

## CHAPTER 6: FUNDING & GOVERNANCE

Governance is the institutional structure used to oversee and provide services. The options discussed in this chapter range from institutional structures to the initial processes used to make decisions. Funding is closely related as funding options are often defined or limited by governance structures. The funding options also influence the governance structure by defining the agencies that pay for service and the control they have over those services.

### FUNDING

The transit alternatives presented in **Chapters 4 and 5** require reliable and stable funding sources. Even the Status Quo alternative, which continues the current FLEX service with the 2016 expansion to Boulder, requires stable, ongoing funds for operation. Additionally, if the service continues or expands, capital for replacement and expansion vehicles will be needed. Currently within the region:

- Local communities have difficulty funding local transit services. FTA funds are available, but these must be augmented with local funds to cover operational costs. Systems with more extensive transit services must also further augment their FTA funds to maintain their capital foundation. In many cases, this means transit must compete for allocations from a jurisdiction's General Fund.
- There is uncertainty in the level of FTA funding that will be available in the future due to potential changes in urbanized area boundaries and because new long-term transportation legislation is needed.
- The role of the State in funding transit services is new, appears to be limited, and continues to change.

Several partners may share funding responsibilities for regional transit services. As a result, each corridor could have a different set of partners and funding structure. Additionally, funding may include a mixture of federal, state, and local funds. There are sources of operating funds available for pilot projects (such as CMAQ funding), but providing long-term regional transit services requires stable, on-going funding sources.

It concludes with a discussion of the funding issues needing to be addressed as the region and State begin to develop regional transit services.

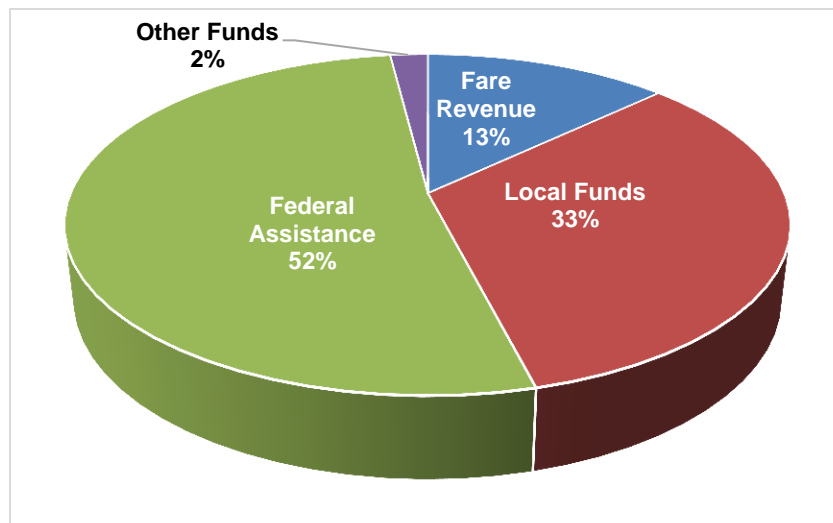
### REVENUE BREAKOUTS: FEDERAL, MATCH, AND FARES

Funds for transit come from a combination of federal funds, matching funds, and operating revenues (including fares and advertising). The percentage from federal, local, and operating revenues can be estimated. This estimate provides a basis for discussing

the funds required for each alternative and the role of federal, State, and local funding for capital and operating expenditures.

