03-09-06

Jefferson City Transit Development Plan
Financial Analysis

This section provides information on JEFFTRAN finances for both capital and operating purposes and projections of costs and revenues related to possible future improvements.

Revenue Sources

It is common in the transit industry to separate operating and capital expenses for both reporting and evaluation purposes. FTA has distinctly different programs and guidelines for capital and operating grant programs. Jefferson City funds operating and capital expenditures separately.

Operating Funding

The primary sources of revenue for JEFFTRAN operations, both fixed route and paratransit, are local funds from city general revenue and federal funding from FTA's 5307 formula program. Operating expenses for transit are generally funded from the city's general fund whereas capital projects are typically funded from the city's Capital Improvement Fund. FTA's 5307 program includes an apportionment amount based on a formula that takes into account the population and characteristics of the metropolitan area, as well as other factors.

JEFFTRAN receives operating funding for paratransit services through Medicaid reimbursements and the Non-Emergency Medical Transportation (NEMT) program that are used for local match. Payments from the State for the operation of the parking shuttles also represent a significant source of revenue for JEFFTRAN's operations.

Fares from passengers represent a relatively small portion of the total revenue compared with these external funding programs. Table 1 shows the total operating revenue from each of these sources from the 2006 JEFFTRAN budget.

Table 1: JEFFTRAN 2006 Budget Operating Revenue Sources

Funding Source	Amount	% of Total
Grants & Revenues		
FTA 5307	$591,381	33%
State Operating	$68,377	4%
Passenger Revenue	$91,378	5%
State-Shuttle Route Fee	$270,408	15%
Total Grants & Revenue	$1,021,544	
Local Match		
City of Jefferson	$514,421	29%
Medicaid	$164,000	9%
Non Emergency Medical	$29,000	2%
Cole County Special Servi	$30,000	2%
Other operating revenues	$19,000	1%
Total Local Match	$756,421	
TOTAL	$1,777,965	

Capital Funding

As mentioned previously, capital improvements are typically funded from the city's Capital Improvement Fund. These funds are used as local match for federal capital grants. Capital projects, such as bus acquisition and construction, can be funded through the FTA Section 5309 capital program. The 5309 program is discretionary; Jefferson City must compete for funding with other areas through a process referred to as congressional earmarking. Jefferson City has received FTA Section 5309 earmarks in the past and will continue to pursue this funding in the future.

Future FTA Funding

With the recent passage of the new Federal Transportation Bill, known as SAFETEA-LU, the level of federal funding available to the city, through FY2009 is part of the legislation. Although the apportionments do not represent guaranteed amounts, there is a reasonable certainty that the level of funding will be made available.

Based on information provided by FTA, the total Section 5307 funds available to Jefferson City will increase each year of the program. In addition, the new transportation bill includes two new categories of formula funding, Job Access Reverse Commute (JARC) and New Freedom. JARC is intended to provide funding for services designed to provide access to employment opportunities, particularly the people traveling in the reverse of the traditional commuting patterns (traveling from the city center to employment in outlying areas). The JARC program was a discretionary program in previous legislation and JARC funding was not accessed by JEFFTRAN. The New Freedom program is intended to support paratransit services for persons with mobility limitations beyond the level of service required by the Americans with Disabilities Act of 1990. Although the funding for these two programs is not great, these programs do represent additional funding for JEFFTRAN. JEFFTRAN does provide services that are eligible to be funded by these programs. It behooves the city to ensure that these federal funding programs are accessed to their fullest extent.

Table 2 shows the total federal funding available under FTA formula programs. Because SAFETEA-LU expires at the end of 2009 the amounts for 2010 and 2011 are estimated based on the assumption that the FTA program will continue with a 4% annual increase. Estimating these amounts for 2010 and 2011 is necessary to complete the 5-year projections for JEFFTRAN.

