

2010

# Governance and Finance Subcommittee Recommendations Central Oklahoma



Governance/Finance Joint Subcommittee  
Regional Transit Dialogue  
7/7/2010



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## Purpose and Background

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This report is intended to summarize the findings of the Regional Transit Dialogue Governance/Finance Subcommittee. All findings and recommendations are intended to be advisory only and to serve as a basis for further study.

## Governance/Finance Subcommittee Mission

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The Governance/Finance Subcommittee formed from two of the original subcommittees of the RTD, the Governance Subcommittee and the Finance Subcommittee. After several separate meetings, the subcommittees joined because each felt that their work was interdependent. The joint subcommittee's mission was to explore and recommend the structure and function of the proposed regional transit authority's governing body, and to research and study possible funding mechanisms and their viability.

## Governance/Finance Subcommittee Members

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The Governance/Finance Subcommittee was made up of elected public officials, city staff, planners, and private businesspeople.

**Bill Bleakley** - President, Tierra Media Group

**Rick Cain** - Administrator, COTPA

**J. Brent Clark** - Attorney, J. Brent Clark P.C.

**Rod Cleveland** - Commissioner, Cleveland County

**Steve Commons** - Assistant City Manager, City of Edmond

**Doug Cubberly** - Councilmember, City of Norman

**Jay Hannah** - Executive VP—Financial Services, BancFirst

**Terry Hawkins** - VP/Director, Phillips Murrah P.C.

**Guy Henson**, Co-Chair - City Manager, City of Midwest City

**Jane Jenkins** - President, Downtown OKC Inc.

**Willa Johnson** - Commissioner, Oklahoma County

**Bob Kemper** - Kemper Consulting Group

**Dick Lee** - Board of Directors Vice Chairman, COTPA

**Turner Mann**- Councilmember, City of Midwest City

**Bill Nations** - Representative, Oklahoma House of Representatives

**Meg Salyer** - Councilmember, City of Oklahoma City

**Dean Schirf** - Consultant/Independent Contractor, Greater Oklahoma City Chamber of Commerce

**Tom Sherman**- President Elect, Norman Chamber of Commerce

**Russell Smith**, Co-Chair - Mayor (former), City of Midwest City

**Michael Sokoff** - Director of Transportation, University of Central Oklahoma

**Mark VanLandingham** - VP of Government Relations, Greater Oklahoma City Chamber of Commerce

**Mark Williams** - Area Manager—External Affairs, AT&T Oklahoma

#### **Governance/Finance Subcommittee Staff**

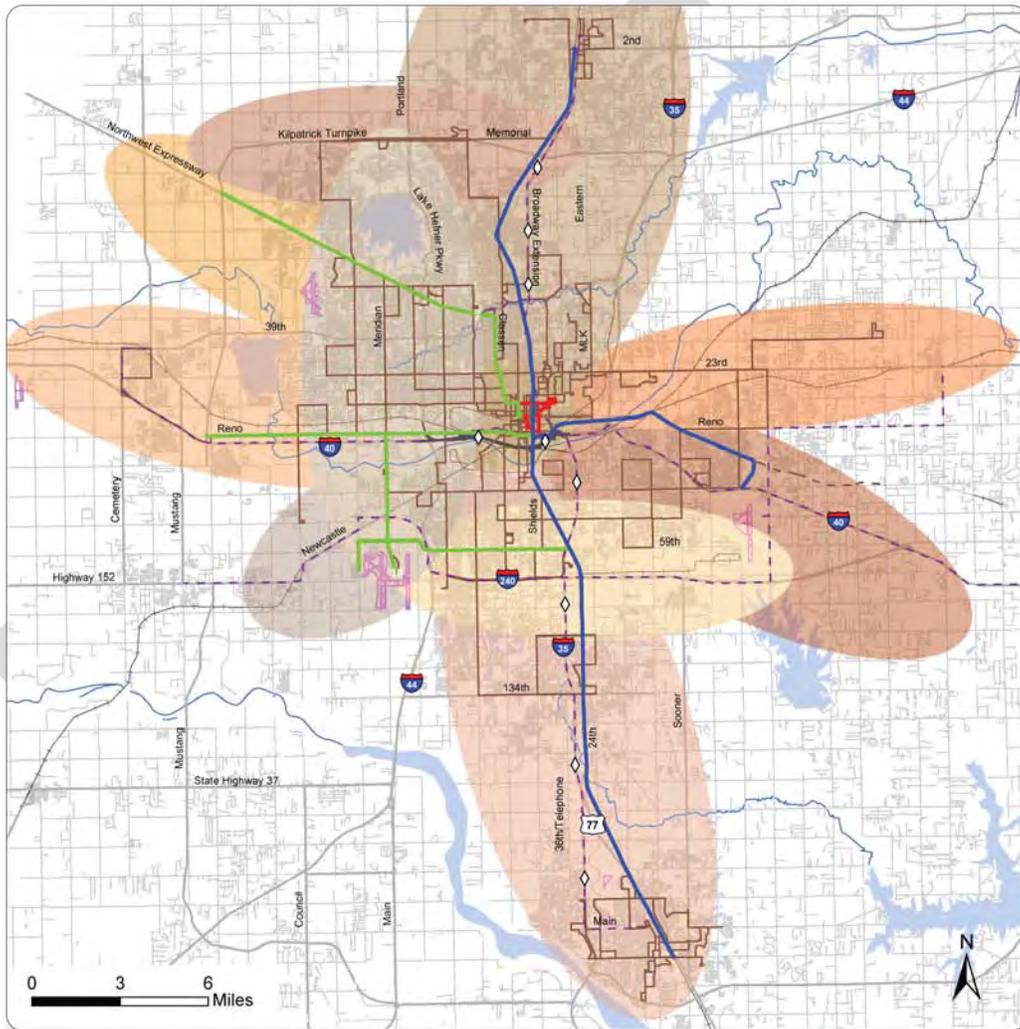
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**Kara Chiodo** - Transportation Planner, ACOG

**Meredith Williams** - Transportation Planner, ACOG

# Fixed Guideway Study System Plan Map

The System Plan Map was developed in 2005 as part of the Fixed Guideway Study, identifying transportation solutions for the Oklahoma City Metropolitan Area. The System Plan Map illustrates the study's final recommendations for commuter rail, modern streetcar, bus rapid transit, and enhanced bus alignments. The Governance/Finance Subcommittee utilized the System Plan Map as the basis for full buildout of the transit system that a future regional transit authority would manage. The map is only meant to demonstrate potential transit corridors and alignments.



**Central Oklahoma Transportation & Parking Authority Fixed Guideway Study**

**2030 System Plan Vision**



- ◇ HOV/Managed Lanes
- Commuter Rail
- Bus Rapid Transit (BRT)
- Modern Streetcar
- Enhanced Bus Service
- - - Express Bus Service
- Future I-44 Crosstown
- 23rd Corridor
- Airport Corridor
- Edmond Corridor
- I-240 Corridor
- Kilpatrick Corridor
- Midwest City/Tinker Corridor
- Norman Corridor
- Northwest Corridor
- Westside I-44 Corridor
- Yukon Corridor

## Governance Models

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The subcommittee explored three governance models: the county model, the city model, and the district model.

### County Model

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In the county model, the boundary of the regional transit authority is set along county lines. The initial vote to join the authority takes place at the county level. If the majority of voters in a county proposed for inclusion in the authority vote yes, the whole county becomes part of the authority. If the majority of voters in a county proposed for inclusion in the authority vote no, the whole county is excluded from the authority. Furthermore, any tax that would be collected to fund the RTA would be collected at the county level.

#### Advantages:

- County-wide elections are easy to administer
- Boundaries are politically recognized
- Taxing (sales or property) would be easy to administer

#### Disadvantages:

- Rural populations (both cities and unincorporated areas) that may never receive transit services are included in the boundary. These rural communities might not be in favor of an RTA because the costs might outweigh the benefits.
- Collecting a dedicated sales tax at a county-level would require state legislative change for Oklahoma County.
- Counties may not want to give up a dedicated portion of their taxing power.

#### Scenario 1:

The boundary includes Oklahoma and Cleveland Counties. This boundary would encompass the commuter rail lines and most of the bus rapid transit (BRT) proposed in the Fixed Guideway Study. The population included in the boundary is 938,000.

#### Scenario 2:

The boundary includes Oklahoma, Cleveland, and Canadian Counties. The inclusion of Canadian County allows for the entire BRT system to be built. When Canadian County is included, the boundary's population is 1,041,000.

#### Scenario 3:

This boundary is a large 6-county area including Oklahoma, Cleveland, Canadian, Logan, Grady, and McClain counties. The population included in these counties is 1,160,000.

These scenarios are simply examples of the county model—any combination of counties could ultimately be used in a county model.

# County Model - Scenario 1

Oklahoma and Cleveland Counties



Boundary Population: 938,000 (2007)

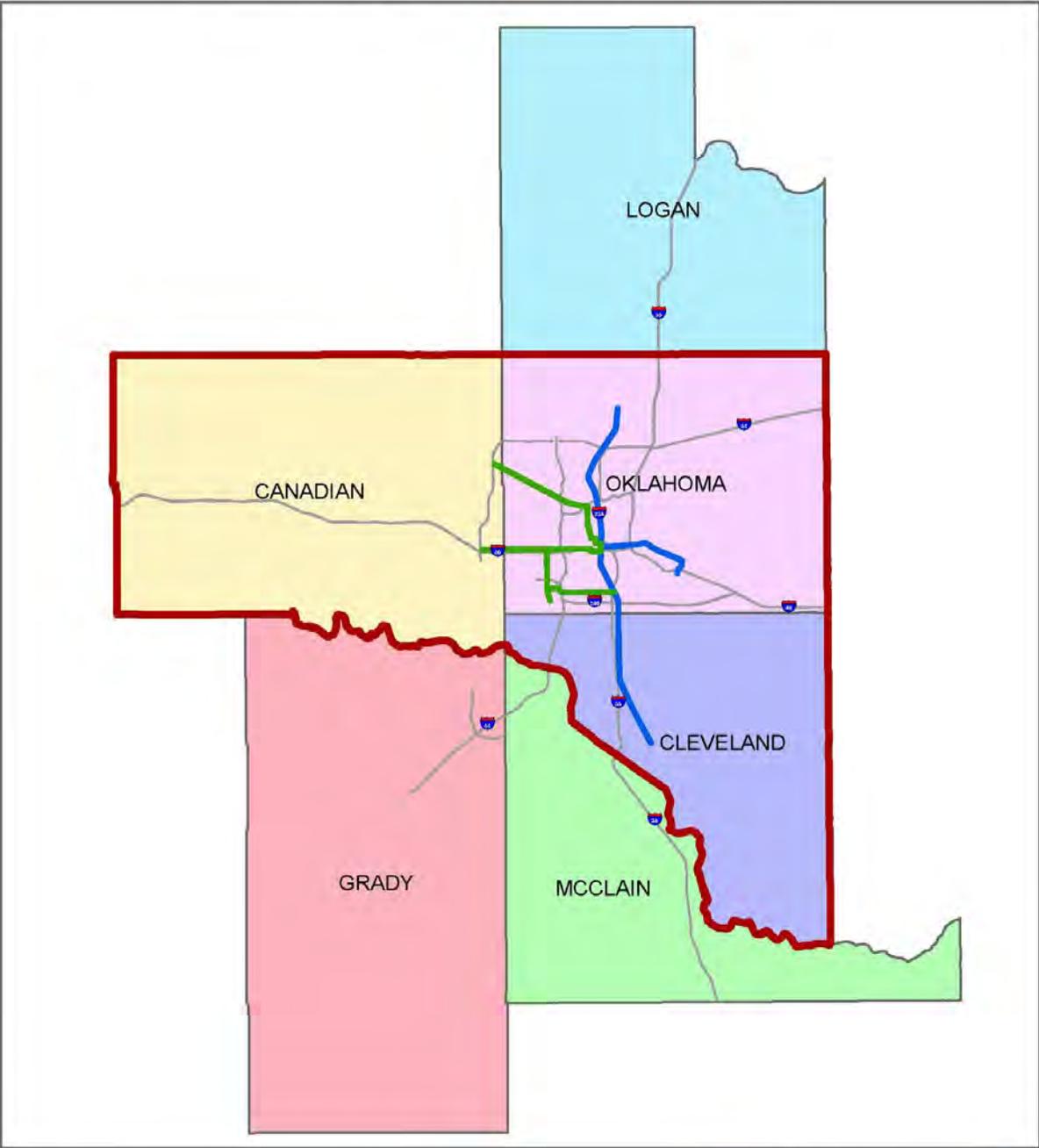


- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 1



# County Model - Scenario 2

Oklahoma, Canadian and Cleveland Counties



Boundary Population: 1,041,000 (2007)

Legend:  
— Bus Rapid Transit  
— Commuter Rail  
▭ RTA Boundary 2

# County Model - Scenario 3

ACOG Counties



Boundary Population: 1,160,000 (2007)



- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 3



## City Model

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In the city model, the boundary of the regional transit authority is set along city lines. The initial vote to join the authority takes place at the city level. If the majority of voters in a city proposed for inclusion in the authority vote yes, the whole city becomes part of the authority. If the majority of voters in a city proposed for inclusion in the authority vote no, the whole city is excluded from the authority. Any taxes collected to fund the operation of the RTA would be collected according to city boundaries.

### Advantages:

- City-wide elections are easy to administer
- Boundaries are politically recognized
- Taxing (sales or property) would be easy to administer
- A more equitable approach? Cities that do not want to participate in the RTA would have the opportunity to “opt out.” Transit could still pass through the city, just not stop there.
- A more accurate representation of areas that would receive service than the county model.

### Disadvantages:

- Cities may be reluctant to give up a portion of their taxing power.
- Difficult to project future revenues and implement a system plan without knowing which cities will commit to the system.
- If there are holes (cities which opt out of the system that are surrounded by cities in the system), then service may be compromised for the entire region.

### Scenario 1:

The boundary includes the six most populous cities in the area: Oklahoma City, Norman, Edmond, Moore, Del City, and Midwest City. These cities would all be served by the proposed commuter rail lines reflected in the Fixed Guideway Study System Plan Map. The population of these cities is 861,000.

### Scenario 2:

In scenario two, the boundary includes all cities proposed to receive service from the full buildout of the Fixed Guideway Study. The full buildout includes rail, BRT, and enhanced bus services. The population of these cities is 965,000.

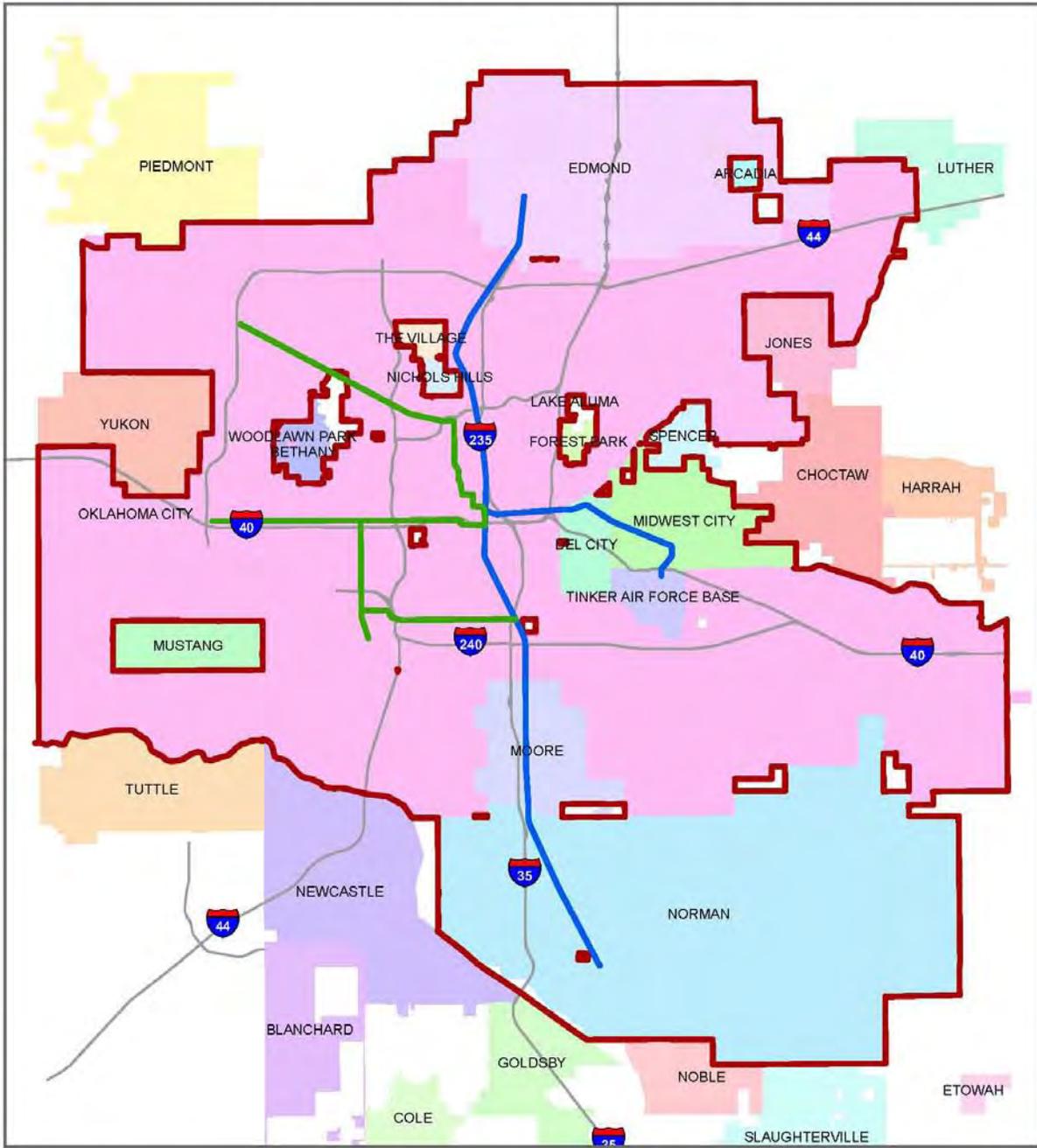
### Scenario 3:

This boundary includes all the cities in the OCARTS area. The population of these cities is 1,006,000.

