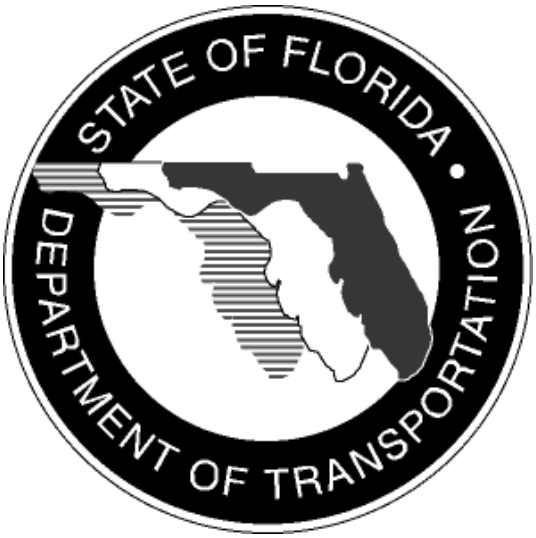
Innovative Transit Financing in Florida
Final Report



Prepared For
Florida Department of Transportation

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Part I

Study Background and Literature Review

1. Introduction

As the gap widens between the cost of providing transit services and available resources, several transit agencies and local governments within and outside Florida have implemented or are considering the implementation of innovative transit financing (ITF) strategies to supplement traditional sources of transit revenue. The growing interest in ITF is in part encouraged by the US Department of Transportation (USDOT) policies that promote innovative financing mechanisms that leverage Federal transit assistance, reduce the cost of capital and involve market based revenue strategies. By definition, "Innovative finance refers to non-traditional methods for [transit] financing as well as the use of conventional methods in new ways" (FHWA 1996). ITF strategies have ranged from bus advertising to complex offshore equipment leases. Other examples include pooled financing, state infrastructure banking, joint development, credit enhance-

ments, advance construction financing and various public-private ventures (Subsequent elaboration on these will be provided later in this section of the study).

In view of the growing popularity of innovative financing strategies and the fact that the Florida Transit Strategic Plan, *Transit 2020,* calls for the use of creative and innovative financing strategies to enhance transit funding, the main objectives of this study are: to ascertain what types of ITF exist in Florida and provide an inventory of existing ITF strategies in Florida; second, to conduct an assessment of the strengths, weaknesses, opportunities and constraints to innovative transit financing in Florida. There is a compelling need for an in-depth evaluation of the relative effectiveness of the various innovative transit financing strategies that have been implemented in Florida. Such an evaluation would help provide answers to the following questions: Which strategies have been most successful? Are there significant variations in the use of ITF from agency to agency? Do organizational, management and institutional practices affect outcomes? To what extent do Florida's (or US) transportation and development policies support or hinder innovative financing strategies? What can Florida's communities learn from each other's experiences with innovative financing? What are the emerging new opportunities and risks for innovative transit financing? Answers to questions like these will better inform and focus the transit decision-making process in Florida.

2. Traditional Funding Sources for Transit in Florida

As in most governmental functions that provide a service to Americans, intergovernmental revenues, that is, tax and other funding sources from the federal, state and local governments, support public transit. The following discussion describes the various types of intergovernmental revenues and the sources from where they originate.

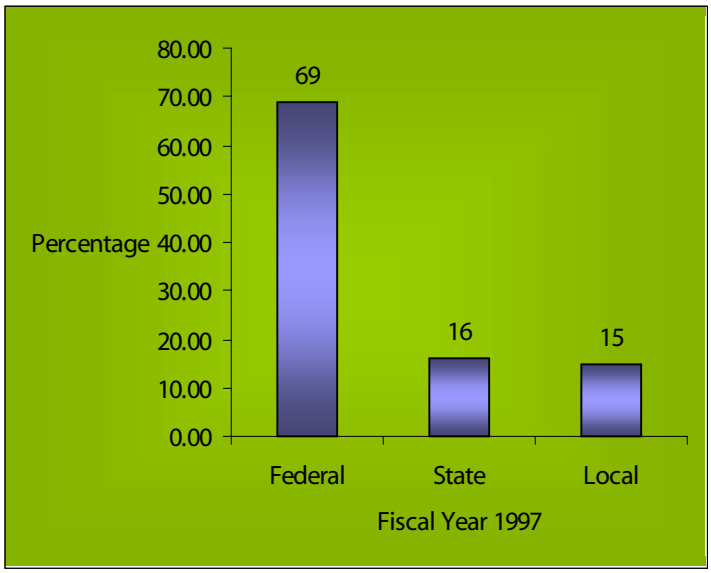
2.1 FEDERAL

The federal government, through its Federal Transit Administration (FTA) and based on provisions of Sections 5307, 5309, 5311 etc., provides millions of dollars to states. In 1997, Florida spent $173 million for capital purposes of which $120 came from the FTA. Miami-Dade Transit Authority (MDTA), Jacksonville Transportation Authority (JTA), and Broward County Transit and Tri-Rail spent approximately 63% of these federal dol-

lars. New vehicle purchases and construction of new fixed guideway transit agencies take advantage of federal funds to finance up to 80% of their capital purchases. In 1997, Florida transit agencies' dependence on federal funds for capital purposes exceeded the national average. While 69% of Florida's capital funding came from federal funds, the national average for 1997 was 47%. Percentage *capital* funding by each level of government in 1997 was as follows: federal, 69%; state, 16%; local, 15% (FDOT 1999).

Data collected from the recent survey (May 1999) of Metropolitan Planning Organizations (MPOs) also indicate the transit operators' reliance on federal assistance in transit financing in Florida. First, the MPOs have indicated a documented need of over $17 billion in capital and operating needs in transit over the next 20 years. The request for funding from the FTA Capital Program for the fiscal year is $757.7 million. Included in this request is funding for the Tri-County Commuter Rail Authority double-track project, LYNX light–rail line, funding for bus purchases, development of intermodal facilities, ITS, and the design and construction of fixed-guideway urban rail systems. (FDOT 1999) Indeed, through a complex network of formula grants, loan arrangements, approved leasing agreements, and the like, the federal government is significantly involved in funding public transit in particular and public transportation in general.

FIGURE 1. Federal, State, Local Capital Funding of Florida Public Transit



SOURCE: Source: Transit 2020: A Strategic Plan For Florida. 1998. p. 43

Figure 1 above and the percentages (cited above) for fiscal year 1997 reflecting federal participation (i.e., 69%, versus 16% for state and 15% for local) are quite instructive of the federal role in public transit. Federal involvement in transit is also illustrated in detail in this section's discussion on the various complex and sophisticated innovative financing techniques, such as certificates of participation (COPs), cross border leasing and joint development ventures.

2.2 STATE

Public transit in Florida is one of four modes of public transportation; the other three are: aviation, rail, and seaports. Each of these of course receives state funding, but, historically, public transit has received roughly 5% of the state's total of transportation funding. The 1998–99 fiscal year data inform that FDOT funding sources for transportation were the federal government (36%), state funds (47%), toll bonds (13%) and right of way and bridge bonds (4%).

An understanding of the state's role in public transit can be obtained through a brief reference to the principal sources of tax revenues that provide transit funding. These are primarily the state's fuel sales taxes. These revenue sources are (a) the fuel sales tax and (b), the state comprehensive enhanced transportation system tax (FDOT 2000). Other state approved fuel taxes are discussed under "local participation" below.

FUEL SALES TAX

FDOT distributes approximately 15% of fuel sales tax receipts from the State Transportation Trust Fund (STTF) to local governments for public transportation. This revenue comes from all fuel sales, taxed at 9 cent per gallon. (Since the fuel tax is indexed to the gasoline component of the Consumer Price Index, it is subject to rate changes effective each January 1st. In fiscal year 1997–98 its rate was 9.1 cents). In FY 1997–98, for instance, net receipts for the State Transportation Trust Fund (STTF) from the state fuel taxes were $656 million. It should also be noted that of the 15% for public transportation, only about one-third goes to transit.

STATE COMPREHENSIVE ENHANCED TRANSPORTATION SYSTEM (SCETS) TAX.

This tax (likewise indexed to the CPI) also generates state revenue distributed to FDOT, and it generates revenue from Gas/Gasohol, taxed up to 5 cents per gallon. The SCETS tax rate on diesel fuel is 5 cents per gallon. The

tax is currently levied in 61 of the 67 Florida counties. Tax revenues must, however, be spent in the locality where generated. According to the FDOT finance Office of Management and Budget; SCETS receipts for FY 1997–98 were $362 million.

2.3 LOCAL PARTICIPATION

State funding for public transit in Florida is made possible, in part, by legislation that provides for dedicated revenues or methods for meeting transportation costs. A principal example of such legislation is Chapter 341, F.S., titled, *Florida Public Transit Act* (Florida Statute 341). Apart from the Act's specification of FDOT's transit responsibilities, it establishes the administration and financing of public transit programs and projects.

The Act authorizes FDOT to develop a five-year (or longer) statewide transit plan, the intent of which is to identify transit needs and develop strategies to meet those needs. The plan must include proposed activities of local governments and regional planning agencies that would work toward the solution of transit problems or contribute to improvement of transit systems service delivery. The Act also empowers FDOT to "coordinate activities between public and private entities on matters relating to public transit services, including the development and implementation of marketing and passenger information" (Florida Statute 341). The Act also grants authority to local governments and regional agencies to enter into contracts with private companies to plan and develop transit systems, establish terminal facilities for lease by interfacing modes, the acquisition and development of adjacent land for lease or sale to public and private entities, and the acquisition and development of air rights.

Florida Statute (F.S. Chapter 341) authorizes Florida local governments, and transit agencies to receive federal grants or appropriations for transit related projects. The non-federal portion of a transit project may be jointly funded, with the state's portion not exceeding 50% of the non-federal share of the cost, or not exceeding the local share of any eligible project or commuter assistance project that is of a local nature. In general, the transit act provides a variety of funding formulas that determine the specific cost sharing arrangements including advance payments of up to 80% of the capital cost "of any eligible project that will assist Florida's transit systems in becoming fiscally self-sufficient" (Florida Statute 341). These advance payments are to be reimbursed to FDOT within five years. Another example of a funding formula is one that authorizes "up to 100% of the capital and net operating costs of statewide transit service development projects or transit corridor" (Florida Statute 341).

Local governments are granted multiple funding authorities that directly or indirectly enable these governments to help meet their transportation needs. While these revenue bases are not regarded as innovative forms of financing, they nonetheless encourage the private sector to consider entering into significant and long-term transit financing arrangements with local communities. These finance sources indicate to private sector businesses that local governments do have a revenue source that is backed by the "full faith and credit" of the political jurisdiction with which they anticipate doing business. Local governments can come to the business table with leveraged money.

Specific authorized funding sources that local governments utilize include the following: the constitutional fuel tax, which is a tax on all fuels permits, acquisition, construction and maintenance of roads. Tax revenue from this source is restricted to road costs, rather than on expenditure related to modes of transportation, such as buses or light rail systems. Revenues from the constitutional fuel tax provide for the acquisition, development and maintenance of road infrastructure on which at least 70% of fixed route public transportation depends. Other state-distributed tax revenues authorized by state statutes for any legitimate county or municipal transportation purposes are the county fuel tax, and the municipal fuel tax. Counties and municipalities are authorized to levy a 1–cent tax on all fuels.

LOCAL OPTION TRANSPORTATION TAXES

In addition to state funds distributed to localities, the state has, since 1972, given localities the option to piggyback the state's excise tax on highway fuels by adding an additional levy to the state's excise tax. Three of these are known as dedicated local option transportation taxes. They are, the ninth-cent fuel tax (s. 336.021, F.S.); the charter county transit system surtax (s.212.055 F. S.); and local option fuel tax (s. 336.065, F.S).

NINTH-CENT FUEL TAX.

Originally called the 9^{th} cent tax because the state's fuel excise taxes totaled 8 cents at the passage of the tax bill in 1972, it was renamed the Voted Gas Tax in 1983 when the state's fuel taxes increased to 9.7 cents per gallon. Counties were required to secure authorization of the tax by referendum until 1993 when the legislature removed that requirement. In 1996 the tax reverted to its original name. Revenues collected from this tax can be

shared with cities within the county. Thirty-six counties have adopted this tax.

CHARTER COUNTY TRANSIT SYSTEM SURTAX.

Authorized in 1976 with the intent to provide assistance to the development of Dade Area Rapid Transit system, the tax is an additional penny (or up to one penny) levied on single item sales not exceeding amounts above $5,000 or to fuel sales restricted to the costs directly associated with a fixed guideway rapid transit system. This revenue source is restricted to any charter county that adopted its charter before June 1976, or as of 1987, by any eligible county whose government is consolidated with that of a municipality, such as Duval County. An additional amendment to the law now allows revenues from the tax to be transferred to an expressway or transportation authority to finance operation and maintenance of a bus system or to construct and maintain roads or service debt on bonds issued for that purpose.

LOCAL OPTION FUEL TAX.

First authorized in 1983 as the Local Option Gas Tax (then renamed the Local Option Fuel Tax in 1996), this tax provided a major new source of revenue for counties, which gradually extended beyond the strict confines of transportation financing. At its inception, counties were authorized to levy up to 4 cents per gallon on highway fuel for a time limit of five years; proceeds were required to be shared with municipalities. In 1985, the tax was extended to 30 years, and the levy increased to 6 cents. A significant change occurred in 1993 when the legislature authorized counties to impose up to 5 cents per gal. on motor fuel (i.e. gasoline, gasohol but not diesel). What this means is that counties can now levy up to 11 cents on each gallon of gasoline (and 6 cents per gal. on diesel). Of significance is the fact that when the legislation extended the duration of the levy from 5 to 10 years then to 30 years, it allowed local governments to use the proceeds as "a security against which to issue debt, [or] to pledge any of its revenues from the tax to repay state bonds issued in its behalf, and also may use such revenues to match state funds in the ratio 50%–50% for projects on the state highway system" (Florida Statute 341). All 67 counties have imposed a local option fuel tax, in varying amounts between 3–11

cents per gallon, but many are yet to fully utilize their allowed maximums. (See Table 1).

TABLE 1. Quick reference to state and local taxes that impact on public transit in Florida

Level	Tax	Amount	Use
State (Distribution to DOT)	Fuel Tax	All fuels 9.0¢/gal	At least14.3% of all DOT receipts (including fuel taxes) for public trans. Remainder for any legitimate state transportation purpose.
	SCETS* Tax	Gas/Gasohol 2.5¢-5.0¢/gal Diesel-50¢/gal	Net receipts must be in district where generated.
State (Dist. to Local Govts.)	Constitutional Fuel Tax	All fuels 2¢/gal	Acquisition, construction and maintenance of roads.
	County Fuel Tax	All fuels 1¢/gal	Any legitimate county transportation purpose.
	Municipal Fuel Tax	All fuels 1¢/gal	Any legitimate municipal transportation purpose.
Local	Ninth-cent Fuel Tax	Gas/Gasohol 0¢–1¢/gal Diesel 1¢/gal	Any legitimate county or municipal transportation purpose.
	Local Option Fuel Tax	Gas/Gasohol 3¢–11¢/gal Diesel 6¢/gal	Local transportation or within "small" counties, other Infrastructure needs.

*State Comprehensive Enhanced Transportation System

SOURCE: Florida's Transportation Tax Sources, FDOT, 2000, page 2

In spite of the existence of these revenue sources, the problem is clear. There are Floridians who need public transportation for purposes of work, school, recreation, and essential personal business, such as visits to health care providers, and the like. The demand for public transportation and the cost of its provision continue to rise.

3. Gap Between Transit Needs and Revenues in Florida

Transit 2020 identifies the gap between transit needs and revenues as a major issue facing transit in Florida. According to the plan, "current transit funding levels are inadequate to fund existing as well as expanded capital, maintenance and operating programs, and several funding sources lack stability and flexibility." Thus, a major goal of *Transit 2020* is to "sustain and expand investment in public transportation from all existing and potential public and private funding sources." To achieve this goal, the plan recommends among other things, the "use of creative and innovative funding strategies," including, (1) attracting private investment in support of transit; (2) increasing directly generated transit funds by improving revenue collection and the use of innovative finance techniques; (3) promoting developer contributions to transit through the transportation concurrency process.

Transit 2020 also identifies a number of potential strategies for involving the private sector in transit financing, such as joint development of transit assets, density bonuses, leases, property transfer, density bonuses, Certificates of participation, turnkey management, tax increment financing, impact fees, etc.

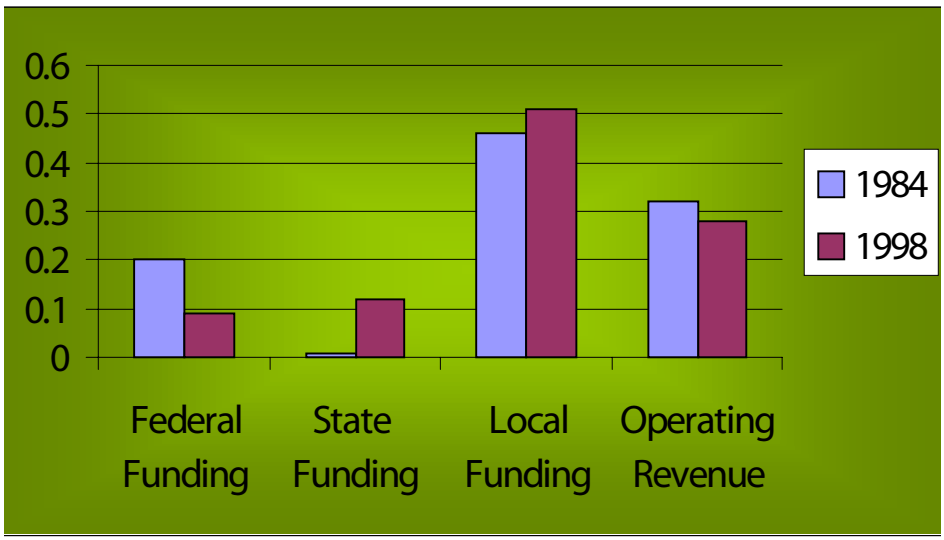
The effects of inadequate transit funding are reflected in the following statistics: the average transit headway in Florida is one hour and the average daily span of service is 3 hours. The revenue miles per square mile is 23 percent lower than the national average. These Florida transit negatives will be met with strategies intended to increase the frequency of transit service, increase the number of hours per day, and days per week that transit service is available to Floridians and visitors.