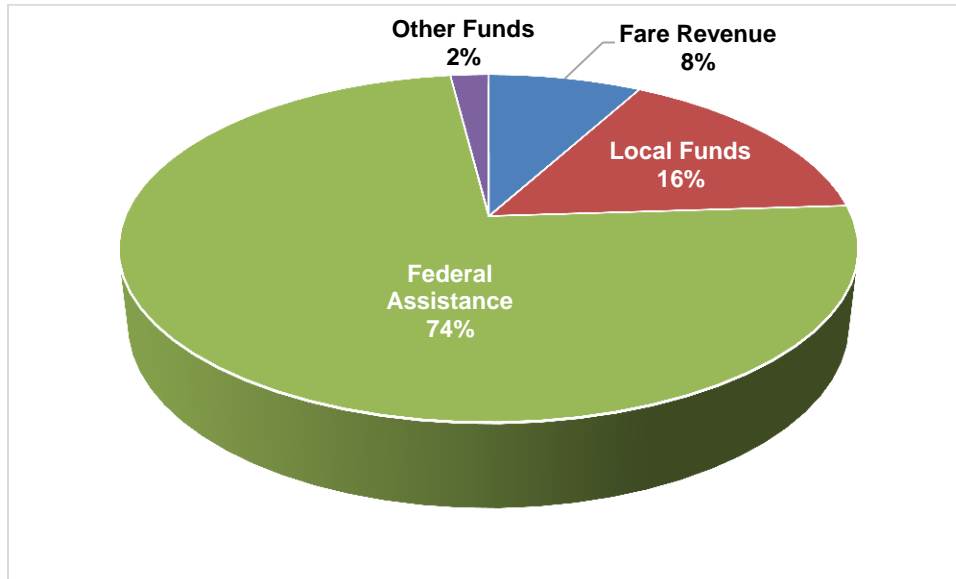
**Figures 6.1 through 6.4** illustrate the revenue breakouts for 2012 for the operating expenses associated with North Front Range regional transit services. The percentage of funding from fare revenues or other operating revenue sources, such as advertising, varies by agency. **Figure 6.1** shows the average for the three local transit agencies. Currently, fare and operating revenues make up an average of 13 percent of the funding for the three services. Federal and local/matching funding make up a majority of the revenues for these services. Federal assistance ranges from 30 percent for Transfort to 74 percent for COLT. Local/matching funds range from 16 percent for COLT to 52 percent for Transfort. Matching funds may be sales tax, student fees, or revenues from other sources. The remaining one to three percent of the funding comes from other revenue generators such as advertising.

**Figure 6.1 Typical Regional Average Transit Operating Revenues, 2012 Data**



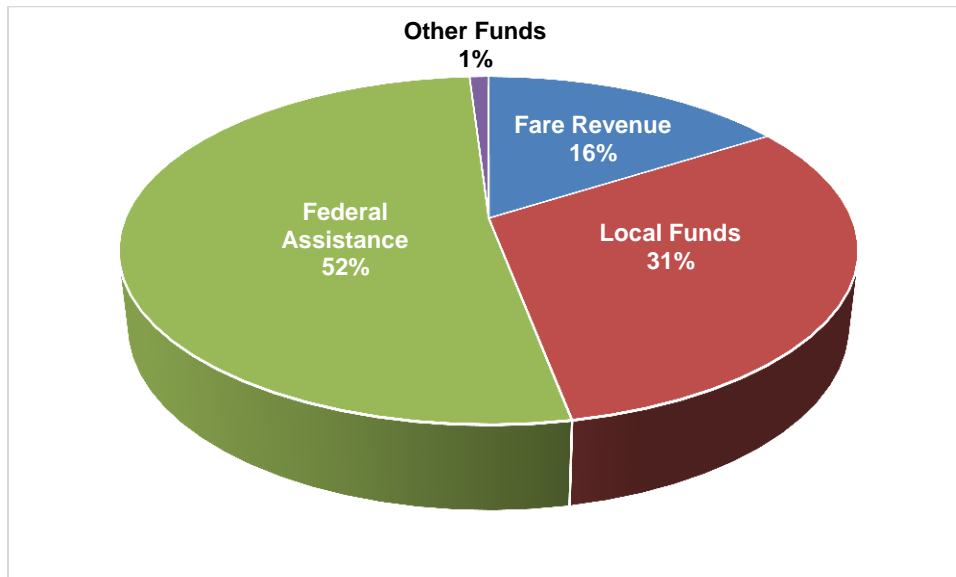
**Source:** National Transit Database Transit Profiles, 2015

