

Valley Transit Strategic Plan

Funding Alternatives Memorandum

Valley Transit



November 2014

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Introduction

Technical Memorandum #3 outlines a desired vision for Valley Transit for 3, 5 and 10 years into the future. While this vision is attractive, it must be based on a sound financial plan to support its implementation. This Memorandum explores a number of different options for moving the system toward the 3, 5 and 10 year goals.

Transit systems across the country, from small rural to large urban areas, are struggling with the issue of transit funding. While there are numerous approaches that can generate marginal additional funds, financing major revisions or service expansions is extremely difficult. In the Fox Cities, transit also faces the challenge of finding a structure that can equitably manage and operate a system that serves multiple different communities.

To implement the vision for the system, there must be a transit structure in place that has the authority, community support and financial resources to take the necessary actions to support the plan. Unfortunately, in Wisconsin, there are few options available to local communities for structuring and funding transit, particularly transit systems that cross numerous community boundaries.

In researching funding options, the consultant team conducted outreach to six national peer transit systems, the American Public Transportation Association, and professionals working in transit planning and policy. Also, members of the consultant team have decades of experience in transit management in the Upper Midwest.

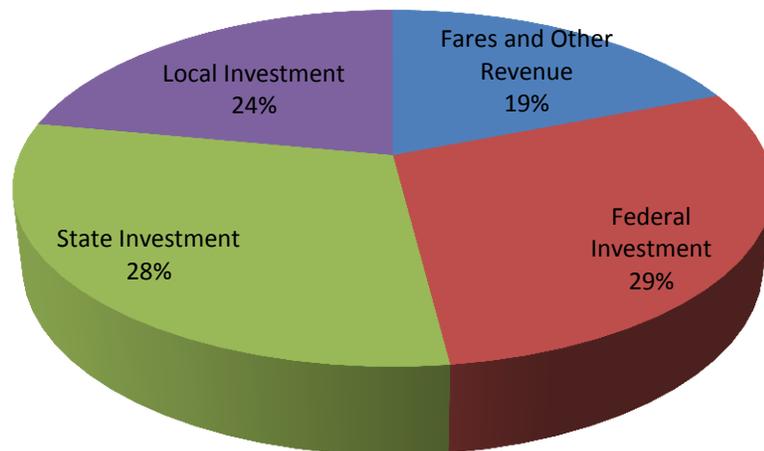
This report reviews the status quo and looks at some alternatives that could generate marginal additional funding without any system restructuring. It also discusses three alternatives for system restructuring that could potentially generate the funding needed to support the system into the future.

Alternative One: Status Quo

Transit Operating Costs

Like many transit systems, Valley Transit is funded by a complex blend of fare revenue and Federal, State, and local funding sources. For 2014, approximately 19 percent of Valley Transit's revenue comes from fares and other direct revenues (contracts, ad sales, etc.). Federal and State funding covers 57 percent of the operating costs and local funding covers the remainder (24 percent) although technically, even some of the local dollars (for paratransit) are State dollars passed through to the local counties. The percentage of investment from each source is shown in Figure 1.

Figure 1. Valley Transit Funding Sources



For Valley Transit, Federal operating dollars come from three primary sources: direct allocation of Federal dollars for operating expenses through the Urbanized Area Formula Grants (5307), capitalizing a share of the system maintenance costs and federal cost of contracting dollars.

For State funding, Valley Transit is a mid-sized Tier B system. State funds are allocated through the bi-annual budget process. The total funding for the Tier B systems is divided in such a way to make sure that all of the Tier B systems in the State have an equal percentage of their costs covered by Federal and State dollars. The goal is that the combined Federal and State dollars would cover 60 percent of the operating costs for the Tier B systems;

but the dollars allocated do not always allow coverage of that amount. Coverage has dropped to as low as 56 percent in some recent years.

Valley Transit's local funding situation is unusually complex. Valley Transit provides transit service to the Fox Cities area, including the City of Appleton, City of Kaukauna, City of Menasha, City of Neenah, Town of Buchanan, Town of Grand Chute, Town and Village of Harrison, Town of Menasha, Village of Kimberly, Village of Little Chute, Calumet County, Outagamie County, and Winnebago County. The service area covers 117 square miles on the north end of Lake Winnebago and serves a population of 216,154. Each of these communities contributes to the funding of the system.

The counties (Calumet, Outagamie, and Winnebago) receive money from the State to pay for transportation for seniors and people with disabilities. Counties are mandated by the State to provide transportation to some of the people in those populations. They also generate some direct County funds to support paratransit services to those with disabilities that go beyond those mandated under the Americans with Disabilities Act (ADA).