Adding complexity to the problem is the fact that there exists inadequate transit funding at both the state and local levels. The transit funding shortfall, estimated over the next 20 years is as much as $9 billion for 12 of the 25 transit agencies that were surveyed in a recent study of local long range plans by the University of South Florida. When all the agencies are included the figure is much higher (CUTR 1999).

Data on transit operations funding obtained from a recent report by the Center for Urban Transportation Research (CUTR) at the University of South Florida underscore the relative changes in the sources of transit

funding: Federal funding to public transit has declined from 20 percent in 1984 to 9 percent in 1998. State contribution, however, has increased from about one (1) percent in 1984 to approximately 12 percent in 1998. Contrast this increase with a decline in operating revenue, from 32 percent in 1984 to 28 percent in 1998. It is important to point out that about 30 percent of operating revenue has financed operating costs between 1984 and 1998. (See Figure 2).

FIGURE 2. Funding Sources for Transit Operations in Florida/1984–1998



The CUTR study also indicates rising transit costs. Operating costs per passenger trip, statewide, has increased by 86% since 1984. Regarding cost per mile, operating cost has jumped by 58% for all transit modes. If per mile cost for bus service were to be singled out, it would show a 52% increase—by any measure, a significant one. Given rising costs, it is clear that to sustain the upward trend in transit ridership and service miles there is a need to find additional sources of revenue for transit in Florida. The cost side of the public transit equation, when examined, points to the critical need for increased funding of public transportation. (See Table 2).

TABLE 2. Operating Cost Per Passenger Trip

	Statewide Total	Percentage Increase since 1984
1984	$1.38	
1990	$2.04	48%
1994	$2.56	46%

4. Current Trends in Innovative Transit Financing

The introduction of market-type mechanisms to finance transportation services is not necessarily new. As early as the 1970s, concession rentals have been described as an accepted strategy for financing transportation. Concession rentals are still in use as a means of financing local transportation, and while hardly an "innovation" in financing; they are still being discovered by local governments that are looking for alternatives to traditional farebox revenue. While the advantages of introducing the discipline of market incentives to local finance are not new in the economic realm, governments are only accepting them slowly.

This is understandable. Indeed, there are constraints posed both by the political reality of the needs of service provision and the economic necessity of efficient financing methods. In spite of these constraints, however, Florida has many options available for assuring adequate transit funding into the twenty-first century. One set of options deals directly with service pricing, benefit-based charges, and alternative revenue sources. A second set deal with different leasing approaches, alternative financing measures and other cost reduction strategies. A number of alternatives that have been put into use throughout the United States are discussed below (Transportation Research Board 1998).

4.1 DEDICATED TAXES

Outside of general tax revenue, dedicated local taxes are probably the most traditional means of funding transportation. In spite of the local nature of transportation services however, almost half of American transit systems do not receive local tax revenue at all. For those that do, dedicated taxes are an important source of revenue, and those dedicated tax revenues are most likely to come from a sales tax.

In Washoe County, Nevada (home to the city of Reno) voters approved in 1982 a sales tax of one quarter of one percent to provide revenue to the Regional Transit Commission (RTC). This sales tax revenue has replaced subsidies from the cities of Reno and Sparks, and from Washoe County, and currently provides twice the revenue received from fares. Although this revenue has provided for tremendous expansion of the bus system from five buses to 64, the approval of the sales tax by local voters was never a guaranteed proposition. The failure of a subsequent attempt to increase the dedicated portion of the sales tax showed that citizens were willing to tax themselves only where the benefits were obvious, and where the uses for the new tax money were clearly spelled out in advance.

A similar revenue shift occurred in Fort Worth, Texas in the early 1980s. A system that was originally funded with property tax money, the city launched a successful campaign in 1983 to impose a one-fourth cent sales tax that would rise to one-half cent after five years. As in Nevada, the sales tax revenue completely replaced the property tax revenue, and now accounts for more than 70% of Fort Worth Transportation Authority revenues. Also, similar to the experience in Nevada was the political environment surrounding the tax proposal campaign. After failing to implement a one-cent transit sales tax in 1980, the successful 1983 campaign stressed the specific benefits to local residents. This emphasis on local support, along with a clear explanation of the benefits was the key to popular approval of the tax.

In 1971, the changes in the funding of the Metropolitan Atlanta Regional Transit Authority in Atlanta, Georgia were similar, with a one percent sales tax implemented. That currently provides approximately half of the operating revenue. The experiences of Washoe County, Fort Worth, and Atlanta show that using a dedicated sales tax has strong potential for replacing local property tax money regardless of the initial size of the transportation agency. Sales tax revenue is not always a viable option, however, as the experience in Pullman, Washington illustrates. With a relatively small sales tax base and competition from lower sales taxes in nearby Idaho, a dedicated sales tax was impractical. As an alternative, Pullman received permission from the legislature to implement a tax on utilities. The city now collects taxes levied on the use of telephones, electric, gas, water, sewer, and garbage utilities. Once again, the city was able to ensure passage of the utility tax proposal by working extensively to inform voters of the nature of the tax and use of the tax revenues.

Dedicated taxes, if they are broad-based, have the potential for providing substantial revenue for transportation. Furthermore, because the revenue

stream is not necessarily directly derived from transportation activity itself, dedicated taxes can provide a source of revenue that is relatively stable. Tax revenue can also be counted on to grow along with the general level of economic growth of a region.

In spite of these advantages, the broad-based nature of a dedicated tax may be its most significant political obstacle. It is the growing resistance to general tax increases, after all, that is one of the most significant factors driving development of innovative transit funding. As the above examples have shown, these tax revenues will only be available if the political climate makes general tax increases acceptable. Tax increases may be perceived as more equitable if they are more closely tied to the transportation activities that they fund.

4.2 IMPACT FEES

While many cities have had success funding transportation projects with dedicated tax revenues, politicians often face an important equity issue when new taxes are proposed. There can be substantial opposition to new taxes to fund transportation programs when individuals who will be paying the tax will not be using the service. This outright subsidy of transit services can generate substantial political opposition, as the cities discussed above have learned. Because of this resistance, some cities have opted to use impact fees to fund the expansion of transportation services. By design, the impact fee places the cost of service expansion directly on those who will be benefiting from the service. This type of arrangement can provide a greater degree of popular support for efforts to raise revenues to expand transportation services.

The experience of the San Francisco Municipal Railway is a case in point. In the late 1970s, the downtown areas of San Francisco experienced significant growth. This growth and the concomitant demand for increased infrastructure to serve the burgeoning population placed a strain on city transit services. In response, the city enacted a Transit Impact Development Fee (TIDF) to pay for service expansion. The rationale for the impact fee was that the beneficiaries of the investment in new service could be easily identified, and political leaders anticipated resistance to funding these investments through general taxes. The fee applied specifically to office development and was justified by the fact that a large majority of work-related trips in the downtown area involved transit services.

Ideally, any impact fee used to fund infrastructure would allow development to "pay for itself." While the TIDE falls somewhat short of this (the fee is less than the estimated incremental cost of providing service) it has

provided a successful way for San Francisco to raise the revenue necessary to support dramatic growth. It also provides a revenue source that is politically palatable, in that it places the cost of expanded service provision squarely on the group that is most likely to benefit.

The use of an impact fee is often an ideal way to deal with the costs that are associated with expanding the size of government-provided services. Since they place the costs of service provision directly on those benefiting from the service, impact fees are generally perceived as both equitable and efficient. These strengths are complemented by the fact that the size of impact fees can be readily justified, since local authorities should be able to determine the incremental cost of providing additional service.

Sound economic justification and the popularity of having a service "pay for itself" make impact fees an attractive alternative for providing supplemental revenue for transit services. The drawbacks of impact fee use, rather than being economic, are largely political. Impact fees, since they address the costs of *additional* services necessitated by development, will generally be part of any political controversy over development and growth. Also, they are likely to be unpopular with developers who have to pay them. The assessment of development-related fees obviously adds to the cost of creating new residential or commercial development. These additional fees may create conflict in jurisdictions that wish to use *reduced* tax burdens in an attempt to lure new business or development

4.3 CONCESSIONS

There is another important source of revenue for transit agencies that is quite different from the taxes and fees discussed above. Many agencies (particularly in large cities) can generate substantial revenues by renting out concession space on transit system property. The operation of any mass transportation system often involves moving large numbers of people through a relatively small number of stations, transfer points, or hubs. This means that space in these areas gets a high volume of potential customer traffic, which is a real estate characteristic that is extremely valuable to retailers.

Transit systems can capitalize on this by renting out that valuable space to businesses that wish to serve those customers. The Metropolitan Transportation Authority (MTA) in New York City has an extensive program of concession leases that generate more than $2.5 million per year for the subway system. While most transportation systems will not have the volume of traffic to support a program of that magnitude, concessions can still provide valuable revenues with little additional cost. In New York, for

example, the cost of new infrastructure needed for the concession is most often paid for entirely by the concessionaire.

The range of concession space can easily vary from a vending machine to a full-scale store, depending on the size of the space and the amount of passenger traffic. The availability of concessions can also enhance the quality of travel on the transit system. Typically, concessions involve convenience products and services such as newsstands, shoe repair, and photo developing. Depending on an agency's ability to control trash problems, food service can be offered as well. The availability of these products and services can often make time spent in transit more productive, which contributes to the overall attractiveness of the transit system.

In addition to the fact that concessions can be integrated into the transit system with little cost to the transit agency, they are likely to be very popular with the private investors who are potential concessionaires. Unlike a tax or development impact charge, fees paid for concessions are not viewed as a "burden" by the taxpayer, but rather as an opportunity for investment. This means that the addition of concessions is likely to meet with substantially less resistance than any sort of tax increase.

Another advantage of concessions is that they can provide additional revenue without any increase in existing service provision. Their revenue comes from taking advantage of the value that already exists in transit agencies' buildings and facilities, and that had previously gone unexploited. They can thus provide an important supplemental source of revenue.

4.4 JOINT DEVELOPMENT OF TRANSIT ASSETS

Joint development projects are arrangements where a local transit authority or local government entity and a private company agree to jointly develop an area or community within which simultaneous public transportation development or expansion would occur. The FTA is reasonably flexible with regard to joint development projects that occur between a transit agency and a private entity. For example, a transit agency can lease air rights above its transit station, "or transfer the FTA interest in one property to another, to allow the private development or other use of the property" (FTA 1995).

This is not the same as FTA agreeing to its funds being used to support development of property that is not directly adjacent to the transit facility. Indeed, joint development proposals are reviewed and approved by FTA on a case-by-case basis. For example, a park-and-ride lot adjacent to a light

rail station could be used as a transit/housing joint development project. Santa Clara County Transit Authority requested and received FTA authority to develop such a project. FTA capital funds were approved to make improvements to a 17–acre park-and-ride lot and provide a bus transfer facility. This development attracted a private developer to build the housing development that, according to estimates, would generate up to $300,000 annually in lease revenues for the transit district.

4.5 DELAYED LOCAL MATCH

FTA grants local authorities permission to defer payment of local share cost of transit projects. Once approved, local governments may draw down 100% of the "first 80% of a project cost of former sections 3, 8, 9, 16, 18, and 26 projects covering the local share of the costs at the end of the project." Federal legislation governing the above stated sections permits 100% of FTA funds on project design, engineering, or environmental reviews, etc., and thus the construction period can be financed with private participation. During this time local funds can be "banked" or pledged as additional security for construction period financing.

4.6 USE OF PROCEEDS FROM SALE OF ASSETS IN JOINT DEVELOPMENT PROJECTS.

FTA, in its assistance to local governments, authorizes the sale of real property and property rights acquired with its (FTA) assistance. For example, with regard to real property that is no longer needed for transit purposes, the property may be sold and the funds obtained can then be used to purchase other real property for transit related development. If the local authority chooses to lease the property the proceeds are considered program income and may be used for any transit purpose. Air Rights over transit facilities constructed with federal funds may be sold to developers and the proceeds retained as program income for future use in mass transit, rather than returned to the Treasury (FTA 1995).

4.7 CROSS BORDER LEASES

Innovations in transportation finance sometimes assume international dimensions, for instance, in the form of cross border leasing. A cross border lease is one which permits investors in a foreign country to purchase assets in the United States, lease it to an American political entity, and receive tax benefits approved by the laws of their own country. Two FTA conditions must first be met by the American entity in order to receive federal funds for cross leasing purposes: the grantee must maintain continuing control and use of the asset in mass transit; secondly, the benefits of the transaction must outweigh the risks to the American entity (FTA 1995).

4.8 AVAILABLE LEASING OPTIONS.

Attempting to keep pace with changing consumer demographics, diminishing federal support and finite budgets can be a daunting task for transit officials. Several have successfully turned to a variety of market-oriented arrangements to confront the challenges they face. Leasing is one of several options they have considered. Many jurisdictions have demonstrated that leasing can be a sound method of generating revenue, decreasing costs, and acquiring resources and it has become a relevant management strategy for an increasing number of local agencies.

One of the key attractions to leasing as a sound strategy relates to the various forms of leasing and types of goods and services that may be leased including computers, ambulances, sanitation carts, buses etc. Leasing activities of the Bi-State Development Agency (BSDA) of St. Louis illustrate the potential, creativity, and diversity of leasing as a sound management strategy. It is a strategy that has advantages for both the public and private sector.

BSDA provides van, bus, and light rail service to more than 2.5 million residents in Missouri and Illinois. In 1993 when BSDA began to develop its light rail service the agency saw the need for fiber-optic cables running the length of the route for command and control of the system. When news of BSDA's intentions became known, they were contacted by several telecommunication companies interested in discussing the possibility of partnering with them for use of the right-of-way (ROW). Eventually, BSDA would agree to a lease arrangement with Worldcom, a privately held company, for use of its ROW. The agreement specified that Worldcom would not only purchase and install the cable; they would pay BSDA a ROW rent of at least $1 per foot along the 90,000–foot route. Also, the company agreed to lease BSDA the fibers necessary for operating its rail services for $1 per year.

BSDA was able to save more than $200,000 allocated for development of the fiber optics of the rail system and use those funds for other capital costs. Savings were not only realized during the development stage of the project; BSDA has continued to reap substantial rewards for its innovative leasing efforts. In 1997 when the agency added 10,000 more feet of cable to the system revenues reached more than $125,000 per annum for BSDA off the lease arrangement. In short, BSDA saved development costs and is able to generate some revenue for the system. Additionally, the agency saves costs associated with the maintenance of the fiber optic system and the need for additional expert personnel to manage that aspect of company operations. This experience is an example of the lateral and market type linkages those transit companies must take advantage of to contain spiral-

ing costs. The BSDA project is only one of many popular leasing options available to the transit industry.

As illustrated by the BSDA experience, various innovative opportunities exist for agencies interested in leasing to confront and overcome fiscal constraints; some arrangements are more traditional than others. Listed below is a brief overview of the more popular lease options:

Operating Lease—an agreement between a user (lessee) and owner (lessor) of an asset for rental of the asset for a specified period of time. This is also known as a *true lease*. The lessor usually takes the tax benefits and responsibility for maintenance, insurance, and taxes in return for the payment of a periodic fee.

Capital Lease—A lease of a capital asset that is treated as a sale because certain conditions are met by the lessee, which are tantamount to ownership characteristics. Forms of capital leases are lease-purchase or conditional sales leases, which render the user/lessee the owner of the property and, thus, permit the lessor exemption of the interest portion of the lease payments from federal income taxes.

Financing Lease—In this case, the lessee negotiates a purchase with a supplier of property and simultaneously arranges for a bank or leasing company to buy the property. The lessee then executes an agreement with the financing institution from which it rents the property.

Sale-Leaseback—An arrangement whereby the owner of an asset sells the asset to a financing entity and then enters a lease for use of the asset with the buyer paying a fee that covers the financing cost of the purchased asset. The lessee (seller) obtains cash from the sale and the lessor (buyer) obtains the tax advantages of asset ownership.

Leveraged Lease—This involves the use of debt and equity capital, with the equity contributor obtaining the tax benefits of ownership and the overall debt financing employing tax-exempt bonds or notes. The idea of leverage comes from the utilization of a small equity (usually 20%) contribution to acquire a larger valued asset by employing debt-financing lease, and may be executed as a safe-harbor lease.

It is evident by the options presented here that leasing, as a financial mechanism, offers advantages to both the private and public agencies. Private agencies are benefited by tax savings profit potential. Public agencies are also attracted to leasing for several reasons (Cole and Brown 1981).

- Debt limitations constrain the ability of jurisdictions to enter the bond market.
- The general lack of public support for greater bond debt.
- Flexibility of lease terms—monthly, quarterly, semi-annually, and annually.
- Diversity of lease arrangements and opportunities (costs savings and revenue potential) that each provides.

The above discussion on current trends in financing public transportation indicates that the variety of approaches involves various combinations of the following:

- local own source revenues (general or special tax revenues);
- dedicated tax revenues (local option sales taxes);
- state generated tax revenues (fuel taxes);
- dedicated fees (impact fees); and
- a wide array of leases.

Indeed, many financing techniques do not, in themselves, generate new revenues, but provide a better match between income and expenditure and, consequently, a more effective management of a local government transaction cash flow. Perhaps one of the best, though fairly complicated financing techniques, that could be illustrated here to show the combination of financing sources is known as certificates of participation (COPs) (Cole and Brown 1983).

4.9 CERTIFICATES OF PARTICIPATION

COPs are tax-exempt bonds, issued by state or local agencies backed by a specified revenue source such as equipment or facilities lease. Usually, a state authority is established for the purpose of issuing tax-exempt bonds with "maturities that match the lease term of assets that are purchased by the state entity with the proceeds from the bond issue." The COP agency then leases the equipment to one or more transit systems. The transit agencies make lease payments, usually from a combination of formula grant funds and local matching shares, which are then passed through to the bondholders by the state (COP) entity. Here in Florida, for example, as early as 1989, Brevard County sold $23,875 million in COPs to finance a government operations center. This was a Florida Supreme Court approved structured lease (the lease was contested in court) that transferred titled to a lessor. This title transfer secured for the county private bond insurance for the issue and the ultimate benefit to the county was the infusion of funds to finance public transportation. In summary, the com-

bination of local and state generated revenue sources, general and dedicated, and leasing arrangements are the key ingredients of this innovative financing technique (Johnson and Mikesell 1994).

