

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 15, 2007

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: JAMES K. HARTMANN, CITY MANAGER

SUBJECT: BUDGET MEMO #9 : DASH EXPANSION

This memorandum is in response to the following question from Council:

A critical piece of our pending transportation master plan will rely on a true urban mass transit system. We need a transit system that provides a high level of convenience so as to encourage maximum ridership. DASH has outlined a program to increase its service levels in order to create a more convenient, usable service that meets the need of more residents of our city. Can staff identify the operating and capital costs associated with funding DASH's planned expansion and suggest transportation-related mechanisms to generate revenues to help offset these costs?

Alexandria Transit Company's (ATC) FY 2008 Transit Development Program (TDP) identifies future projected service expansion that will coincide with the opening of its new, larger maintenance facility in FY 2009. While it provides greater expanded service, it is at a cost that will be difficult for the City to fund if there is no General Assembly approved transportation funding package.

The DASH FY 2009 to FY 2014 service expansion plan, which includes new service and bus fleet expansion is based on a number of recent studies, including a Comprehensive Operational Analysis of existing DASH performance and unmet service needs, completed in 2005. The proposed service expansion is designed to meet the following objectives:

- Increase frequencies on current routes to meet increasing demand;
- Increase service levels to reflect standards for Urban Transit Service;
- Provide new service connections to the Cameron Station area;
- Improve service on King Street in Old Town;
- Provide new service to the Eisenhower East/PTO development area;
- Provide new service to the Potomac Yard development area; and
- Provide new cross-town services connecting new development areas to the remainder of the City.

The total operating cost (with the expanded service) includes cost increases over two years of \$3.5 million, or 17.2 percent in FY 2009 and 14.0 percent in FY 2010. The net City transit operating subsidy is estimated to increase over the same two-year period by \$2.8 million, or by 20.6 percent in FY 2009 and 14.2 percent in FY 2010. In addition, bus purchases totaling \$13.2 million could be needed by FY 2010. The combined impact on the General Fund Operating Budget through FY 2010 would be \$16.0 million (\$13.2 million in not-budgeted cash capital and \$2.8 million in operating subsidy increase). The six-year capital investment for replacement and expansion buses is estimated at more than \$30 million and would expand the DASH fleet from 62 buses to 128 buses, of which \$11.5 million is included in the FY 2008 Proposed CIP. This plan can only move forward with significant additional funding from the General Assembly.

The following tables illustrate the service expansion operating and capital costs as presented by DASH in the TDP.

DASH Operating Expenditure Estimates FY 2007 - FY 2010

	(\$ in 000's)				
	FY 2007	FY 2008	FY 2009	FY 2010	Total
Operating Expense	\$10,093	\$10,483	\$12,285	\$14,000	\$46,861
Less Revenues	2,947	3,075	3,350	3,800	13,172
Net City Share	\$7,147	\$7,408	\$8,935	\$10,200	\$33,690

Total Proposed CIP FY 2008 - FY 2013

	(\$ in 000's)							
	Prior Year	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	Total
Number of Replacement Buses	0	4	5	5	5	4	0	23
Cost for Replacement Buses	\$0	\$2,660	\$2,660	\$1,900	\$2,700	\$1,600	\$0	\$11,520
Cost for Bus Garage	\$35,000	\$0	\$0	\$0	\$0	\$0	\$0	\$35,000
Less Urban Funds	\$35,000	\$2,607	\$2,607	\$1,862	\$2,646	\$1,568	\$0	\$46,290
Net City Share (Budgeted/planned in CIP)	\$0	\$53	\$53	\$38	\$54	\$32	\$0	\$230

DASH Request for Expansion

	(\$ in 000's)							
Number of Expansion Buses	0	5	14	14	12	10	8	63
Cost for Expansion Buses (Not Budgeted in CIP)	\$0	\$2,000	\$5,600	\$5,600	\$4,800	\$4,000	\$3,200	\$25,200

The largest transportation-related funding mechanism to help offset some of these costs is the potential for a State transportation-funding package currently being considered by the General Assembly and the Governor. The ultimate outcome of the proposed legislation is unknown at this time. The Governor has promised to amend the package. If he sends amendments affecting Northern Virginia taxes and fees to the General Assembly and they are accepted, it is likely the City would be required to adopt new taxes and fees in order to obtain funding. In the event that this transportation funding bill is enacted, Alexandria could be eligible for significant new State transportation revenues of possibly \$30 million or more annually. These funds would be available to help pay for both transit operating and capital expansion needs, beginning in FY 2008.

Even if additional funding is provided by the State, it may not fully cover the City's future transit subsidy costs as DASH, WMATA, VRE and DOT paratransit continue to grow and serve more riders. In order to fully fund transit, other local funding mechanisms could be explored to provide additional funds for transit expansion such as special tax districts, increased fare revenue, increased parking fines and fees, and advertising at bus shelters.

Fare Revenue - It is anticipated that as new DASH routes are added and service levels are increased, significant ridership growth will occur. Increased ridership will generate additional revenue. The initiation of the regional SmarTrip program will provide, for the first time since the regional fare plan was implemented in FY 2000, reimbursement to DASH for trips taken with Metro fare cards and related media. The ATC Board of Directors reviews its fare policy and fare scenarios as part of its annual Transit Development Program and Budget adoption. Although there is a desire by the Board to maintain a convenient, affordable fare structure, the need to adjust fares would have to be considered if there is any significant change in the current operating revenue to cost ratio.

Special tax districts – The City has the authority to create special tax districts in order to fund additional services within those districts. As contemplated in the Potomac Yard Coordinated Development District (CDD), staff is developing a proposal for creating a special tax district to fund new transit in the Potomac Yard/Route 1/Braddock Road transit corridor. It will be presented to City Council and to the affected property owners as an informational item before summer recess and brought back as an ordinance in the fall. If enacted, the special tax district would provide significant new funding for expanded transit in that area.

Parking Fines & Fees – The City increased most parking fines in February. This was the first such increase since 1992. Staff will continue to review the fines and recommend increases when necessary to remain consistent with neighboring jurisdictions and/or remain high enough to discourage illegal parking. The City also is planning to add metered parking in Eisenhower East at the Council-approved rate of \$1.00 per hour as compared to \$0.50 and \$0.75 in existing zones elsewhere in the city. Increasing the rate to \$1.00 City-wide would generate additional revenue that could offset some of the increased cost of transit.

Bus Shelter Advertising – Advertising at bus shelters is a potential source of additional revenue. The City of Annapolis, Maryland receives approximately \$100,000 annually as its share of the profits generated through advertising on the shelters.

Identify Cost Savings – Along with the planning of service expansion, ATC will continue to evaluate the performance of its current routes to identify less productive service that could be reduced or eliminated with little or no impact and provide some additional cost savings. ATC and T&ES will continue to explore opportunities for providing cost savings in the City’s overall transit subsidy through DASH replacement of local service now being provided by WMATA.

Local Income Tax – Northern Virginia jurisdictions are permitted to enact a local income tax of up to 1% to fund transportation. Such legislation would require a referendum and would require a sunset provision after five years. No other jurisdiction has taken advantage of this authority because of its temporary nature and the effort required to enact. While this option is authorized under state legislation, it is not recommended for City Council consideration.

CC: Justin Wilson, Chairman, Board of Directors of the Alexandria Transit Company
Sandy Modell, DASH General Manager