As part of an agreement with the three counties in the mid-1990's, the counties agreed to fund the local share of ADA paratransit in their county if Valley Transit would use federal and state transit dollars to assist with funding other ancillary paratransit services that the State requires counties to provide. Valley Transit provides these services and the ADA mandated paratransit services through contracts with private providers and manages their overall operation. Each year, Valley Transit estimates the number of paratransit rides to be provided in each county and the cost to provide those rides to determine the contribution amount needed by each county. The Fox Cities Transit Commission approves the agreements with the three county governments on an annual basis.

The fixed route services are supported directly by the cities, villages and towns. Each year, as part of the budget process, Valley Transit estimates the total cost of the fixed route service; the projected revenues; and the contribution from the Federal and State sources. The remainder must be covered by the local entities. For each entity, Valley Transit calculates the miles and hours of service to be provided annually to that community to determine each locality's share of the total costs. The amounts and percentages of local funding each community for both fixed route and paratransit services for 2014 are provided in Table 1. Because Valley Transit is a Department of the City of Appleton, the overall budget is controlled by and approved by the Appleton City Council.

Table 1. Valley Transit Local Funding Sources, 2014

Community	Amount	Percent of Local Share
City of Appleton	\$569,681.00	30.71%
Town of Grand Chute	\$121,681.00	6.56%
City of Kaukauna	\$22,011.00	1.19%
Village of Kimberly	\$15,201.00	0.82%
Village of Little Chute	\$16,036.00	0.86%
City of Menasha	\$37,465.00	2.02%
Town of Menasha	\$45,520.00	2.45%
City of Neenah	\$77,274.00	4.17%
Town of Buchanan	\$14,799.00	0.80%
Counties of Winnebago, Calumet and Outagamie ¹	\$935,536.00	50.43%
Total	\$1,855,204.00	100.00%

The funding partners pay a budgeted amount monthly or quarterly throughout the year and at the end of each year, after the system revenues and expenses have been audited, excess funds are returned based on actual expenses. This is also true for the funding of the paratransit service with the counties.

In 2007, Valley Transit added The Connector to its roster of services. The primary purpose of the service was to help individuals access job opportunities outside the fixed route service area (but within a fixed area adjacent to current services) or that were outside of the fixed route's hours of services. The demand-response service, provided with small vans, has been very popular locally.

Federal dollars from the Job Access and Reverse Commute (JARC) program and State funding through Wisconsin Employment Assistance Program (WETAP) originally funded a significant portion of the Connector service, along with dollars from the United Way. Although MAP-21 eliminated JARC/WETAP funding for this project, the United Way, with some direct contributions from employers, has continued to fund the service. It is

¹ All paratransit funding which includes funds from Neenah, Town of Menasha as well as other private partners.

anticipated that for 2015, each of the local municipalities served will have to contribute toward funding this service if it is to remain in operation. Each locality's share will be based on the percentage of Connector trips that begin and end in the community.

In addition, Valley Transit added a new fixed route (Route 9) in 2012 to provide transportation to a new senior housing complex built outside of the existing service area in the City of Appleton. This service is funded through a separate funding agreement with Outagamie County and the City of Appleton.

Transit Capital Costs

Eighty percent of the cost of Valley Transit's capital purchases can be funded by Federal Transit Administration grants. The remaining 20 percent is funded by the local municipalities. Every year, each of the municipalities contributes to a depreciation reserve fund, to put aside the local funds needed to eventually replace the current fleet of buses and other capital assets. The local contributions are based on the estimated annual depreciation expense for the assets and are divided among the localities based on their miles and hours of service.

Valley Transit directly receives a small amount of Federal dollars for capital purposes (\$290,000 in 2014) through the 5339 grant program. It can also receive Federal capital dollars that flow through the State. Unfortunately, Federal capital grants have not kept pace with local capital needs. Federal capital funds for the State of Wisconsin have fallen from over \$12 million per year previously to just under \$6 million in 2014.

This will significantly affect Valley Transit as all of its fleet of 27 vehicles will reach or exceed its expected life by 2020. The expected life of a standard transit bus is approximately 15 years. Valley Transit is currently operating some vehicles that are 20 years old. Under the current capital funding projections, it would take 27 years to replace the entire fleet. Other capital costs for facilities maintenance and the replacement of things such as bus washers, generators, etc. are not even factored into this projection.