While the structure of the lease under a COP arrangement is complex, the benefits are easy enough to understand. In fact, the benefits, when generalized, reflect the advantages of innovative financing. As FTA in its Innovative Financing Techniques, illustrates, if an agency wishes to replace 50 buses in its fleet, but only has adequate revenue streams to purchase ten in a year, issuing COPs, backed by future flows of Federal and local funds, could permit the full replacement acquisition to be undertaken at one time. The benefits of completing the project on an accelerated basis would be realized in the form of: potentially lower unit costs from a larger order size reduced risk of higher future prices due to inflation or changes in environmental or other laws; higher quality of service to the public and potentially increased patronage; better conformance with mandates for air quality, or service to persons with disabilities; net cost savings from interest earned on cash balances. These benefits help to explain the validity in state and local governments' search and adoption of innovative techniques of financing public transportation.

5. Issues in Innovative Transit Financing

5.1 BACKGROUND

The American economy, as well as the economy of Florida, is dynamic, characterized by innovation, invention, and change. This is, in fact, one of the economy's great strengths. As other countries around the world struggle with financial crises and political instability, the United States economy remains solid, in large part because of our ability to quickly adapt to changing circumstances.

There has also been significant change recently in the American public sector that, while not as dramatic as market changes, has nevertheless been important. On the one hand, there has been a continual expansion in the role of government at all levels, as government spending has grown as a share of GDP. At the same time, however, there has been resistance to large increases in traditional revenue sources like income, sales, and property taxes. From California's Proposition 13 in the 1970s to the Reagan income tax cuts of the 1980s to the growth of state lotteries this decade, politicians and voters have been turning away from traditional methods of finance

and looking for new ways to fund government spending. This does not mean that governments have been trying to do more with less, but it does indicate that governments have been doing more while funding their activities differently.

Currently, local governments are certainly facing this situation. At the beginning of the twenty-first century, policy makers are exploring new ways of solving old problems. This is not just "reinventing government," but facing a reality that citizens have, at the same time, become more demanding and more critical of their elected officials. The message is out that if government is to be involved at all, there must be measurable results; and there must be efficiency. Local governments really are being pressured by citizens to do more without relying on increase to sales, property, or income taxes, and this challenge will surely drive further change and innovation in the public sector.

It is the very issues of efficiency and innovation that make this challenge an economic concern as well as a political issue. The discipline of economics has always been an essential part of politics, and will surely become more important as governments strive to develop new sources of funding for local projects. Although the nature of politics is the collective decision-making process, these decisions inevitably involve issues of revenues and expenditures. This means that there will always be an intersection of political and economic interests, and the challenge has always been to see that these two interests are in harmony rather than in conflict.

Over the years, political scientists and public management researchers have shifted the focus of their analysis from the traditional issue of bureaucratic structure and, instead, now pay more attention to public choice, efficiency and equity. Issues such as these, he contended, would lead to discussion on the nature of public goods and how best to provide them to citizens. Both economists and political scientists have written much since then about the theory of public choice and public goods.

One important element among the economic issues in the political area is the appropriate principle of taxation that should be invoked in a particular situation. Given that raising revenue is a necessity for the operation of government, should taxes be levied based on citizens' ability to pay, or should they be based on the benefits received by the taxpayer. These principles are not necessarily mutually exclusive, but choosing between them does involve important issues of efficiency and equity. Indeed, a discussion on the incidence of taxation, i.e., how will the tax burden be distributed, is

critical to an understanding of the financing of local public services, such as transportation.

5.2 THE ECONOMIC APPROACH TO FINANCING LOCAL PUBLIC SERVICES

The very first step in examining the financing of a publicly provided good (or service) at any level of government is an assessment of the economic nature of the good. Specifically, the important differences between public goods and private goods require that the two types be treated differently when they are provided in the public sector.

Public goods are those that contain elements of both jointness in consumption and non-excludability. Joint consumption exists when all citizens can consume the same good at the same time without the good becoming congested. Furthermore, it also implies that the good cannot be divided up, and therefore consumers cannot individually choose the amount that they consume. A good that is non-excludable is one which consumers cannot be prevented from using, regardless of whether they have paid for the good or not.

For the benefit principle of taxation to be applicable, it is obvious that the beneficiaries of a service must be readily identifiable. That is, the service being charged for should not exhibit a great deal of publicness. If, on the other hand, the service is jointly consumable (i.e. a pure public good), the marginal cost of allowing an additional person to consume the good is zero. When a positive price is charged for this type of service, some consumers will be inefficiently excluded and resources will be under allocated to that service's production.

For any benefit-based tax to be effective, it also must be easy to prevent non-paying individuals from consuming the good. If exclusion is difficult, government will spend substantial resources in an attempt to prevent "free riding," as well as individuals in an attempt to circumvent the exclusionary rules. Fees or user charges in this case may end up distorting consumer behavior more than tax finance, and inefficiency will result.

Transportation services, in general, do not exhibit the characteristics of joint consumption or nonexcludability. While there are some "public good" aspects to roads, highways and general public transit services, the provision of mass transportation involves beneficiaries who are easy to identify and who can individually adjust the amount of the service that they wish to use. This means that, unlike goods such as national defense, it is relatively easy to identify the cost of serving each customer. For this rea-

son charges, fees, or other benefit-based revenue sources can be used as part of a strategy to efficiently provide these services in the public sector.

Economists have long argued the case for user charges on efficiency grounds. If a user charge is defined as a charge that varies with the amount consumed of a particular good or service, a user charge can be thought of as analogous to a market price. In this context, the forces that lead competitive markets to allocate resources efficiently should also come to bear on the politically produced goods and services that are financed by user charges.

This means that the use of many innovative financing mechanisms for transit services have a sound economic basis. Development impact fees, for example, are a type of user charge. They place the cost of additional services directly on those who will use them. This allows developers to incorporate the costs of providing transportation services into their development, rather than forcing local governments to pass that cost on to taxpayers. At the same time, this particular ITF strategy provides additional revenue for the transit agencies, eliminating the need for those agencies to seek additional external funds to support local growth.

5.3 ECONOMIC GOALS AND POLITICAL GOALS

Although the theoretical underpinnings of user charge finance are relatively simple, there has been less empirical investigation of user charge finance than there has been of other public finance and tax issues. Because of the dominance of broad-based taxes in the mix of government revenues, the examination and application of user charges or "fees" remained relatively simple and straightforward in the literature until just recently. Typically, discussions focus on the advantages and drawbacks of user charges and the types of services that most readily lend themselves to user charge financing. In fact, the economic literature on user charges (or any of the alternatives to traditional tax financing) focuses almost exclusively on the equity and efficiency characteristics of a particular revenue mechanism. Rarely is the focus placed on the attitudes of citizens or politicians toward a particular financing strategy, although this may be the most important criterion when new financing methods are adopted.

There is one obvious problem with user fees, or any type of pricing mechanism as the sole method of financing transportation. There can easily be a conflict between the economic goal of maximizing efficiency and the political goal of providing public services. Much like the private market, properly designed user charges will result in services being provided only to those who are willing and able to pay the charge. This is likely to be incon-

sistent with political goals that often involve providing service to all citizens, regardless of their ability to pay. It may, in fact, be a specific goal of the government or transportation authority to provide service to low-income residents or to those living on the outskirts of a jurisdiction. By definition, these will be the people who are least likely to be able to pay and who may be costliest to serve.

This problem is not limited to transportation, as the dilemma is often faced when providing sewerage, trash removal, education, or a host of other public services. In order to avoid pricing low-income or high-cost citizens out of the market, governments often rely on general tax revenue to make up the difference between the costs of service and whatever price the users are asked to pay.

In theory, transportation services are ideal candidates for user charges, fees, or some other type of benefit-based revenue mechanism. As we have seen, however, this economic issue may be in conflict with political goals of maximum service provision. The obvious solution, then, is to provide service to marginal groups, but subsidize the service out of some general revenue source. This solution will likely sacrifice some efficiency, but what is gained is the ability to continue serving individuals who might otherwise be priced out of the market.

It is this "public service" aspect of mass transportation that has contributed to the ubiquitous tax-subsidized mass transit systems in many cities. In order to pay the costs of running the system, municipalities have had to turn to taxpayers who are not users of the system. While this approach does solve the problem of how to pay for service that would otherwise prove uneconomical, it does create problems of its own. The reliance on general revenue sources may meet political resistance from citizens demanding "accountability," "results," or a host of other buzzwords suggesting that there should be some self-sufficiency to public services that have private good characteristics.

Thus, in one sense, we are back where we started, with public services (regardless of whether they are public or private goods) funded primarily from general tax revenue. This, however, is precisely the situation that economists and many politicians have been trying to move away from, as resistance to higher taxes grows. This resistance has been driving a movement toward alternative financing strategies: not just a shift from ability-to-pay taxation to benefit-based taxation, but a drive to explore completely different ways of financing transportation and other municipal services.

Again, ITF provides an excellent way to address this issue. While a portion of transit budgets will always be financed through general taxes, other types of innovative financing strategies can allow a transit agency to generate revenue without having to rely either on increased broad-based taxes or on increased charges to the users of the service. The use of innovative transit financing strategies can allow transit agencies to break the mold of the traditional ability-to-pay vs. benefit-received tax debate. True innovation involves developing revenue streams that may not be derived from taxes at all in the traditional sense. Concession rentals provide an excellent example of this.

By leasing space in transit facilities to concessionaires, transit agencies can generate an entirely new stream of revenue. This revenue is derived not from the average taxpayers, nor from the paying passenger, but from private investors that wish to take advantage of the valuable real estate that the transit agency occupies. This particular type of financing mechanism is discussed in more detail below, but the description presented here should be sufficient to illustrate the possibilities of moving away from taxes altogether. Innovation should allow agencies to develop supplemental revenue from a wide variety of sources. The advantage in this is that by attracting private investment to transit, increased revenues are generated without squeezing out passengers. Transit agencies can thus overcome the dilemma of having to choose between economic efficiency and the broadest possible provision of service.

Political reality has started to catch up with economic theory. User charges in one form or another have been part of the core of public finance as long as there has been a principle of benefits-based taxation, but it has only been in recent decades that actual revenue sources have started to reflect this.

The theoretical arguments for beneficiary charges are as simple as they are powerful. Equity considerations of the benefits received approach suggest that those individuals who use a service or consume a good should be the ones to pay for it. Conversely, those who choose not to consume a good should not be forced to subsidize those who do. Fundamental principles of economic efficiency, furthermore, require that there be a link between the consumption of a good and the costs that consumption generates.

Taken one step further, the idea of relying on market-type mechanisms to effectively and efficiently generate revenue streams can be interpreted quite broadly. It opens up the possibility of both developing new ways to charge

for service, and of developing new ways of generating private investment in public transit.

There is, therefore, both economic and political justification for development and expansion of innovative transit financing strategies. The movement away from broad based taxes and toward charges, fees, and supplemental revenue sources will allow transit agencies to maintain financial stability while ensuring the support of citizens who may simultaneously demand increased service and reduced tax burdens. Thus, cities that do not wish to privatize service outright but do wish to capitalize on the incentives of market mechanisms have a middle path: public provision coupled with innovative financing mechanisms.

5.4 ALTERNATE FINANCING STRATEGIES

Dennis Mueller (1989) has collected the evidence from some fifty studies and has shown that in the majority of cases, private provision is more efficient than public provision. Efficiency in private provision exists primarily because the private alternative is one hundred percent self-financed by the price equivalent of a user charge. The same mechanisms that lead to efficiency in ordinary private markets are brought to bear on the goods that were once publicly produced.

The lure of efficient provision of public services is powerful, but outright privatization of transportation services is often not a viable alternative for local governments. Usually, cities are reluctant to give up the level of control that exists when goods are produced in the public sector. Privatization may also interfere with the "public service" aspect of provision. In light of this, outright privatization of transportation agencies is uncommon. A much more popular method is the formation of public/private partnerships. This arrangement provides the discipline of market forces while still ensuring control by local governments. It is within these types of partnerships that innovative financing strategies are often found.

Fortunately, the types of ITF strategies that have been discussed here are likely to fit in well with Florida's overall vision for the future. Legislation and growth plans at both the state and local levels reflect the same goals and constraints discussed above. Governments must balance broad provision and availability of transportation services with efficiency and financial soundness. Section twenty of Chapter 187, for instance, promotes wide availability and use of transportation services, while at the same time instructing that investments are to be directed at enhancing system efficiency. At the local level, Orlando's growth management plan states that all new transit services "shall be designed and operated to provide accessibil-

ity to all segments of the community." At the same time, however, the plan requires the city to develop a transportation system that is "financially feasible" (City of Orlando 1991, pages TE–14 and TE–24).

These two goals—broad provision and financial stability—need not be in opposition to each other. In fact, it is the role of innovative transit financing strategies to ensure that they are not. The future success of transportation in Florida depends crucially on the ability of transit agencies to innovate within their own systems and to attract private investment from outside. These innovations will not only allow cities and the state to supplement traditional funding sources; they will enable the provision of transportation services to keep pace with a dynamic and growing Florida.

5.5 ADVANTAGES AND DISADVANTAGES OF ITF

The ultimate goal of transit agencies is to provide transportation services to the residents and visitors in their jurisdiction. While there are a variety of ways that innovative transit finance can serve this end, the various strategies are generally designed to further just two intermediate goals: raising revenue and expanding service.

Of course, both increased revenue and expanded service are necessary components of an increase in the provision of transportation services. However, depending on the particular needs of a given agency at a given time, innovative transit financing strategies may be used to focus on just one goal or the other.

The desire to generate additional revenue for a transit agency is perhaps easiest to understand. Nothing that is done within the agency can be accomplished without some source of revenue. The use of ITF strategies, therefore, can give an agency the opportunity to fund service when other sources of revenue are not available. This is particularly important when agencies face pressure to rely less on general tax revenue. Incremental tax districts, for example, have been used in Florida to capture some of the value that is created by the provision of transportation services. Surrounding land values increase, and part of that increase is captured by the special tax. Local businesses and residents are made better off, and additional revenue is generated without having to increase general tax rates.

This may also be the case when an agency faces a time limit on the supply of intergovernmental revenue. Typically, a fixed-year grant may provide revenue for the start-up period of a project.

An agency's desire to use innovative transit finance strategies to expand service may result from a different set of circumstances. Often, by looking outside traditional revenue sources or by taking advantage of various cost reduction strategies, an agency may find an opportunity to provide service that might not otherwise be feasible.

The existence of a cost-saving lease arrangement (such as cross-border lease) or the availability of reduced-price equipment purchase may allow an agency to expand service or provide service to an entirely new area. Several Florida transit agencies have participated in (or are planning to participate in) the pool purchase agreement arranged by the Florida Transit Association as a way of expanding bus and trolley service. The dramatic reduction in paperwork that results from pooled purchasing allows agencies to make purchases that might not otherwise be possible.

Often overlooked, too, are ITF strategies that can allow agencies to expand service by generating increased ridership. This can occur when joint development projects or public/private partnerships create the opportunity for an agency to provide increased service without bearing all of the incremental costs. The joint development project, which houses Miami Aventura Mall and initiated by the Miami-Dade Transit Agency was designed to create value in many ways. Certainly one of the more important aspects of the design was the idea of marrying public transportation with private development to create more value than could have existed with either one alone. Quite aside from the issues of cost savings or revenue generation, these types of strategies provide a way for transit agencies to better fulfill their primary purpose of transporting citizens where they want to go.

The goals of expanding service and raising revenue need not be mutually exclusive, of course. We can see, however, how innovative transit finance allows agencies the flexibility to pursue different paths to their ultimate objectives. Flexibility is, in fact, one of the primary advantages of utilizing innovative transit finance. An agency constrained by traditional finance methods may find it difficult to adapt in a dynamic environment. Indeed, "dynamic" certainly characterizes the economic, political, and demographic changes that Florida faces as it moves into to twenty-first century.

Relying on traditional general tax finance means that there is only one way for an agency to obtain additional revenue or expand service: raise taxes. With the use of innovative finance strategies, however, the opportunities available to agencies grow exponentially. This means that the tools available to agencies can keep up with the creativity of transit management. In Florida, this has led to many innovative policies: for example, Orlando's

transit system, LYNX, uses bus wrap advertising not only to generate substantial advertising revenue, but to cross-promote city events that will generate additional ridership and farebox revenue. Following a trend in sports stadiums nationwide, Tampa has generated substantial revenue from the sale of naming rights to its new streetcar line (For other examples, see Part II Section 6, Successful ITF strategies in Florida).

Not only do these strategies allow agencies to circumvent political resistance to providing general tax revenue for transportation, they can also provide options for overcoming statutory limitations that can restrict the provision of transit services. To the extent that innovative transit finance mechanisms provide an alternative to agencies that are constrained by laws restricting bond issuance, Certificates of Participation are one example of this alternative.

Several Florida transit agencies also take advantage of the availability of toll revenue as a soft match for capital funding, and the ability to capitalize some maintenance costs to free up operating revenue. These strategies all emphasize the importance of flexibility, as they all rely on the substitutability of funds from one category to another.

The benefits of flexibility do come at a cost, however. While the options that ITF strategies provide to transit agencies are amore varied than the standard finance alternatives, they are also often more complex. This will frequently mean additional administrative costs as agencies negotiate lease agreements or contract with private companies as part of a joint development project. Also there is often increased demand on the time of employees and on the personnel requirements associated with overseeing the agencies' finances. For some of the smaller agencies in Florida, the administrative costs associated with participating in the various Federal and state grant and loan programs have become burdensome. There is inevitable trade-off; either additional staff must be hired (or contracted out), or current staff time must be diverted away from other administrative tasks.

Finally, as agencies become more involved in capital markets and as they increase the complexity of their financial arrangements, there will always be increased financial risk. There is no reason why this risk cannot be effectively managed, however, as is done by businesses in the private sector. Overall, the benefits that the use of innovative transit finance strategies create for Florida seem to far outweigh the potential costs, and the use of ITF undoubtedly presents numerous opportunities for Florida's transit agencies.

6. Conclusion

This review of the literature and overview of ITF has sketched out a picture of the issues that confront Florida transit systems. The current financial status of public transit in Florida has been explained. The review has identified and discussed in general terms the gap between the need for increased public transit services in Florida and adequate revenue sources to meet these transit needs. As a study background to the empirical research of this study the review has underscored the relevant theory that underlies sound financing principles, as well as the political and administrative constraints faced by transit systems that are looking toward a future that is consistent with the goals and objectives of the state's 2020 Transit Plan. Additionally, the review has identified and discussed a numbers of the "best practices" of innovative finance strategies that have proven successful throughout the country.