Table 2: Apportionments and Estimates of FTA Formula Funding

Program	2006	2007	2008	2009	2010	2011
5307	$520,146	$541,111	$586,814	$624,170	$649,137	$675,102
JARC	$34,381	$35,876	$38,865	$40,983	$42,622	$44,327
New Freedom	$22,278	$23,135	$24,992	$26,420	$27,477	$28,576
Total	$576,805	$600,122	$650,671	$691,573	$719,236	$748,005

Note: The amounts shown for years 2010 and 2011 are estimated based on the assumption that these funding programs will increase at 4% annually.

Projections of FTA capital funding from the 5309 Bus and Bus Facilities program were not developed because this funding is allocated on a discretionary basis. For purposes of projecting future funding levels it is assumed that 5309 funds will be available at the levels needed for the JEFFTRAN capital program. It will be the responsibility of JEFFTRAN to request earmarks and make application for these funds.

Financial Projections - Operating Costs and Revenues

Baseline projections were prepared to provide information on the likely financial requirements to support JEFFTRAN operations. The projections are termed “Baseline” because they assume the continuation of JEFFTRAN services as they are currently. Later in this section projections are shown for various transit improvement scenarios.

The following procedure outlines how the future year projections of operating costs, revenues and funding were developed.

1. Operating Costs: Operating costs were projected by applying an annual inflation factor to 2006 budgeted cost levels. In today's economy a 3% to 4% increase per year is typical. Transit operating costs are comprised of 70-75% personnel costs, thus the expected increase in wages and benefits tends to determine the annual increase.

   Additional costs for new services or new programs should be added to the projected operating cost.

2. Operating Revenues: Operating revenues are those derived from the operation of the transit system. Operating revenues include passenger fares, direct payments for service (e.g., charters) and other fees. Projections were made by evaluating each revenue type and determining any change likely in the future. A conservative method is to assume that operating revenues will remain constant in the future.

   Passenger fare revenues are likely to constitute the largest percentage of operating revenues. Changes in passenger revenue resulting from changes in fare levels or significant ridership changes should be added to the operating revenue projections.

3. Net Operating Cost: The net operating cost, or operating deficit, is the result of subtracting operating revenues from operating cost. This is the amount of external funding required to balance the projected operating budget.

4. External Funding: The net operating cost must be funded through external programs, such as federal and state grants and subsidy from city funding sources. Transit systems sometimes receive funding from a number of sources that add to the total funding available. These funds include payments for services from municipalities and social service agencies, Medicaid and other social service reimbursements. The level of funding from the federal and state government is usually known within a reasonable level of certainty. Local funding is used to close the gap between total net cost and available funding from other sources.

Table 3 shows the baseline financial projections for JEFFTRAN operations. The figures for 2006 are from JEFFTRAN's 2006 budget.

Table 3: Baseline Projections of JEFFTRAN Operating Costs and Revenues

	2006	2007	2008	2009	2010	2011
Operating Cost	$1,778,179	$1,832,000	$1,887,000	$1,944,000	$2,002,000	$2,062,000
Operating Revenue	$110,592	$113,000	$114,000	$116,000	$118,000	$120,000
Operating Deficit	$1,667,587	$1,719,000	$1,773,000	$1,828,000	$1,884,000	$1,942,000
Funding						
Federal Operating	$591,381	$713,000	$740,000	$773,000	$822,000	$745,000
State Operating	$68,377	$68,000	$68,000	$68,000	$68,000	$68,000
State Shuttle Contract	$270,408	$270,000	$270,000	$270,000	$270,000	$270,000
Paratransit Funding	$223,000	$223,000	$223,000	$223,000	$223,000	$223,000
City Funding	$514,421	$445,000	$472,000	$494,000	$501,000	$636,000
Total Funding	$1,667,587	$1,719,000	$1,773,000	$1,828,000	$1,884,000	$1,942,000

Key assumptions are as follows:

- Operating costs will increase by 3% each year; no significant changes in service or program are included.
- Operating revenue remains constant except that passenger fare revenue increases slightly as a result of projected ridership increases.
- Federal operating assistance includes the 5307 funding and the JARC and New Freedom funding. The projections assume the balance in the 5307 program is drawn down by 2009.
- State funding remains constant at current levels.
- City funding increases as necessary to close the gap between operating costs and revenue, and funding from other sources.