These scenarios are simply examples of the city model—any combination of cities could be selected for a city model.

# City Model - Scenario 1

Oklahoma City, Norman, Edmond, Moore, Midwest City, and Del City



Boundary Population: 861,000 (2007)

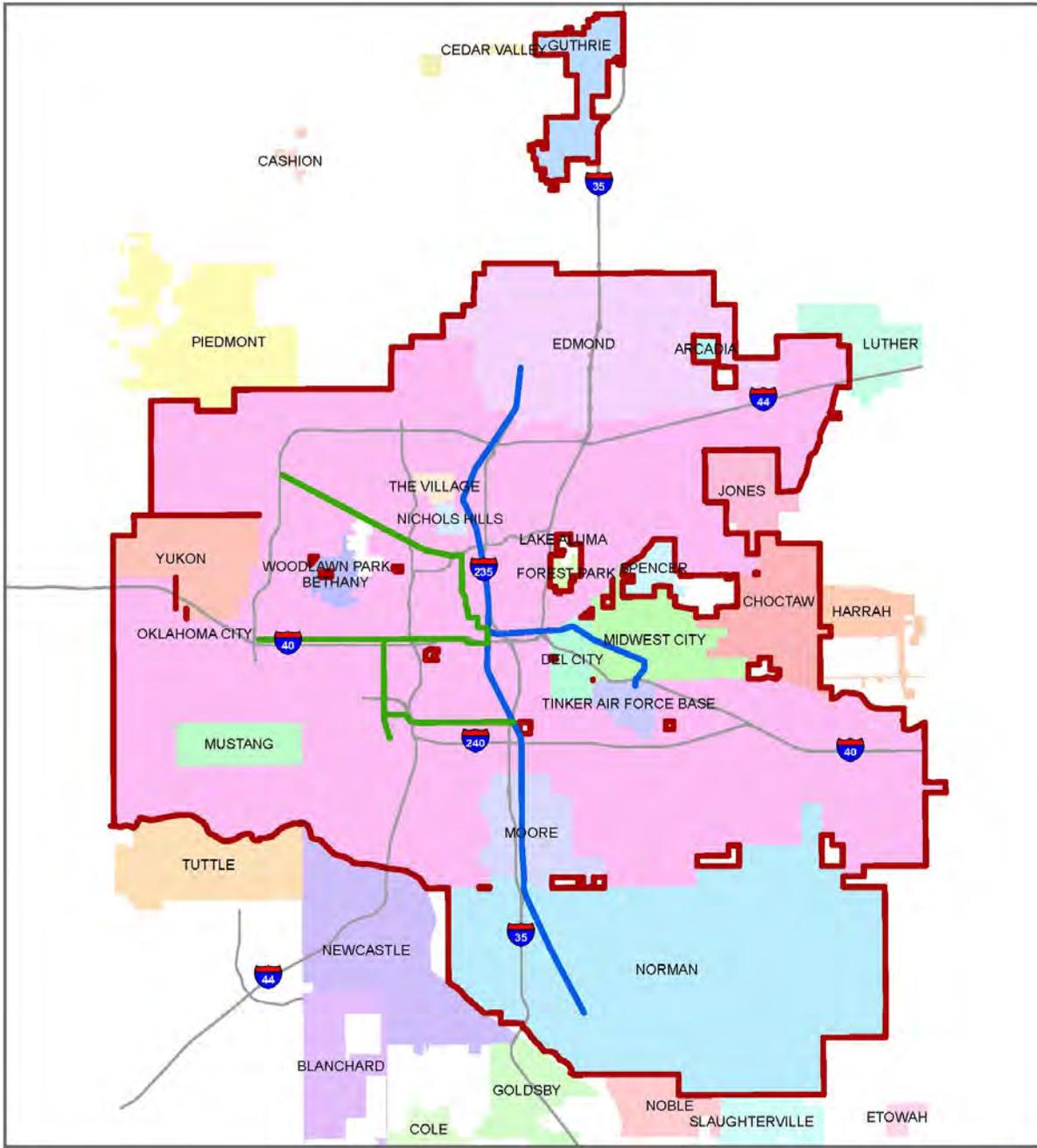


- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 4



# City Model - Scenario 2

## Full System Build-Out



Boundary Population: 965,000 (2007)

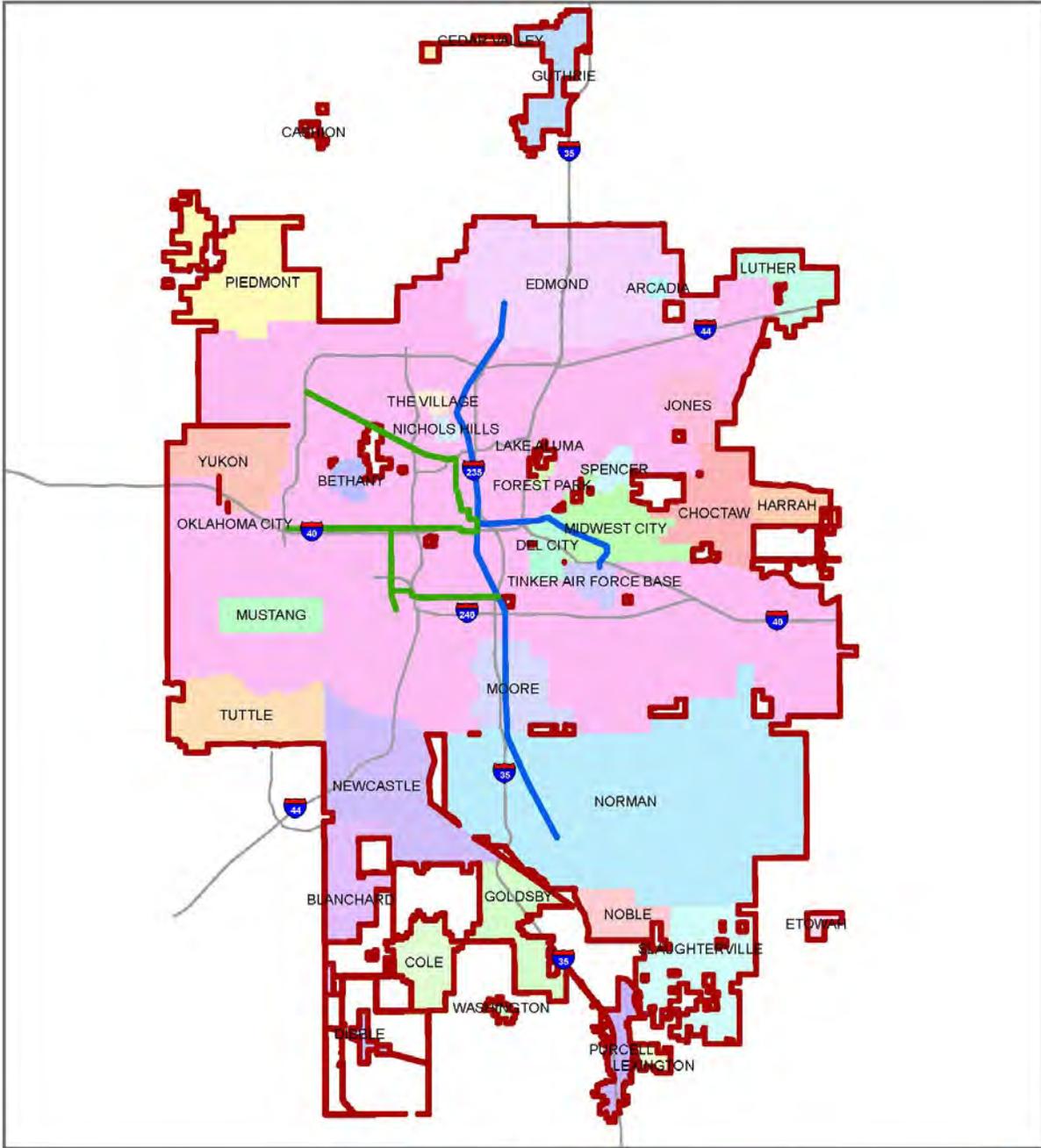


- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 5



# City Model - Scenario 3

## OCARTS Cities



Boundary Population: 1,006,000 (2007)



- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 6



## District Model

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In the district model, the boundary of the regional transit authority does not have to follow any pre-existing legal boundaries. Parts of the boundary may coincide with city or county limits, but other parts of the boundary may not—much like a school district. The initial vote to join the authority takes place on the proposed district level. If the majority of voters in the proposed district vote yes, the authority is created. If the majority of voters in the proposed district vote no, the authority is not created. Any taxes collected to fund the operation of the RTA would be collected according to the district's boundaries.

### Advantages:

- Boundary line is flexible and thus the RTA boundary can be drawn to include the areas that will most likely receive transit service
- May be the most favorably accepted if the boundary corresponds to population densities and areas best served by transit
- Since the vote is "all or nothing," there will be no holes and it will be easier to forecast future revenues

### Disadvantages:

- Elections may be more challenging to administer
- Boundaries are not already politically recognized
- Difficult to collect taxes in area that may not coincide with recognized boundaries
- Collecting a dedicated tax at the district level would require state legislative change to create the district and give it taxing authority.

### Scenario 1:

The district boundary is drawn approximately five miles away from the commuter rail lines proposed by the Fixed Guideway Study. Five miles is a representation of the distance that a commuter might drive to a station or park-and-ride lot to use the service. The population represented in this boundary is 771,000 (based on 2000 census numbers).

### Scenario 2:

In scenario two, the district boundary is drawn in approximately the same location as the Urbanized Areas (a U.S. Census designation) in the Central Oklahoma region. This boundary represents the most densely populated areas of the region. All of the proposed commuter rail and BRT lines reflected in the Fixed Guideway Study System Plan lie within this area. The population included in this boundary is 845,000 (based on 2007 estimates).

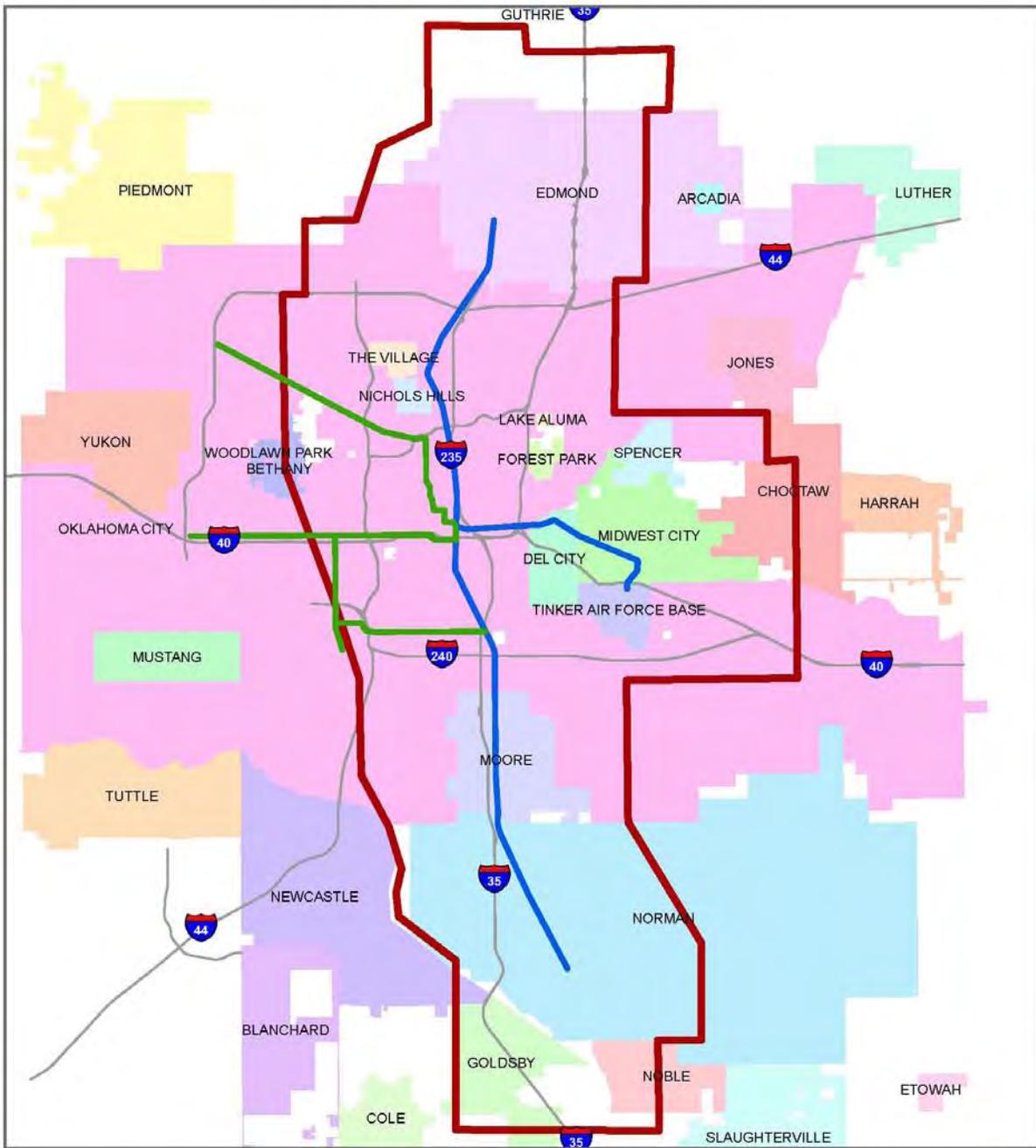
### Scenario 3:

This district boundary is drawn to coincide with the OCARTS boundary (the boundary in which ACOG performs regional transportation planning). The population in the OCARTS area is 1,046,000 (based on 2007 estimates).

These scenarios are simply examples of the district model—any boundary line could be selected for a district model.

