6.0 INSTITUTIONAL AND FINANCIAL ARRANGEMENTS

A. Background

The following discussion focuses on potential institution and financial arrangements for improved transit services that the Town of Winter Park could pursue. Funding for roadway improvements is not included as most of the future improvements will be funded through traditional mechanisms: by developers of the adjacent properties, through state and regional programs, or through the capital improvement programs of the towns of Winter Park and Fraser and Grand County

Institutional and Financial Characteristics for Transit Services

The eligible financing mechanisms used to fund transit services vary depending on the institutional structure. Colorado law enables regions to form a Regional Transit Authority (RTA) and charge up to one percent above the sales tax limit in order to fund mass transit services. Counties also have the authority to charge a Mass Transit sales tax, again up to 1%, also above the sales tax limit. Governmental agencies also have the ability to enter into contracts and agreements, and intergovernmental agreements may be used to fund and operate transit services. If an intergovernmental agreement is used, local general funds can be used to fund services – but these fall within the state limit on local taxes.

The Visitor Focused and Community Focused Transit Service Alternatives could be implemented using an intergovernmental agreement (IGA) between the participating communities or forming a RTA. For the County-Wide Transit Service Alternative, the primary institutional options would be a County Mass Transit District or an RTA, although an IGA could also be used.

Federal Funds

All of the resort transit systems in Colorado utilize federal funds as a partial source for capital operations. There are a variety of federal programs that fund transit services (see **Table 6.1**). The funds are accessed through the Colorado Department of Transportation and/or the Colorado Transit Coalition and will likely be key for both building the fleet and potentially in building a maintenance facility. They require the operation of service year-round. Services can be reduced in the Spring, but most regions find ongoing service is needed to provide steady employee transportation and to maintain a core staff with year-round employment.

Table 6.1 Federal Transit Administration (FTA) Funding Programs

Program	Apply Through	Comments
5304 Planning Funds	CDOT	Used for planning studies; 70/30 match ratio
5309 Bus Capital Funds	Colorado Transit Coalition	The coalition consists of over 25 organizations that seek an earmark of capital dollars. This is used primarily for vehicles and facilities. Must pay dues one year before applying for funds. Annual submittal.
5310 Elderly & Individuals with Disabilities Funds	CDOT	Funds may be used for vehicles and now for coordination activities. Grand County relies on these funds for vehicles for the Council on Aging services. Apply in odd years.
5311 Rural Transit Program Funds	CDOT	Primary source for operating and administrative funds; also are used for capital funds. Apply in odd years for two-year grant approvals. Update application in even years.
5316 Job Access Funds	CDOT	Has allocation for rural areas. Requires 50% match ratio. Apply in odd years. Commuter service would be eligible for these funds.
5317 New Freedom Funds	CDOT	For new service that exceeds the ADA requirements (providing services outside the 3/4 mile boundary, during longer hours, etc.). Apply in odd years.

Together these FTA funding sources can be used to help expand the services available in the region, but they will be only one part of the overall funding picture for transit.

These funds come with important conditions including provision of year-round service, coordination with other providers and human service agencies, and decisions made in a planning process that includes citizens and a wide variety of agencies. **Appendix B** identifies recent awards in resort communities to provide a perspective on the amount of funding available. Many of these fund sources can be applied for at the same time, and a single application is recommended for Grand County services.

B. Capital Investment

The transit system is facing a substantial need for capital investment for both vehicles and a maintenance-operations facility. All vehicles used at present are leased and are provided by the contractor. While six new vehicles have been leased for the 2006-2007 season and the paratransit vehicles are new, most of the rest were fully depreciated before they were brought to the system. The system will need to plan for obtaining all new vehicles over the next ten to fifteen years.

The existing fleet size of 38 vehicles is used as the basis of the initial capital plan for the Winter Park Lift. The vehicle fleet is expected to increase to accommodate the additional ridership as the system almost doubles in ridership by 2020. However, the speed of the ridership increase and the effect of development on the peaking patterns of the system will impact the number of additional vehicles that will be needed. The capital plan can be adjusted every few years in response to changing conditions. A draft capital plan illustrating anticipated needs by year is contained in **Appendix B**. This should be used only to provide an order of magnitude estimation of the capital requirements. As the system moves towards implementation, a detailed capital plan will need to be developed.

Heavy-duty transit coaches are recommended for most service, although over-the-road vehicles would be desirable for employee bus service between Fraser and Granby. The heavy-duty transit vehicles have a standard life of 12 years, but in a resort setting they can last much longer. A 15-year or more life has been used in the estimations for the capital plan as only two full-size coaches are programmed for replacement annually.