Evaluation of Baseline Projections

The figures in Table 3 represent conservative projections of costs and revenues associated with JEFFTRAN operations. With expected increases in operating costs, and in consideration of known funding sources, the required funding from the City is projected to increase to $636,000 per year by 2011. This is an average increase of about 4.4% annually, a reasonable rate of growth considering the cost increase assumptions. However, it should be noted that the City's funding for operations has actually decreased in recent years. In 2004 City funding was actually about $683,000, more than the projection for 2011. This is a result of an increase in federal operating assistance available, and the constant level of services provided.

Financial Projections for Service Increase Scenarios

An important part of the TDP is to project and evaluate the City's funding requirement to deploy additional services during the next five years. Because of the uncertainty that surrounds the future availability of funding for transit improvements in the Jefferson City area, three different scenarios were developed to illustrate the funding requirement for transit service improvements. These scenarios represent low, medium, and high investment in new transit services and facilities, and represent a range of possibilities for the next five years. The purpose of this analysis is to provide information for Jefferson City staff and elected officials as they determine how to implement the recommendations from the TDP. The specific service modifications are less important in this exercise than the amount of the assumed increase in service. The following paragraphs provide information on the transit improvement scenarios.

The high investment scenario assumes that the City will pursue service improvements identified during the TDP process in each of the next five years representing a 100 percent increase in service by 2011. It assumes that capital improvements will be made, including the development of a new downtown transit center. It is also assumed that JEFFTRAN's services will be extended into neighboring communities, making transit service more of a regional enterprise. To help fund the service improvements two fare increases are assumed, a base fare increase to 75 cents in June of 2006 and another increase to $1.00 in July of 2009.

The medium transit investment scenario assumes service improvements representing a 50 percent increase by 2011 and assumes that JEFFTRAN services will be provided only within the corporate limits of Jefferson City. A somewhat scaled down version of the downtown transit center is assumed. To help fund the service improvements an increase in the base fare is assumed to 75 cents in June of 2006.

The low transit investment scenario assumes only minimal changes to service levels, an increase of 28 percent. Only capital improvements necessary to maintain the current level of service are assumed. It is assumed that the McCarty Street bus station will continue to serve as the transfer center. To help fund the service improvements an increase in the base fare is assumed to 75 cents in June of 2006. Table 4 shows details on each of the three scenarios.

Table 4: Transit Modification Scenarios

Service Modification	Date	Annual Cost Increase	Annual Revenue Increase	Daily Ridership Change
Scenario 3 High Investment				
Add Downtown Circulator #1	June 2006	$103,000	$4,000	+50
Extend Service to 6:30 PM	June 2006	$141,000	$7,000	+80
Increase fares to 75 cents	June 2006	$0	$36,000	-70
Add Saturday Service	July 2007	$94,000	$6,000	+360 (Saturday)
Add West Area Flex Route	July 2008	$133,000	$4,000	+50
Add Algoa Area Shuttle	July 2008	$133,000	$3,000	+30
Increase fares to $1.00	July 2009	$0	$36,000	-110
Add Evening Service – 9 PM	July 2009	$128,000	$6,000	+70
Add Downtown Circulator #2	July 2010	$267,000	$0	480
Scenario 2 Medium Investment				
Add Downtown Circulator #1	June 2006	$103,000	$4,000	+50
Extend Service to 6:30 PM	June 2006	$141,000	$7,000	+80
Increase fares to 75 cents	June 2006	$0	$36,000	-70
Add Saturday DR Service	July 2008	$73,000	$5,000	+280 (Saturday)
Add West Area Flex Route	July 2008	$133,000	$4,000	+50
Scenario 1 Low Investment				
Add Downtown Circulator #1	June 2006	$103,000	$4,000	+50
Extend Service to 6:30 PM	June 2006	$141,000	$7,000	+80
Increase fares to 75 cents	June 2006	$0	$36,000	-70

Again, the service modifications included in the table do not represent specific recommendations. Rather, they are intended to illustrate the level of funding required for various types of service modifications. Table 5 shows financial projections for the High Investment Scenario, a doubling of service over the five year period.