# District Model - Scenario 1

## Commuter Rail Buffer District



Boundary Population: 771,000 (2000)

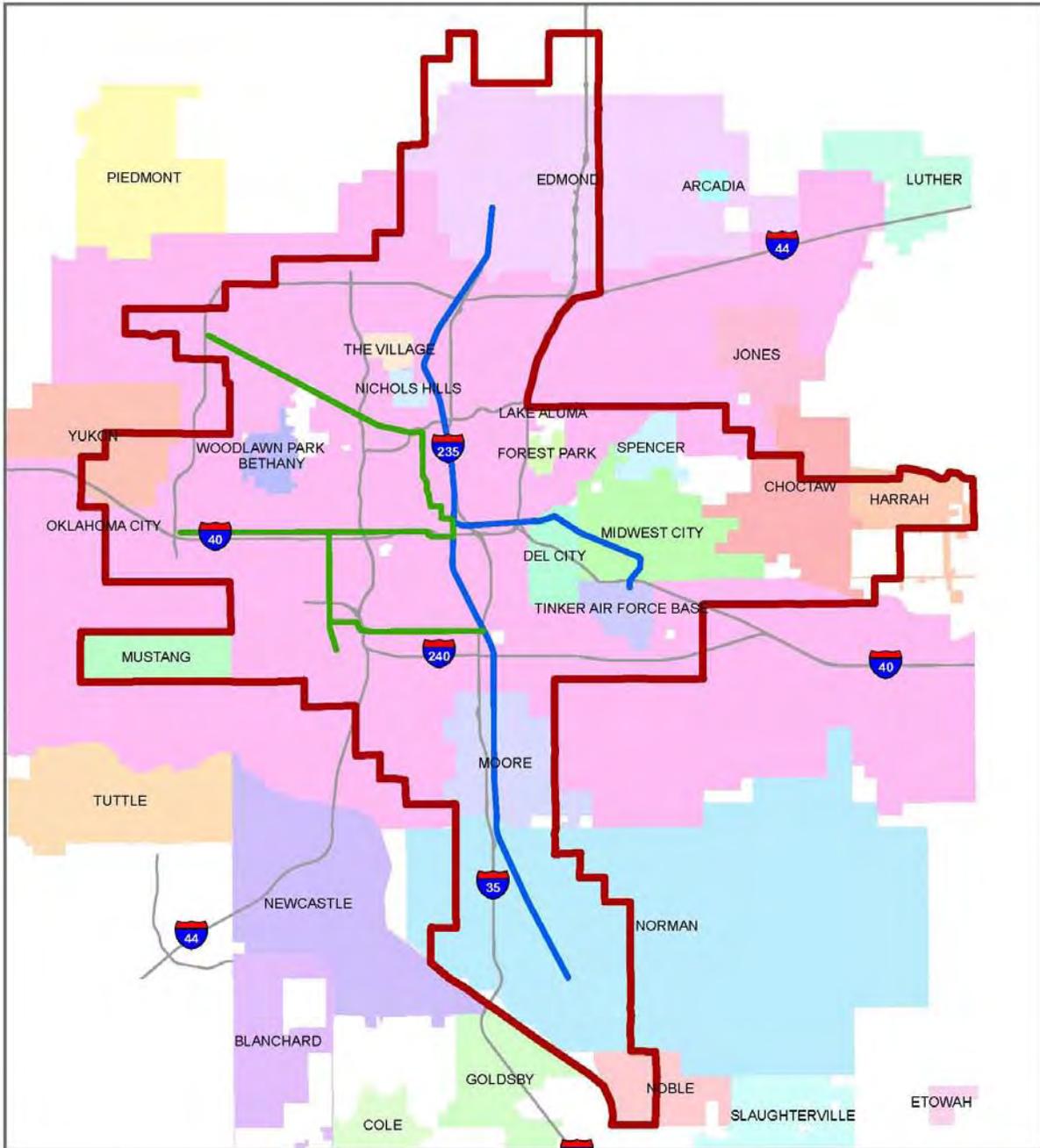


- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 7



# District Model - Scenario 2

Urbanized Area District



Boundary Population: 845,000 (2007)



- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 8



# District Model - Scenario 3

## OCARTS District



Boundary Population: 1,046,000 (2007)



- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 9



## Governance Model Recommendation

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The RTA should follow a district model.

Consensus of the Subcommittee was that the district model provided the most flexibility to create a boundary that would encompass the areas in which service was expected to be provided based on the Fixed Guideway Study System Plan, and not extend into areas which were not likely to receive service or benefits. Additionally, because the initial vote to create the authority is an “all or nothing” vote, there is no danger of “holes” in the RTA boundary using the district model.

## District Boundary

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After the recommendation that the RTA should follow a district model, the next step in the process was to determine the conceptual boundary location. Several examples of what a district boundary could look like were shown in the previous section. Ultimately, the consensus was that the RTA district should be based on the smoothed Urban Area boundary, which is based on the U.S. Census defined Oklahoma City and Norman Urbanized Area (UZA) boundaries.

## Boundary Recommendation Based on UZA

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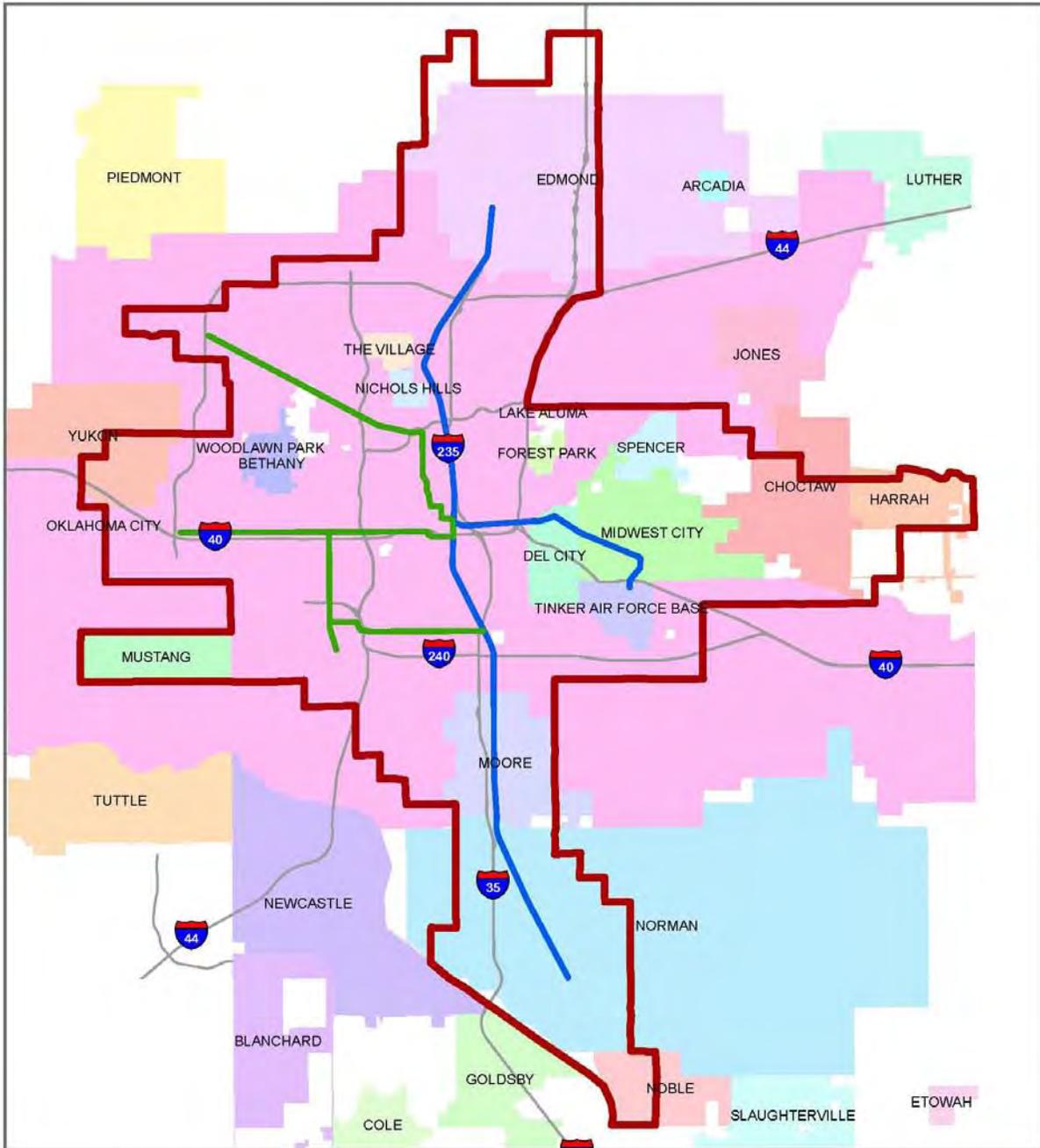
The subcommittee wanted to form a district that included areas that would be likely to receive transit service. The boundary should be large enough to generate the needed tax base but should not include areas that would not be likely to receive transit benefits and therefore would not likely support the creation of the RTA.

The UZA is a statistical geographic area designated by the U.S. Census Bureau, consisting of a central core and adjacent densely settled territory that together contain at least 50,000 people, generally with an overall population density of at least 1,000 people per square mile. In Central Oklahoma, there are two designated UZAs (one identified with Oklahoma City and one with Norman). By combining the two UZAs, the RTA boundary is able to capture the areas with highest densities of population and employment.

The following map shows a boundary that combines the UZA boundaries associated with the Oklahoma City and Norman UZAs, and then smoothing the edges. Federal law allows metropolitan planning organizations and state departments of transportation to cooperatively smooth the census-designated UZAs to create more logical distinctions between urban and rural areas. The second and third maps show how this boundary captures the areas of highest population density and highest employment density in Central Oklahoma.

# District Model - Scenario 2

Urbanized Area District



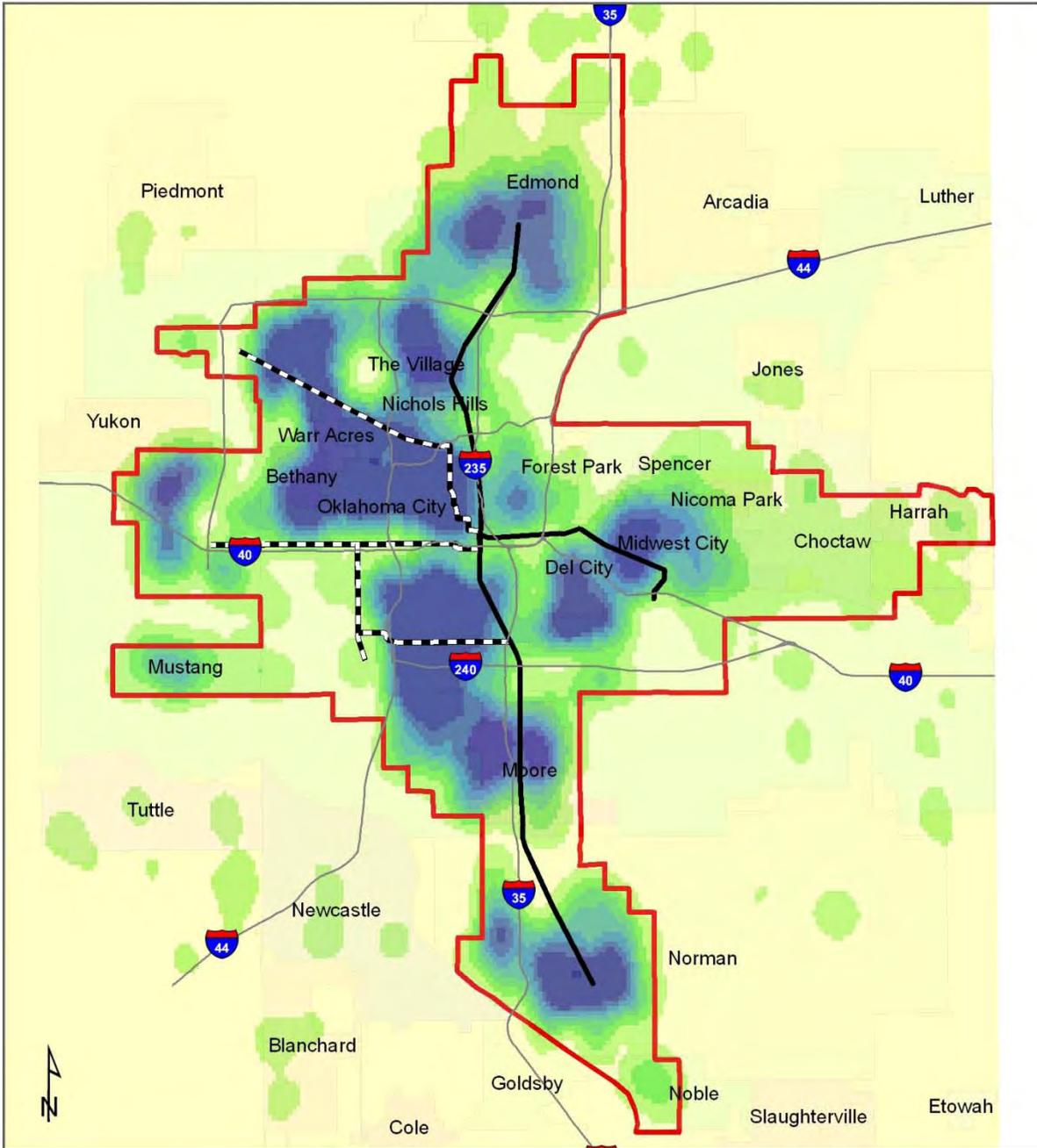
Boundary Population: 845,000 (2007)



- Bus Rapid Transit
- Commuter Rail
- RTA Boundary 8



# District Model - Draft Scenario based on Urbanized Area Population Density

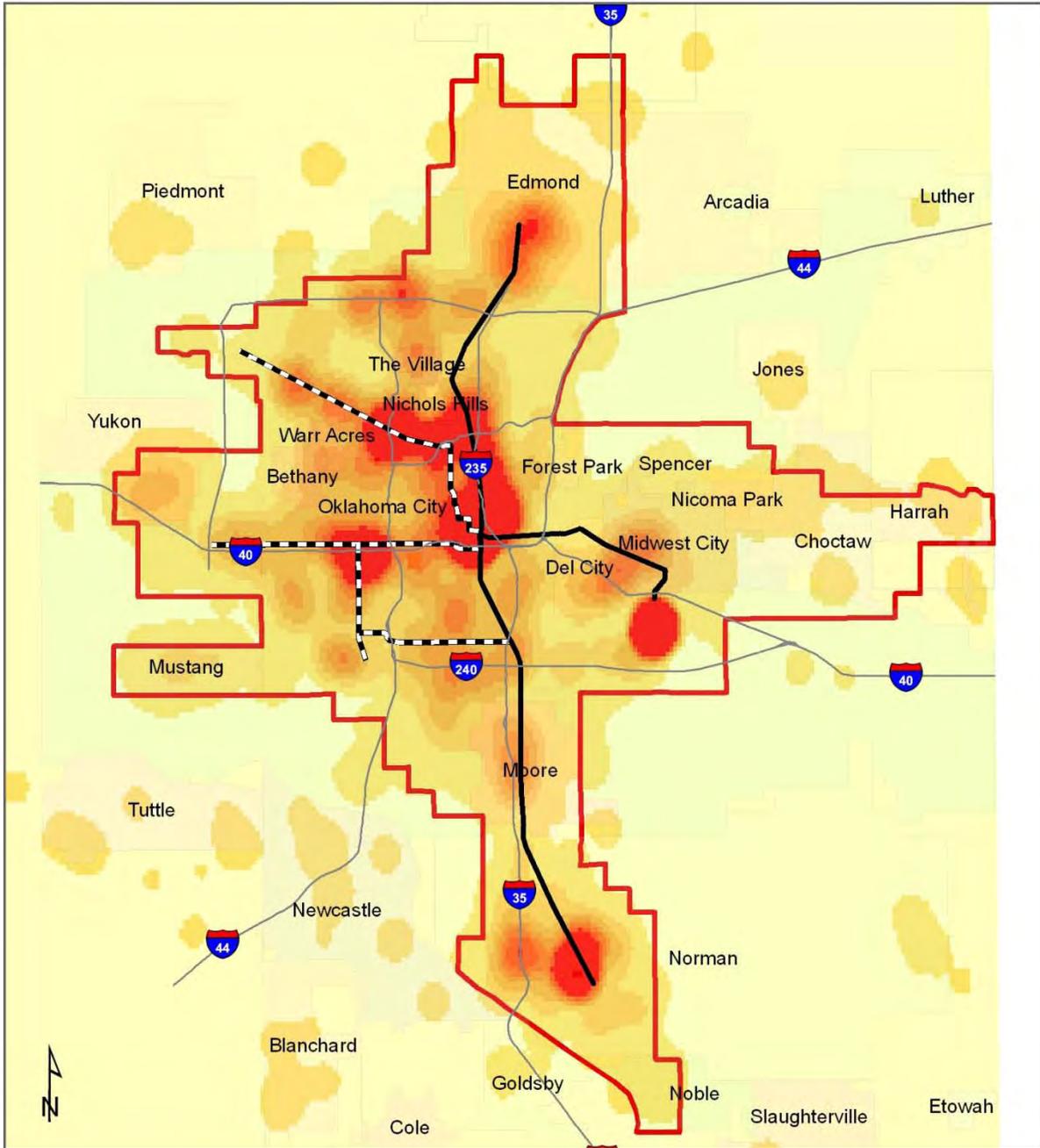


Darker areas represent higher population density.

-  Commuter Rail
-  Bus Rapid Transit
-  UZA Boundary



# District Model - Draft Scenario based on Urbanized Area Employment Density



Darker areas represent higher employment density.