Body-on-chassis buses will continue to be used for paratransit services and any call-and-ride service that is provided. This type of vehicle will also be appropriate for the Grand County Council on Aging services provided to seniors in the County. Grand County Council on Aging vehicle requirements are also identified in the capital plan.

Finally, there will be minor requirements for a supervisory vehicle, a maintenance truck, and office equipment.

Adding up the total cost of new vehicles gives a cost of approximately $9 million. In addition, a maintenance and operation facility could be expected to cost $3 to $4 million. Based on the useful life of vehicles (estimated at 15 years for heavy duty transit coaches) and a 40-year life for a building, the amortized cost would be about $740,000 annually in current dollars. These are significant costs, and it is worthwhile examining how other resort systems have addressed these costs.

A key has been to access federal dollars for capital funding, where 80% of the costs can be covered. The various federal funding sources are described in more detail in the next section. There is significant competition for the federal funds, and over the years a good number of buses have been purchased and facilities constructed using only local dollars, with outright purchases for smaller amounts and bonding for larger amounts. Realistically, the system would

not be likely to obtain the full 80% for its capital needs – but might be able to average closer to 60% based on the amount of funding the state has been able to obtain through earmarks.

The picture has changed recently now that Senate Bill 1 is beginning to make some state funding available for transit. This past year CDOT went through a process of selecting projects for Senate Bill 1 monies for transit, and it is anticipated that this may relieve some of the pressure for federal capital funds. For example, Colorado Springs was awarded several million dollars for purchasing new buses for the commuter service between Colorado Springs and Denver.

Choices for obtaining the vehicles and building the facility include:

- Leasing or purchasing vehicles.
- Slowly upgrading the fleet, purchasing an average of 2-3 buses annually; obtaining vehicles in groups of approximately 10 every few years, or bonding for the entire cost of replacing the fleet and doing it at once.
- A combination of some leases and some purchases may make it financially feasible to obtain a core of new vehicles sooner than waiting to purchase all of them.

Because the system will want to work towards a sustainable replacement plan, it may be wiser to make larger purchases every few years, although it will take longer to have a "new look". This will also reduce the amount of work needed for obtaining the vehicles – a task that is not simple to have to do every year. Obtaining enough funding so that primary services can be covered with new buses and using the older buses for peak overloads may be a viable strategy.

The facility needs are critical because the facility is inadequate, and there are future plans to develop that site. Finding a viable site for an operations facility and having it ready to go (environmental reviews completed, design work underway) will give the region a stronger position should funding become available sooner than anticipated. At present, there is a "facilities group" of agencies that are waiting for funding through the annual earmark funds that Colorado receives. It may be 2011 before all agencies currently on the list are funded.

C. *Financial Plan*

Looking at the operating and capital cost together provides a perspective on what may be needed in order to finance the alternatives. A first cut of a financial plan was prepared to illustrate the financial constraints that must be considered as the region develops a transit plan.

Table 6.2 identifies approximate costs to assist the region in making decisions about service level, capital investment, potential taxes to support transit, and the role of the resort in supporting the transit network. This first cut at developing a financial plan provides an order-of-magnitude estimate of overall expenses and the revenues needed to support the service over time. More detailed information can be found in **Appendix B**.

Table 6.2 Initial Draft Financial Plan – Constant Dollars (1) (2)

		'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19	'20	'21	'22	'23	'24	'25	'26
Service Level	Annual Hrs	44,000	46,200	48,400	50,700	52,900	55,100	57,400	59,600	61,800	64,100	66,300	68,500	70,800	73,000	74,300	75,600	76,900	78,200	79,500	81,000
Operating Expenses	@ $45/hour	$1,980	$2,079	$2,178	$2,282	$2,381	$2,480	$2,583	$2,682	$2,781	$2,885	$2,984	$3,083	$3,186	$3,285	$3,344	$3,402	$3,461	$3,519	$3,578	$3,645
Capital Expenses		$0	$460	$460	$460	$2,000	$3,085	$460	$460	$625	$460	$460	$460	$625	$460	$460	$460	$625	$460	$460	$460
Total Expenses		$1,980	$2,539	$2,638	$2,742	$4,381	$5,565	$3,043	$3,142	$3,406	$3,345	$3,444	$3,543	$3,811	$3,745	$3,804	$3,862	$4,086	$3,979	$4,038	$4,105
Revenues																					
Local Taxes at 1% (3)		$790	$820	$850	$880	$900	$930	$950	$980	$1,010	$1,030	$1,060	$1,090	$1,120	$1,150	$1,170	$1,190	$1,210	$1,230	$1,260	$1,260
Resort		$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250	$1,250
Federal Operating Funds		$0	$175	$175	$200	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250	$250
Federal Capital Funds (5309 & 5311)		$0	$300	$350	$250	$1,100	$2,100	$350	$350	$350	$350	$350	$350	$350	$350	$350	$350	$350	$350	$350	$350
Fares (Regional Services)		$0	$51	$53	$54	$56	$58	$60	$61	$63	$65	$66	$68	$70	$71	$73	$75	$77	$78	$80	$81
TOTAL		$2,040	$2,596	$2,678	$2,634	$3,556	$4,588	$2,860	$2,891	$2,923	$2,945	$2,976	$3,008	$3,040	$3,071	$3,093	$3,115	$3,137	$3,158	$3,190	$3,191
Short or Excess Revenues		$60	$57	$40	-$107	-$824	-$977	-$184	-$251	-$483	-$400	-$467	-$535	-$771	-$674	-$710	-$747	-$949	-$821	-$848	-$914