The challenge, then, for the rest of this study is to put this knowledge to work combined with empirical data obtained from direct interviews, informal but meaningful discussions with transit and non-transit stakeholders and various secondary sources of information, to construct a blueprint for taking public transit in Florida well into the twenty-first century. Thus, for several months the research team directing this study conducted open-ended interviews, with transit and non-transit stakeholders to gain the benefit of their expertise and experience in the transit industry. The findings, analysis and discussion on these findings are the focus of Part II of this study.

Part II

Analysis of Data and Discussion

1. Methodology and Organization

Introduction. The preceding Technical Memoranda have emphasized that there are two main goals of this study on Innovative Transit Financing (ITF) in Florida. These are: First, to identify and develop an inventory of innovative approaches to financing public transit (ITF) in Florida and second, to assess the effectiveness of these approaches. In this technical memorandum (or tech memo) the objectives are to:

- explain the manner in which the research proceeded to achieve these goals,
- explain the specific methodological approach and the rationale supporting the approach,
- present the findings of the study;
- provide an analysis and synthesis of the data with an evaluative discussion on the effectiveness of ITF strategies in Florida. The discussion is aided by a set of criteria that address "success factors" or factors that have contributed to successful ITF strategies in Florida; and
- finally, to present a summary/conclusion and recommendations.

To achieve these goals a survey consisting of twenty-three questions was conducted. The research team conducted a total of 24 face-to-face interviews. Seventeen of these were transit agency heads, or their designees; in the majority of cases at least two (frequently three) agency officials participated in the interviews. Most of the time, the financial officer of the agency accompanied the transit agency chief. These individuals are referred to in our study as transit agency stakeholders. Seven non-transit agency stakeholders were also interviewed. Non-transit agency stakeholders are individuals who, although not directly employed in the transit industry, may be officially or professionally involved in activities that directly or indirectly affect transit. FDOT officials in Tallahassee who were interviewed are regarded as non-transit agency stakeholders. In Appendix 2 is the survey questionnaire and the persons interviewed are listed in Appendix 4 of the study.

SURVEY DESIGN

The survey design and the interviewees identified for participation in this study were in part a recognition of the complex nature of the topic itself and that a comprehensive understanding of ITF in Florida required obtaining information and perspectives from a broad section of the transportation industry in Florida.

To properly assess the status of ITF in Florida, it was decided from the onset that the most effective information gathering approach for this stakeholder survey would be a modified Delphi Method. One of the objectives of this method is to achieve a relaxed atmosphere in which open-ended responses can be given. Another important element of the Delphi Method is that the respondents have the opportunity to review and react to the initial interview comments.

Following the face-to-face interviews respondents were given the opportunity, through a prepared summary of interviewees comments mailed out to them, to provide additional input, and to clarify or modify initial comments. In the final analysis all interviewees had the opportunity to review, correct or confirm comments made during the interview. Additionally, this approach gave the participants an opportunity to react to statements made by other interviewees if they felt that comments made were inconsistent with the conventional wisdom or overall experience of innovative transit in Florida. It was explained to each interviewee at the end of the interview that an anonymous report of what was said during the interview would be mailed to the interviewees. All agreed that a report consisting of anonymous comments would be the preferred approach. Anonymity was not an impediment to identifying the accuracy of a reported statement or statements reflecting serious contrasts to conventional thinking or experience in the industry.

The research team conducted a second survey. This survey was designed to specifically identify what forms of ITF were currently in use among Florida transit systems, and what ITF approaches were anticipated in the future. This survey allowed the researchers to achieve the goal of establishing an inventory of current ITF use in Florida, and provide the research with a solid sense of the likely future direction of ITF in Florida. This survey also provided a better picture of which ITF strategies are most often used in Florida and those that are moderately or least used ITF among Florida transit systems. (See Section 4 of this study). The results of both surveys have enabled the research to accomplish the goals of ITF inventory building, and assessment of the status of ITF in Florida.

ORGANIZATION

The following section provides (1) a brief description of each ITF approach used in Florida; (2) interviewee summary comments on ITF used or plan to use in Florida. Section 4 provides a detailed analysis on data collected and perspectives offered by interviewees. The remaining sections provide a synthesis of the analysis of data, pertinent perspectives of interviewees, and an evaluation of the strength and weaknesses of ITF in Florida, using a specified set of criteria. The final section of the analysis of data is an illustration of successful ITF projects in Florida.

2. Types of ITF and Transit Funding Structure

ITF DISTINCTIONS

Part II of this report presents the findings of our study, along with an analysis of data and a discussion of the findings. The data are discussed within the framework of our interviews of Florida transit officials. Broadly speaking, the innovative transit finance strategies that we examine can be divided into two types: conventional strategies that rely on well-known ITF techniques, and unconventional strategies that make use of various financing techniques in innovative ways.

The Federal Transit Administration publications "Innovative Transit Finance," and "Innovative Financing Handbook" provide the following examples of what are considered to be innovative transit finance: certificates of participation, cross-border and domestic leases, turnkey management, joint development, state infrastructure banks, state revolving loan funds, delayed local match, and toll revenue credits. These strategies are generally considered to be "conventional" innovative transit finance techniques. Admittedly, they are the strategies most likely to be mentioned when innovative finance is discussed in the transit industry. The actual practices of agencies in Florida, however, go well beyond these conventional strategies.

What our study has found is that Florida's transit agencies are *adapting* ordinary revenue sources and putting them to work in creative, new ways; they are also taking financial techniques from other industries and making them work in Florida transit. Florida's transit agencies are using their expertise and knowledge of local transit issues to implement what may be described as unconventional innovative transit finance techniques. Some of these unconventional techniques include: bus wraps, advertising, pool

purchases of buses or equipment, property swap, special taxing districts, impact fees, Grant Anticipation Revenue Vehicles, incremental tax areas, and creative use of Federal, State, and local transportation funds. These financing techniques do not always receive the attention that the more conventional techniques do, but they play an important role in transit finance in Florida.

It should be pointed out also that these strategies are designed to both generate revenue for transit agencies and, where practical, reduce the costs of providing transit service. For example, the Escambia County transit system entered into an agreement with two shopping malls to underwrite the cost of transportation from the Pensacola Naval Air station to the malls during the weekend and on nights when normal bus service was unavailable. The malls decided to split all costs not covered by the farebox on a 50/50 basis. This premium service is provided at no cost to taxpayers and is open door. Implementation costs were minimal (Volinski 1995). A simple example, reflecting cost savings, occurred with MDTA 's joint development arrangement with the Omni Mall. The mall paid for the design and construction of an aerial skybridge connecting the Omni Metromover Station to the Omni Mall. Additionally, according to Volinski's study (1995) the mall pays 23% (or at least $50,000 annually) of the maintenance and security expenses for the Omni Metromover Stations.

Notwithstanding the differences in focus between conventional and unconventional ITF, both conventional and unconventional ITF strategies have the capability of:

- filling gaps between revenues and expenditures
- facilitating more and larger projects
- providing better cash flow management
- positively influencing project costs and the timing of benefit streams from capital investments
- attracting FTA grants to support transit oriented joint developments
- shaping and developing communities in which transit systems exist.

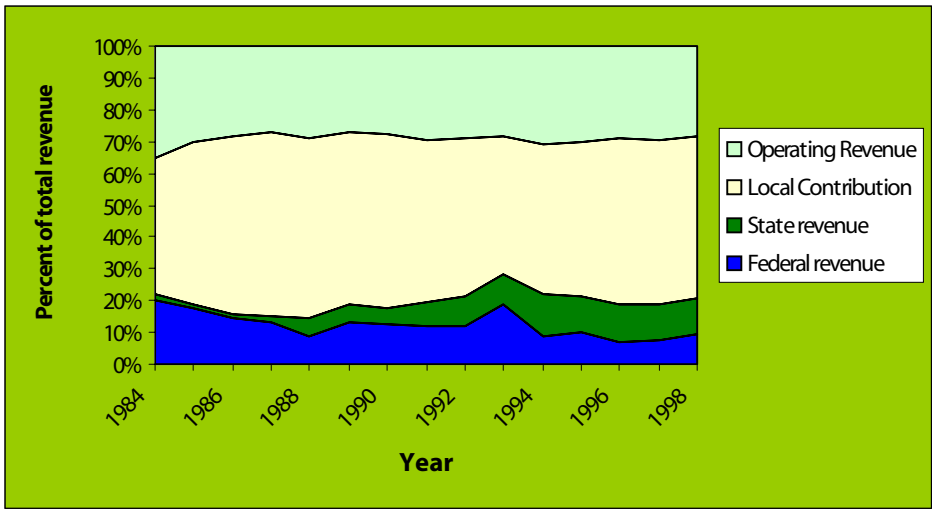
Of course these benefits and others attract large transit agencies that are capable of undertaking large capital financing projects. Even small and medium size transit agencies are attracted to ITF, particularly to those strategies that can generate additional operating revenue. Larger agencies, such as MDTA, Lynx, and PalmTran, are also interested in revenue generation as well as capital expansion. Particularly prominent among the larger

agencies are conventional joint development projects such as those undertaken by Miami's MDTA.

FUNDING STATUS

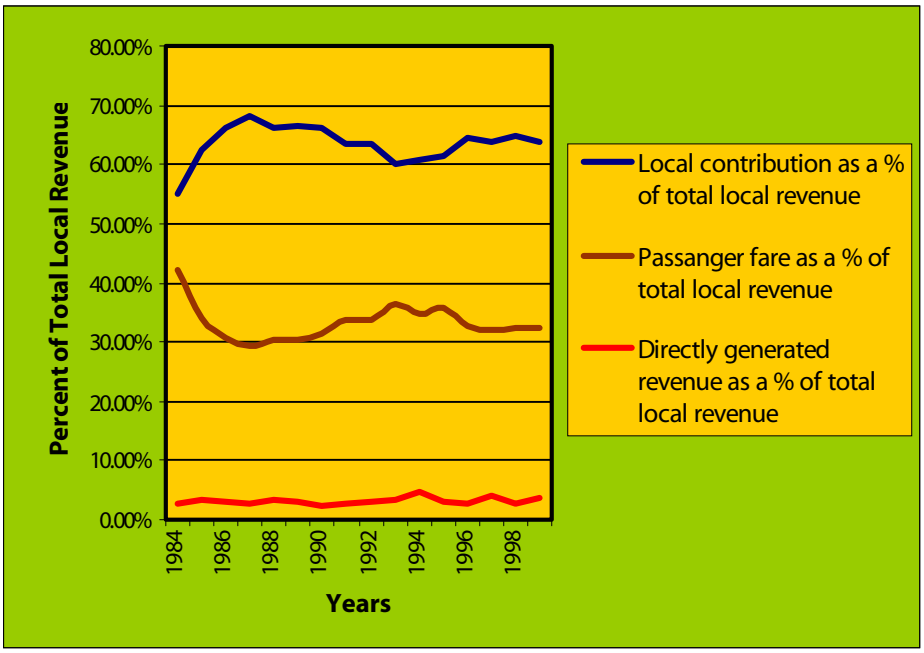
Regardless of the type of ITF adopted, however, Florida transit agencies share common problems, challenges and prospects for the future. All Florida transit agencies, for example, share the same experience in terms of sources of funding and approximately the same level of funding from those sources. It is relevant here to provide aggregate figures on transit funding for Florida transit systems. The average contribution to Florida transit by federal state and local governments during 1984–1998 has been as follows: federal funding to Florida public transit has declined from 20% in 1984 to 9 % in 1998. State funding, however, has increased from about one percent in 1984, to about 12% in 1998. Local contribution has remained on the average about 79% for the same time period. This amount, 79%, consists of local government contribution of about 49%, passenger fare revenue, averaging 28% and directly generated funds, about 2%.

FIGURE 3. Sources of Florida's transit revenue



SOURCE: 1998 Performance Evaluation of Florida's Transit Systems Part 1, 2000

FIGURE 4. Distribution of Total Local Revenue



SOURCE: 2000 Performance Evaluation of Florida's Transit Systems Part 1.

NOTE: *Operating revenue* = Passenger fare revenue + Directly generated non-fare revenue as a % of total revenue.

Total local revenue = *Local Contribution* + Operating revenue as a % of total (federal, state & local) revenue.

Directly generated non-fare revenue is approximately 2% of total local revenue.

The study also provides in Appendix 1 charts reflecting trends in various performance measures pertaining to percentage increases in both expenditure and revenue in Florida Transit for period 1984 through 1997.

3. Florida Transit ITF Inventory

Relying on traditional general tax finance means that there is only one way for an agency to obtain additional revenue or expand service: raise taxes. With the use of innovative finance strategies, however, the opportunities available to agencies grow exponentially. This means that the tools available to agencies can keep up with the creativity of transit management. The strategies in use around Florida all emphasize the importance of flexibility, as they all rely on the substitutability of funds from one category to

another. This is the source of substantial innovation in Florida transit finance. Agencies are developing not just new sources of revenue, but are devising ways to use existing revenue in new and innovative ways.

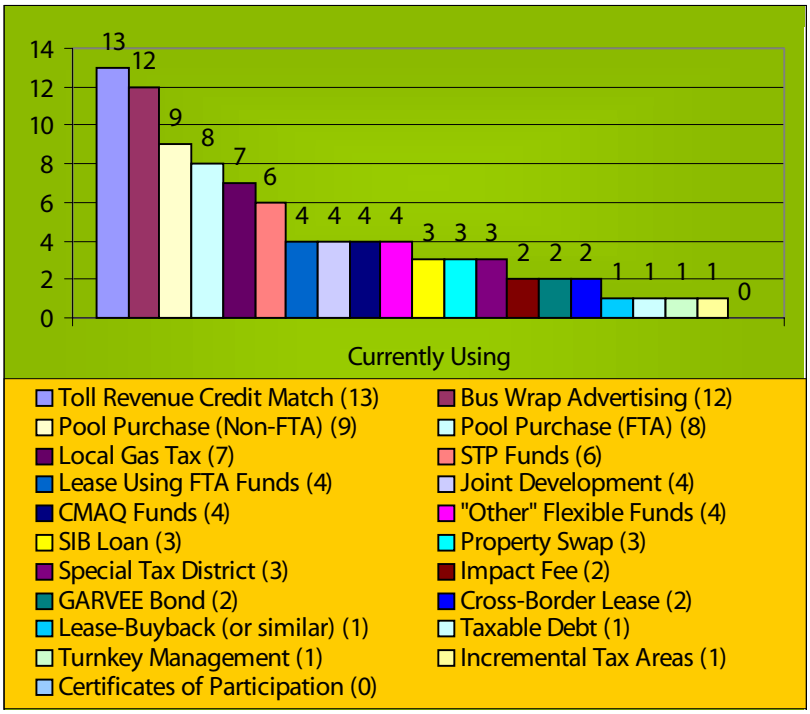
The broad nature of innovative finance has been clearly articulated by the Federal Highway Administration. In the first issue of FHWA's *Innovative Finance* newsletter the editor asks the question, "What is innovative finance?" The answer is that innovative finance "is a broadly defined term that refers to non-traditional methods for transportation financing *as well as the use of conventional methods in new ways*." [emphasis added] (FHWA 1996:1). Transit agencies in Florida have made significant progress in implementing innovative finance, particularly the latter type.

To document the uses of innovative transit finance, transit agencies in Florida[1] were surveyed and asked to indicate their involvement with Innovative Transit Finance strategies. Each agency was presented with a list of twenty-one ITF strategies, and for each strategy was asked two questions: 1) is the strategy currently being used? (or has it been used in the recent past), and 2) Do you plan to use the strategy? (or would you like to use it) in the future. Fourteen agencies responded and their responses are presented below, beginning with the most commonly used strategy. Agencies generally reported multiple strategies; however, most of the strategies reported were categorized as either "currently in use" or "plan to use" in the near future. (See Figures 5 & 6).

Two charts are presented below. One shows the relative popularity of the ITF strategies discussed in this section. The first chart (Figure 5) identifies only those strategies reported to be currently in use by the agencies responding to our survey. The second chart (Figure 6) illustrates those ITF strategies that are planned for future use. A narrative follows, summarizing the comments made by agency respondents. Specific information on which agencies are currently using what kind of ITF method is provided in Appendix 3.

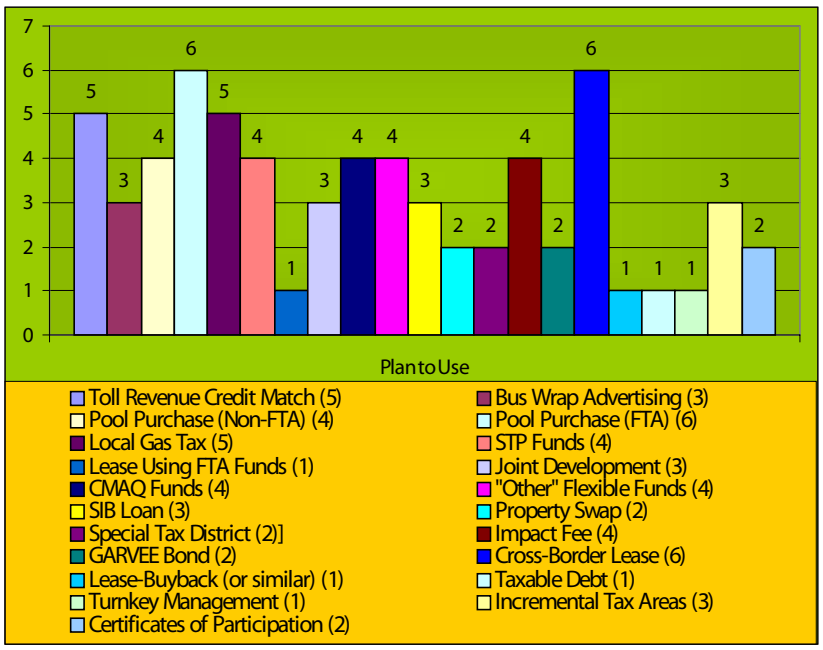
1. The agencies responding to this survey were: Manatee County Area Transit, VOTRAN, Escambia County Area Transit, Sarasota County Transportation Authority, TALTRAN, SUNTRAN, Citrus Connection, Broward County Mass Transit, Space Coast Area Transit, Miami-Dade Transit Agency, Jacksonville Transportation Authority, Gainesville RTS, Palm Tran, and HART.

FIGURE 5. Inventory of ITF Strategies Currently Using



SOURCE: Interview and Follow-up Survey

FIGURE 6. Agencies With "Plan to Use"



SOURCE: Interview and Follow-up Survey

Below is a list, along with a brief description of the Innovative Transit Finance techniques listed in the ITF Inventory survey.