**Figure 6.2 COLT Operating Revenues, 2012 Data**

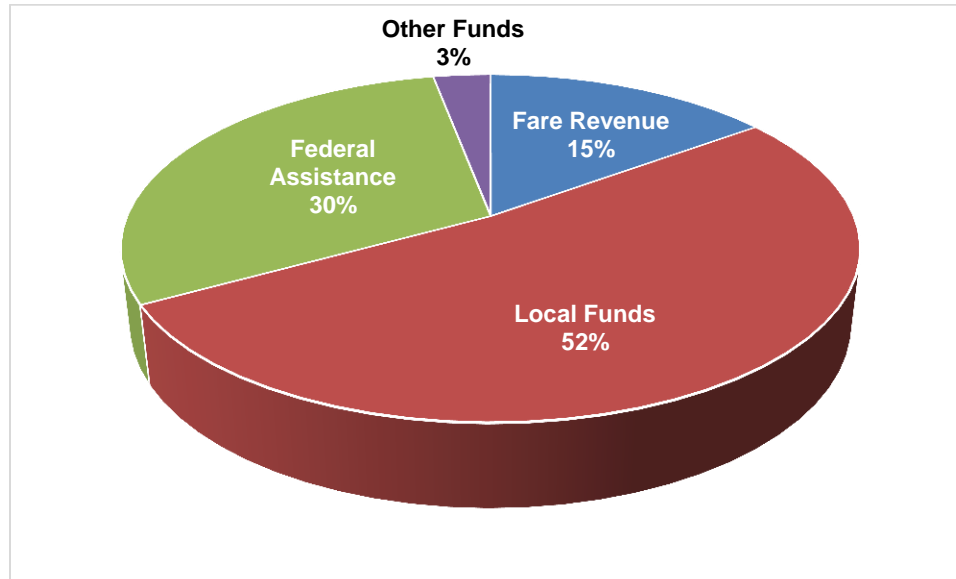


*Source: National Transit Database Transit Profiles, 2015*

**Figure 6.3 GET Operating Revenues, 2012 Data**



*Source: National Transit Database Transit Profiles, 2015*

**Figure 6.4 Transfort Operating Revenues, 2012 Data**

*Source: National Transit Database Transit Profiles, 2015*

## FEDERAL, STATE, AND LOCAL FUND SOURCES

The basic funding options are listed in this section, with a discussion of what each source can be used to fund.

### Federal

The most common source of federal funding for transit services are FTA funds. There are a variety of programs, with the Urbanized Area formula funds (§5307 funds) and the Bus and Bus Facility funds (§5339 funds) most commonly used in the region. Rural transit providers can also use Formula Grants for Rural Areas funds (§5311 funds).

- §5307 funds are allocated to the Designated Recipient agency or jurisdiction. For the Fort Collins/Loveland Transportation Management Area (TMA) this is the City of Fort Collins. For the Greeley/Evans urbanized area this is the City of Greeley.
- §5307 formula funds are distributed to the TMA and the City of Greeley based on a formula allocation for areas of 50,000 to 199,999 and areas with over 200,000 in population.
  - The City of Greeley receives funding based on population and population density, and number of low-income individuals.
  - The TMA receives funding based on a combination of bus revenue vehicle miles, bus passenger miles, fixed guideway revenue vehicle

miles, and fixed guideway route miles as well as population and population density and number of low-income individuals.<sup>1</sup>

- Transfort is the Designated Recipient for the Fort Collins TMA and is responsible for facilitating the allocation of \$5307 funds between member jurisdictions in the TMA through an approval process. The NFRMPO Planning Council must approve the final allocation of these funds.
- The Bus and Bus Facilities funds (\$5339 Funds) replaced the \$5309 Funds. These funds are allocated directly to TMAs and are eligible to be transferred by the State to supplement rural formula grant programs (\$5307 and \$5311).<sup>2</sup>
- \$5307 funds are fully used for current services, although the agencies within the TMA do transfer funds between themselves based on need and availability of local matching funds. Agencies within the TMA currently providing transit services and participating in this internal allocation include Berthoud, Fort Collins, and Loveland.
- Other FHWA funds, for example, CMAQ and Surface Transportation Funds (STP), that can be flexed for transit are transferred into the existing FTA programs and must abide by the same rules as other FTA funds.

As mentioned above, CMAQ funds are another important source of funds. These funds can be used at an 80 percent federal match level for starting new services. MAP-21 allowed for transit agencies to fund up to five years of operating service (two years at 80 percent federal and third year spread out over the next three years) and can also be used to purchase equipment.<sup>3</sup>

Other federal funds eligible for flexing, or transferring to FTA for transit projects, include National Highway System (NHS), Interstate Maintenance, STP, Highway and Bridge Replacement and Rehabilitation (HBRRP), and Highway Safety Improvement Program (HSIP) funds. A well-defined process has been laid out by FHWA and FTA and as with the transit funds these are fully utilized in the region.