This lack of capital is not unique to Valley Transit. Transit systems across the State are working together through the Wisconsin Urban and Rural Transit Association (WURTA) to obtain additional capital funding through the State of Wisconsin. At the current time, Wisconsin provides transit systems with operating assistance, but does not directly fund any capital expenditures. Given the current legislature, making that change may be difficult.

Issues Related to the Current Funding System

An advantage of the current system is that Valley Transit and the local communities have done an excellent job of maximizing the use of every available transit funding source. The system has devised a way to function regionally, and distribute funding costs equitably, even without the ability to create a Regional Transit Authority. A disadvantage of the current system is this funding is a delicate balance of complex formulas and programs at each level and modifications in any one source can, and do, threaten the integrity of the entire system.

Under the current situation, it is difficult to modify fixed route service. Any change in a particular route can affect both the funding required from the communities it directly serves, and potentially the funding levels of all other partners. Each of these communities has its own budget process, requiring elected official approval of any significant changes and funding levels must be budgeted for almost a year in advance.

This situation is also exacerbated by the State of Wisconsin having enacted levy limits on the amount of taxes that can be raised through the property tax, in local communities. According to research done by the League of Wisconsin Municipalities, 74 percent of local municipalities were at their levy limit in 2011, and it was expected that that could be as high as 90 percent when statistics were available for 2012 and 2013². Even those communities not at the levy limit are concerned about continuing to move toward it; and most are afraid to raise taxes unless they are dealing with a critical and urgent local need. If Valley Transit is to move forward with expanded service under this strategic plan, a non-property tax based means of generating additional funding will most likely be required.

Valley Transit is also hampered in its ability to operate like a business because any funds not spent in a year must be returned to the local communities. From a political stand point, this may make sense; however, from an operations stand point it is limiting. Fuel costs, maintenance costs, and health insurance costs can vary widely from year to year, as can the other sources of funding upon which Valley Transit relies.

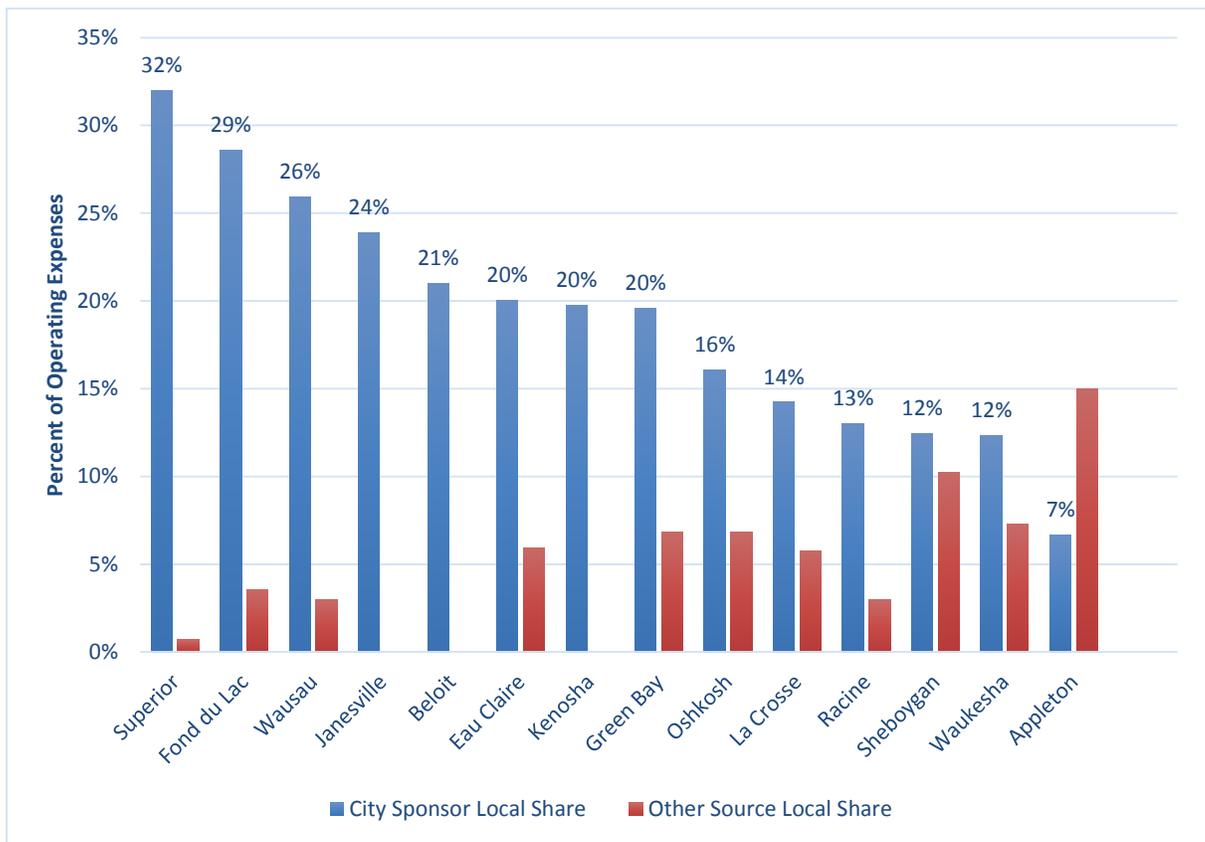
The budget may be built on the assumption of a certain level of State funding and due to changes in appropriations or in service levels at other transit systems that level of funding may not materialize. Because 100 percent of