-  Commuter Rail
-  Bus Rapid Transit
-  UZA Boundary



## Boundary Building Blocks

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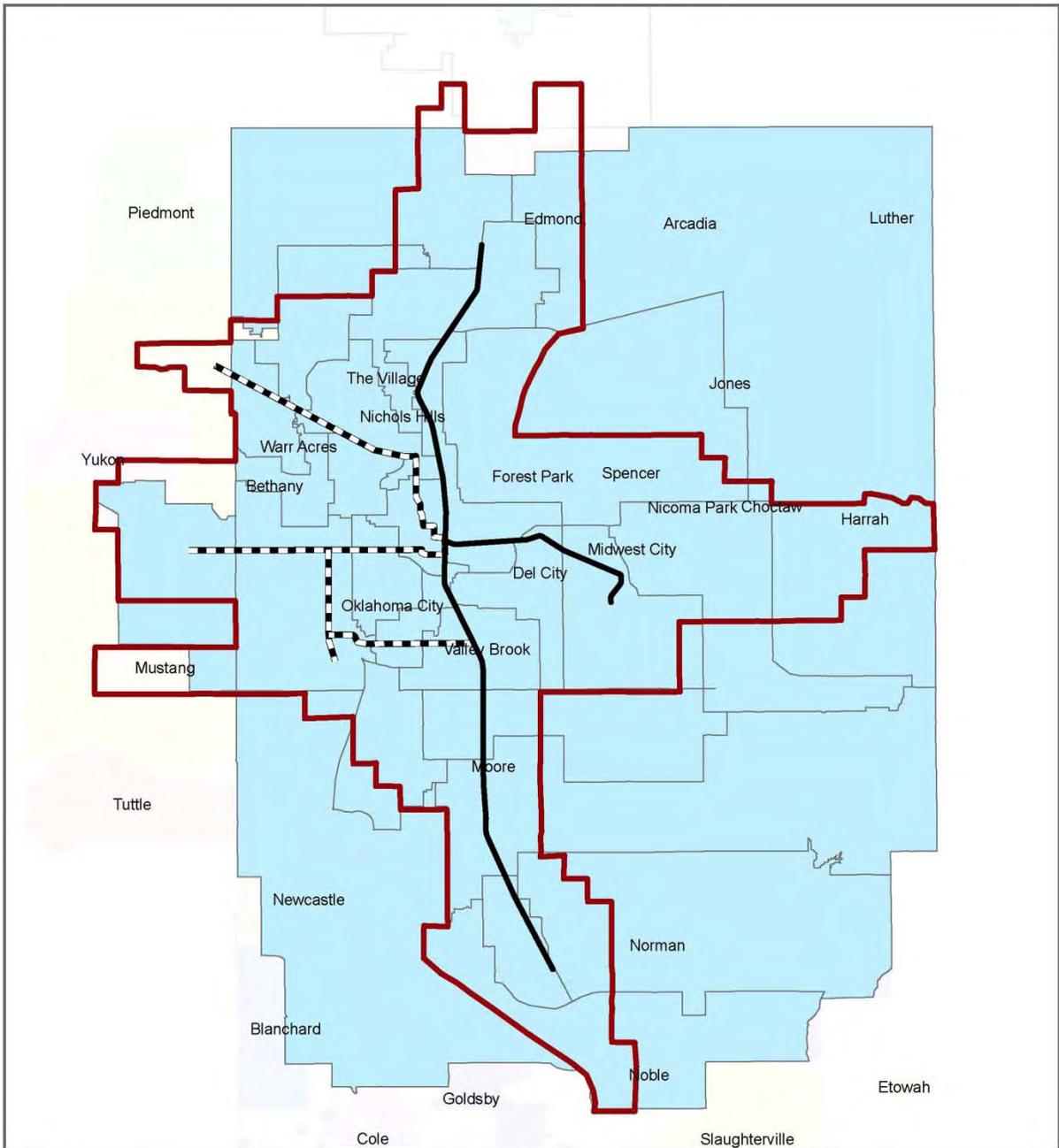
The subcommittee sought guidance from the Oklahoma Tax Commission in order to determine if using the UZA as a district boundary would be feasible for tax collection purposes. The Tax Commission representative recommended using existing political boundaries (i.e. precincts, school districts, or State House/Senate districts) as building blocks for the district boundary. By doing this, the tax collection process for any taxes eventually levied by the RTA would be much simpler, and as an additional benefit, the initial vote to create the RTA would be simpler and easier for the public to understand if their residences were inside or outside the boundary line.

Selected building blocks could be combined to create an area similar in shape to the UZA. The subcommittee first investigated State House districts and State Senate districts as building blocks, but found that they were much too large, especially those on the outer edges of the UZA. The State Senate districts had a similar problem.

Next, the subcommittee investigated school districts, but because of their size, the situation was similar to that of the House and Senate districts.

The subcommittee ultimately decided to use local precincts, since they are much smaller in size than the other building blocks considered.

# District Model - Draft Scenario State House Seats and UZA



— UZA Boundary

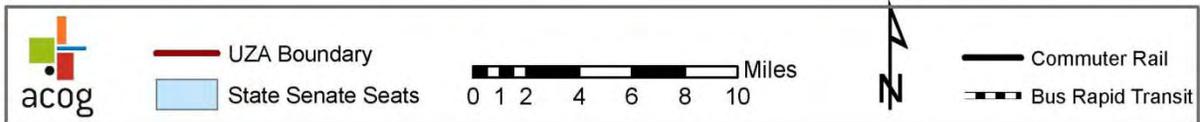
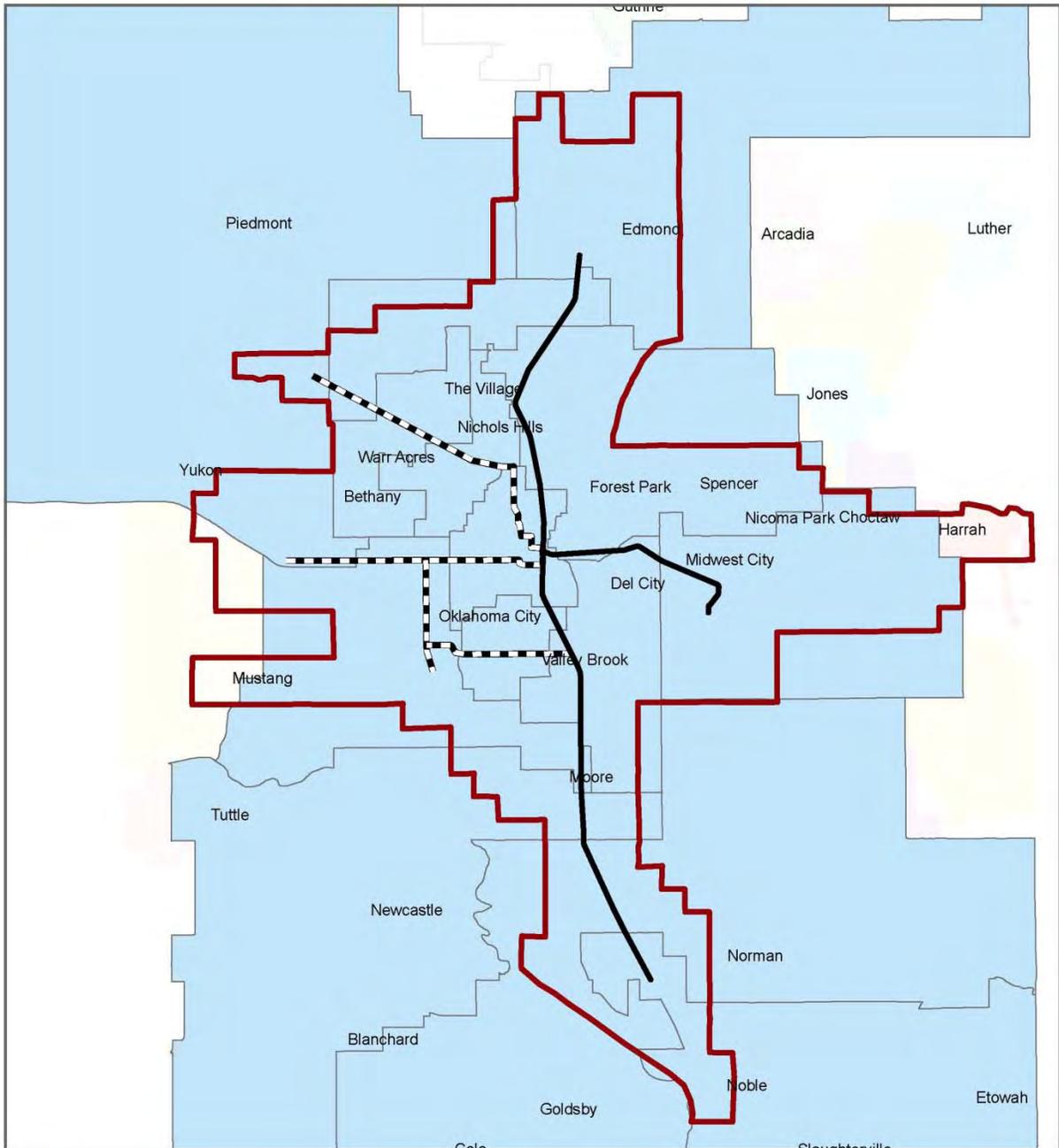
State House Seats

Miles

Commuter Rail

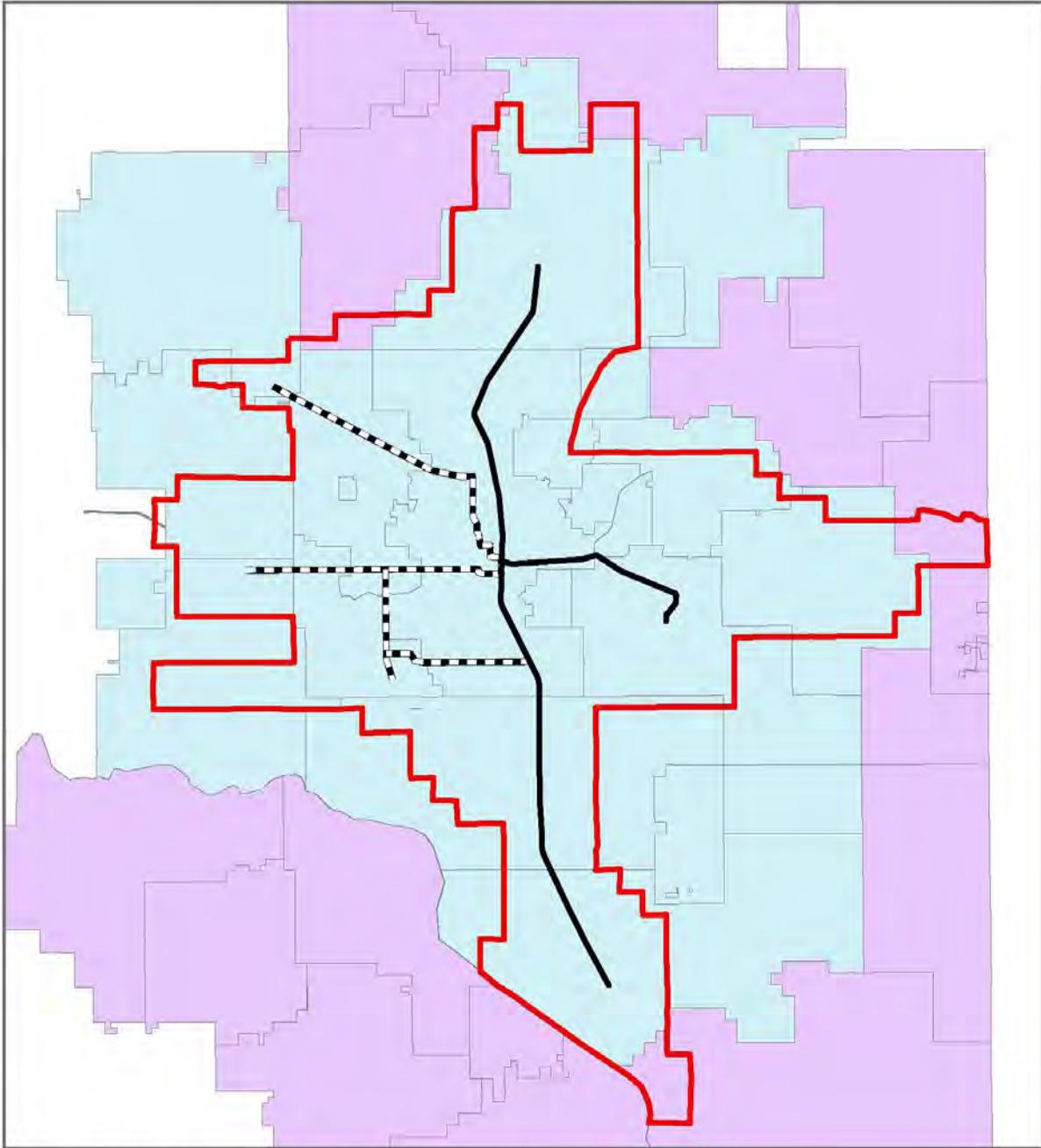
Bus Rapid Transit

# District Model - Draft Scenario State Senate Seats and UZA



# District Model - Draft Scenario 2D

District Based on School Boundaries



This map shows an area made up of school district boundaries in Central Oklahoma. The selected school districts (blue) were chosen to approximate the shape of the urbanized area (red line).



- Commuter Rail
- - - Bus Rapid Transit
- UZA Boundary



## Precincts

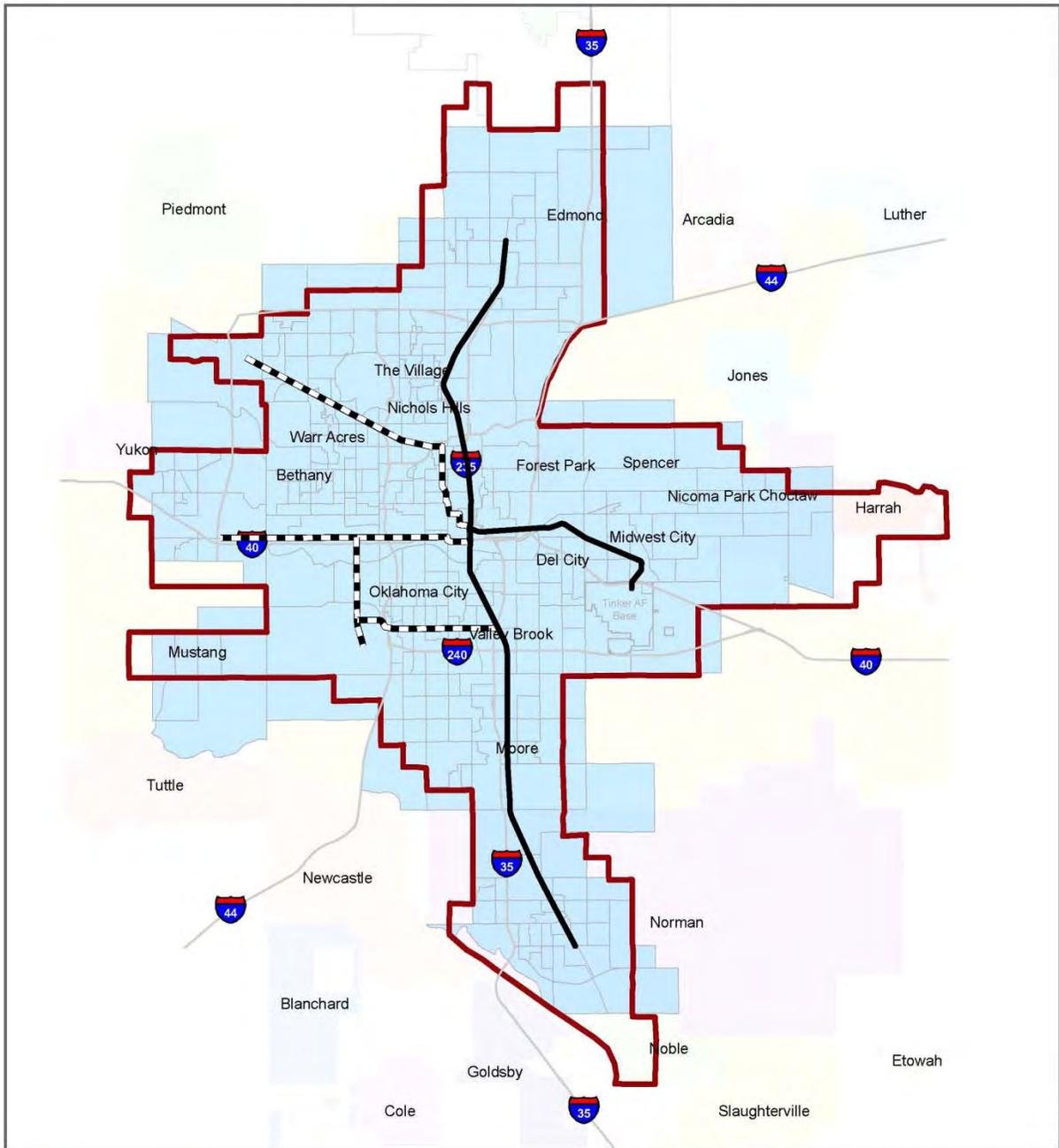
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The following map shows how precinct building blocks, in blue, were combined to make a shape approximating the UZA boundary line. While the shapes of the precincts forced the overall shape to extend outside the line in places, the decision was also made to not “fill in” the line with precincts in several places, namely the easternmost portion of the area, corresponding roughly to Harrah, and the southernmost portion of the area, corresponding roughly to Noble. These portions at the very fringes of the UZA were left out of the new precinct-based boundary, as they were very unlikely to be served by transit in the foreseeable future.