3.1 TOLL REVENUE CREDIT MATCH

The toll revenues generated by public roads and bridges can serve as a transit agency's local match for Federal grant funds. Federal transit legislation makes this provision subject to the restrictions that: toll revenues must be used for capital expenditures rather than operating expenditures, and the local match is limited to the amount of toll revenue capital expenditure in the current year.

3.2 BUS WRAP ADVERTISING

Depending on the size of an agency's bus fleet, substantial advertising revenue can be generated through the sale of on-bus advertising. Bus wraps are a process where an entire bus is painted with an ad design. Rather than advertising appearing on a designated area on the side or rear of the bus, the entire vehicle becomes a rolling billboard.

3.3 POOL PURCHASE OF BUSES OR OTHER EQUIPMENT NOT INVOLVING THE FLORIDA TRANSIT ASSOCIATION AND POOL PURCHASE OF BUSES OR OTHER EQUIPMENT THROUGH THE FLORIDA TRANSIT ASSOCIATION

Pool purchasing of buses (and other capital equipment) is more of a purchasing strategy than a "financing" mechanism. Nevertheless, it has become increasingly important to Florida transit agency budgets. Pooled purchasing provides two important advantages over individual purchasing: larger orders often reduce the per-unit cost of equipment, and standardized contracts and procurement paperwork reduce the time necessary to complete transactions.

3.4 LOCAL OPTION GAS TAX

Counties in Florida have the ability to levy fuel taxes and use the revenue for transportation purposes. The three significant sources of revenue are the two-part Local Option Fuel Tax, which consists of a "first six cent tax" and a "second five cent tax", and the Ninth Cent Fuel Tax, which provides for an additional one cent per gallon.

3.5 SURFACE TRANSPORTATION PROGRAM FUNDS

Certain Federal Highway Administration funds can be allocated through the state and through regional Metropolitan Planning Organizations to be used for a variety of transportation projects, including transit. STP funds fall into this category.

3.6 LEASES INVOLVING FTA FUNDS

This strategy simply involves the use of federal funds to lease rather than purchase capital equipment. Most FTA capital funding is eligible to be

used in this way, subject only to the same restrictions that apply generally to the use of federal funds for capital rather than operating expenditures.

3.7 JOINT DEVELOPMENT PROJECTS

Joint development projects are arrangements where a local transit authority or local government entity and a private company agree to jointly develop an area where private facilities and public transportation are being built or expanded simultaneously. Joint development will be an attractive alternative any time the value of private development and public transit facilities can be mutually enhanced by being located together.

3.8 USE OF "OTHER" FLEXIBLE FEDERAL HIGHWAY FUNDS (OTHER THAN CMAQ AND STP FUNDS)

Federal funds are said to be "flexible" when they can be used either for transit or highway purposes. Money that comes from the Federal Highway Administration includes (in addition to funds for CMAQ and the STP) funds transferred through the FTA to the Urbanized Area Formula Program (Section 5307), Nonurbanized Area Formula Program (Section 5311), and the Elderly and Persons with Disabilities Program (Section 5310).

3.9 CONGESTION MITIGATION AND AIR QUALITY (CMAQ) PROJECT FUNDS

CMAQ funds are administered by the Federal Highway Administration and can be used for a variety of transit projects. The goal of the CMAQ program is to reduce transportation-related emissions, and projects funded with CMAQ funds must demonstrate a connection to congestion reduction and air quality improvement.

3.10 STATE INFRASTRUCTURE BANK (SIB) LOANS

Florida's State Infrastructure Bank was originally funded with federal money for the purpose of making loans and credit available to finance federally authorized transportation projects. The purpose of the State Infrastructure Bank is to provide greater flexibility in project financing than would be available through traditional federal grants.

3.11 PROPERTY TRANSFER OR SWAP

To facilitate joint development, the Federal Transit Administration allows transit agencies to "transfer the FTA interest in one property to another, to allow the private development or other use of the property." This provision allows some additional flexibility on the part of agencies and encourages them to maximize the value and usefulness of transit properties.

3.12 SPECIAL TAXING DISTRICTS

Special taxing districts can be used when a transportation project is expected to provide benefits to a specific area. A tax district can be established to coincide with that area to capture some of the benefits created by

the transit improvements. This strategy provides an additional revenue source for transit projects and creates a direct relationship between the beneficiaries of transit projects and the payments for those projects.

3.13 IMPACT FEES

Similar to special tax districts, impact fees attempt to place a portion of the cost transit service directly on those who benefit. Increased development and growth within a municipality typically requires expanded transportation infrastructure. Impact fees allow development to "pay for itself" by assessing the costs of transit expansion on the development that the transit is serving.

3.14 GRANT ANTICIPATION REVENUE VEHICLES (GARVEE BONDS)

GARVEE bonds are used to speed up the implementation of transit capital projects by allowing agencies to issue bonds secured by federal revenues. Rather than waiting for federal money to come in over a period of years, agencies can realize that stream of money up front with a bond issue. Federal money is then used to secure repayment of the bonds. This provides a more secure bond issue than the bonding of local revenues such as the gas tax.

3.15 CROSS BORDER LEASES (OR SIMILAR LEASES)

A cross border lease is a strategy that allows a foreign investor to purchase transit assets located in the United States and lease those assets back to a U.S. transit agency. The foreign investor typically receives a benefit in the form of reduced foreign taxes. This benefit is then shared with the U.S. transit agency in the form of reduced lease costs or a lump sum payment.

3.16 LEASE BUYBACK, SALE-LEASEBACK, LEVERAGED LEASE (OR SIMILAR LEASES)

These strategies are similar to the cross-border lease described above but involve domestic transactions only. Leases can be structured in many different ways, but the common theme is that transit agencies are able to obtain capital equipment while at the same time maintaining flexibility in their use of funds. Safe harbor leases were also included in this category until their tax advantages were eliminated by federal legislation in 1986.

3.17 TAXABLE DEBT

Borrowing is always an option for any agency that is looking for alternatives to finance a transportation project. If federal or state restrictions make GARVEE bonds or tax-exempt COPs unattractive, transit agencies or other government entities may issue taxable debt.

3.18 TURNKEY MANAGEMENT

A turnkey arrangement involves a transit agency contracting with a third part to design and build (and in some cases operate and maintain) a transit

facility. By placing these responsibilities on a contractor, transit agencies can realize substantial cost savings. Typically, these savings result because contractors have specialized technical and managerial skills that allow them to accomplish a particular task at lower costs. This type of contracting out can also save agencies time and administrative costs.

3.19 INCREMENTAL TAX AREAS

Also known as tax incremental financing (TIF) districts, this strategy is another way for municipalities to capture some of the value created by the provision of transit services. Once an area is designated as a TIF district, the tax revenue generated by tat district for non-transit purposes is held fixed. Transit improvements raise the property values in the area and the additional property tax revenue generated (the "increment") goes to fund those same improvements.

3.20 CERTIFICATES OF PARTICIPATION (COPS)

Certificates of Participation are another strategy used for the acceleration of capital projects. COPs are bonds that are issued by state authorized tax-exempt finance corporations. The proceeds from the bond sale are used to purchase transit assets, which are then leased to a transit agency. The transit agency makes lease payments using a combination of federal, state, and local revenue, and those lease payments are used by the finance corporation to make the bond payments to bond holders.

4. Analysis of ITF Survey Response

Clear patterns emerge from our survey of Innovative Transit Finance use. Only five ITF strategies are used by a majority of the agencies surveyed. These strategies are: toll revenue credits, bus wrap advertising, pooled purchase of buses and equipment (both through the Florida Transit Association and through other programs), and the local option gas tax. None of these strategies involve direct federal money. This simple fact highlights one of the significant results of our study. We have found nearly unanimous agreement among transit agencies, FDOT officials, and transit stakeholders that there is a need for greater flexibility in addressing Florida's transit needs.

Federal money often comes with strings attached, and agencies may find that locally generated revenue allows them to better allocate scarce transit resources. The same can be said for the "revenue" that is generated when cost savings are realized through pooled purchasing. The money that is

freed up by this program can be directed where it is most needed, without the restrictions that usually accompany grant or program funds.

4.1 MOST POPULAR STRATEGIES

The most popular ITF strategy identified in our survey is Florida's toll revenue credit match. The popularity of this instrument reflects the desire of agencies to increase both the availability and the flexibility of funds. The toll revenues generated by public roads and bridges can serve as an agency's local match for Federal grant funds. By freeing up money that would otherwise be devoted to that particular grant project, this "soft match" provides a direct increase in the availability of transit funds.

An advantage of the toll revenue credit match is ease of use—it is basically an accounting transaction, so it provides the described benefits at very little cost. This is in stark contrast to the extensive work that typically would go into a cross border lease or joint development agreement. Bus wraps and pooled purchase of buses and equipment round out the top three most popular ITF strategies. They are also characterized by their relative ease of use. A second important factor for all three is that they free up revenue that can be used for other projects. Unlike federal money or other earmarked funds that may only be available for certain projects, advertising revenue and the other local revenue made available through cost savings or soft match allows transit agencies to have more direct control over how they administer their budgets.

In our interviews of transit stakeholders, we asked how ITF could be made more effective in the agency's local area. Most of the ideas on how to make ITF more effective came from the agencies themselves, rather than from FDOT officials or financial stakeholders. This is to be expected since at the state level, the DOT can only make options available—it is the agencies themselves that must put these policies into practice. *Both state and local participants agreed that a dedicated source of operational revenue would allow agencies to make better use of ITF.* In the absence of new revenue sources, however, there was one issue that seemed to be essential in increasing the effectiveness of ITF: flexibility. In fact, the most common response to the question about ITF effectiveness involved the need for more flexibility for local agencies.

The desire for "flexibility" within agencies is a reflection of the fact that the majority of funds from governmental sources come with strings attached. Restrictions are placed on (1) the types of programs that can be funded, (2) types of expenditures that are allowed, (3) location where projects are permitted and (4) a host of other project criteria. These restrictions ham-

per the ability of transit agencies to implement the projects that they believe will be most valuable to their customers.

The importance of the above-mentioned strategies can also be seen in the answer to the question: What is the objective of your agency's participation in ITF? Respondents from 14 of 17 agencies that were interviewed indicated that increased revenue was an important objective. (See Table 3). This increased revenue can be generated directly through innovative advertising, or it can be made available when the cost of other projects is reduced through pool purchasing or relief from local match requirements.

TABLE 3. Agency ITF Objectives

Objective(s)	Number of agencies with this objective
Raise revenue	7
Expand service	3
Raise revenue and expand service	2
Raise revenue and increase capital	3
Raise revenue and reduce costs	2

Even when it is not being used to generate advertising revenue, bus wrap ads are popular with Florida's transit agencies. These ads are commonly used to advertise the transit agency itself, to promote municipal programs such as recycling, or to promote city-sponsored events and activities. Sarasota County Area Transit for example recently wrapped buses with messages promoting their Recycling, Keep Sarasota Beautiful, and Water Conservation programs. Using bus wraps in this manner also promotes acceptability of the bus wrap concept and can make future paid advertising more successful. Bus wraps are already widely regarded, as one of the most successful forms of outdoor advertising, and their place in Florida transit budgets in the future seems assured.

Pool purchase programs are another ITF strategy that has become an important part of Florida transit agencies finance inventory. Although the FTA pool purchase program initially got off to a difficult start, there is now widespread recognition of the benefits that pool purchase programs can provide. While the pool purchase idea is generally thought of in the context of large capital purchases (such as buses or rail cars) its implementation has become much more diverse. In fact, more agencies report the use of pool purchasing programs outside of FTA (total of 9) than through FTA (8).

The pool purchase strategy is often used to allow agencies to buy in bulk and obtain a lower price. Items that have been purchased this way include computers and bus tires. Equally important to Florida's transit agencies, however, are the savings in time and administrative paperwork. Agency directors repeatedly stressed the difficulty and cost of having to go through a RFP and bid process. The standardization provided by pool purchase programs, especially the purchase of buses through the FTA, creates substantial administrative savings for the agencies involved.

The local option gas tax is only slightly less popular than the previously discussed strategies. Half of the transit agencies surveyed reported using local option gas tax revenue as part of their ITF strategy. The fact that only half of surveyed agencies report using local gas tax revenue is not a reflection of any significant disadvantages associated with the use of the tax. It is rather due to the fact that transit does not always have a high priority when tax revenues are being allocated.

There is actually a substantial amount of revenue generated by local fuel taxes. Recent Department of Transportation calculations show that approximately $644 million was generated during FY 1999–2000. These revenues are generated through a number of local fuel tax provisions. The "first 6 cents" of the local option tax is applied to gasoline at the maximum 6–cent rate (per gallon of fuel) in all but 5 of Florida's 67 counties. This first 6 cents is also applied uniformly at the 6–cent rate to diesel fuel in all of Florida's counties. The "second five cent" local option tax is available to counties for gasoline and gasohol, but not for diesel. Its use is more varied, with many counties not using it at all, and a few taxing at the maximum rate. All 67 counties implement the local option tax in one form or another, in amounts ranging from 3 cents to 11 cents. In addition to the local option taxes described above, counties also have the option of implementing a "ninth cent" tax (in the amount of 1 cent) on both gas and diesel. While the tax is applied uniformly on diesel throughout the state, 37 counties have also chosen to apply the ninth cent tax to gas as well. Seven Florida counties apply the ninth cent tax in addition to the maximum 11–cent local option for a total of 12 cents per gallon.

The only problem with these locally generated revenues as far as transit is concerned is that they are eligible to be spent on a wide variety of transportation programs. While the tax revenues must be shared with municipalities, the money can be spent to repay state bonds, as a local match for State Highway System projects, or for other congestion-related road projects. In fact, in small (less than 50,000 population) counties the tax revenue can be used for any infrastructure project, as long as the transportation portion of

the comprehensive plan has been satisfied. Often, this leaves little opportunity for transit systems to rely on the tax revenue as a source of funds.

One of the most common responses that we received from transit directors in our survey involved the need for a dedicated source of operating revenue for transit. Specifically, the question that was asked was: "Do you have any recommendations for decision-makers (elected or appointed) concerning the development of ITF initiatives in Florida?" The strongest and most frequent recommendation was a call for a dedicated operating revenue source for transit. Of the many issues covered by this study, operating revenue was clearly one of the most important to agencies. Small and mid-sized agencies particularly are concerned that there is an imbalance between funds that are available for operations and funds that are available for capital. Many suggested a fuel tax, although there was some disagreement over whether it should be local or statewide. Some agencies suggested that a portion of the sales tax be dedicated to transit. There was widespread agreement, however, that the tax revenue should be specifically earmarked for transit use. These responses reflect the reality of transit's limited access to the current pool of local option fuel taxes. Agencies are concerned that new ITF strategies and capital projects are not being implemented because agencies are unable to come up with operating funds to run the programs for which capital funds are available.

4.2 MODERATELY POPULAR STRATEGIES

Most strategies involving federal funds[1] are only moderately popular with the agencies surveyed. Not one of these programs is used by even half of the surveyed agencies. Joint development also falls in this moderately popular category. The most likely explanation for the limited attractiveness of these programs is the restrictions that typically accompany the use of federal funds. Often times the needs of transit agencies cannot be met within the guidelines of a particular federal program. Also, eligibility requirements mean that not every agency is even eligible to receive every type of funding.

The federal funds in the moderately popular category include Surface Transportation Program funds (used by 6 agencies), Congestion Mitigation and Air Quality program funds (used by 4 agencies), Federal Transit Association lease funds (used by 4 agencies), and Federal Highway Administration funds transferred through Sections 5307, 5309, 5310, and 5311 (used by 4 agencies). No agencies were specifically critical of these

1. This includes the use of Federal Transit Administration money for leases, as well as the use of CMAQ, STP and other flexible funds.

programs but they all possess inherent limitations. CMAQ funds provide a good example.

The programs listed here are often referred to as "flexible" funds. It is certainly true that they are flexible from the point of view of the Federal Highway Administration, since they can be used for a variety of highway, road, bridge, transit, and other transportation-related projects. They are not flexible from the point of view of Florida's transit agencies, however. Highway and road-related uses often take up the bulk of funding and the remainder is restricted to specific transit uses.

The Surface Transportation Program for example provides money that can be used, "for projects on any Federal-aid highway, including the NHS, bridge projects on any public road, transit capital projects, and intra-city and inter-city bus terminals and facilities" (FHWA 1998, page 1). The number of funded programs that are related to typical transit functions is relatively limited, however.

The Congestion Mitigation and Air Quality program is an even better example of the restrictions placed on "flexible" federal funds. The CMAQ program is designed to reduce transportation-related pollution by funding transportation projects in "nonattainment" and "maintenance" areas. These are areas where emission-related pollution has been determined to be a problem. Transit projects are certainly eligible for program funds, since increased transit use can contribute to reduced emissions but there are substantial restrictions on transit uses. CMAQ funds can be used for capital as part of new or expanded projects that are geared to reducing emissions. Operating assistance is generally only available for a limited time for new transit services or expanded demand management. Agencies are expected to use other operating fund sources to eventually supplant the CMAQ funds. Projects must also result in clear reductions in specific emissions.

An examination of the legislation authorizing the CMAQ program illustrates these and other important restrictions. Examples include:

- "not all transit improvements are eligible under the CMAQ program."
- "new transit facilities are eligible if they are associated with new or enhanced mass transit service." If the project is rehabilitation, reconstruction, or maintenance of an existing facility, it is not eligible since there would be no change in emissions caused by the project.
- "emissions effects must be documented"

- "CMAQ funding can be used to support the start-up of new transit services." In order to be eligible, the service must be a discrete new addition to the system so that operating costs can be easily identified. Operating assistance is for a maximum of 3 years, after which other sources of funding must be used if the service is to be continued.
- "CMAQ funds may be used to subsidize regular transit fares, but only if the reduced or free fare is part of an overall program for preventing exceedances of a national air quality standard during periods of high pollutant levels."

Note: All quotes are from "The Congestion Mitigation and Air Quality Improvement (CMAQ) Program Under the Transportation Equity Act for the 21st Century (TEA–21)—PROGRAM GUIDANCE" (April 1999) from the Federal Transit Administration.

Finally, not all areas in Florida are eligible for CMAQ funds because they are not designated as areas of non-attainment or maintenance. These examples serve to illustrate some of the reasons why many federal program funds are not more widely used. It is often the case that certain transit projects are just not eligible for a particular type of funding.