Notes:
1. Costs Calculated in Constant Dollars - 2006
2. Costs are in thousands of dollars
3. Land value for a facility may be provided as an in-kind contribution and could off-set much of the loss shown in 2011 and 2012.

Assumptions

The financial analysis is based on planning level assumptions that would need to be refined as part of establishing a financial mechanism. Cost and service hour estimates are approximate and are meant to provide a picture of what might be expected with steady growth levels. Actual service levels, budgets, and revenues will vary on an annual basis in response to development patterns, travel demand, availability of resources, and decisions made regarding service level and capital investment.

The plan is built upon the service level described in the second alternative "Community Focused Transit Services" so that it illustrates how Federal funds would support a general public transit system.

- Revenue estimates are based on Fraser Valley forecasts prepared by EPS, as that is the study area for this project. Revenues from the County area or other communities are not included, either as taxes or contract services. As the region considers how to implement services, it may decide that services and funding should be County-wide instead.
- The revenue forecast is based on implementing a 1% mass transit tax.
- Capital costs are spread evenly throughout the plan, with transit coaches replaced at 2 per year and body-on-chassis vehicles replaced every four years. This results in operating vehicles longer than the standard vehicle life, but it is common to run vehicles for 15 or more years in the resort communities. Vehicles are assumed to be purchased rather than leased, although some combination of the two may be appropriate.
- An operations and maintenance facility is identified for construction in 2011 and 2012, and it is assumed that federal funds could be obtained to fund 80% of the cost of this facility. It may be possible to cover the local match with donated land value, off-setting much of the loss shown in these years.
- No adjustments are made for the leased costs of vehicles, although it is understood that several vehicles now operating are leased vehicles.
- The cost per service hour ($45 per hour) provides a realistic assessment of current expenditures. Detailed financial planning would be needed to determine if this is an adequate number for the future.
- At the end of the planning horizon, significant funding will be required to build and operate the gondola. This is envisioned as a partnership between the public transit system and resort. The gondola will reduce the amount of transit service needed between Winter Park and mountain, reducing bus operating and capital costs. Neither the changes in transit costs and fleet nor the additional gondola costs have been included in the initial capital plan.

Financial Issues

The first cut shows that even a 1% sales tax does not raise adequate revenues to fund the alternatives. While in the early years the gap in funding may be manageable through a combination of decisions on service level and capital replacement, by 2015 the gap is over one-half million dollars annually. The gap grows to $1.0 million annually by 2026.

One issue is that sales taxes are not projected to increase as steadily as service levels.

Capital issues contribute significantly to the shortfall. The system will need to basically build the system from scratch, as most vehicles need to be replaced, and an operating and maintenance facility needs to be built. Even with federal support, the annual amounts available are not adequate to fund 80% of the cost of what is needed to upgrade the Winter Park fleet and the maintenance facility. Funding the capital needs may require a consideration of leasing, bonding, and seeking additional state or federal allocations or hoping that some funding frees up as other entities are able to access state Senate Bill 1 funds. It also may require careful attention to fleet size and productivity. At present the system is heavily weighted to peak service; as the resort community develops, more passengers will be carried in the evening and other off-peak times. This may allow the area to reduce the peak vehicle fleet.