In the second map, the green line represents the new precinct-based boundary, and shows more clearly how this corresponds to city limits.

The third map shows how the precinct-based boundary encloses nearly all of the region’s current commercial land. This is relevant because if a sales tax is used as a financing mechanism, most of the properties generating sales tax are inside the boundary and would thus contribute revenue for the RTA.

# District Model - Draft Scenario UZA Boundary and Precincts





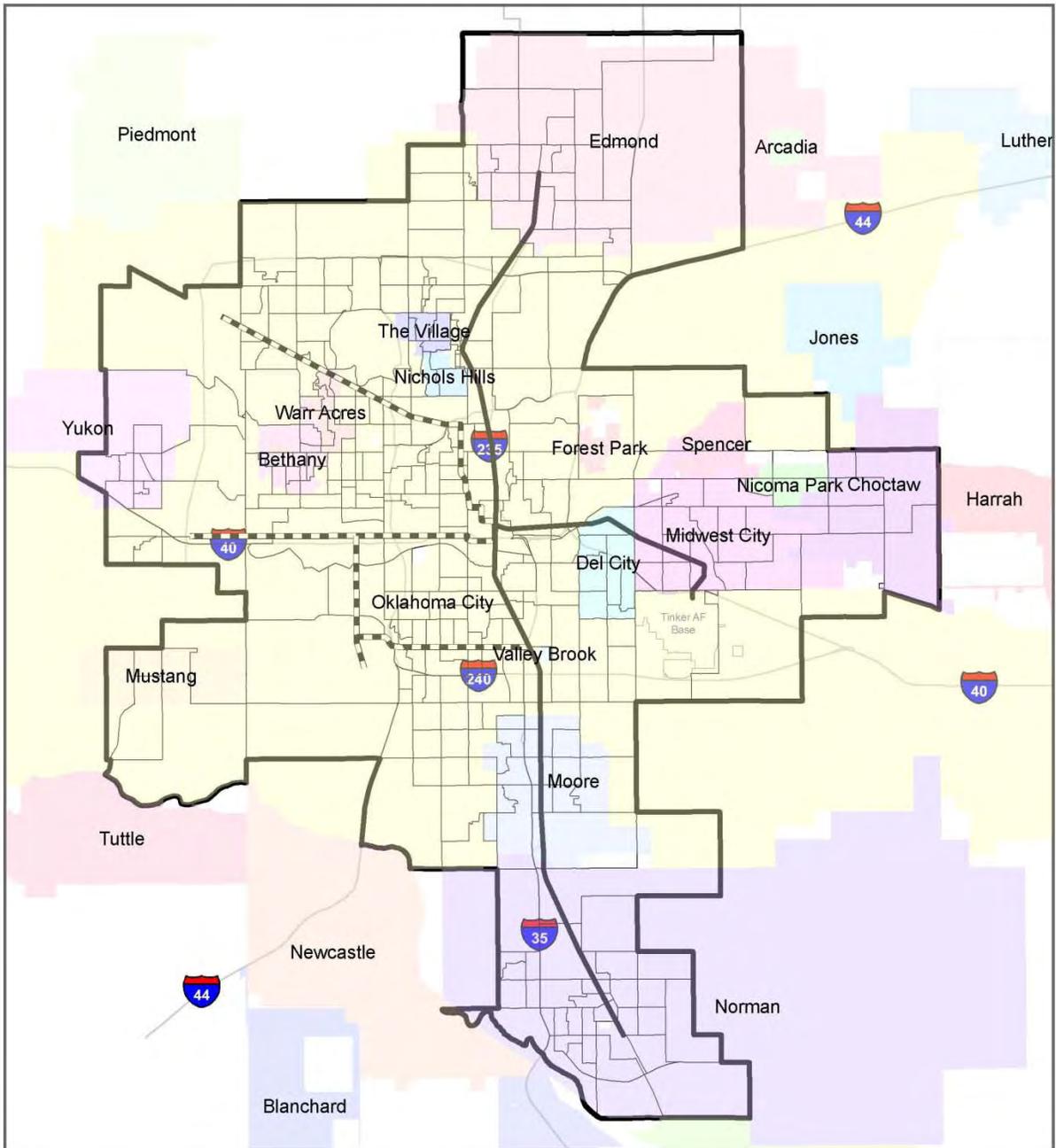
 Precincts-UZA  
 UrbanAreaSmoothed
 

 Miles  
 0 1 2 4 6 8 10
 



 Commuter Rail  
 Bus Rapid Transit

# District Model - Draft Scenario Precincts and City Limits



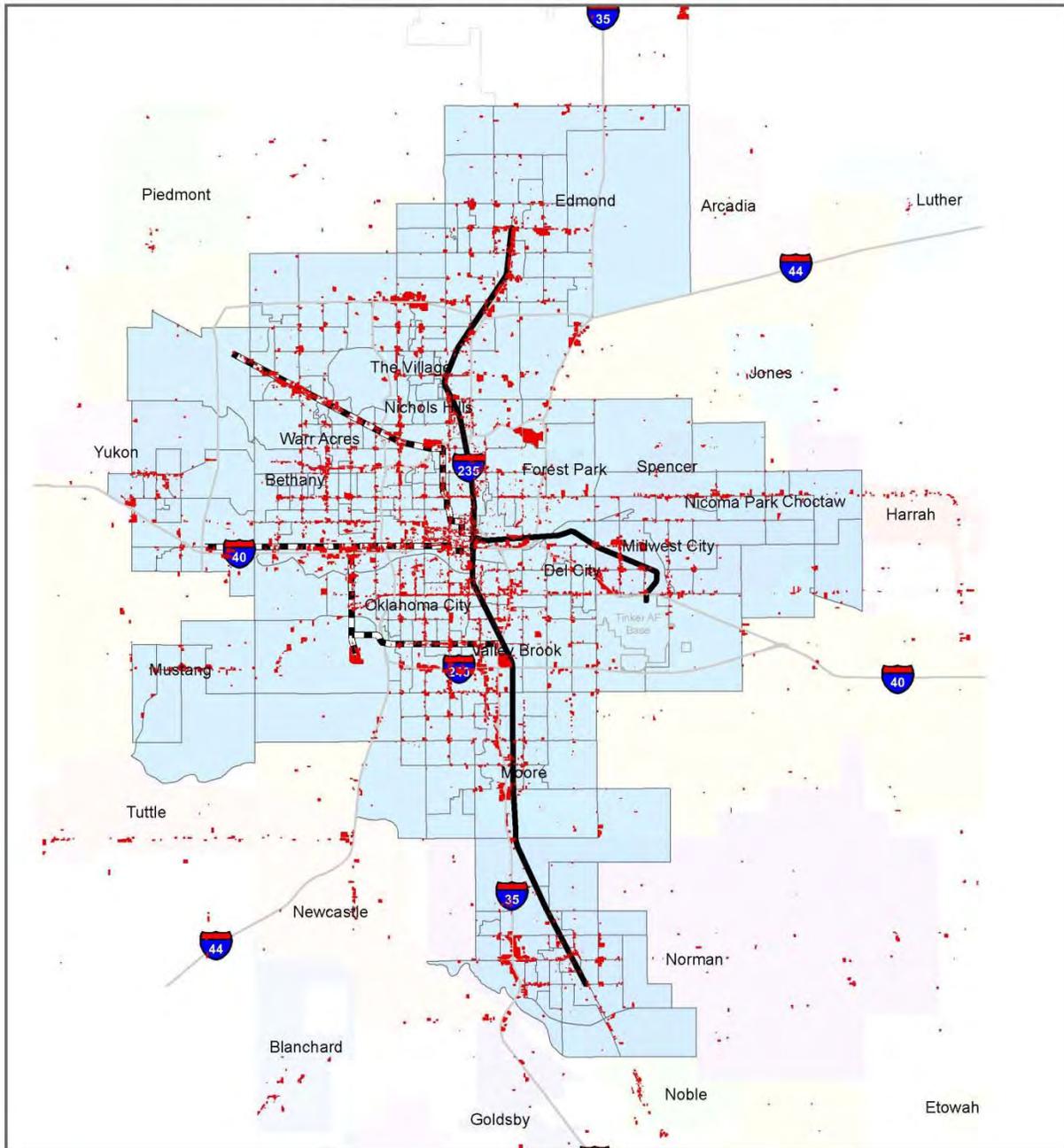
Precincts-UZA

0 1 2 4 6 8 10 Miles

Commuter Rail

Bus Rapid Transit

# District Model - Draft Scenario Precincts and Current Commercial Land Use



Commercial

Precincts-UZA

0 1 2 4 6 8 10 Miles

N

Commuter Rail

Bus Rapid Transit

## Subdistricts

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The subcommittee felt that there should be a small, manageable number of subdistricts. Large boards can be cumbersome and weigh down progress. Also, in order to prevent ties, there would need to be an odd number of subdistricts. Furthermore, the subdistricts need to be equal in population in order to insure equitable board representation. The committee investigated scenarios where the RTA district was broken into five, seven, or nine subdistricts.

### Five Subdistricts

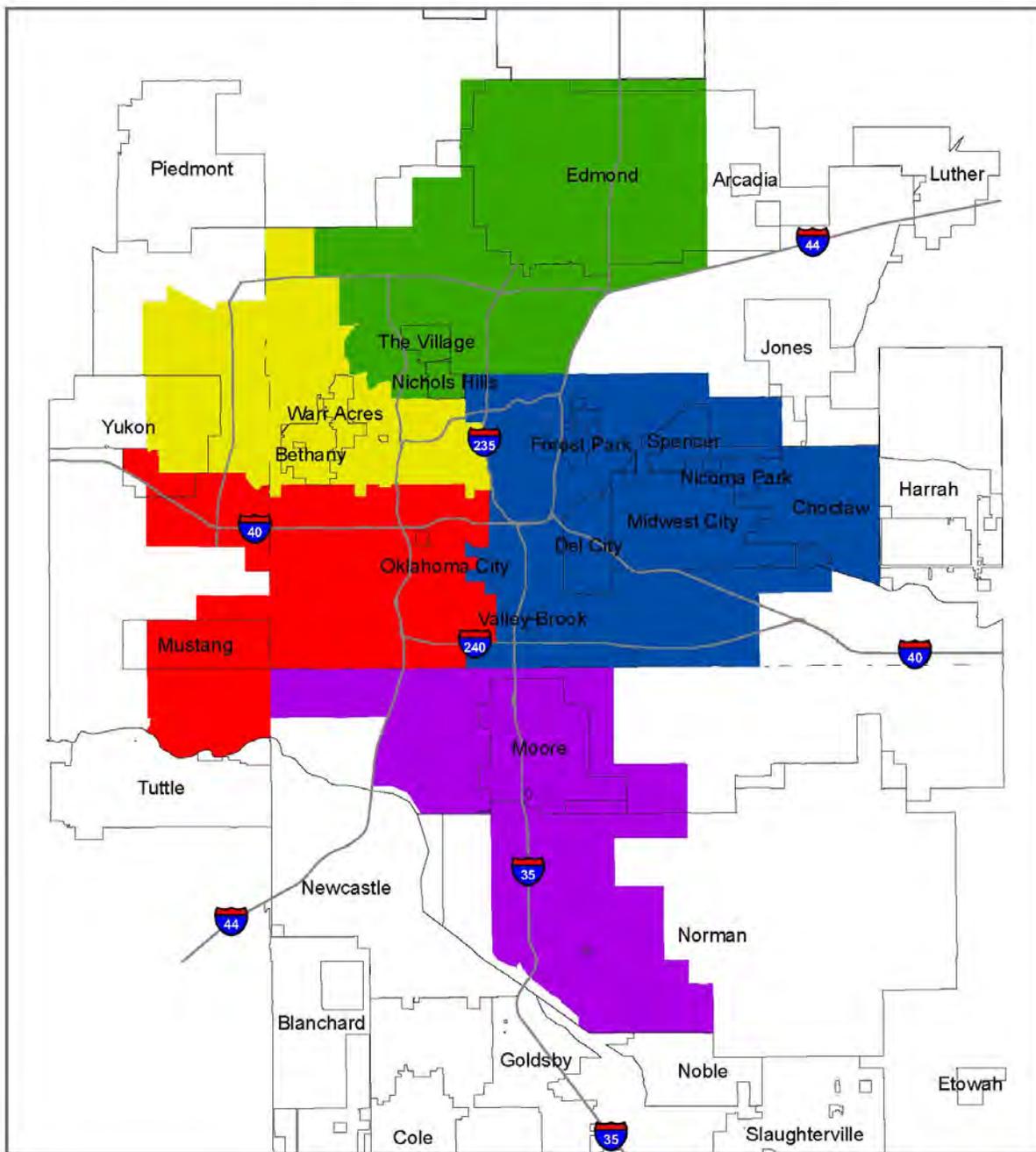
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In the five-subdistrict scenarios, each subdistrict would have a population of approximately 173,000 (one-fifth of the district's total population).

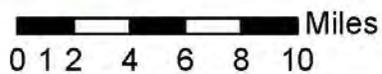
In the first example, there are distinct north, east, and south subdistricts, with the western portion of the region being split into a northwest subdistrict and a southwest subdistrict.

The second example has north, south, east, and west subdistricts, with an additional central subdistrict.

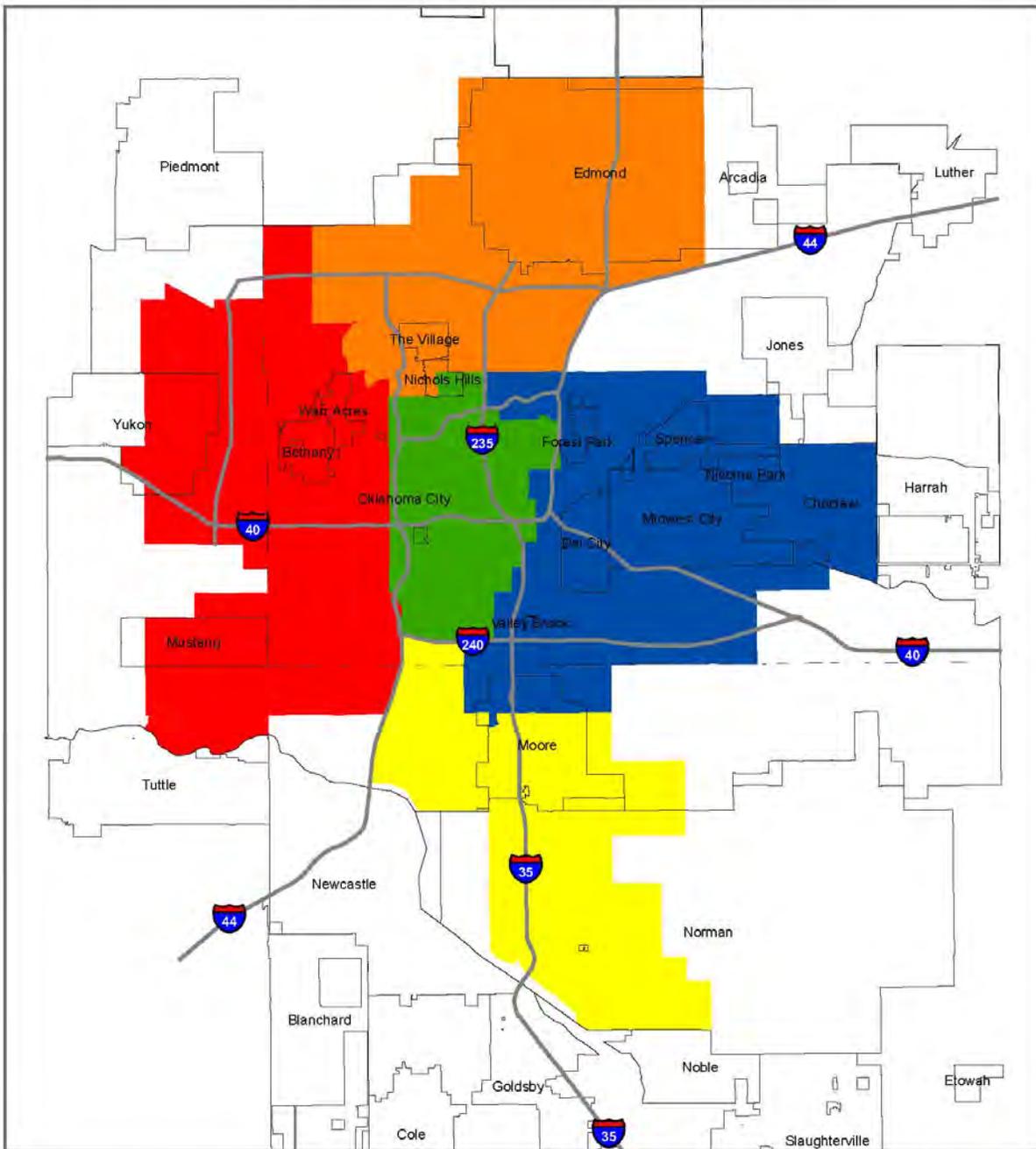
# UZA/Precinct-Based District Model - Draft Scenario Five Subdistricts - Version #1