A similar case can be made for Federal Transit Agency funds used for leasing. Although FTA funds are generally available to pay the costs of leasing transit capital (though pre-approval may be required), they are subject to the same restrictions that apply to the purchase of capital equipment. Transit agencies may use these FTA funds for leasing when it is cost effective, but its lack of popularity is probably due to the usual capital restrictions. Still more specific restrictions are placed on the various section funds administered through the FTA.

Sections 5307, 5309, 5310, and 5311 all provide money to fund transit programs. To have access to this money, however, agencies and programs must meet a host of eligibility criteria. Funds are variously restricted to areas that meet certain population profiles (urbanized and non-urbanized areas respectively for sections 5310 and 5311). Funds may be restricted to certain types of transit (rail in the case of certain portions of 5309), or involve restrictions on what type of programs can be funded (as with section 5307). This type of arrangement is not necessarily a flaw in the way transit is funded, but it does make it more difficult for agencies to fund programs that the agencies themselves feel are most important. This structure also increases the possibility that the transit programs determined to be in the best interest of a particular locality will not be the same programs that are most likely to get funding.

Joint development is somewhat different from the above strategies in that it is not a funding source in itself, but rather a strategy for improving, expanding, and leveraging transit capital. Nevertheless, it does suffer from some of the same shortcomings. That is, joint development is often funded in part by federal money and is therefore subject to federal restrictions. Not every possible joint development project is eligible to be funded with federal or state money, and this reduces the attractiveness of some projects and therefore reduces the number of projects that are considered. Of course, one of the purposes of joint development is to leverage transit capital by creating a public/private partnership. Ideally this would obviate the need for outside government funding. Still, it is standard wisdom in the transit industry that transit capital projects be funded in part with federal or state money.

There is a more important reason for the limited application of joint development in Florida, however. The establishment of a successful joint development project can require a substantial investment of administrative effort. The negotiations involved, as well as the intricacies of working with a private sector partner are activities quite different from the usual affairs of transit agency administration. The perceived difficulty and complexity of such an arrangement can be seen as a substantial obstacle to some agencies, especially if the development project under consideration is relatively small. For this reason, the joint development projects seen in Florida have more often been relatively large scale and have been instituted by the larger agencies (examples of large joint development projects are included in the case studies later in the report). A final explanation for the modest popularity of joint development is its transitory nature. While the facilities created by a joint development project are long lasting, the implementation of the project itself will last only a few years at most. If agencies are focused on identifying recurring revenue streams, the permanent nature of jointly developed infrastructure may be overshadowed by the temporary nature of the project.

In fact at the very beginning of our survey we asked participants: "Are you familiar with the concept of Innovative Transit Financing (ITF)?" As expected, all participants were familiar with ITF to one degree or another. When asked to identify various ITF strategies, the stakeholders in our survey readily mentioned joint development projects as an example of innovative transit. Several agencies, however, especially the smaller ones suggested that some of the more complex and sophisticated techniques (including joint development) are not necessarily relevant to their agencies, since such strategies can be very complex and often involve financial commitments in the range of tens of millions of dollars.

Even state officials and transit industry stakeholders recognize this problem. When asked, "Can you identify any barriers to the successful implementation of ITF either from a statewide perspective or from your own local experience?" they identified a "bias toward 'traditional' transit operation that limits public-private partnerships."

Interestingly, in spite of the relatively small number of agencies currently utilizing joint development, there seems to be a widespread belief that joint development has a lot of promises for the future of ITF in Florida. Survey participants were asked: "Please identify existing and emerging new opportunities for ITF within the state of Florida?" Stakeholders and state officials identified joint development as an area of emerging opportunity. In fact, the strategy was one of the most frequently mentioned. But several agencies also identified joint development as a source of emerging opportunity in Florida

4.3 LEAST POPULAR STRATEGIES

The least popular Innovative Transit Finance strategies are used by less than one quarter of Florida's transit agencies. These unpopular strategies fall into two basic categories: financing strategies and tax strategies. Financing strategies include SIB loans, GARVEE bonds, COPs, and the various lease arrangements. Tax strategies include special taxing districts, incremental tax areas, and impact fees. Both of these groups of ITF strategies present unique challenges.

The uses of the tax strategies mentioned above, along with the use of taxable debt, are typically constrained by the political process. Taxation and debt decisions often require the approval of voters or other political authorities and so their availability may ultimately be beyond the control of the transit agency. Transit agency directors were asked, "Can you identify any barriers to the successful implementation of ITF either from a statewide perspective or from your own local experience?" As expected, agencies primarily identified local barriers to the successful implementation of ITF that are unique to their particular situation. These barriers included:

- administrative hurdles, excessive regulations, and reluctance on the part of local governments to 'try new things'.
- difficulty keeping up with changes in national, state, and local laws and rules
- manipulation of transit budgets or tax programs for political purposes

As these answers show, there can be substantial barriers to the application of new and different tax strategies to fund transit activities.

While the choice of non-tax financing strategies may be immune from these political obstacles, the complexity of SIB loans, GARVEE bonds, COPs, and cross-border leases tends to discourage their use. Large up-front administrative costs and lack of financial expertise may limit the use of these strategies to large projects in a few agencies. In our survey, transit stakeholders and state transit officials responded to the question, "Can you identify any barriers to the successful implementation of ITF either from a statewide perspective or from your own local experience?" by citing the complexity of some of the financial-oriented ITF. It is clear that lack of financial expertise is limiting the application of some of these strategies.

With both the tax and finance-related ITF, survey participants identified reluctance on the part of agencies and their local political jurisdictions to adopt innovative strategies. This reluctance is recognized as an obstacle to the effective implementation of ITF. Our survey asked the question, "How can ITF be made more effective in your local area?" Most of the ideas on how to make ITF more effective came from the agencies themselves rather than from state officials or stakeholders. This is to be expected since at the state level, the DOT can only make options available—it is the agencies themselves that must put these policies into practice. One of the ideas that received significant emphasis was the need for changing attitudes, both on the part of agencies and local governments. Bureaucratic inertia and a bias toward "tried and true" methods were cited as a reason for the slow adoption of new ITF strategies.

A different type of limitation exists for the other least-popular ITF strategies: turnkey management and property swaps. By their very nature, these strategies have limited application. They are not revenue sources (or even financing techniques) as such, but rather are methods for improving the management and administrative efficiency of particular projects. Their use will be confined therefore to joint developments or other large-scale transit projects.

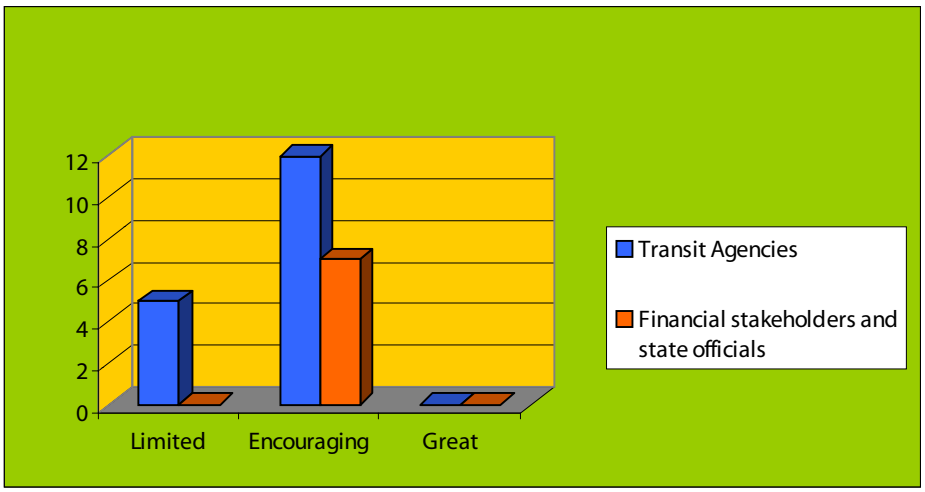
4.4 WHAT CAN WE EXPECT IN THE FUTURE?

Impact fees, cross-border leases, incremental tax areas, and COPs are not in wide use among Florida transit agencies right now. Interestingly, these four strategies are the only ones in our survey for which the number of agencies reporting "would like to use/plan to use in the future" exceeds the number responding "currently use/have recently used." This indicates a certain degree of optimism among Florida's transit agencies that the rela-

tive complexity and political requirements of these ITF tools will not remain barriers to their use in the future.

There is a good deal of optimism throughout the state with regard to the future of Innovative Transit Finance in Florida. A question in our survey asked: What are the future prospects for increased used of ITF in Florida?" While no one surveyed thought that the prospects were "great," the majority of respondents believed that prospects were "encouraging." Only five of seventeen transit agency stakeholders thought prospects were limited. The remaining twelve agencies considered prospects encouraging. All seven of the non-agency stakeholders agreed that prospects were encouraging.

FIGURE 7. Future prospects for increased use of ITF in Florida



SOURCE: Data are from the stakeholder interviews.

Financial stakeholders and state officials believe that prospects for the future of ITF are good as long as the state continues its support of the policies and as long as agencies continue to use them. They have commented that the increased growth and independence of agencies will continue to drive the use of ITF. However, there seems to be little belief that the use of ITF will eliminate the need for traditional funding of transit any time in the near future.

Agencies are encouraged about with the future prospects for ITF because they see both the state and the federal government moving in that direction. Agencies also believe that there is more pressure being applied to them to be more creative in their search for financing. They perceive a need for additional sources of operating revenue, which may be provided by ITF. The enthusiasm of agencies is tempered however. Several agencies

have suggested that they would be reluctant to increase ITF use if ITF revenues began to displace rather than supplement more traditional revenue. The future prospects for ITF will also be limited to the extent that the automobile remains the preferred mode of transportation. In other words, the growth in the use of ITF is limited by the growth in the use of public transit in general.

5. State of ITF in Florida: An Evaluation And Data Synthesis

The aims of the preceding sections of the data analysis were to establish the rationale, logic and imperative for ITF in Florida, and present an analysis of the study's findings. It is this section's intent to evaluate the overall climate in which ITF takes place, and the attitudes toward ITF among the concerned parties in Florida. This section therefore provides a synthesis of an evaluation of the effectiveness of ITF in Florida and discussion and interpretation of the report's findings that reflect summary comments of transit and non-transit stakeholders in Florida. What the stakeholders have said and what they have been able to do as leaders or influential operatives, of course, warrant closer focus.

Through stakeholders comments this research has been able to identify

- the strengths and weaknesses of the climate in which ITF approaches are being made;
- the constraints that create challenges and problems for officials and stakeholders alike; and
- highlight opportunities for increased positive development of ITF in Florida.

Indeed, this research begs several questions about the strength and weaknesses of ITF approaches and the climate of restraints and opportunities associated with transit in Florida and, therefore, the relevance for the strength/weakness/constraints/opportunities evaluative framework that is provided in this section.

This evaluative framework is aided by a set of criteria we identify as "success factors" or contributing elements to successful ITF projects in Florida.

We believe it is relevant to provide answers to questions, for example, that seek to know what attributes to the strength, weaknesses, and constraints of Florida ITF strategies. Readers are correct in requiring insights into the contributing factors that are used to explain the success, or lack of, ITF in Florida. This synthesis of data analysis and criteria evaluation is designed to provide insights into these answers. Finally, the reader also will become acquainted with some of the "best practices" of ITF in Florida as the discussion illustrates these success factors.

5.1 KNOWLEDGE LEVEL.

First, it is important to characterize the operatives of Florida transit systems. These are very knowledgeable individuals in Florida transit circles, and in many cases, outside Florida. The researchers were most impressed with the level of knowledge and awareness of Florida transit officials, FDOT officials and other stakeholders.

Both transit and non-transit stakeholders have been in the industry for several years most as practitioners, others as practitioners and academics combined. Three factors contribute to their existing familiarity with ITF: first, Florida public transit officials' knowledge of the Federal Transit Administration's involvement in intergovernmental financing of public transit and, consequently their own participation in such revenue sharing activities; second, local spending authority and its limits; and third, the limited funding role of state and local governments' funds to effectively manage their agencies. The scale of adoption of ITF in a given transit system is not in any way limited to the knowledge or experience of transit staff, but by factors such as those discussed below.

5.2 SCALE OF ADOPTION

The scale of adoption of ITF is influenced by three important factors: size of agency, quality of leadership and perceived needs of the community.

SIZE OF AGENCY

With regard to size of transit agency, the larger the agency the more complex the type of ITF that is likely to be adopted. Miami, for instance, whose ridership is about half the entire ridership of the state, has adopted more joint development projects than any other transit agency in Florida. These types of ITF are usually capital-oriented. They require significant capital financing, ranging anywhere from $10 million to $50 million. That kind of outlay is not likely to be associated with a transit agency such as Escambia's ECAT, Tallahassee's TalTran or Daytona's Votran. Smaller agencies, on the

other hand, tend to employ revenue enhancement types of ITF. Our data substantiate that characteristic of Florida public transit systems.

LEADERSHIP

A significant number of those interviewed (about one-third) emphatically stressed that leadership quality is an important determinant of the success of ITF in particular and overall agency performance in general. The proactiveness of the leadership sends a signal of assertiveness, and aggressiveness to county officials, state administrators and influential stakeholders. As some also pointed out, it is the agencies with the most proactive leaders that have the most successful ITF programs. Proactive leadership will consider such approaches as seeking FTA funds to renovate buildings in "brownfied areas" (as is the case in Escambia County), or in Gainesville and Palm Beach County's Palm Tran with special bus pass arrangements with public schools, colleges and universities in their respective areas.

PERCEPTION OF NEEDS

The perceived needs of the service area actually reflect the thinking of transit officials. Questions from respondents, such as: "How far should we go in providing service for our citizens, given the available funds?" and, "If citizens are not complaining about the service itself, isn't this an indication of citizen satisfaction?" indicate much about leadership and indeed, at least by implication, its perceived needs of the community. This non-proactive leadership characterized by indifference toward seeking increased or expanded service for citizens, could stifle the growth of ITF and consequently stunt the increase in operating funds for the agency. This contributes to the financial dependency on county/city budgets, often a drawback to operational effectiveness, according to an overwhelming majority of transit officials. A major purpose of ITF, it is to remembered, is to reduce public transit agency's dependency on county /city budgets.

Limited perception of citizens' public transit needs is counterproductive to the purposes of ITF. It is appropriate to state, therefore, that limited interest or imagination on the part of transit officials can and very probably has slowed the pace of vigorous adoption of ITF approaches in some of Florida public transit agencies.

5.3 STRENGTHS AND WEAKNESSES

The analysis of the strengths and weaknesses centers on positive or negative factors that contribute to the growth, or lack of growth, of ITF in Flor-

ida. Respondents concerned themselves considerably with the effectiveness (or absence thereof) of their efforts to raise revenue rather than evaluating the strength or weakness of any particular revenue generation technique. The research team sensed that transit stakeholders feel that their efforts, notwithstanding the constraints under which they were operating, have been fruitful, though not to the level of accomplishment that they would like. The continual balancing act between generating adequate revenue and meeting citizens' demands for transit service seemed to have been a major concern to transit officials.

Throughout, our analysis has paid attention to this concern of transit officials. The study nonetheless provides a discussion on other issues that simultaneously address the strengths, weaknesses, constraints and opportunities for future success of ITF in Florida. These will be discussed within the context of success factors, such as,

- evidence of increases in a variety of transit services,
- attractiveness to business community,
- community support, and
- creative use of transit assets.

STRENGTHS

Increased Transit Services. The study has included a selected list of several transit agencies that can point to examples of improved and increased services. For instance, whether it is in Miami, Jacksonville, or Orlando, there now exist increased or expanded services compared to five to ten years ago for citizens or residents of the respective service areas. These increases have come about, in part, as a result of innovative financing. Several strategies were employed.

One example is by using traditional sources of funding, such as local government tax dollars and using these revenues as leverage for state or federal matching funds. From Jacksonville's Skyway light rail, that has improved public transit in selected areas of downtown; Gainesville's very innovative transit partnership between Gainesville's RTS and the University of Florida, which has increased ridership, expanded services for the academic and surrounding communities; to Miami's joint development projects that have attracted increased ridership and expanded services to several areas, e.g. Avenues Mall and other business related centers. These examples provide specific data on the type of transit asset involved, the financial arrangements enabling their inception and continued service, and the revenues

and cost reduction strategies. Data on these transit systems also provide illustrations of success, to date, associated with the efforts of these transit systems.

Attractiveness to Business. Another strength of ITF in Florida is its attractiveness to the business community. From bus wraps to joint development projects, ITF represents healthy business opportunities. A public private partnership in Escambia County is just one example: Lamar Advertising has agreed to maintain and pay the cost of bus shelters around the Pensacola Area. This enhances business opportunities for the advertising company and other related companies. It is also a cost reduction measure for the transit system since ECAT will not have to build or maintain the bus shelters. It is a win-win situation for both partners since Lamar gets the monopoly of advertising on the bus shelters. For fiscal year 2000, ECAT reported revenue of $52,695. Other examples are cited in the selected case study section. The Orlando (LYNX) case study is also instructive here as it explains the public-private partnerships that enable the transit system to increase ridership, expand services and reduce maintenance costs. Effective ITF strategies are made possible because of attractiveness to business, indeed, a source of strength to the overall transit environment in Florida. This strength can be used to explain why selected ITF strategies exist in Florida. And so does each of the identified elements of strengths. (See selected successful ITF projects in Section 6).

If done correctly, ITF clearly could be (and often is) a win-win situation for both sides. Every transit official interviewed agreed that bus wraps were a useful revenue source. MDTA's joint development projects, for example, also have proven to be an important revenue source for the agency and for private sector partner(s) involved. The city of Miami's successful joint development projects have revitalized employment adjacent to transit units or fixed route lines and increased tax revenues from concessions and other business opportunities.

Community Support. Community support, if harnessed effectively, can be a positive good. It is well documented that communities throughout Florida have refused to approve tax increases for one service provision or another, for example, for education or capital construction. And admittedly, Miami suffered a serious defeat in 1998 when it asked the voters to approve a penny tax increase for public transit. Yet as the officials we interviewed explained, it was the quality of the marketing of the tax issue to the public that caused the defeat, rather than the tax increase idea, itself. That is probably a reasonable analysis of what led to the defeat of the tax proposal, since reasonable minded citizens in the Miami area know and understand that,

considering the options to a very congested I–95 corridor, the mobility to travel north and south and in between those cardinal points are few and painfully slow. The officials interviewed expressed cautious optimism of eventual voter approval of the tax measure.