² “Levied Out”; [The Municipality](#); a publication of the League of Wisconsin Municipalities; March 2013; Volume 108; Number 3; p. 69.

excess funds in any year are returned to municipalities, Valley Transit is unable to build a reserve to address rising costs or contingencies.

Another aspect of the current funding situation is that Valley Transit is a Department of the City of Appleton. While Valley Transit has a Transit Commission that sets policy, the City, not the Commission, retains control over the budget and all financial decisions for the system with the exception of paratransit services. Because of the unique regional partnership between Appleton and the other municipalities in the Fox Cities and the three counties, Appleton’s share is only 7 percent with the other local funding partners paying the remaining local share. By cooperating regionally, all funding partners pay less than they would if the operated systems or services of their own. See Figure 2 below.

Figure 2. Local Share Sources: Wisconsin Tier B Bus Systems



The disconnect between funding authority and policy setting, inherent in the current structure, could create difficult situations with the other funding partners, particularly where changes to routes and budget are contemplated. It has continued to work because the leadership in the City of Appleton has worked collaboratively with the other communities. In addition, Valley Transit staff works hard to keep all of the funding partners informed of financial issues as they occur; to minimize surprises and conflicts. With

different leadership or different staff, the system might not function as smoothly.

Additional Funding Mechanisms

While options for funding major service expansion are limited, there may be some marginal ways to generate additional funding for service expansions. Several approaches are discussed below. While these approaches have worked in some communities, not all will be workable in any community. New taxing mechanisms are seldom attractive and non-governmental sources of revenue are difficult to secure. To successfully implement any of these approaches, it is important to strongly tie any tax/fee to the benefits specifically gained by the additional revenue.

It should also be stressed that these alternatives represent marginal opportunities to generate additional revenue. While they may support a specific additional service for a limited period, they will not generate sufficient revenue to support the 3, 5 and 10 year goals for the system or to significantly impact the burden on the local property tax.

Using the Auto to Support Transit

In several communities, proceeds from auto related surcharges have been used to support transit. In Ames, Iowa, an additional surcharge was placed on parking tickets to generate additional funds for transit. Cedar Rapids, Iowa and Sheboygan, Wisconsin have both used increased parking rates to generate some marginal additional revenue to support transit. While this approach is conceptually appealing, the revenue generated is not substantial, particularly in smaller communities, where ample free parking exists. During the Strengths, Weaknesses, Opportunities, Threats Analysis, it was mentioned that it might be possible to implement a parking surcharge at events where parking is limited and use the proceeds to fund transit in the Fox Cities. This is something that the community could explore.

Direct Service Subsidy

Just as Valley Transit partnered with United Way to begin the Connector, it could explore the option of partnering with local business to subsidize service expansion. There are many examples of this, even within Wisconsin. For many years, the Milwaukee County Transit System (MCTS) had a contract with Quad Graphics to extend service to one of their plants located just beyond the system service area. Quad Graphics paid the equivalent of the local share of the cost of the service. MCTS also partnered with the

Milwaukee Area Technical College (MATC) to extend services to their campus in Mequon.

These types of agreements were easier to establish when State funding was sufficient to expand when service was added, so the cost to the local area of new service was offset by additional State funding. It is much more difficult when the entire cost of a new service must be covered by the employer. In addition, employers are much more likely to be interested in entering into these agreements when employment is tight and it is difficult to attract and retain new employees at an outlying location. In the Fox Cities, there may be opportunities to establish an agreement with large seasonal employers, or others, to fund additional transit services needed.

Employee Pass Programs

Employee pass programs have been popular with employers who have parking issues or who are trying to attract additional employees. It is also a cost effective way for a progressive employer to support employees and the community.