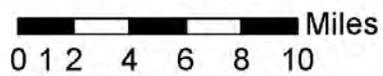
District Population: 866,017 (2000 estimate)



## UZA/Precinct-Based District Model - Draft Scenario Five Subdistricts - Version #2



District Population: 866,017 (2000 estimate)



## Seven Subdistricts

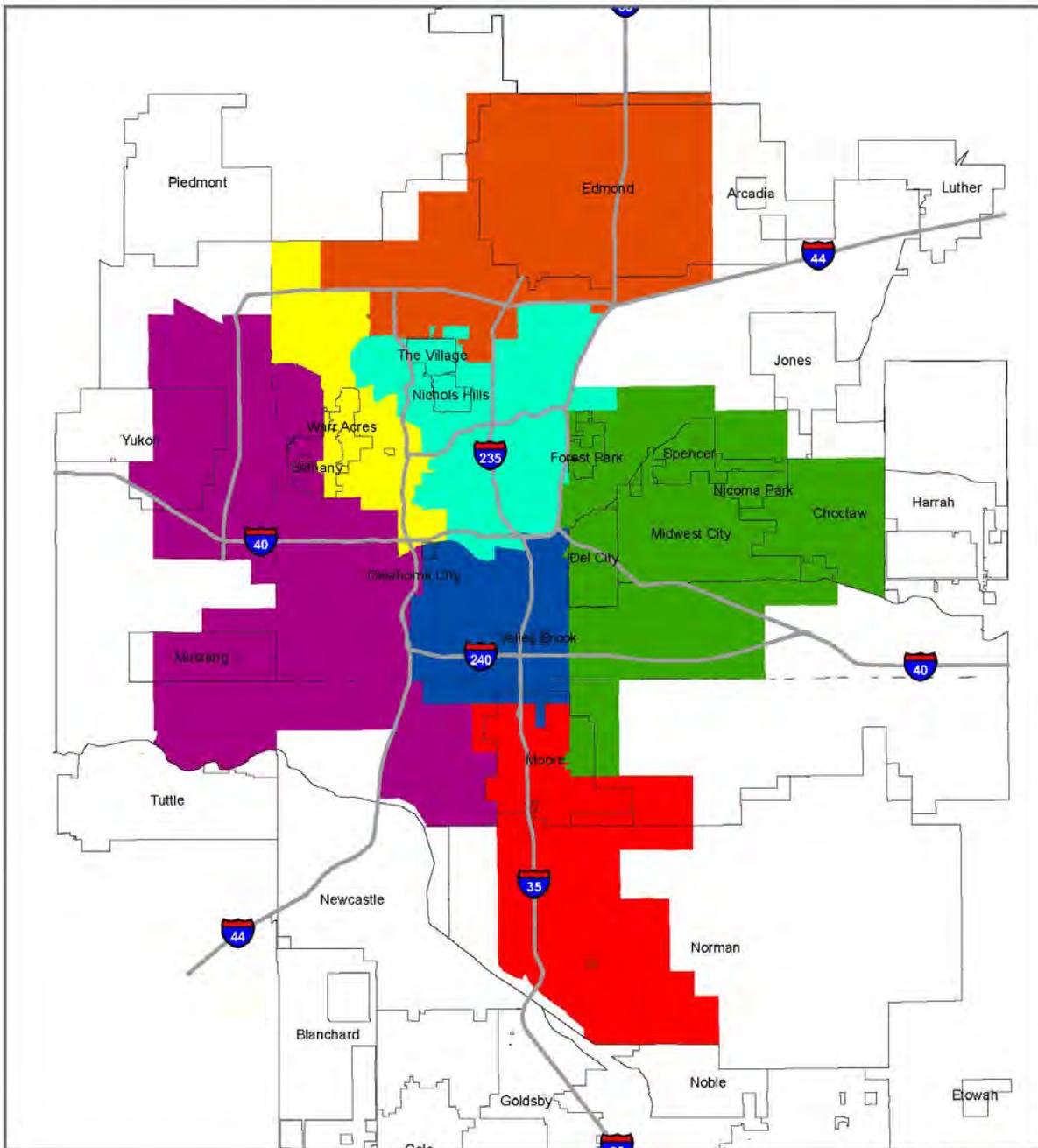
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In the seven-subdistrict scenario, each subdistrict would have a population of approximately 124,000 (one-seventh of the district's total population).

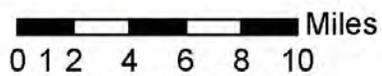
The example has north, south, east, and west subdistricts, as well as three central subdistricts.

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# UZA/Precinct-Based District Model - Draft Scenario Seven Subdistricts



District Population: 866,017 (2000 estimate)



## Nine Subdistricts

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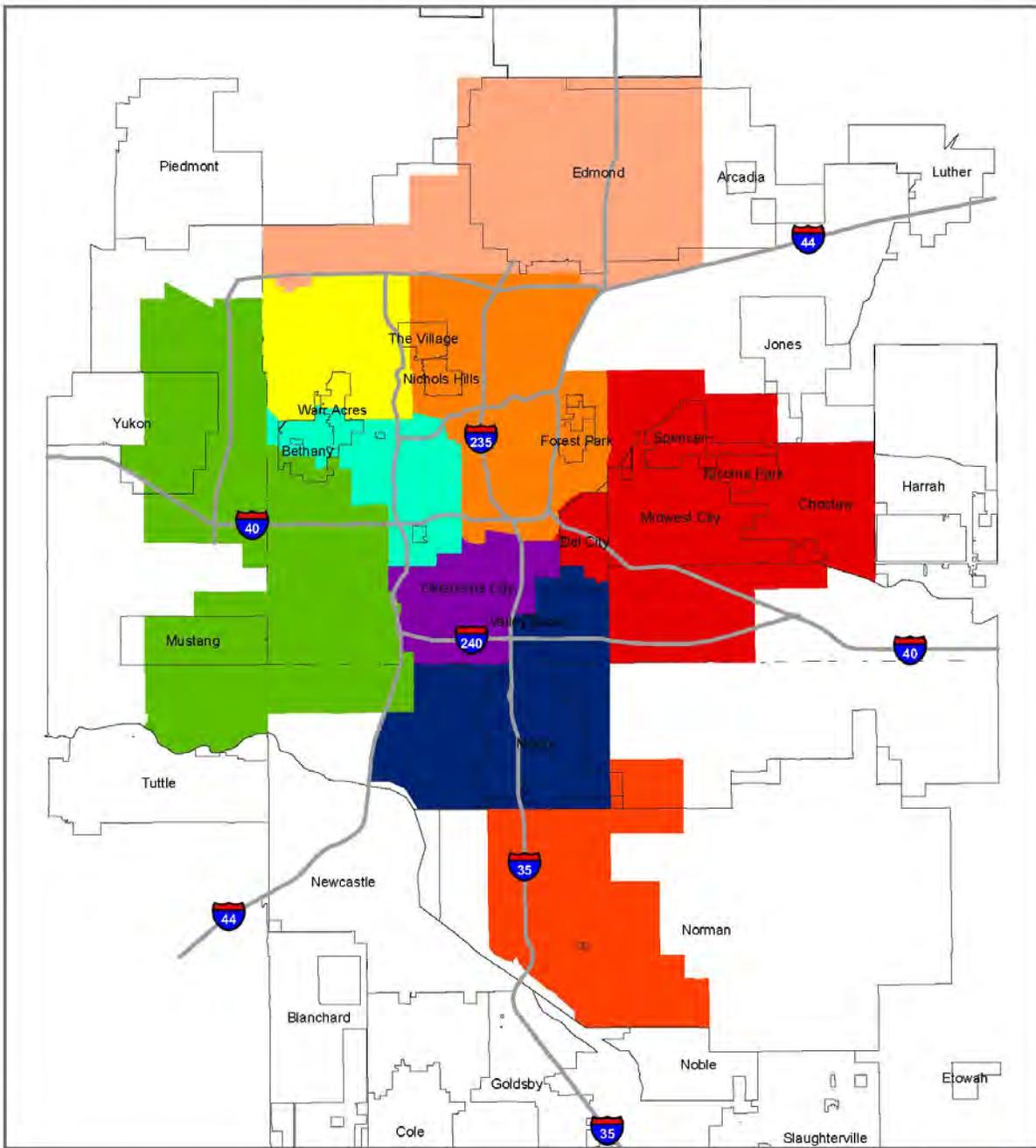
In the nine-subdistrict scenario, each subdistrict would have a population of approximately 96,000 (one-ninth of the district's total population).

The first example has distinct north, south, east, and west subdistricts, and the central area is split into 5 more subdistricts.

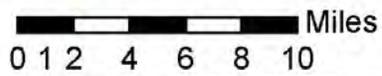
The second example was created as an improvement on the first. In the second example, city limits were considered in its creation, to avoid splitting major suburban cities among different subdistricts. Ultimately, the subcommittee preferred this configuration out of all the scenarios.

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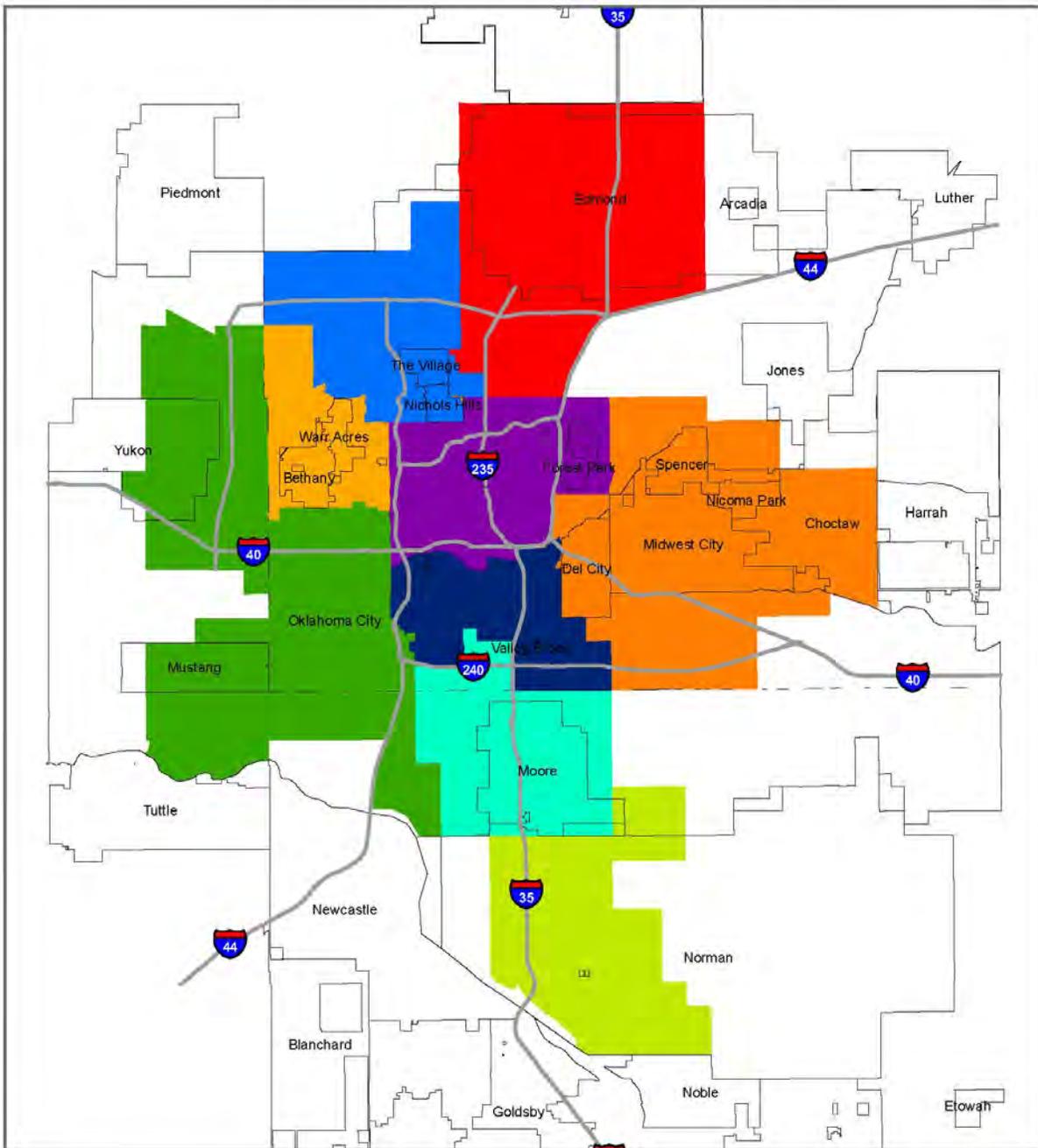
# UZA/Precinct-Based District Model - Draft Scenario Nine Subdistricts - Version #1



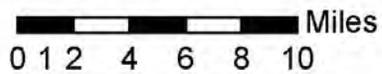
District Population: 866,017 (2000 estimate)



# UZA/Precinct-Based District Model - Draft Scenario Nine Subdistricts - Version #2



District Population: 866,017 (2000 estimate)



## Board Member Selection

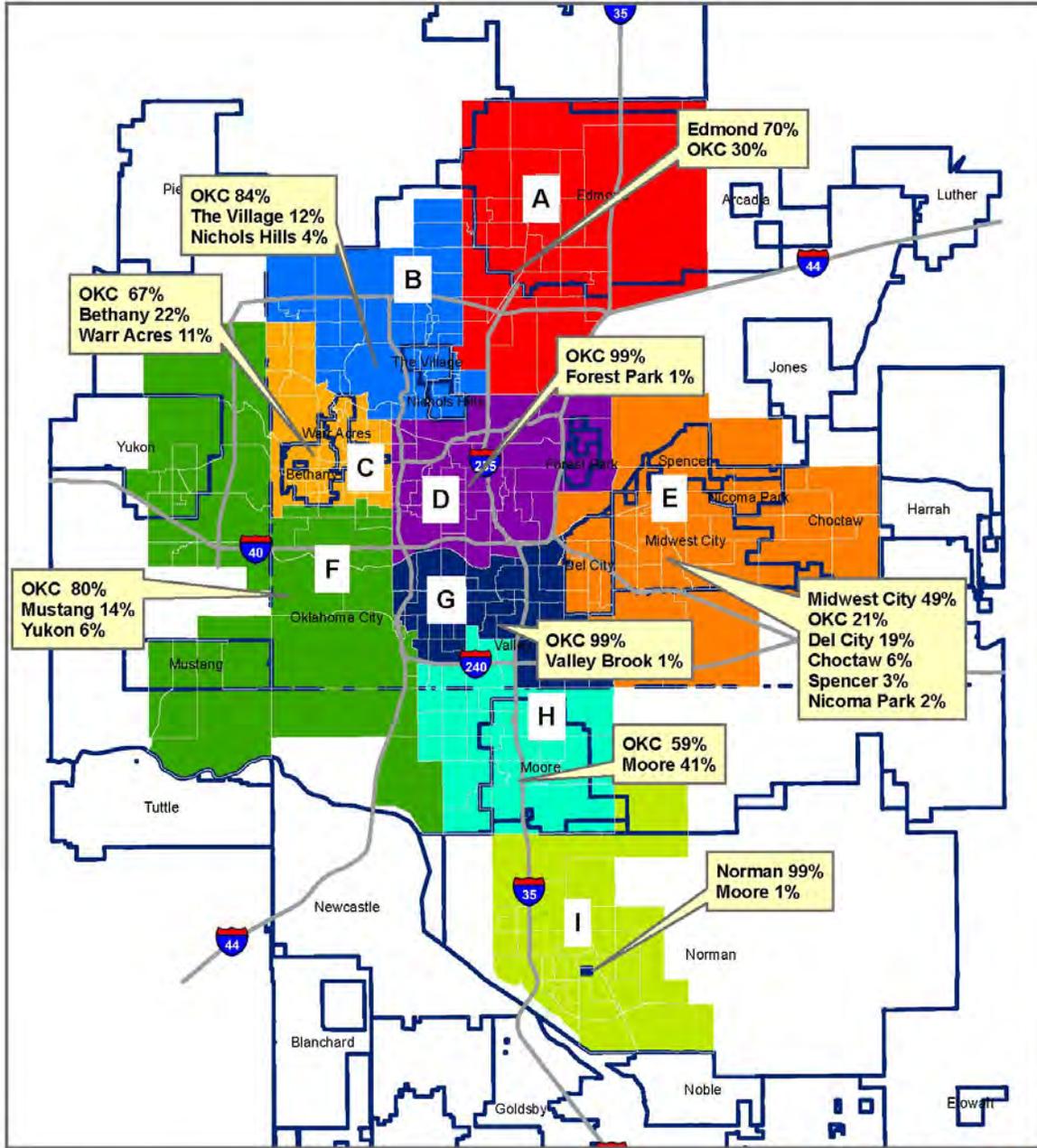
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The subcommittee recommended an appointed board since there can be many disadvantages of having an elected board. For example, lack of name recognition is an issue—it might be like voting for judges. Another example is that a candidate could run on an anti-transit platform with the plan to weaken the board from within.