It is also the researchers view that the recent amendment to the state constitution empowering the state legislature to approve the construction of a rapid rail system in central and south Florida is further indication of community support for public transit, and thus, the attendant opportunities to raise revenues through innovative techniques.

It is important to reiterate, however, that two major factors can limit community support: First, Florida's citizens continued love affair with the automobile, and an endemic distaste for local tax increase to pay for needed services. It is incumbent on local public officials to learn and effectively market an idea whose end results will likely be a win-win for local government and their transit systems on one hand and their citizens on the other. ITF is a critical element of the approach to modern social and economic development. That is, the community that benefits from service delivery must be prepared to pay in order to receive these benefits. Effective innovative financing as a strategy for local social and economic development presupposes effective marketing strategies to gain community support for needed services. Innovative transit financing, one element of general innovative financing, if it is to be successful, must likewise arm itself with effective marketing strategies so that citizens can appreciate and accept that ITF requires, not only *pay-as-you-go*, but also pay-as-you-grow.

When the citizens of Jacksonville agreed to tax themselves an addition half penny sales tax increase, this demonstrated Jacksonville's community support for public transportation (and, admittedly other social-economical services). This display of community support clearly illustrated the potential for ITF if transit agencies, and other local government entities can effectively market the needs of local communities and how ITF strategies can be utilized to enhance the services than will meet the collective needs of the community. (See section 6).

Creative use of transit assets. When a transit agency designs a transportation program which targets populations that need to get to the workplace, obtain training for job skills enhancement purposes or to create a more viable and predictable link between outlying areas and downtown, such a design qualifies as a successful creative use of transit assets. In this sense, Jacksonville is selected in this study as one of Florida's transit agencies that is being creative in its use of ITF. It's the Choice Ride, Job Access, and

Reverse Commute programs with significant business participation that underscore the creativity in program goals, structure, and funding arrangements of ITF in Jacksonville's transit system. The other transit systems in section 6 also qualify as creatively utilizing their assets. Three examples: Miami-Dade's joint development is a powerful example. The actual and potential rent receipts demonstrate actual or potential payoff. LYNX has taken its bus wraps and other types of advertisements to a "state of art." The revenue pay off is also impressive. Gainesville's RTS is impressive in its partnership with the University of Florida, providing regular and efficient transportation to students, faculty and staff in addition to local citizens.

Population Density. Several transit officials pointed to the absence of a large service area, which can command participation in ITF instruments such as joint development projects, and even light rail service. Some implicitly, others rather explicitly, wish they "were a Miami" from the standpoint of service area, and having the potential for attracting state of the art light rail, or adopting best practices (e.g. from California or Seattle, Washington) in transit modes of transportation. These transit officials recognize the tie between density and transit service delivery costs.

Economies of scale in transit operations can and do accrue; for example, the transit agency can spread its per capita costs over a much wider service area, and if efficiently executed, can lower its capita costs. The researchers believe that transit officials are correct in believing that, for some areas of the state, conditions are right for more ambitious forms of innovative financing. Population density can significantly contribute to a cost efficient transit system. Since central and south Florida have the best potential for high-density transit service delivery, these areas should be targeted for increased use and types of ITF in Florida. Adoption of appropriate types of ITF, and with efficient administration, ITF in higher density regions of the state will enable transit officials to experience the benefits of ITF.

Indeed, central and south Florida has the service capacity to accommodate increased use of ITF. If taken advantage of, Florida transit systems can provide improved transit services, increased ridership and realize revenue increases, and cost reductions in maintenance. Transit systems of central and south Florida should exploit this density strength more vigorously.

WEAKNESSES

There are factors that can reduce the overall effectiveness of ITF approaches; it is necessary to identify and discuss those that were highlighted in the interviews.

Leadership philosophy. Differences of opinion exist as to the best way to finance public transit—whether market-place techniques should play a principal role in raising revenue to meet transit needs, or whether governmental budgetary support of transit should be the major source of funding. The debate is not settled and policy decisions on this matter tend to change with change in political administration at the federal, state and even local levels. Overall funding is distributed either on a more or less basis depending on the political philosophy of the administration in power. A climate of administrative (as well as business) uncertainty, or lack of enthusiasm can and does arise and consequently affect efforts of innovative financing.

Organizational structure. Florida transit systems are structured in two different ways. Six are organized as special authorities, but most are units of city or county governments. The industrial psychology literature as well as the public administration literature on organizational development provides substantial data on the fact that structure does influence performance. We have not conducted a study on the relationship between organizational structure of transit agencies and their performance, but interviewees alluded to problems of organizational structure that impact the performance of transit agencies. One interviewee cited an example of problems indicating the budgetary competitive environment in which transit agencies exist. Very often, administrative officials pointed out that their agency was just one of many agencies of government that had to compete for city/county budget allocations. The health of the city/county budget would negatively or positively affect the amount earmarked to the transit agency. A negative impact would very likely limit the scope of operations of the agency and its ability to leverage larger sums of money to provide expanded or better transit service.

If structure influences performance then this can have significant implications for ITF since ITF does not take place in a vacuum. Individuals, subject to organizational constraints, do adopt and implement ITF. If those constraints are confining on ITF adoption and or implementation, then the concern is whether these structures can be changed or modified to enhance ITF activities. For example, some transit officials implied that existing structure could be an explanation as to why their ITF activities are

few and not particularly effective. When asked what alternative structures might take ITF "to the next level" of success, the independent authority structure was identified as the "better alternative."

Administrative know-how. It is to be pointed out that there are qualified specialists in public transit agencies who are capable of executing financial agreements. The weakness here, though, is that there are not enough of them, and thus the overall financial planning and implementation processes are compromised. Non-transit stakeholders, particularly developers, expressed dissatisfaction with officials who "came to the table" with no clear financial goals during financial discussions on prospective public-private partnership projects. Almost unanimously, stakeholders stressed the need for more highly trained financial personnel who could ably represent county/city transit interests in public-private partnership discussions.

It was particularly striking the way some developers expressed frustration with the inadequacy of transit stakeholders' financial know-how. They pointed to the complexity of the financial market, the risks associated with time and its consequences on the value of money. A dollar's worth tomorrow is less than its worth today, if not invested, and it is often that bureaucratic delay coupled with inadequate administrative know-how of capital markets, prove rather costly to developers and ultimately to transit agencies as well. The benefits of ITF cannot be fully realized under these circumstances; indeed such weaknesses become financially costly and counterproductive. The goal of ITF is to generate additional revenue streams, provide new sources of capital financing, and enable transit agencies to reduce costs of operations. Inadequate financial know-how, therefore only becomes an unnecessary lag and drag on ITF.

Transit officials also exhibited frustration toward state transit officials regarding their inadequate know-how. Some FDOT district offices were identified as having contributed to the obstacles to effective results of ITF in Florida. At times, according to one comment, the offices have not been very helpful. "They don't seem to understand state financing and as a consequence locals don't always get good advice. There is not enough understanding of debt financing of capital markets throughout the agencies." A perception such as this triggers the need to investigate the degree and quality of financial assistance that relevant FDOT officials provide to transit officials.

5.4 CONSTRAINTS TO ITF IN FLORIDA

Constraints to ITF in Florida transit agencies vary from agency to agency and, therefore, will have varying effects on public agencies. Public transit

officials and stakeholders were asked to identify what they perceived as significant constraints on the effectiveness on ITF in Florida. Those identified are discussed below.

Size of service area. The population of the cities or counties that Florida transit agencies serve varies considerably. The Miami-Dade population, for instance, is 1,800,000 compared to that of Ocala, which is 59,214. Population impacts the economies of scale of business activities, in that, one can anticipate that the larger the population the lower the cost per capita of service to be provided. That is, for example, if the cost of passenger mile is spread over a larger number of riders then the cost per passenger mile for the transit agency should decrease. According to 1998 data, Miami's operating expense per trip was $2.77 while Ocala's was $6.77.

Limited funds. System-wide operating funds, for example, are about one third of operating costs. This circumstance in itself requires agencies to be creative in their approach to finding other sources of funding to keep their agencies functional. Personnel costs, maintenance costs and contractual services costs are just a few costs that are normally affected by the limited nature of operating revenues. How well an agency can meet these costs will certainly influence the level of service delivery to the citizens of the political jurisdiction.

A related constraint that arises from limited funds is the inability of some public agencies to participate in programs that require, for instance, matching funds. Currently, FDOT like other states' transportation departments, take advantage of federal flexibility provisions to better use state funds. As FDOT's OMB office points out in a recent report (1999), "soft-match" funds are available for both highway and transit purposes and may be utilized on the basis of federal funding flexibility guidelines. A transit agency that is unable to "match" these funding opportunities would be unable to participate in the softmatch programs. There are several leveraging approaches according to the FDOT study that are available to transit agencies such as the Advanced Construction (AC) program, and the Local Government Loan Program. Transit agencies, however, must first have available (leverage) money to participate in these programs. The absence of leverage funds, therefore, would be a serious restraint on effective, efficient service delivery.

Administrative/political constraints. Interviewees contend that many of these constraints are influenced by the political mindset of high-level administrative and elected officials. An example to underscore the existence of this constraint is the remark by many respondents that at times

when ITF contributed to additional revenues, those new dollars "encouraged" an equivalent cut in the transit agency budget. Several smaller agency officials expressed frustration with this experience (or the very strong likelihood of its occurrence). Not surprisingly, most agency officials interviewed saw the likelihood or actual experience of cuts because of innovative financing as a disincentive to searching for new revenue sources. One of the interviewees comment in this context expressed the view that transit officials who experience budget cuts, due to their success with ITF, are reluctant to try new things.

Other summary comments that reflect the major concerns of officials should be cited here so that the reader can obtain a full range of the concerns of officials and stakeholders regarding administrative and political constraints on ITF in Florida. These are as follows:

- "there are too many rules to keep up with at the national, state, and local level. The volume of regulations makes the process very time consuming; you then begin to question the worth of pursuing ITF."
- "state laws can be very restrictive in terms of what we would like to do. For example we are not allowed to sell property and this is what some members of the private sector want."
- "the complexity of the State Infrastructure Bank is a continuing problem. We never figured out how to use it. Moreover, the county will usually match the state's effort."
- "it is not so much a matter of obstacles by various governing jurisdictions as it is a matter of evolution. Gradually, agencies are taking advantage of ITF."
- "there is a general lack of communication and coordination in district offices." One director responded: "We need more information about how to use various state programs."

6. Examples of Successful ITF Projects In Florida

In the previous section the study employed a set of criteria referred to as success factors which were used to explain the reasons for the success of selected ITF in Florida. We identified, described and illustrated the manner in which they contributed to successful ITF in Florida. We pointed out in the previous section that proactive leadership, in the face of several reg-

ulatory obstacles enabled some transit agencies to overcome constraints and achieve for example, increased ridership and improved levels of service (for instance Jacksonville and Miami-Dade).

It is the researchers view that Jacksonville has an impressive display of community support for its public transit services. Its ITF projects have been successful in large part because of significant community support as expressed through the wide variety of public-private cooperation in transit programs. If it were not for community support, it is doubtful whether the JTA programs would have acquired the level of success that it has enjoyed. Public-private partnership ventures have enabled the JTA transit system to obtain millions of Federal dollars over the past five years. Success creates its own momentum and it is reasonable to assume that JTA's transit successes encouraged its citizens to vote themselves an increase in the sales tax for a "Better Jacksonville."

Generally, that which is good for the community is also good for business and vice versa. These successful programs have survived and even thrived to some degree because they have been attractive to business: Miami-Dade, LYNX, Gainesville's RTS, Sarasota, Tampa, Escambia county are just some examples of transit systems that have made creative use of their capital assets programs. The innovative bus wraps, joint development projects and public-private partnerships are laudable examples of "best practices" in creative uses of capital assets, whether in Florida or outside of Florida.

In summary, these projects have succeeded for the following reasons:

- they have had bold leadership
- a willingness to go beyond the ordinary uses of transit operations
- the initiative to seek community support
- to encourage the business community to believe in the environment (community) in which it invests its resources, provides and goods and services
- and to aspire the business sector to be a responsible corporate entity of the community

The following are descriptions of selected successful ITF projects in Florida, that owe their success, to date, on the success factors already discussed through out this section.

6.1 MIAMI-DADE TRANSIT AGENCY

Miami's joint development projects illustrate how a transit agency can benefit from one form of ITF. The joint developments below clearly show how

ITF can raise relatively considerable amounts of directly generated revenues through rent, tax revenues obtained from significant business entities such as hotels, restaurants and a host of retail outlets. Project developments like these are also capable of raising revenues through leasing of air rights. Additionally, Miami's joint development projects have clearly encouraged new business ventures that have also led to additional tax revenues for local governments. It is important to point out also that Miami's (as well as the other transit agencies') ITF strategies represent meaningful examples of transit agencies providing directly generated contributions to transit operations, in addition to those contributions received from federal, state and local governments.

DADELAND NORTH METRORAIL STATION—DADELAND STATION

In May 1994, the Board of County Commissioners approved the lease of a 9.2 acre site next to the Dadeland North Metrorail Station for the development of a three phase mixed-use project specially designed to include a transit plaza and 9,600 square feet of transit convenience retail. Phase I, which opened in October 1996 consists of approximately 320,000 square feet of retail space housing five major retailers including the Sports Authority, Target, Beds, Bath and Beyond, Best Buys and Michaels. A hotel is planned for Phase II, and an office building for Phase III. Alternately, Phases II and/or III may be developed as residential units. An additional "outparcel" phase of this project consisting of 48 apartments is currently under construction and will be completed within the next month. Upon buildout, the project will total 650,000 square feet. The County, which receives both guaranteed minimum rent and approximately 5% of gross income from the project, will realize between $40 and $100 million dollars in new revenue over the term of the lease.

TABLE 4. Project Development Revenue: Rent

Year	Rent
1	$150,000
2	$100,000
3	$150,000
4	$300,000
5	$350,000
6 through 90	$400,000

SOURCE: Miami/Dade Transit Agency 2000

ADDITIONAL RENT

The County receives the greater of the Minimum Rent or a percentage of Gross Income (Additional Rent) based on the total Gross Income received by the Tenant during the Lease year as follows:

TABLE 5. Project Development Revenue: Additional Rent

Gross Income	Phase 1	Phase 2	Phase 3
$1 to 7,000,000	5%	4.88%	4.75%
$7,000,001 to 10,000,000	5.25%	5.00%	5.25%
$10,000,001 and above	5.5%	5.25%	5.5%

Phases A and B 5.25%

SOURCE: Miami/Dade Transit Agency

DADELAND SOUTH METRORAIL STATION—DATRAN

The Datran Center is a privately owned development constructed on a Miami-Dade County owned, 6.5–acre site located adjacent to the Dadeland South Metrorail Station at the southern terminus of the Metrorail system. The Center includes two classes "A" office buildings totaling some 472,000 square feet, 35,000 square feet of retail, parking for 3,500 cars (1,000 of which are owned by MDTA and are dedicated for use by Metrorail riders), and a 305–room luxury Marriott Hotel. The office buildings (Datran I and II) have an occupancy rate of 95%.

Datran I received a "Building of the Year" award from the Building Owners and Manager Association in 1997. The Marriott Hotel has the highest occupancy rate (96.%) in South Florida. The project, which has been in operation for 12 years, provides some $600,000 annually in new revenue to the county. Revenues to the county are expected to increase significantly with an additional 21,500 square feet of conference room facilities that were recently completed. Three of the four phases included in this lease

have been constructed. The 4th phase, which will consist of an office building and a hotel, is currently under construction.

TABLE 6. Project Development Revenue: Rent

Phase	Rent
1	$160,000
2	$280,000
3	$160,000
4	$100,000

SOURCE: Miami/Dade Transit Agency

ADDITIONAL RENT

2% hotel operations; 4% of all other operations. Additional rent is payable to the extent that it exceeds minimum rent.

SOUTH MIAMI METRORAIL STATION—HOMETOWN STATION

Subsequent to a competitive RFP process, MDTA accepted proposals for the development of this station on December 18, 1998. One proposal was received. The proposal is for a mixed use (commercial and residential) project utilizing the area surrounding the station and the space above the back part of the garage. A lease agreement with Hometown Station, Ltd. has been completed for this project. The project will be implemented in four phases as follows:

Phase 1—Hometown will assume responsibility for management and operation of the rear Metrorail garage. Hometown will refurbish the garage to improve its efficiency, aesthetics and physical condition. Hometown will be responsible for all costs of managing and operating the garage and also will collect parking revenues, except for payments made directly to MDTA. Hometown will pay the county 5% of all revenues collected. Hometown will also be responsible for management and operation of the front garage.

Phase 2—Development of a commercial/office building comprising approximately 75,000 sq. ft.

Phase 3—Development of a minimum of ten and a maximum of twenty live/work loft-type combined residential and office units to be located along the northern and western exterior walls of the garage.

Phase 4—Development of approximately one hundred residential apartment units to be constructed on the air rights over the rear garage, rising three stories from the roof top level.

ADDITIONAL RENT

Minimum Rent: $180,000/year.

Participation Rent: 5% of gross income (payable in addition to Minimum Rent).

On November 12, 1998, MDTA held a development workshop. Federal Transit Administrator, Gordon Linton, local and national developers and many other interested parties from the transit and development industries attended the workshop.

Immediately following the workshop, MDTA released RFP # 202 which offered 9 Metrorail stations for joint development. During the RFP process, one of the stations, Douglas Road, was removed from RFP # 202. On April 27, MDTA received a total of 10 proposals for five stations. The proposals were for the Coconut Grove Station (4 proposals), Northside Station (2 proposals), Santa Clara Station (2 proposals), Brownsville Station (1 proposal), and Okeechobee Station (1 proposal). The proposals range from residential to mixed-use projects including retail, hotels and office space. Four Evaluation/Selection Committees have evaluated the proposals.

Subsequent to the Santa Clara committee's recommendation, the board of County Commissioners authorized staff to proceed with negotiation of a lease agreement with the Related Companies for the Santa Clara Station for construction of a residential project containing 208 units of affordable housing. Negotiations have been completed and a final lease is expected to be presented to the Board for approval on July 25, 2000.