In these programs, the transit system discounts the cost of passes for a group of employees and the employer agrees to also subsidize part of the cost of the pass, to get passes into employees' hands at a reduced rate. This encourages employees to use transit and it also makes it cost effective for employees and potential employees to access the employer worksite. While parking availability is not a significant issue in the Fox Cities, Valley Transit could explore the option of establishing employee pass programs with some of the major employers in locations well served by transit.

Valley Transit has pursued employee pass support in the past with limited success. However, as companies look to new markets to attract employees, some type of employee transit benefit is often industry standard for human resource departments. For this reason, Valley Transit should continue to pursue this strategy.

School/University Pass Programs

Numerous small and large communities have benefited from University and other school pass programs. In addition, the Rochester Genesee Regional Transportation Authority (RGRTA) in Rochester, New York generated additional revenue by restructuring its school pass program; staggering school start times and expanding the number of schools served by the system. Although Valley Transit already has an agreement with the Appleton School district, there may be other opportunities which could be explored in Appleton, with other school districts, or with Fox Valley Technical College.

Wheel Tax

The wheel tax has been discussed as a possibility for generating additional funding for transit in other communities in Wisconsin. Wisconsin law allows a town, village, city or county to collect an annual municipal or county vehicle registration fee (wheel tax) besides the regular annual registration fee paid for a vehicle. State law does not specify the amount of the wheel tax. However, the municipality or county must use all revenue from the wheel tax for transportation related purposes. The Wisconsin Department of Transportation (WisDOT) collects wheel taxes for the municipality or county, keeps an administrative fee of 10 cents per vehicle application and sends the rest to the municipality or county.

WisDOT currently collects a wheel tax for the City of Beloit (\$10); City of Janesville (\$10); City of Milwaukee (\$20); St. Croix County (\$10). The City of Appleton also recently authorized a wheel tax of \$20 per year. Collection of this tax will begin in February of 2015. None of these wheel taxes are specifically dedicated to transit, but are used for other transportation purposes.

The biggest barrier to the implementation of this in relation to Valley Transit is that it serves 13 municipalities in three separate counties. Without an overall structure (i.e. an RTA) it would be difficult to equitably implement a tax of this type to support the system overall. It would be possible; however, for an individual community, to implement a wheel tax to support transit, either for service expansion in their community or to reduce the property tax burden. Depending on the extent of the implementation and the level of tax, this could generate significant additional funds.

Miscellaneous Opportunities

Other opportunities for generating additional revenue, such as full wrap advertising on buses; bus shelter advertising and transit facility naming rights could also be explored. In larger communities these have been a significant source of revenue for transit. The best approach might be for Valley Transit to work with a local advertising agency to see if these approaches make financial sense for the system in the current market.

Moving Forward

Because of the issues described in earlier sections, maintaining the status quo would not be the preferred alternative for moving the Valley Transit forward. While the system works currently, any number of events (from a local community deciding to pull out of the system, to less cooperative leadership)

could undermine the stability of the system leaving communities without needed services.

In addition, the lack of ability to raise additional funds, whether for capital purposes or to cover shortfalls from other sources, leaves the system vulnerable. It would be challenging to generate funding for any level of service improvement or to improve service in a coordinated and logical fashion. If Valley Transit is to move forward with new or expanded service under this strategic plan, a more stable and preferably, non-property tax based means of generating additional funding will most likely be required.

Alternative Two: Regional Transit Authority

Valley Transit, with the City of Appleton and a number of key State Legislators, has worked hard over the last several years to obtain the right to create a Regional Transit Authority (RTA) in the Fox Cities. An RTA would put governing and financing authority for the system in the hands of a separate regional entity that would have the power to institute taxes to finance the system and to govern its operations and policies.

In relation to transit services, the advantages of an RTA are clear. An RTA could provide a long-term stable funding source for the system through one governing body that would cover the same area as served by the system. This would allow the system to meet the needs of the customers without requiring agreement from a dozen plus separate governing bodies. It would also give Valley Transit the ability to raise funds to counteract Federal and/or State shortfalls.

Wisconsin is the only mid-western State (Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio, and Wisconsin) that cannot create an RTA. This ability must be granted by the State; and the debate among elected officials over this issue has been long and acrimonious. Several areas, in particular Milwaukee, Madison, the Bay area (in Northwest Wisconsin), Eau Claire and Appleton have sought the ability to create RTAs. Their reasons either stemmed from need to generate more funds to maintain or expand existing systems or complex governing issues or both.