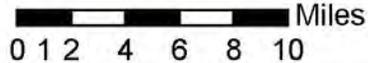
The subcommittee created several example scenarios to illustrate how an appointment process could work. These scenarios all refer to the following map, which adds population percentage information to the preferred subdistrict scenario configuration.

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# UZA/Precinct-Based District Model - Draft Scenario Nine Subdistricts - Population Ratio



District Population: 866,017 (2000 estimate)



## Scenario 1

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*A nine (9) member board where the entity with the largest percentage of population within the subdistrict leads the appointment process*

Each subdistrict appoints one board member. The entity with the largest percentage of population within each subdistrict will lead the appointment process for each subdistrict. The City of Moore will lead the appointment process in Subdistrict H. No one entity will have more than five (5) seats.

- The mayor of the largest local government will submit a nomination to their governing body for approval. This nomination shall be made in consultation with the other entities in the subdistrict.
- Once the largest entity's governing body approves the nomination, resolutions of support shall be considered by the other governing bodies within the subdistrict. These resolutions must be passed within 60 days or the nomination will be deemed approved.
- If the governing body of entities representing more than 20% of the subdistrict's population or a majority of the entities vote against the resolution, the nomination is void. The appointment process restarts and the largest entity shall put forth a new nomination.
- If a subdistrict cannot secure a nominee that satisfies all of these requirements within six months from the start of the appointment process, then the ACOG Board mediates the selection process.

*Largest entities within each subdistrict:*

- Oklahoma City (Subdistricts B, C, D, F, and G)
- Edmond (Subdistrict A)
- Norman (Subdistrict I)
- Midwest City (Subdistrict E)

## Scenario 2A

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*An eleven (11) member board where the entity with the largest percentage of population within the subdistrict leads the appointment process and two (2) member-at-large seats represent the smaller entities.*

Each subdistrict appoints one board member. The entity with the largest percentage of population within each subdistrict leads the appointment process. The City of Moore will lead the appointment process in Subdistrict H. No one entity will have more than five (5) seats.

- The mayor of the largest entity will submit a nomination to their governing body for approval. This nomination shall be made in consultation with the other entities in the subdistrict.

Two (2) member-at-large seats:

Two member-at-large seats will be made available for local governments that represent 5%, or more, of the district's population but aren't the largest entity within the subdistrict. The two entities that get to appoint these seats will be chosen by a random lottery. An entity will not be eligible to appoint a member-at-large seat again until all entities have had the opportunity to appoint a seat.

- The mayor of the entity who gets the member-at-large seat submits their nomination to their governing body for approval.

*Entities with 5% or more of the district's population:*

- Mustang
- The Village
- Yukon
- Del City
- Choctaw
- Bethany
- Warr Acres

## Scenario 2B

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*An eleven (11) member board where the entity with the largest percentage of population within the subdistrict leads the appointment process and two (2) member-at-large seats represent the smaller entities.*

Each subdistrict appoints one board member. The entity with the largest percentage of population within each subdistrict leads the appointment process. No one entity will have more than six (6) seats.

- The mayor of the largest entity will submit a nomination to their governing body for approval. This nomination shall be made in consultation with the other entities in the subdistrict.

Two (2) member-at-large seats:

Two member-at-large seats will be made available for local governments that represent 5%, or more, of the district's population. An entity will not be eligible to appoint a member-at-large seat again until all entities have had the opportunity to appoint a seat.

- The mayor of the entity who gets the member-at-large seat submits their nomination to their governing body for approval.

*Entities with 5% or more of the district's population:*

- Mustang
- The Village
- Yukon
- Del City
- Choctaw
- Bethany
- Warr Acres
- Moore
- Norman
- Edmond

## Financing Options

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How will we pay for a regional transportation system? The financial strategy must take into account initial capital costs and yearly operating and maintenance costs. It must also take into account residents' appetites for various types of taxation.

### Costs

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The following table lists capital costs for each mode identified in the Fixed Guideway Study. While these figures were computed in 2005 dollars, the costs as of 2010 are expected to be similar. Post 2005, construction costs dropped somewhat, and although they have risen again, the costs have recently returned to 2005 levels according to the consultant team that prepared the original FGS costs. There is no total dollar figure listed for the capital costs, as it is likely that the different elements will be implemented at different times. One final consideration is that \$120 million dollars has been designated through MAPS3 to construct the initial alignment of the modern streetcar, so the capital revenue necessary for that mode has been secured.

CAPITAL COSTS	
Commuter Rail	\$234,000,000
Bus Rapid Transit (BRT)	\$40,200,000
Modern Streetcar	\$83,200,000
Enhanced Bus	\$31,800,000

The following table lists yearly operating and maintenance costs for each mode identified in the Fixed Guideway Study. These figures are in 2005 dollars. As a rough estimate, yearly operating and maintenance costs for the full system would be around \$100 million in 2010 dollars.

YEARLY OPERATING AND MAINTENANCE	
Commuter Rail	\$9,700,000
Bus Rapid Transit (BRT)	\$22,600,000
Modern Streetcar	\$3,200,000
Enhanced Bus	\$60,300,000
<b>TOTAL</b>	<b>\$95,800,000</b>

While capital costs for constructing the system are a significant hurdle to clear, the committee decided to focus on investigating a funding strategy for yearly operating and maintenance costs. The construction of the system may use some of the same sources, either for pay-as-you-go construction, to support the sale of bonds for construction, or to pay back federal loans for construction. Competitive federal grant programs, such as the New Starts program, might also help provide some capital funding.

## Funding Sources

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The following table lists advantages and disadvantages of public transportation funding sources. The second table lists performance of these funding sources.

DRAFT

**Table 4.2. General advantages and disadvantages of traditional local and regional public transportation funding sources.**

Traditional Mechanisms	Advantages	Disadvantages
<b>General Revenues</b>	<p>Transit has benefits that are spread broadly across community and across users and non-users.</p> <p>Typically requires no legislative action.</p>	<p>Subject to annual appropriation/budgeting process.</p> <p>Used to fund other local public services, which may have priority over transit.</p>
<b>Sales Taxes</b> General sales taxes	<p>Broad tax base; generally produces high revenue yields for a low marginal tax rate.</p> <p>Keeps pace with inflation.</p> <p>If already in place, very low cost for adjusting rates.</p> <p>Moderately equitable in that individuals of comparable means pay roughly the same amount of tax.</p> <p>All transportation system users pay, including commuters/visitors.</p> <p>Transit is linked to economic health.</p>	<p>Revenues variable with changes in the economy, negative as well as positive.</p> <p>Considered somewhat regressive; burden is higher on poorer households although benefits of transit may be greater.</p> <p>Possible complications in the geographic limits of taxation and services delivered (users can be from outside the taxing jurisdiction).</p> <p>Must have state legislative authority in place for local enactment.</p> <p>Typically require voter approval for local enactment.</p>
Motor-vehicle-related sales taxes	<p>Strong historic growth in yield from increases in ownership and use.</p> <p>More progressive than general sales taxes.</p>	<p>Significant potential for decline with economic downturns.</p> <p>Often difficult to divert from general funds.</p> <p>Revenues may decline in future with shifts away from petroleum-based vehicles.</p>
<b>Property Taxes</b>	<p>All households and businesses must pay.</p> <p>Generally a broad tax base.</p> <p>Revenues are generally not impacted dramatically with changes in the economy.</p> <p>Indexed for inflation (but only in property values).</p> <p>Relevant to and allowed for transit investment as a basic public service.</p> <p>Ease of administration and low evasion.</p> <p>Low compliance cost.</p>	<p>Variable political and public acceptability.</p> <p>Moderately regressive; e.g., some households could be property-rich but income-poor (e.g., retirees).</p> <p>Revenue growth may be limited by tax limitation statutes in some areas.</p> <p>Susceptible to potential yield swings from periodic speculation and housing cycles.</p>
<b>Contract/Purchase-of-Service Revenues</b>	<p>Allows pricing to be tailored to service levels and their contingencies.</p> <p>Terms typically reviewed/revised on a regular schedule.</p>	<p>Negotiated rates may or may not cover fully allocated costs.</p>

*(continued on next page)*

**Table 4.2. (Continued).**

<b>Traditional Mechanisms</b>	<b>Advantages</b>	<b>Disadvantages</b>
<b>Lease Revenue</b>	<p>Maximizes return/revenue to assets.</p> <p>Periodically responsible for response to markets.</p> <p>Integrates transit with other community interests.</p>	<p>Marginal opportunity/yield except to largest systems.</p> <p>Requires market and lease transaction capacity.</p>
<p><b>Vehicle Fees</b> (Title, registration, tags, and inspection)</p> <p>Variable fees</p>	<p>Revenues are generally not impacted by changes in the economy.</p> <p>Allow for revenue collection from varied vehicle classes, differential value (i.e., a form of personal property tax) or vehicles using alternative fuels, etc., without establishing new collection mechanisms.</p> <p>Already in place; little added administrative cost for revenue increases.</p> <p>Revenues adjust to inflation.</p> <p>Ad valorem fees are more progressive.</p>	<p>Flat fees are regressive. Potential for inequities among vehicle classes.</p> <p>Not indexed for inflation.</p> <p>Limited base; Only households that own vehicles pay.</p> <p>Relation to transit is often not acknowledged, e.g., drivers may benefit from transit improvements that reduce congestion.</p> <p>Typically require legislative action to change or increase rates, structure.</p>
<b>Advertising Revenues</b>	<p>Increasing range of techniques and technologies available to expand reach, impact.</p> <p>Can be brokered through private agents.</p>	Low yield.
<b>Concession Revenues</b>	<p>Revenue can be optimized by charging a premium based on location.</p> <p>Can be adjusted to reflect market conditions.</p>	Low yield, not traditionally a major revenue generating tool.
<b>Common Business, Activity, and Related Sources</b>		
<b>Employer/Payroll Taxes</b>	<p>Ensures that commuters and businesses contribute to and support transit.</p> <p>Ease of compliance and administration.</p> <p>Responsive to inflation.</p>	<p>Commuters have no say within the local government that imposes the tax.</p> <p>May provide incentive for businesses to locate outside the taxing jurisdiction.</p>
<b>Car Rental Fees</b>	<p>Easy to gain public support; most residents not subject to the tax.</p> <p>Revenues may be impacted by economic changes.</p> <p>Responsive to inflation if fee placed on value.</p>	<p>People paying the tax have no say within the local government imposing the tax.</p> <p>Narrow tax base.</p>
<b>Vehicle Lease Fees</b>	<p>Responsive to inflation if fee placed on value.</p> <p>Assures collection with regard to leased vehicles.</p>	<p>Narrow tax base.</p> <p>If not ad valorem taxes, not responsive to inflation.</p> <p>Only households that lease vehicles pay.</p>

**Table 4.2. (Continued).**

<b>Traditional Mechanisms</b>	<b>Advantages</b>	<b>Disadvantages</b>
<b>Parking Fees</b>	Ensures that commuters contribute/support transit services that benefit them. Highly progressive.	Narrow tax base.
<b>Realty Transfer Taxes/Mortgage Recording Taxes</b>	New property owners pay a share of transit costs provided in the area. Highly related to economic activity. Responsive to inflation.	Narrow tax base. Considered moderately regressive. Susceptible to potential yield swings from periodic speculation and housing cycles.
<b>Corporate Franchise Taxes</b>	Ensures that employers contribute/support transit services that benefit them. Progressive in comparison to other options.	May provide incentive for businesses to locate outside the taxing jurisdiction.
Oil company franchise taxes	More public acceptability since the tax is imposed on petroleum companies  Same attributes as for motor fuel tax based on value	Taxes usually passed on to customers  Disadvantages similar to those for motor fuel taxes based on value.
Long line taxes (Franchise tax on transportation/transmission)	Related to economic activity.	Likely small yield.
<b>Room/Occupancy Taxes</b>	Politically attractive; only visitors pay the tax. Generally based on value; inflation sensitive.	People paying tax have no direct say in the local government that imposes the tax.
<b>Business License Fees</b>	Assures that businesses bare a portion of transit costs.	Low yield unless set at very high rates. May induce businesses to locate elsewhere.
<b>Utility Taxes/Fees</b>	All households pay. Has proven to be a useful alternative funding source in areas where scale of the economy and sales taxes may not provide a broad tax base to support transit	Revenues from some utilities are impacted by energy conservation policies.
<b>Income Taxes</b> Individual and corporate	All households pay (except those with very low incomes). Progressive, directly related to income status. Broad tax base. Indexed for inflation.	Revenues may be affected during economic recession due to potential increases in unemployment. May be difficult to capture nonresident revenues.
<b>Donations</b>	No governmental actions necessary.	Not a stable revenue source. Extremely low yields.

*(continued on next page)*

**Table 4.2. (Continued).**

Traditional Mechanisms	Advantages	Disadvantages
<b>Other Business Taxes</b>  Impact fees/beneficiary charges	Direct relationship to transit and ease of access; new development pays for needed transportation improvements to support increased demand.  Higher revenue yield in high-growth areas.	Low public acceptability, subject to legal challenges.
<b>Motor Fuel Taxes</b>	Ease of collection/administration. Low compliance cost and low evasion. Directly related to transportation system usage. Can be multimodal in dedicated use. Steady growth rate over time. No decline in fuel sales expected over two decades. Lend themselves to indexing to avoid declines due to inflation effects.	Have been shown to be inadequate by themselves to meet future needs. Moderately regressive, although low-income buy less gasoline. Yield negatively impacted by continued focus on per gallon taxes, future improvements in fuel efficiency, introduction of alternative fuels. Geographic issue; fuel can easily be purchased outside taxing jurisdictions. Use for transit sometimes considered a “diversion” when benefits of transit to overall travel are not acknowledged. Revenues are constitutionally or statutorily dedicated to highways in many states.
Fixed rate	Same as above.	Same as above. Without indexing, real yield declines over time.
Adjustable rate	Same as for fixed rate. Responds to fuel price changes. Responsive to inflation.	Same for all types.
<b>Sales Tax on Fuels</b>	Same as for fixed rate. Responds to fuel price changes. Responsive to inflation.	Same for all types.
<b>“Sin” Taxes</b>  Cigarette taxes  Alcohol taxes  Lottery revenues/gambling taxes	Fees collected from those who voluntarily engage in gambling.  Visitors as well as locals contribute.	Narrow tax base. Lottery fees are strongly regressive. Gambling may cause social and personal problems.

Sources:

Cambridge Systematics, Inc., Mercator Advisors, Pisarski, A. E., and Wachs, M., *NCHRP Web-Only Document 102: Future Financing Options to Meet Highway and Transit Needs*. Transportation Research Board of the National Academies, Washington, DC, December 2006.

Goldman, T., Corbett, S., and Wachs, M., *Local Option Transportation Taxes in the United States, (Part One: Issues and Trends)*. UCB-ITS-RR-2001-3. Institute of Transportation Studies, University of California, Berkeley, CA, March 2001, pp. 21–24.

Price Waterhouse LLP, Multisystems, Inc., and Muncle & Associates, Inc. *TCRP Report 31: Funding Strategies for Public Transportation—Volume 2: Casebook*. Transportation Research Board, National Research Council, Washington, DC, 1998.