Peer systems have smaller fleets than Winter Park, and still many have trouble funding capital costs. Productivity is also important. The level of service programmed is based on the current productivity levels – starting with the current average of 15 to 16 passengers per hour and increasing only gradually to 18 passengers per hour. The productivities of peer systems varies widely, depending on the amount of regional service (long-distance trips) provided. However, the system with the most similarities to Winter Park in terms of the service mix is Steamboat Springs. They operate at an average of 24 passengers per hour. An emphasis on increasing productivities will result in fewer hours that need to be operated and fewer vehicles, helping the system in two ways.

The financial issues are significant and are likely to affect the service levels, decisions about capital investment, and the partnerships developed between the cities, counties, and resort. Given the need to build a facility and obtain a new fleet, it will be critical to become actively involved in the State and Federal processes for transit funding.

More detailed financial planning will be needed to determine the decision points and the level of service that can be sustained over time.

D. Implementation Activities

This plan was prepared through a study that had a long-term vision. As the stakeholders in the region move forward to implement improved transit service, more detailed implementation work will be needed. This section describes the major activities that need to be undertaken.

Challenges to Transitioning the Service to Public Operation

The initial challenges are the greatest as the system will need to establish a stable financial and institutional structure and to invest in capital equipment and facilities. A summary of these challenges are:

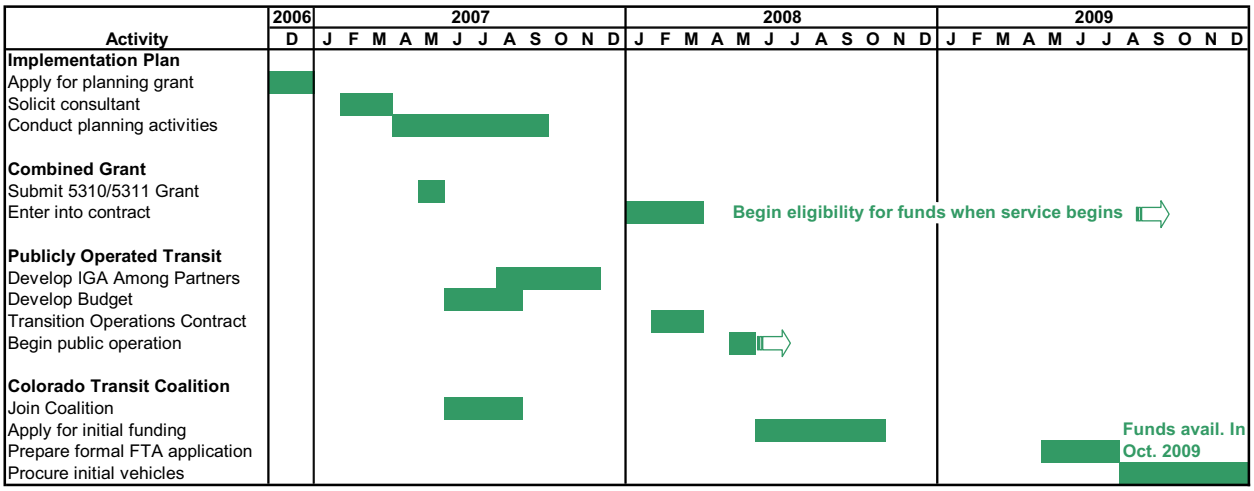
- Determining institutional structure and obtaining voter approval for financing that will support the system growth and development.
- Negotiating a transition and financial support from the resort.
- Transitioning the system from private operation to public operation, and upgrading as needed to comply with federal regulations.
- Improving fleet with a phased plan to purchase and / or lease vehicles.
- Building a new maintenance facility as the current site will be re-developed.

The completion of an implementation plan is recommended to assist in identifying options in each of the key areas – service plan, institutional structure, financial planning, and capital planning. This detailed planning process would be geared to getting the agreements in place and making the transition from a private sector operation to a public sector operation. This planning process would be used to develop service plans, obtain public comment, negotiate agreements, and adopt budget and IGA agreements. The results of the implementation plan would then be used to refine the region's application for funding, once awards are announced.

Timing Issues

The timing of the grant cycle is important. In late Spring of 2007, CDOT will accept applications for grant funding in 2008-2009. In order to apply for federal funds, it will be important for the region to move forward with implementation planning in the Spring of 2007 and to submit a grant application at the same time. A draft schedule of activities for making the transition to general public service is presented in **Figure 6.1**.

Figure 6.1 Draft Timetable for Grant Activities



It is suggested that the service transition be planned for the end of the 2007-2008 winter season because the First Student contract will be easiest to transfer at either the beginning or end of the winter season. April of 2008 looks like a more comfortable date than November of 2007, but either would be feasible.