## State Funds

In March 2009, Funding Advancements for Surface Transportation and Economic Recovery Act of 2009 (FASTER) was signed into law. Through the increase or creation of fees, fines, and surcharges this law generates increased revenues for transportation improvements statewide.<sup>4</sup> These funds can be used for transit capital and beginning in 2016 for limited transit operating assistance for regional service. The FASTER Safety

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<sup>1</sup> FTA Fact Sheet: Urbanized Area Formula Grants, \$5307 & 5340:

[http://www.fta.dot.gov/documents/MAP-21\\_Fact\\_Sheet\\_-\\_Urbanized\\_Area\\_Formula\\_Grants.pdf](http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Urbanized_Area_Formula_Grants.pdf)

<sup>2</sup> FTA Fact Sheet: Bus and Bus Facilities, Section 5339:

[http://www.fta.dot.gov/documents/MAP-21\\_Fact\\_Sheet\\_-\\_Bus\\_and\\_Bus\\_Facilities.pdf](http://www.fta.dot.gov/documents/MAP-21_Fact_Sheet_-_Bus_and_Bus_Facilities.pdf)

<sup>3</sup> Interim Program Guidance, FHWA, 2013:

[http://www.fhwa.dot.gov/environment/air\\_quality/cmaq/policy\\_and\\_guidance/2013\\_guidance/](http://www.fhwa.dot.gov/environment/air_quality/cmaq/policy_and_guidance/2013_guidance/)

<sup>4</sup> [Office of State Planning and Budgeting FASTER Fact Sheet](#)

funds could potentially be used for improvements at certain transit facilities, such as Park-n-Ride facilities as long as a calculated safety benefit is realized. Compared to the need for transit funding the amounts are limited, but the availability of these funds is an important step. FASTER Transit funds may be used for regional operating assistance through a competitive application process.

FASTER Transit funds are split into three categories:

- Regional projects provide service within one Transportation Planning Region (TPR) but serve more than one municipality, and travel more than 25 miles;
- Interregional projects provide service in more than one TPR or CDOT Region, operate over a long distance, and make limited stops; and
- Statewide projects serve a substantial portion of the state.<sup>5</sup> With the launch of Bustang, the statewide projects pool was reduced by \$3M to provide an operating set-aside for this new service.

All three pools of FASTER Transit are awarded on a competitive basis by CDOT. CDOT awards operating assistance for regional services based on the type of service and its recovery rate. Recipients of the other two FASTER Transit funds are required to provide a 20 percent local match. Since the inception of FASTER Transit, 138 projects across the State have been funded.

CDOT does not have a source of local matching funds, which places it in a position similar to local jurisdictions when it comes to providing operating funds for regional services. Transit is not currently an allowable expenditure for Highway User Tax Fund (HUTF), the State's primary source of matching funds for roadway projects.

CDOT also is responsible for administering and allocating several FTA programs. These include the §5311 Rural Transit and §5310 Elderly & Disabled Capital programs. The §5311 program is for rural areas only, while the §5310 funds are for the entire MPO region. Of these funds, only §5311 could potentially help fund proposed regional transit services. Any future federal transportation legislation is likely to impact how transportation system dollars are distributed.

## Local Funds

Currently, matching funds for transit come from the local general funds of most jurisdictions operating transit in the North Front Range region. Additional funding will be needed for implementing regional transit services. In 2010, MPO staff prepared a report on transportation impact fees. Currently, development impact fees can only be used for capital expenditures; however, some states allow such fees to be used for transit operations. As Colorado considers how to fund transit services as part of a multi-modal transportation network, it may be useful to explore this possibility.

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<sup>5</sup> CDOT FASTER Transit Regional Operating Assistance Application Guidance, 2014.

## GOVERNANCE

From the perspective of the efficient delivery of transit services, a single entity responsible for providing regional transit services is desirable. However, the jurisdictions within the region have different community values, priorities, and methods of delivering and funding services. It is likely a solution will be needed which can reflect the different values across the region and coordinate services across jurisdictions.

It is useful to consider the other governance requirements for delivering transit services. Local communities currently provide individual governance for local transit services. Regional services like FLEX are operated by Transfort, but are governed and funded through an Intergovernmental Agreement (IGA) between multiple jurisdictions and the transit agency.