**Table 4.3. Performance of alternative local and regional public transportation funding sources.**

Source	Revenue Yield	Cost-Efficiency	Equity	Economic Efficiency	Political, Popular Acceptance	Technical Feasibility
	<i>Adequacy, Stability</i>	<i>Administrative, Compliance Cost Evasion</i>				
<b>Traditional Revenue Sources</b>						
General Revenues	H	H	L	M	M	H
Sales Taxes	H	H	L	M	M	H
Property Taxes	H	H	L	M	M	H
Contract/ Purchase-of- Service Revenue	L	L	L	L	H	H
Lease Revenue	L	L	L	L	H	H
Vehicle Fees	H	H	M	M	L	H
Advertising Revenues	L	L	L	L	H	H
Concession Revenues	L	L	L	L	H	H
<b>Common Business, Activity, and Related Sources</b>						
Employer/ Payroll Taxes	H	H	M	H	L	H
Car Rental Fees	M	H	L	M	M	H
Vehicle Lease Fees	M	H	L	M	M	H
Parking Fees	M	H	L	M	L	H
Realty Transfer Taxes/Mortgage Recording Fees	M	H	L	L	M	H
Corporate Franchise Taxes						
Oil	H	H	M	M	M	H
Long lines taxes	M	H	L	M	M	H
Room/ Occupancy Taxes	L	M	L	L	H	H
Business License Fees	L	M	M	M	L	M
Utility Taxes/Fees	M	H	L	L	L	H
Income Taxes	H	H	H	L	L	H
Donations	L	L	L	L	H	H
<b>Revenue Streams from Projects</b>						
Joint Development	L	L	L	L	H	H
Value Capture	L	L	L	L	M	H
Beneficiary Charges	L	L	M	L	M	H
Special Assessment Districts	L	L	M	L	M	H

**Table 4.3. (Continued).**

Source	Revenue Yield	Cost-Efficiency	Equity	Economic Efficiency	Political, Popular Acceptance	Technical Feasibility
	<i>Adequacy, Stability</i>	<i>Administrative, Compliance Cost Evasion</i>				
Community Facility Districts/TDDs	L	L	L	L	M	H
Impact Fees	M	M	M	M	M	H
Tax Increment Financing	M	L	L	L	M	H
ROW Leases	L	H	L	L	H	H
Airport Passenger Facility Charges	M	H	L	L	M	H
<b>“User” or “Market- Based” Sources</b>						
Tolling	V	H	L	M	L	H
Congestion Pricing	V	M	L	H	L	H
Emission Fees	V	V	L	H	L	L
VMT fees	V	V	L	H	L	M
<b>Financing Mechanisms</b>						
GO Bonds	H <sup>a</sup>	H	L	L	H	H
PABs	H <sup>a</sup>	H	L	L	L	H
Tax Credit Bonds	M <sup>a</sup>	H	L	L	L	H
GANs	H <sup>a</sup>	H	L	L	M	H
GARVEEs	H <sup>a</sup>	H	L	L	M	H
RANs	H <sup>a</sup>	H	L	L	M	H
COPs	M <sup>a</sup>	H	L	L	M	H
SIB Loans	H <sup>a</sup>	H	L	L	M	H
<b>Other, Less-Frequently Used Taxes and Fees</b>						
Motor Fuel Taxes	H	H	M	M	L	H
“Sin Taxes” (Cigarettes, alcohol, and gambling)	M	H	L	L	M	H
Battery Taxes	L	L	L	L	L	M
Road Utility Fees (Access charges)	M	M	L	L	L	M
Airport Passenger Facility Charges	M	M	L	L	M	H

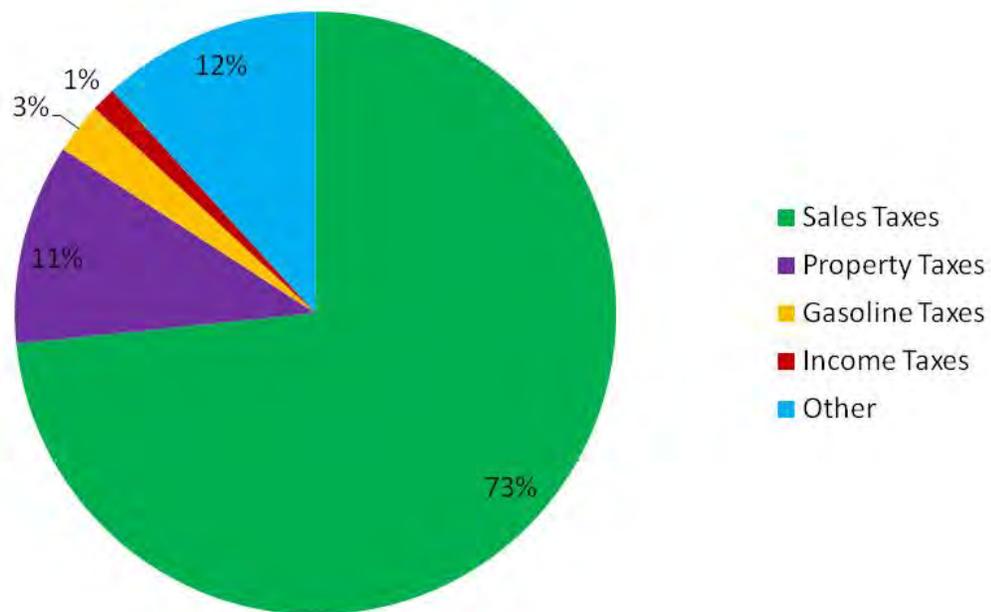
**Key:**

- H Strong Performance
- M Modest Performance
- L Marginal Performance
- V Variable

<sup>a</sup>Net revenues may be negative but projects are delivered more quickly.

The most common funding source for operations is sales tax (see pie chart below—information is from the 2008 National Transit Database), with property tax a distant second. Of course, it is possible to simultaneously use both sales tax and property tax for a system, or some other combination of dedicated funding sources, but most transit systems use only one type of dedicated funding source. The income generated by the dedicated funding source is then combined with fares, state funds (if available), and federal funds to cover the costs of operation.

**Local Dedicated Funding Sources for Operations:  
Nationwide Totals**



Those transit systems that do not have a dedicated funding source at their disposal usually must rely heavily on general revenue funds provided from the city budgets in the areas served. This usually means less funding is available for the transit system than if a dedicated funding source were in place. Additionally, funding from city budgets is generally less dependable than funding from a dedicated source.

Data from the National Transit Database suggests that sales taxes serve as a major revenue source among systems of all sizes and types, property tax use is concentrated among smaller systems (often municipal or county systems), and local general funds play a large role in systems serving areas with populations under a million.

## Sales Tax

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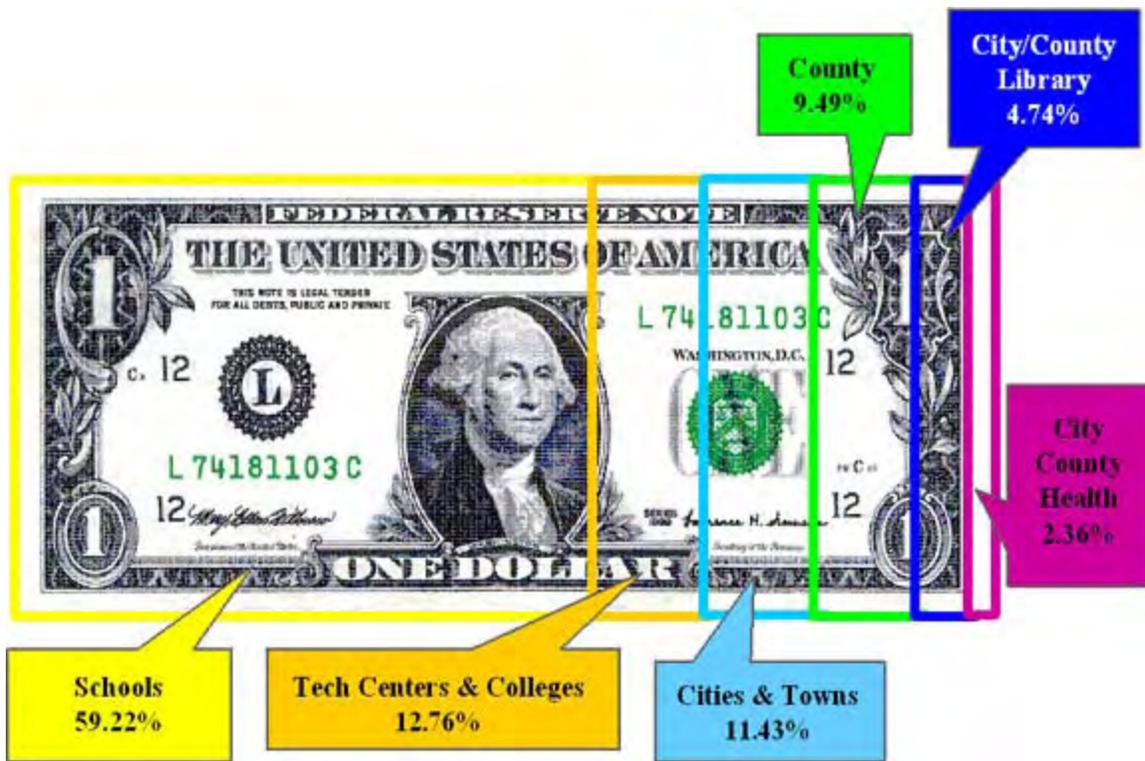
The subcommittee further explored the most popular dedicated funding source, sales tax. Local sales tax data from 2009 was analyzed to obtain a total figure for sales taxes collected in the proposed district boundary. Then, taking local tax rates into account, revenues for an additional 1 cent,  $\frac{3}{4}$  cent,  $\frac{1}{2}$  cent, and  $\frac{1}{4}$  cent dedicated sales tax were computed. These tax rates were chosen because sales taxes enacted for transit generally range from  $\frac{1}{4}$  to 1 cent.

Adjusted 2009 Sales Tax	1 cent	$\frac{3}{4}$ cent	$\frac{1}{2}$ cent	$\frac{1}{4}$ cent
\$502,055,960	\$134,690,835	\$101,018,126	\$67,345,417	\$33,672,708

## Ad Valorem Tax (Property Tax)

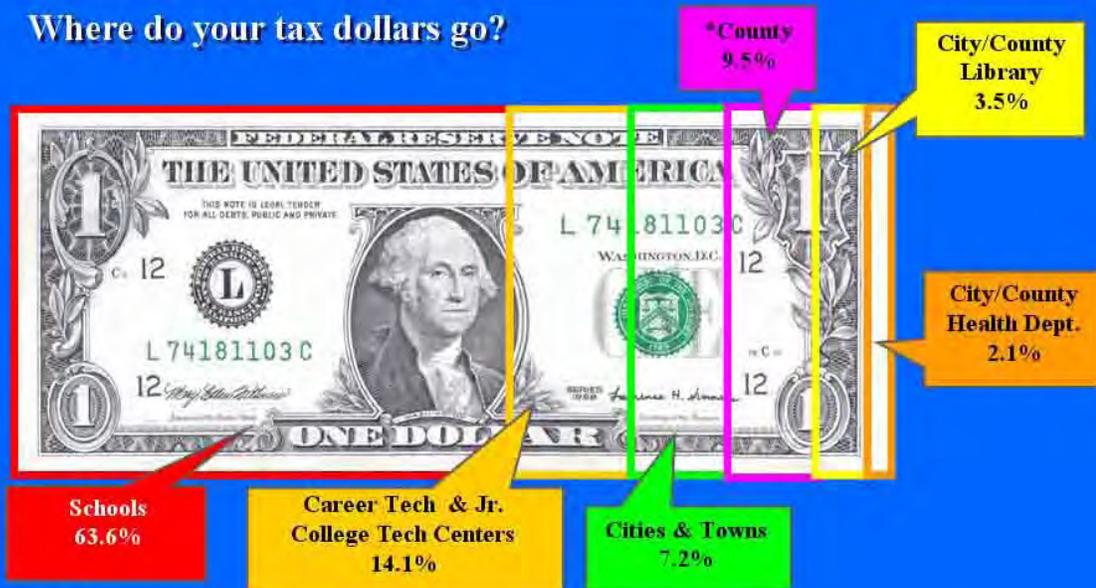
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In most states, ad valorem taxes (property taxes) are the primary source of revenue for local governments. Oklahoma's situation, however, is unique in that sales tax is a much more important source of revenue for local governments. The following graphics show how property taxes are allocated in Oklahoma County and Cleveland County. (The first graphic is for Oklahoma County.)



## Cleveland County Property Tax Dollar Breakdown -2006

Where do your tax dollars go?



\*County portion represents all County Offices: Sheriff, Clerk, Assessor, Commissioners, Court Clerk, Treasurer, and other essential county services

Because millage rates vary by location (for example, Oklahoma County's mill rate varies from about 72 to 133), and assessed value depends on whether the property is residential or commercial, a detailed analysis of the increase in mill rate needed in the proposed district boundary to fund yearly operations was not undertaken. This type of analysis was beyond the expertise of the subcommittee, and would require extensive collaboration with the Oklahoma Tax Commission, as well as the County Assessors' offices in Oklahoma County, Cleveland County, and Canadian County.

The subcommittee also felt that the public was far less likely to support a property tax increase than a sales tax increase. This view was supported by the results of one of the questions on ACOG's May 2009 Encompass 2035 Survey, shown below.

**Q15: What three funding sources would you most likely support to achieve the type of transportation system you would like to have in Central Oklahoma? (choose three)**

- No new funding: Redistribute existing funds 56%
- Gasoline tax increase 34%
- Vehicle registration fee increase 24%
- Diesel tax increase 22%
- Sales tax increase 21%
- Fee based on how many miles you drive your car 17%
- Increase tolls on existing turnpikes 10%
- Property tax increase 8%
- Build new toll roads 8%
- Add tolls to highways that are currently "free" 7%

In light of these local considerations, as well as the fact that property taxes are used much less frequently nationwide than sales taxes for funding transit (and when used are a hallmark of small systems), the subcommittee recommended giving property taxes a lower priority for further study than sales taxes.

## Fuel Taxes

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The category of fuel taxes includes both gasoline and diesel taxes. These taxes, as seen in the above data from the Encompass 2035 Survey, are a popular idea for funding transportation improvements in general. However, they are not frequently used to support operations of public transportation services in a direct manner, as noted on the pie chart in the "Funding Sources" section. These taxes are more frequently collected by the state and then distributed to transit agencies as state funds.

The State of Oklahoma currently designates \$850,000 yearly to the state Public Transit Revolving Fund from gasoline tax receipts (approximately 0.3% of total receipts). A number of states have authorized local option gasoline taxes, but Oklahoma is not one of them. If

this funding source were pursued, legislation would have to be drafted to allow a local option gasoline tax in Oklahoma, or to designate more money from the existing tax to pass through the Public Transit Revolving Fund and ultimately end up with the RTA.

Even though survey results for this type of funding source were positive, the lack of popularity of fuel taxes as a funding source for public transportation, as well as the state's history of failure with fuel tax increase proposals, may make fuel taxes an unpopular candidate for funding an RTA.

## Summary of Subcommittee Recommendations

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- The Regional Transit Authority (RTA) should follow a **district** model.
- The district boundary should be similar to that of the Census designated **Urbanized Areas (UZAs)**.
- The district boundary should be built using **precincts** that best correspond to the UZA.
- The district should be divided into **nine subdistricts** of equal population for RTA board representation.
- The RTA board members should be **appointed**.
- The RTA should have a **dedicated funding source** to support its operations. Sales tax and property tax are the most likely candidates.

## Next Steps

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The Governance/Finance Subcommittee understands that the Regional Transit Dialogue represents one of the first steps in developing a Regional Transit Authority. The subcommittee recommends the continuation of this process through several tasks to be taken up in the Regional Transit Dialogue, Part 2 (RTD2).

### Draft RTA Legislation

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While current Oklahoma law allows for creation of a Regional Transit Authority by a group of cities, towns, and/or counties, it does not allow for a district model RTA, as recommended by the Governance-Finance subcommittee. Current law allows for financing construction and operations via sales tax, but does not allow any other taxation options to be used.

While the existing legislation may prove useful in the interim, the subcommittee recommends that more detailed and more flexible legislation for the creation and powers of an RTA be drafted and eventually incorporated into state law.

### Opinion Polling/Surveys

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In order to ensure success when the time comes to put the creation of a Regional Transit Authority to a vote of the people, polling and surveys should be undertaken to understand the desires and preferences of the public. For example, polling might be done to see whether voters would be more likely to support a sales tax or a property tax as a dedicated funding source.

### Prepare a Draft Funding Strategy

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Using the information gathered from the subcommittee's research in Part 1 of the RTD, as well as results of public opinion polling to be done during Part 2 of the RTD, draft funding strategies can be created for both capital costs and operating costs.

### Other Tasks

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The subcommittee may elect to take on other tasks or research during RTD2.

## Regional Transit Dialogue 2

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Part 2 of the Regional Transit Dialogue is expected to begin in early 2011, depending on the completion date of Part 1 meetings and products, Steering Committee member preferences, and ACOG staff availability.