These efforts to create RTAs have been opposed by key State legislators. Complex discussions over whether RTA board members would be elected or appointed and by whom and what type and level of taxes the authorities could create were exacerbated by different partisan views over state versus local rights and local taxes.

As far back as the mid- 2000's the State had been debating RTAs. In 2007, the Wisconsin State Legislature's Joint Legislative Council established a Special committee on RTAs. The purpose of the committee was to bring both major political parties together with transit professionals and other interested individuals to develop legislative guidelines for RTAs in Wisconsin. The group, made up of two Senators, four Representatives, and 15 public members, produced draft legislation, but the legislation was never adopted. Whether or not localities would be required to have a referendum prior to establishing an RTA became a major stumbling block.

Valley Transit's stake in the RTA debate increased significantly when it faced the potential loss of Federal funding subsequent to the 2010 census. In the late 2000's it became apparent that Valley Transit, and several other smaller transit systems across the United States, were in urban areas that would most likely exceed 200,000 in population in the 2010 census. Transit systems in areas below 200,000 population are eligible to receive Federal operating assistance to help cover system costs. Systems in urban areas above 200,000 population do not receive Federal operating assistance, as the Federal funding formulas assume that larger urban areas should be able to support their own transit operating costs.

The larger systems receive some Federal operating assistance to cover some of the capital costs of contracting (primarily for paratransit services) and they can also obtain Federal funds to cover a portion of the cost of maintaining their buses and facilities. With Valley Transit, however, the contracting and maintenance dollars together was less than the system was receiving in direct Federal operating assistance. Green Bay, a neighboring local community was in the same situation as were several other small systems across the United States.

Loss of this funding would have been catastrophic to Valley Transit and potentially to all the other Tier B systems across the State. State Representative Penny Bernard Schaber worked with Valley Transit, City of Appleton, and numerous others from across the State to urge passage of RTA enabling legislation in Madison.

In 2009, Wisconsin Act 28, the 2009-11 biennial budget bill, finally authorized certain municipalities to create RTAs and impose a sales tax of up to 0.5 percent within the authority's jurisdiction to fund transit systems. Unfortunately, the Fox Valley was not among those areas in the bill. In 2011, Wisconsin Act 32, the 2011-13 biennial budget bill, removed that authority for local areas to create RTAs and dissolved all existing RTAs.

While the RTA effort went back and forth at the State level, Valley Transit also worked with Congressmen Tom Petri and Reid Ribble and Congresswoman Tammy Baldwin; and a coalition of transit systems across the United States to avert this loss of funding by changing Federal laws. Eventually the coalition passed legislation that allowed systems with less than 75 peak hour buses to continue to receive Federal operating funds, although they were in communities of over 200,000 in population.

Even though that situation has been averted, State Representative Penny Bernard Schaber, this time with the bi-partisan assistance of State Senator Mike Ellis, continued to work toward RTA enabling legislation at the State level. Earlier in 2014 they jointly introduced legislation that enabled the

creation of an RTA in the Fox Cities and required a referendum prior to that establishment. On February 11, 2014 SB259 (as amended) was approved 25 to 7 by the State Senate. Due to political opposition by key leadership, the bill was never taken up by the Assembly and died at the end of the session. Until this political dynamic changes, passage of RTA enabling legislation seems unlikely. However, because it is the ideal funding solution for Valley Transit and the Fox Cities, efforts should continue to convince the state legislators to allow the local communities of the Fox Cities to decide for themselves if they want to increase the sales tax to pay for a transit system that meets more of the needs of the Fox Cities communities.

Alternative Three: Regional Transit Commission

Given the challenges facing the establishment of an RTA, Valley Transit may have to focus on some interim approaches to stabilize the existing system and generate the additional funding needed to move the system forward. A Regional Transit Commission (RTC) may represent an interim step toward a full-fledged RTA.

Under this model, Valley Transit would continue to exist as a Department of the City of Appleton and the local share for services operated by Valley Transit would continue to be generated by the property taxes in each community. The RTC, however, would control the financial decisions and overall policy.

Under this system, Valley Transit would move away from a contracted service model with municipalities. Instead of a direct fee for hours of transit service, member municipalities would contribute a fixed amount for membership in the Valley Transit System and representation on the RTC. RTC members will also contribute to a capital fund as they currently do. Each partner community would have the choice to join or not join the RTC when the parameters are originally established.