The 2013 **North Front Range Transit Vision Feasibility Study** evaluated six types of transit governance options for the North Front Range region. The communities of Berthoud, Fort Collins, Loveland, Larimer County, and the NFRMPO completed the feasibility study to explore integrating transit operations and decision-making structures for regional transit services. **Figure 6.4** shows the grades given to each governance structure based on various criteria. The chart considers status quo, or existing conditions, IGA, Regional Service Authority (RSA), Regional Transit Authority (RTA), Special District, and Special Statutory District. IGAs, RSAs, and RTAs are explained further in the *Governance Options* section of this chapter. As can be seen in the chart, status quo scored low in four of the five categories, while IGAs scored well in all five categories. RSAs, RTAs, Special Districts, and Special Statutory Districts score well, with the exception of their lack of political and community viability as a result of their taxing abilities and lack of local controls.

**Figure 6.4 Summary of Evaluations for Governance Options**

	Status Quo	IGA	RSA	RTA	Special District	Special Statutory District
Increase operational efficiency (weighted x 2)	LOW (2)	MED-HIGH (8)	MED-HIGH (8)	MED-HIGH (8)	MED-HIGH (8)	MED-HIGH (8)
Increase customer benefits and ridership (weighted x 2)	LOW (2)	HIGH (10)	HIGH (10)	HIGH (10)	HIGH (10)	HIGH (10)
Standardize procedures	LOW (1)	HIGH (5)	HIGH (5)	HIGH (5)	HIGH (5)	HIGH (5)
Service model to implement regional plans	LOW (1)	HIGH (5)	HIGH (5)	HIGH (5)	HIGH (5)	HIGH (5)
Political, community, and financial sustainability (weighted x 2)	MED (6)	MED-HIGH (8)	LOW-MED (4)	LOW-MED (4)	LOW-MED (4)	LOW-MED (4)
<b>Overall Evaluation</b>	<b>LOW-MED (12)</b>	<b>HIGH (36)</b>	<b>MED-HIGH (32)</b>	<b>MED-HIGH (32)</b>	<b>MED-HIGH (32)</b>	<b>MED-HIGH (32)</b>

*Source: North Front Range Transit Vision Feasibility Study, 2013*

## GOVERNANCE OPTIONS

Local communities which provide transit services have explored options for providing regional transit services. Governance options were explored thoroughly in the 2013 **North Front Range Transit Vision Feasibility Study**. Basic options include:

- **Intergovernmental Agreements (IGA):** Easiest to establish for a single route with a limited number of partners. Relies on annual budgetary commitment and renewal. IGAs are approved by local governments.
- **Regional Service Authority (RSA):** Can provide either local or regional services or both. Local jurisdictions can purchase transit services at the level they desire from the RSA. These can be established by local or regional jurisdictions or by voters; with voter approval it can levy a property tax. Transfort’s **Strategic Operating Plan Update** recommends this alternative.
- **Regional Transportation Authority (RTA):** Provides for transit services within a flexible boundary. Generally used for both local and regional services and requires a vote to establish. Can levy sales tax, motor vehicle registration fees, and visitor benefit taxes, with voter approval.



- Mass Transit Authority: Counties can establish Mass Transit Authorities with the ability to levy a sales tax. This option is generally used in rural counties, as in Eagle and Summit Counties. County Commissioners serve as the Board and cities do not have a formal role on the board.
- State: CDOT now has the authority to operate transit and rail services, but this is still in development.

## MOVING FORWARD

There is a need for significant discussion at the regional and State level, about the roles and responsibilities of each of these entities in both the funding and governance of regional transit services for the North Front Range region.

At the regional level, this will result in a key activity: the establishment of a regional transit network plan for the region. The service options in this 2040 RTE range from simply maintaining existing services, including the FLEX service, to aggressive alternatives providing high levels of transit services on State highways. The High service alternative is similar to the plan recommended in the North I-25 FEIS.

At the state level, CDOT will need to address their role in funding and/or operating regional services. Funding, bus operations, and rail operations also need to be considered.

This 2040 RTE illustrates how the definition of the roles and responsibilities of local and state partners will impact the financing levels and choices each party will need to consider. It is recommended the North Front Range region:

- Engage member agencies in addressing regional transit issues and developing policy responses;
- Formally initiate discussions with CDOT regarding the roles, responsibilities, and funding of regional transit services in the North Front Range; and
- Participate in statewide efforts to address these questions.