tax. The levied tax reporting and payment provisions are established by the local government levying the tax. Disposition of the revenue is done from the local government general fund.

After a careful analysis of the current Valdosta alcohol tax, it was determined that the City is currently and only taxing local distributors who sell alcohol within its jurisdiction. So, for all intended purposes, the current Georgia tax statute allows taxes to be collected to two (2) stages: one at the sale to distributors and the second at the sale of an individual drinks to the buyer. So, for revenue projection purposes, if an additional tax is added to the drinks at the retailers' level, it would produce the following revenue.

Per Drink Tax:

Beer

- Five (5) cents per 12 Ounces
- \$6 per 15 ½ Gallon Container

Wine

- Twenty two (22) cents per liter

Mixed Drinks

- Three (3) percent of sale
- Twenty two (22) cents per liter

Assumption:

(LOW)

Beer

	<u>Units</u>	<u>Tax Rate</u>	<u>Total Revenue</u>
	500,000	\$ 0.05	\$ 25,000
	25,000	\$ 6.00	\$ 150,000
Wine	100,000	\$ 0.22	\$ 22,000
Mixed	200,000	\$ 0.03	\$ 6,000
	100,000	\$ 0.22	\$ 22,000
		TOTAL	\$ 225,000

(MEDIUM)

Beer

	<u>Units</u>	<u>Tax Rate</u>	<u>Total Revenue</u>
	750,000	\$ 0.05	\$ 37,500
	37,500	\$ 6.00	\$ 225,000
Wine	150,000	\$ 0.22	\$ 33,000
Mixed	300,000	\$ 0.03	\$ 9,000
	150,000	\$ 0.22	\$ 33,000
		TOTAL	\$ 337,500

(HIGH)

Beer

	<u>Units</u>	<u>Tax Rate</u>	<u>Total Revenue</u>
	1,000,000	\$ 0.05	\$ 50,000
	50,000	\$ 6.00	\$ 300,000
Wine	200,000	\$ 0.22	\$ 44,000
Mixed	400,000	\$ 0.03	\$ 12,000
	200,000	\$ 0.22	\$ 44,000
		TOTAL	\$ 450,000

Based upon the analysis of current City of Valdosta Liquor licenses and amount of collected taxes from Alcohol Distributors, it is recommended to use the medium scenario to compute project revenue for the transit system.

Advertising Fees

Advertising fees is the monthly or annual fee that is to be paid by the advertiser to the transit system operator as his share of the corporate advertising expenditures. Advertisers are available in every industry to help them develop successful business awareness.

The fees earned are developed and determined based upon studies and estimates that will be developed within the transit system marketing plan. For the purpose of developing this transit funding plan, it is estimated that advertising fee will provide a revenue of one (1) percent of the operating cost.

Hotel / Motel Taxes

Hotel and motel taxes is a consumer tax on lodging charges for stays at hotels, motels, rooming houses, private campgrounds, RV parks, and similar facilities. The tax is collected from the customers and reported by the lodging business on the excise tax return. The excise tax is directly related to furnishing for value of rooms, lodgings, and accommodations by legal entities required to be licensed by local governments.

The general tax rate authorized in the State of Georgia is up to three (3) percent; however, counties and municipalities may exceed this rate in varying amounts when the rate above three (3) percent is used for certain, specified purposes generally related to tourism and trade show purposes.

Major exemptions and exclusions include the following:

- Lodging furnished for use by the State of Georgia or local government officials or employees when traveling on official business.
- Lodging for a period of more than 10 consecutive days.
- Lodging furnishes as meeting rooms.

The administration of the motel and hotel taxes is the responsibility of the governing authority of the counties and municipalities. The entity providing the lodging is responsible for remitting the taxes. The levied tax reporting and payment provisions are established by the local government levying the tax. Disposition of the revenue is done from the local government general fund.

Current tax rate for the hotel / motel revenue is five (5) percent, spirit alcohol revenue is \$3.79 per gallon, table wine alcohol is \$1.51 per gallon and beer tax is \$1.01 per gallon. (Source: Tax Foundation, Washington, DC, 2010)

Table 6: City of Valdosta – Hotel / Motel Tax Revenue 2008 - 2009	
Hotel / Motel Tax Revenue	
Month / Year	Revenue
July 2008	\$ 169,921.84
August 2008	\$ 128,830.37
September 2008	\$ 98,834.72
October 2008	\$ 128,648.09
November 2008	\$ 94,650.92
December 2008	\$ 100,529.36
January 2009	\$ 109,689.72
February 2009	\$ 133,813.73
March 2009	\$ 146,144.43
April 2009	\$ 127,495.63
May 2009	\$ 114,695.84
June 2009	\$ 138,986.53
Total Billed	\$ 1,492,241.18
Fines, Etc.	\$ 43,986.30
Total Collected	\$ 1,536,227.48

Source: City of Valdosta Business License Tax Office

Based upon the hotel / motel five (5) percent tax rate, the total sales for hotel / motel for the fiscal year beginning July 2008 thru June 2009 was \$ 30,724,549.60.