One way to structure the contribution levels would be to base the initial participation rate for each community on its current level of investment in the system. The RTC Board would then adopt a three or five year plan with specified levels of investment for each year. Additional costs for each year of the plan would be spread across each local partner proportional to their current level of investment. It could also be structured in a way that sponsors can contribute additional funds to supplement operating assistance for implementing special projects. At the end of five years the base amounts required by each community would be reset based on the service levels in place in each community.

The system would be further stabilized by the policy that no refunds of operating costs would be provided. At the end of the year, any excess funds would be placed into an operating reserve fund, similar to the current capital depreciation fund. These funds can then offset unexpected cost increases or revenue shortfalls in subsequent years or to accelerate portions of the transit improvement plan.

This approach would have several advantages. It would provide both Valley Transit and the local communities with a fixed and known amount of funding for each year. While communities would receive no windfall returns,

they would also not have to deal with any surprises; at least once sufficient funds are built up in the operating reserve fund.

An RTC is also a flexible model of governance that can lay the groundwork for an RTA. Multi-County Transit Commissions are recognized local government structures in the State of Wisconsin. If an RTC is formed in the Fox Cities, many administrative functions currently carried out by the City of Appleton could be shifted to this new governing body. An RTC with local representation may place Valley Transit in a better political position when making regional funding, service, and planning agreements. However, an RTC could also exist within the context of the existing governance structure, with Valley Transit functioning as a local city department with regional agreements.

Another major advantage of this approach is that it focuses route and service level decisions on the overall needs of the customers, many of whom travel through several communities to reach their destination. This approach focuses on overall customer needs and does not require renegotiation with numerous communities for every minor service modification. Structuring the system in this manner encourages the community to determine the level of transit services provided and to provide those services based on a thought out and structured plan, rather than in a piecemeal approach.

Appleton and all of the funding partners must agree to make the changes to implement this restructuring, but additional legislative authority would not be required for implementation, nor would a referendum. Valley Transit has recently taken an important step that could lead toward this model of governance, by expanding the number of representatives on the current Transit Commission to ensure that each of the funding partners has at least one representative.

The major downside of this approach is that all funding is still based on the property tax. It would be difficult to generate the funding needed for full plan implementation through a property based source, hence, this is probably more of an interim than long-term solution. It could be a very effective way, however, to allow the system to move forward while still continuing to pursue enabling legislation for a full RTA structure.

Alternative Four: Transit Municipal Utility

It may be possible to accomplish similar outcomes as those achieved with an RTA by structuring Valley Transit as a public utility and funding the service through a municipal utility fee. This would be a very different approach to resolving the challenges faced by Valley Transit.

Wisconsin Statutes 66.0801 -66.0831 discuss public utilities and the parameters of their authority. Transit Utilities are specifically discussed in sections 66.0803 and 66.0807.

Under the rules outlined in the statutes, a city, village, or town (municipality) may provide, acquire, own, operate, or engage in a municipal bus transportation system where none existed before. If there is a bus system in place, a city can establish one as a utility by voluntary agreement with the owners of the system, under law, or by order of the state department of transportation. City council approval and a public referendum is required.

The governing body of a town, village, or city operating a public utility may, by ordinance, fix the initial rates and shall provide for this collection monthly. The rates shall be uniform for like service in all parts of the municipality. Operating a municipal transit utility can tie the charge for transit service to a particular service area, as it is collected with property taxes. Nearby municipalities can purchase transit service from a municipal transit utility and service contracts can be issued provided they are re-issued in 5 year increments.

The governing body of a village or town may also provide for the nonpartisan management of a municipal public utility by creating a commission. The board of commissioners, under the general control and supervision of the governing body, would be responsible for the entire management of and supervise the operation of the utility. The governing body would exercise general control and supervision of the commission by enacting ordinances governing the commission's operation.

The transit system in La Crosse, WI is an interesting, but not very instructive, hybrid. It is organized as a municipal utility and policy is set by a Utility Board, but the system functions largely as a Department of the City of La Crosse, which controls the funding. The system is not funded by a utility fee but by the local property taxes from the city of La Crosse.

Aspects of this legislation go back to the time when streetcar lines were operated by power generation utilities and later, when those privately owned

companies were being acquired by public entities. It is possible, however, to use them today to create a public utility to provide transit services.

Just as with a sales tax, this approach has the ability to generate significant funding for transit. While the collection of a utility fee is tied to properties, a utility fee is separate from, and independent of, the property tax and not subject to its particular limitations. While the establishment of the utility and setting local rates would require considerable local effort, it is a solution within the jurisdiction of the local community and additional legislative authority would not be required for its implementation.