03-09-06

Table 5: Projections of JEFFTRAN Operating Costs and Revenues – High Investment

	2006	2007	2008	2009	2010	2011
Operating Cost	$1,863,000	$2,141,000	$2,402,000	$2,696,000	$3,005,000	$3,255,000
Operating Revenue	$138,000	$163,000	$171,000	$191,000	$204,000	$209,000
Operating Deficit	$1,725,000	$1,978,000	$2,231,000	$2,505,000	$2,801,000	$3,046,000
Funding						
Federal Operating	$614,000	$691,000	$741,000	$773,000	$823,000	$745,000
State Operating	$68,000	$68,000	$68,000	$68,000	$68,000	$68,000
State Shuttle Contract	$270,000	$270,000	$270,000	$270,000	$270,000	$270,000
Paratransit Funding	$223,000	$223,000	$223,000	$223,000	$223,000	$223,000
City Funding	$550,000	$726,000	$929,000	$1,171,000	$1,417,000	$1,740,000
Total Funding	$1,725,000	$1,978,000	$2,231,000	$2,505,000	$2,801,000	$3,046,000

Because funding from other sources, particularly FTA, is essentially fixed, all of the additional cost would have to be covered by additional local funding from the City. Thus, the City's share of the funding would increase to $1,740,000 by 2011. This is an increase of over three times the budgeted City funding for 2006.

Table 6 shows the projections for the Medium Investment Scenario, a service increase of 50 percent over five years. In this case the City's share of the funding would increase to just over $1 million by 2011.

Table 6: Projections of JEFFTRAN Operating Costs and Revenues – Medium Investment

	2006	2007	2008	2009	2010	2011
Operating Cost	$1,863,000	$2,091,000	$2,194,000	$2,301,000	$2,447,000	$2,599,000
Operating Revenue	$138,000	$160,000	$164,000	$168,000	$172,000	$176,000
Operating Deficit	$1,725,000	$1,931,000	$2,030,000	$2,133,000	$2,275,000	$2,423,000
Funding						
Federal Operating	$614,000	$691,000	$741,000	$773,000	$823,000	$745,000
State Operating	$68,000	$68,000	$68,000	$68,000	$68,000	$68,000
State Shuttle Contract	$270,000	$270,000	$270,000	$270,000	$270,000	$270,000
Paratransit Funding	$223,000	$223,000	$223,000	$223,000	$223,000	$223,000
City Funding	$550,000	$679,000	$728,000	$799,000	$891,000	$1,117,000
Total Funding	$1,725,000	$1,931,000	$2,030,000	$2,133,000	$2,275,000	$2,423,000

Table 7 shows the projections for the Low Investment Scenario which would increase service by 28 percent. This scenario would require City funding to increase to $880,000, an increase of about 40 percent compared with the Baseline projections.

03-09-06

Table 7: Projections of JEFFTRAN Operating Costs and Revenues – Low Investment

	2006	2007	2008	2009	2010	2011
Operating Cost	$1,925,000	$2,091,000	$2,154,000	$2,219,000	$2,285,000	$2,353,000
Operating Revenue	$138,000	$160,000	$161,000	$163,000	$165,000	$167,000
Operating Deficit	$1,787,000	$1,931,000	$1,993,000	$2,056,000	$2,120,000	$2,186,000
Funding						
Federal Operating	$614,000	$691,000	$741,000	$773,000	$823,000	$745,000
State Operating	$68,000	$68,000	$68,000	$68,000	$68,000	$68,000
State Shuttle Contract	$270,000	$270,000	$270,000	$270,000	$270,000	$270,000
Paratransit Funding	$223,000	$223,000	$223,000	$223,000	$223,000	$223,000
City Funding	$612,000	$679,000	$691,000	$722,000	$736,000	$880,000
Total Funding	$1,787,000	$1,931,000	$1,993,000	$2,056,000	$2,120,000	$2,186,000

The conclusion is that an increase in City funding of about 24% by 2011 is necessary to just maintain the current level of service. The three service improvement scenarios require funding increases of between $244,000 and $1.1 million in 2011 compared with the Baseline projection.