As a scenario to create revenue to support transit, according to the current Georgia tax statute, counties and municipalities may exceed the tax rate in varying amounts when the rate above three (3) percent is used for certain, specified purposes generally related to tourism and trade show purposes. So, for revenue projection purposes, if there is an additional three (3) percent tax for transit to provide an efficient and safe mode of transportation for tourists and trade show attendees, the following revenue would be produced.

2008 / 2009 Total Sales:	\$ 30,724,549.60
2008 / 2009 Tax Revenue Rate:	Five (5) Percent
2008 / 2009 Tax Revenue:	\$ 1,536,227.48

Assumption:

2008 / 2009 Total Sales:	\$ 30,724,549.60
2008 / 2009 Tax Revenue Rate:	Eight (8) Percent
2008 / 2009 Tax Revenue:	\$ 2,457,963.97

The additional three (3) percent tax revenue rate would produce an additional amount of \$ 921,736.49.

Transportation Investment Act of 2010

The Transportation Investment Act of 2010 (TIA) proposes a one-percent regional sales and use tax to fund all modes of transportation for a period of ten years. The bill establishes twelve (12) special tax districts based on existing regional commission boundaries. Counties aren't allowed to opt out of or switch regions. A new "Regional Transportation Roundtable" has been established in each regional commission. Each roundtable elects five of its member to serve on an executive committee. In addition, the House and Senate Transportation Committee Chairman appoint two state representatives and one state senator, respectively, to serve as non-voting members of the executive committee. The GDOT Director of Planning, who is appointed by the Governor, facilitates the planning process within each region.

The planning process consists of three (3) stages:

- Stage One – Criteria
- Stage Two – Project List
- Stage Three – Referendum

Upon a successful vote during the referendum stage and based upon an identified need and project on the Stage Two – Project List, the Valdosta-Lowndes Transit System will have access to the region's tax revenue. Any portion of the region's tax revenue may be used for transit capital, maintenance and operations (M&O) costs. The region's tax revenue may also be used to fund 20-year reserve for a region's transit maintenance and operations requirements.

V. CASH FLOW ANALYSIS

The pro forma, year-by-year cash flow analysis was conducted to assess the overall adequacy of revenues to cover the proposed capital and operating and maintenance costs associated with building and operating the Valdosta-Lowndes Transit System.

The cash flow model used in the financial assessment defines the magnitude, timing and type of expenditure for which revenue may be required. It should be noted that this Transit funding plan discusses two (2) implementation costs, overall transit system with a total of five (5) routes and a phase implementation with one (1) route. The cash flow model consists of four basic components: Capital Revenues, Operating Revenues, Capital Costs and Operating Costs, each of which has sub-components.

In summary, based upon the selected alcohol and hotel / motel tax formula analysis, the projected annual cash flow to be collected from these sources represent approximately \$1,259,236. In addition, because transit is a regional significant project, it is suggested that this project should be submitted during the State Two – Project List definition. This

project should be submitted with a project cost request of \$2,000,000 to fully implement the transit system. The following table includes that amount estimated to be collected from the hotel / motel and alcohol taxes.

Table 7: Transit System Projected Cash Flow	
	Revenue
Hotel / Motel Tax	\$ 921,736.49
Alcohol Tax	\$ 337,500.00
TOTAL REVENUE	\$ 1,259,236.49

VI. RISK MANAGEMENT

In developing this Transit Funding Plan, Grice & Associates has purposely taken a conservative approach in estimating future costs and future revenues. Conservative features incorporated in the funding plan include the following:

- A contingency of approximately 20% for all construction costs.
- An additional 5% factor built into the construction cost estimates for the phased implementation for the future years.
- A contingency of 20% for annual operating and maintenance costs.

VII. CONCLUSIONS

Although both capital and operating costs is considered to be a major cost with respect to current budgetary items, the recommended sale taxes (hotel / motel and alcohol tax) and the TIA 2010 noted in the Transit Funding Plan are sufficient to fund the transit project. The transit project can be built, operated and maintained with a 20 year sales tax measure with updated cost information for two reasons:

- First, the new 2011 sales tax projections and cash flow analysis are based on 2008-2009 sales tax revenues received from the City of Valdosta Business License – Tax Division office.
- Second, by extending the construction schedule by two to three years, the transit system can continue to accrue sales tax revenue for construction of the project.

In conclusion, based on the revenue forecast, the Valdosta-Lowndes Transit System can be built, operated and maintained.