This approach would require the support of the City of Appleton and the overall community, as a public referendum is required before moving forward. Significant public education would most likely be required as the municipal utility approach is not a concept usually applied to transit in Wisconsin. However, people understand how utility rates work and apply to other commodities.

The concept of tying transportation as a benefit to a property is experiencing a resurgence in some areas nationally. Interestingly, this has been primarily applied in relation to generating funds for local roads. Transportation utility fees (TUF) treat transportation networks like a utility, similar to other local services such as water and wastewater treatment that are financed primarily from user charges. TUF rates can be set using several different bases that are more closely related to transportation demand than the property tax, including fees that apply per unit of housing or per parking space; fees based on square footage or gross floor area, and fees that vary with the trip generation rate for a property type. This approach has been applied in several communities in Oregon and Montana.

While it is still not ideal structurally, a municipal utility might provide an alternative to move forward to fund transit and the service plan, if the Regional Transit Authority continues to be blocked at the State level.

Conclusion

Valley Transit has exhausted most of the nationally proven methods of equitably addressing transit funding shortfalls. It has strong levels of State funding; it has maximized the use of social service dollars; and it has rigorously pursued the right to establish an RTA. While there may be other variations on the models discussed above, the range of options for funding the system, are limited.

Table 2 outlines some of the major factors of each of the four funding approaches discussed in this report. It looks at the operational factors of structure and control; stability; flexibility and revenue generation. It also assesses the potential ease of implementation by looking at whether enabling legislation from the State and/or a local referendum is required.

As discussed previously, there are issues related to the control, stability and flexibility under the current funding system. While the system works, these issues argue against the maintenance of the status quo as a vehicle for moving the system into the future. Moreover, the lack of ability to generate additional investment through the property tax structure would make implementation of any significant expansion of service extremely unlikely.

An RTA of some type would provide the optimal structure for this community. It would also provide the most potential for additional funding. Given the current nature of the Wisconsin legislature; however, the likelihood of achieving this authority is slim.

Barring any significant changes in statewide political leadership, an RTC might offer an interim solution to provide more stability and flexibility and a modest level of increased investment for the system. While the RTC does not totally resolve the issues of structure and control, it does shift control toward the transit commission. All partners, including Appleton, will have control by adopting a shared vision and committing to a budget that supports that vision. The elected officials in each community will then have to support that vision by agreeing to the level of local tax support needed. Knowing the proposed commitment levels in advance can help the communities plan better for those commitments, so that services can be maintained to their residents. The biggest limitation of this approach is the difficulty in generating additional revenue, as funding still comes from the property tax.

The concept of a Transit Municipal Utility certainly merits further exploration within the community. While it is a novel idea for transit, there is understanding in the community as to how this works for water and other commodities. Certainly the process of setting initial rates and equitably relating them to service levels in the various communities will generate considerable discussion. This alternative would also require a local referendum.

The main advantages of this approach are that that it would not require enabling legislation from the State and that it has the potential to generate revenue that is not subject to property tax limitations. Ultimately, however, a municipal utility is still a creation of the State and all powers that it has are bestowed legislatively. Cooperation with the State Department of Transportation and local State legislators would be very important for this approach to be successful.

Table 2. Funding Alternatives Summary

OPTION	OPERATING FACTORS				IMPLEMENTATION	
	STRUCTURE AND CONTROL	STABILITY	FLEXIBILITY	REVENUE GENERATION	ENABLING LEGISLATION	REFERENDUM
Status Quo	Commission sets policy, but Appleton controls budget and financial decisions	Withdrawal of any partner threatens the system	Difficult to change service levels and routes	Little potential for additional revenue	Not Required	Not Required
Regional Transit Commission	Group representing all partners makes decisions on service and budget, but system structure is still as a Department of the City of Appleton	Moving away from a fee for service model; advance agreement upon investment levels and reserve fund help maintain stability	Service levels and routes based on mutually accepted plan – changes can be made by group	Advance agreement upon investment levels and reserve fund may allow modest increases, but still property tax based	Not Required	Not Required
Transit Municipal Utility	Group representing entire service area makes decisions on service and budget. Authority to establish flows through Appleton	Very Stable	Good	Unfamiliar structure for transit - may be difficult to get agreement on structure and rates. Long-term ability to generate revenue is good.	Not Required	Referendum Required
Regional Transit Authority	Independent entity. Group representing entire service area makes decisions on service and budget	Very Stable	Good	Will be based on what is adopted in enabling legislation, but generally good	Required but difficult in current political climate	Enabling legislation would most likely require a referendum