The Coconut Grove evaluation committee recommended a proposal which consists of a mixed use project including a 14 story, 105,000 sq. ft. office building, 61,074 sq. ft. of retail space (including a 27,000 sq. ft. supermarket), 66 market rent townhouse apartments in a 10 story transit center, and 1030 parking spaces in two parking garages and a surface lot. The Board of County Commissioners authorized staff to proceed with negotiation of a lease agreement with South Dixie/27, Inc. Negotiations have been completed and a final lease was approved by the Board on July 25, 2000.

The Northside evaluation committee recommended a proposal for a mixed-use project consisting of 175 units of affordable housing and 11,000 sq. ft. of retail space. While preparing this item for Board action, it was discovered that one of the principals is not in good standing with the County. This matter is being resolved and it is expected that it will be sent to the Board for approval to negotiate in September 2000. Final action on proposals for the Okeechobee and Brownsville stations is pending.

MARTIN LUTHER KING JR. METRORAIL STATION

In July 1999, the Board approved an agreement with the Business Assistance Center (BAC), a non-profit organization, to construct a mixed-use development that will include a class B type office building with 172,000 net rentable square feet of office space and 13,500 net rentable square feet of retail/support services space. Also a portion of the existing garage will be demolished a new parking garage will be constructed. The County will lease the land to the BAC and upon completion of the building; the County will enter into a lease-purchase agreement with BAC. Zoning has been approved. Construction of this project will commence in September 2000.

OTHER PROJECTS

FIRST STREET METROMOVER STATION

As part of the deficit reduction plan, MDTA, through GSA, is selling the surplus property around the First Street Metromover Station. An Invitation to Bid was issued and the county received one bid in the amount of $1.6 Million. The property has been sold.

North Division Maintenance Garage

As part of the deficit reduction plan, MDTA, through GSA, is selling the North Division Maintenance Garage. Negotiations with the School Board are currently under way. Also, in June 2000, the Board authorized the manager to advertise this property for competitive bidding if the school board deal falls through.

MIAMI RIVER PROPERTY

As part of the deficit reduction plan, MDTA, through GSA, is sold a parcel of surplus Metrorail property immediately south of the Miami River property. Closing took place in June 2000. The sale price was $212,000.

ROCKDALE/BIFURCATED RAMPS

Negotiations are currently under way for MDTA to acquire the Rockdale parcel adjacent to the Busway in exchange for the bifurcated ramps property in downtown Miami that MDTA acquired for FDOT several years ago. Once this exchange is completed, the Rockdale parcel will be transferred to EEL and MDTA will receive the appraised value of the property (estimated at $1,340,000) from EEL.

PARK RIDE FACILITIES

Busway/SW 168 St.—MDTA entered into a 30 year lease agreement with Royal Group Investments, Inc. for a Park Ride facility located immediately west of the South Dade Busway on S.W. 168th St. and 97th Avenue. As part of that lease, Royal Group Investments, Inc. is responsible for construction of the Park Ride facility. MDTA has approved the design of the facility and is currently proceeding with a governmental facilities hearing process. The lot will be completed within 180 days from issuance of a building permit.

Busway Phase 2—MDTA is currently negotiating leases with property owners for three Park Ride lots on SW 200th, 244th and 264th Street.

ROW LEASES

MDTA is currently preparing four IFB's for leases of portions of Metrorail Right-of-Way. The value of these leases is estimated in excess of $100,000. These are at: Douglas Road Metrorail station, Okeechobee Metrorail station, Brownsville Memorial Station, and South Miami-Dade Busway Park & Ride lots.

SW 168TH STREET

The Park & Ride lot at the NW corner of SW 168th Street and the Busway will consist of 151 spaces. This 1.68–acre parcel is being leased by MDTA from a private owner.

The property, currently vacant, is zoned RU–5 which allows for office and other uses. MDTA first tried to obtain a conditional permit from the Zoning Department, which would allow the parking lot use. However, this request was denied.

MDTA then filed for a Governmental Facilities Hearing. During this process, various departments within the County reviewed the parking lot plan, and at this time it was discovered that there was a covenant attached to the property that allowed for only office use, and access only on SW 168th rather than 97th Avenue which is deemed to be the more desirable location. Due to this technicality, it was deemed that the Governmental Facilities Hearing process should be abandoned in favor of a Zoning Public Hearing.

A Zoning Public Hearing application was then filed in December 1999. A request to modify the covenant to allow for the use of a parking lot and access on 97th Avenue was brought before the Zoning Community Council on May 16, 2000. The former was approved, and the latter rejected.

The County's Public Works Department then stipulated that modifications to the plans would have to be made in order to accommodate an entrance on 168th Street. Plans were modified to the satisfaction of Public Works and the Planning and Zoning Department. The final step is a Governmental Facilities Hearing, scheduled for September 2000, to approve the site plan.

The property's owner is currently applying for building permits. The agreement with the County stipulates that construction of the lot must be completed within 120 days of building permit issuance. As soon as the approval is complete, the County can issue the permit and construction will commence.

SW 200TH STREET

A 3.4–acre site at the NW corner of SW 200th Street (Caribbean Boulevard) and the Busway is the proposed location for a 362–space Park & Ride lot. The appraisals have been completed and the owners have agreed in principle to the terms for a sale of the land to MDTA.

The Public Works Department is now in the process of investigating whether the property's zoning allows for the park & ride use, and will handle all details of the acquisition from this point forward.

SW 244TH STREET

A 100–space Park & Ride lot is planned for a 0.96–acre site at the southwest corner of SW 244th Street and the Busway. The site will be leased from a private owner. An appraisal commissioned by MDTA has been completed, and a review appraisal is currently being prepared. A lease is being drafted, with the terms contingent on the appraisal.

SW 264TH STREET

The subject parcel, approximately 3.8 acres, is located at the NW corner of SW 264th Street and the Busway. An appraisal to determine the fair market lease rate has been conducted. At this time, MDTA and the property's owner have not yet determined the exact configuration of the parcel or the lease terms.

The Public Works Department is now in the process of investigating whether the property's zoning allows for the park & ride use, and will handle all details of the acquisition from this point forward.

6.2 LYNX

LYNX—CENTRAL FLORIDA TRANSIT AUTHORITY (CFRT)

While Miami's MDTA in our study highlights joint development projects, LYNX is presented as a relatively large transit agency that engages in ITF strategies, namely, bus wrap advertisements, special contractual agreements, and public/private ventures. The transit system has made millions of dollars over the past several years from these ITF strategies. Public private partnership ventures that facilitate its multi-county transit system. It creates system opportunities for soft-matching funding approaches. This

enables the system to spread the cost of transit while endeavoring to expand transit service. It is ITF strategies like these that encourage the research team to believe that ITF does have a continuing role to play in Florida's public transit future. While increased ridership cannot be solely attributed to ITF, yet features of innovative transit financing are clearly present in influencing significant increases in ridership. For instance, public/private matching of funds enable continued inter-county transit service and the opening up of new transit services to citizens who, before, had no access to public transit. The increases in revenues are also, in part, a result of ITF strategies, which in themselves, will contribute to an assured future for ITF at LYNX. The following is a brief outline of selected aspects of the LYNX transit system, particularly as they bear some reference to innovative financing.

In sum, ITF or directly generated sources of funding, cost reduction activity include:

- Various forms of bus advertisements—interior, and exterior (or bus wrap) advertisements
- Special contractual services, e.g. special events shuttle services
- Special contractual arrangements, e.g with Disney World and the University of Central Florida;

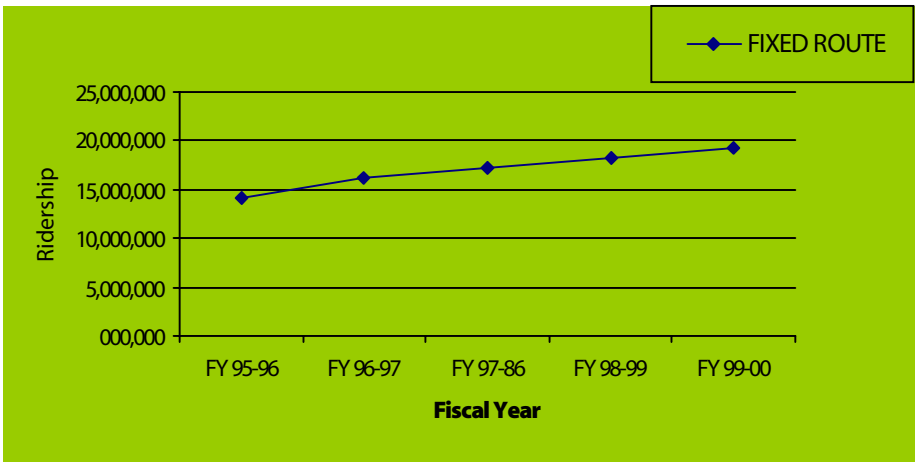
Another ITF related activity worthy of mention though not a directly generating source of funding is:

- Cost sharing arrangements with non-profit companies

LYNX, also known as the Central Florida Regional Transit Authority (CFRTA) is the primary mobility service agency of Central Florida. It is a quasi-governmental authority created under FS 343.61. The system has a fleet of 222 buses and services 60 routes. Average frequency in the urban area is 30 minutes and hourly in outlying service areas. LYNX provides transportation services to the Orlando Metropolitan area including the tri-county area of Orange, Seminole, and Osceola Counties. In addition to fixed route bus services, LYNX has creatively employed ITF strategies involving para-transit services, carpool/vanpool services, school pool matching services, and community shuttle to special events. As we have stressed throughout this study, one of the strengths of ITF in Florida is that it enables transit agencies to tap into local circumstances and creatively utilize them as revenue generating activities or cost sharing cooperative ventures with private companies.

The tri-county area serviced by LYNX remains one of the top growth and tourist destinations in the world. The challenge to relieve traffic congestion for residents and visitors has been and remains great. The system carries approximately 70,000 passenger trips per weekday. LYNX has played a critical role in response to the transit needs of the community. Each year, over the past five years, fixed-route ridership on LYNX provided services has increased and been consistently strong (Figure 8). Total ridership between fiscal years 1996 and 2000 increased from 15.6 million to 21.7 million or 28 percent.

FIGURE 8. Total Ridership Between Fiscal Years 1996–2000



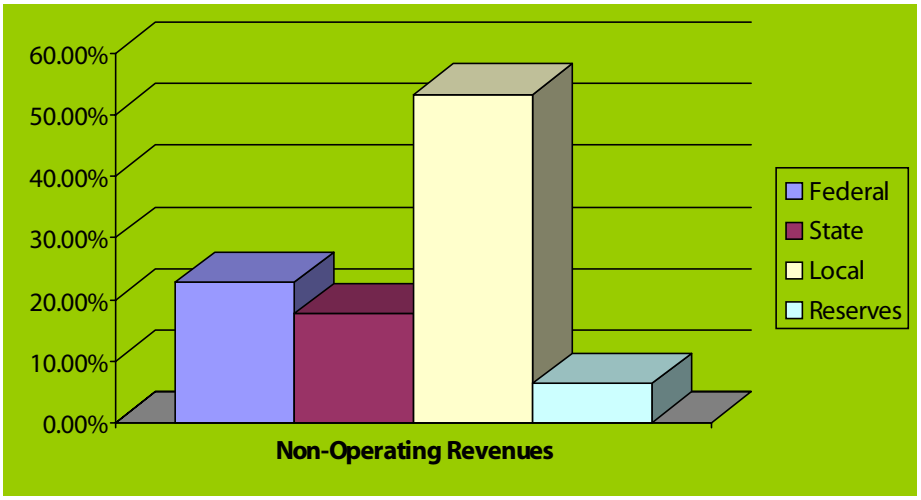
SOURCE: Central Florida Regional Transit Authority

LYNX receives revenue from several different sources. The revenue is categorized as (1) non-operating revenue and (2) operating revenue derived directly from operations received from governmental entities. Sources of non-operating revenue include funds received from the federal government, the state of Florida, reserves, and contributions received from local jurisdictions served by LYNX. Sources of operating revenue include: customer fares, contract services, and other income.

The total non-operating budget for FY 2000–2001 is $39.8 million. LYNX does not have a dedicated source of funding. As part of non-operating revenues LYNX requests funds from each local jurisdiction where LYNX provides service. Revenues are received on an annual basis from Orange County, the City of Orlando, Seminole County, Osceola County, Volusia County, the City of Kissimmee, the City of St. Cloud, the City of Winter Park, and the City of Altamonte Springs. Local government funds represent about 53.3% of non-operating revenues. The federal and state contri-

butions to non-operating revenues approximate 22.7% and 17.6%, respectively.

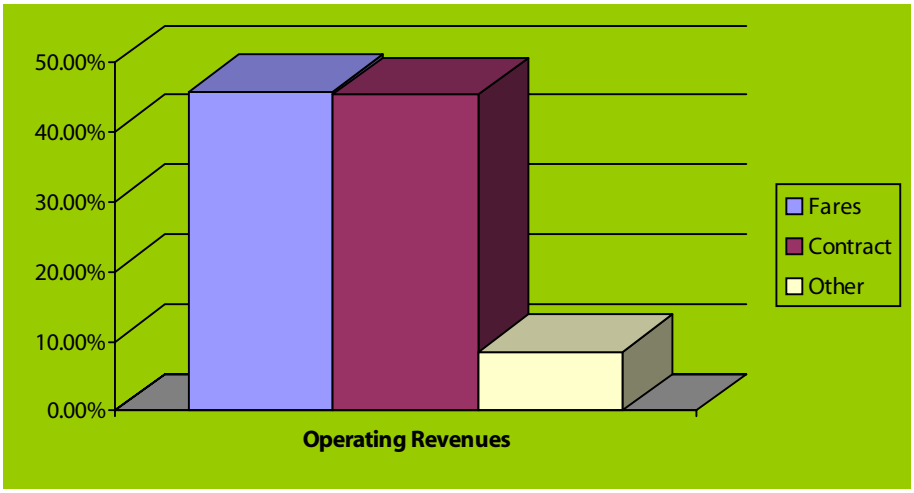
FIGURE 9. Total Non-Operating Revenues $39,813,732



SOURCE: Central Florida Regional Transit Authority

Operating revenue sources for the fiscal year is $29,359,362. Customer fares generated 45.9% of operating revenues. Fares are generated from fixed-route and paratransit operations. Contract services represent 45.4% of operating revenues. Contract services are based on an agreement between LYNX and a contracting entity to provide additional service as part of fixed-route operations. Other income represents 8.6% or $2,536,180 of the operating budget (Figure 10).

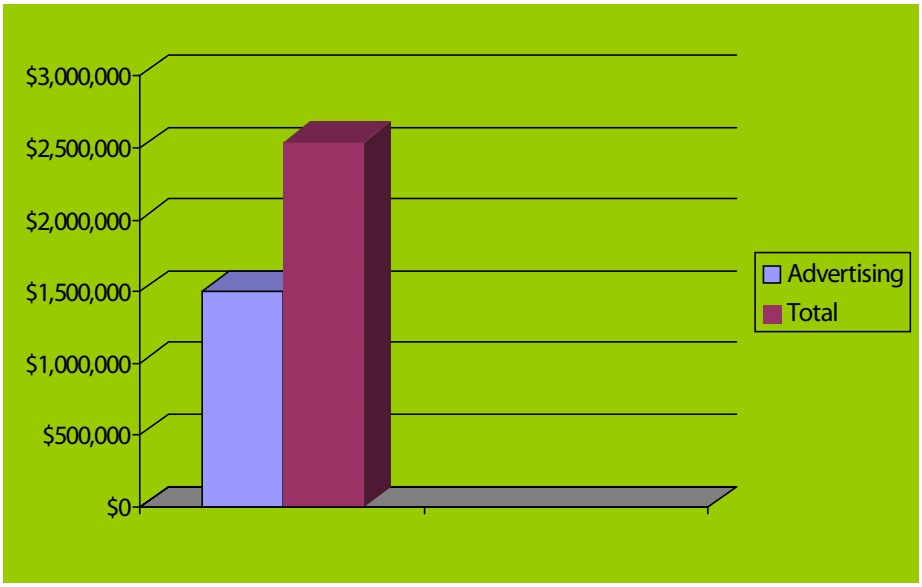
FIGURE 10. Total Operating Revenues $29,359,362



SOURCE: Central Florida Regional Transit Authority

Other income includes interest income, advertising revenues, and other miscellaneous income. Advertising income comprise the largest portion of this category of funds, approximately $1,500,000 or 59 percent (Figure 11).

FIGURE 11. Advertising Revenue as Dollar Amount of 'Other Revenue'



SOURCE: Central Florida Regional Transit Authority

LYNX representatives report that Walt Disney World provides approximately one-half of all its advertising revenues. Interior advertising cards generate more than $1,000,000 for LYNX per year. Advertisers also can choose to have the entire exterior of the bus (bus-wraps) painted with their advertising message. Bus-wraps generate $48,000 per bus per year for the transit agency. Representatives for the transit agency assert that public image is important and that if tastefully designed, exterior bus-wraps can enhance the image of transit, increase rider-ship, and help to generate important operating revenues for the system. LYNX proudly claims to have the best paint program within the state. "The LYNX system … has taken the painted bus concept to new heights through exercising artistic control while demanding, and getting, advertising on buses that adds to the attractiveness of the fleet" (CFRTA Executive Summary p. 2).

Additionally, LYNX is able to generate approximately $8,000/month per client for those companies and non-profits who prefer to advertise on cards installed at bus shelters. The transit agency looks at its advertising

efforts as innovative and important. LYNX generates only a small fraction of funds from the University of Central Florida, about $50,000 from the collection of student fees. Smaller still are revenues generated from joint development projects and shuttle service provided for special events. However, while shuttle service does not generate any significant revenues it is essential to the overall development of the program and can indirectly impact other revenue generating opportunities. Public image is very important to the system's financial success, especially when negotiating agreements with local jurisdictions.

6.3 JACKSONVILLE TRANSIT AUTHORITY

Jacksonville's ITF strategies, as presented here, also represent a creative use of transit assets and business community involvement that lead to an array of public private partnership funding of public transit. ITF, in Jacksonville, (see details below) has facilitated the development of job access opportunities, job training opportunities, as well as bringing transportation closer to persons who were hitherto without transportation. Federal matching funds play a prominent role in the funding of Jacksonville's transit services. This (JTA's) transit system's significant use of governmental matching dollars serves as an excellent example of how conventional funding sources can be used in innovative ways to achieve social development through transit related activities.

The Jacksonville Transit Authority (JTA) is the largest mass transit provider in northeast Florida. It is a public organization with a seven-member board. JTA is different from many other systems in the state in that it is charged with the designing and constructing bridges and highways, providing public transportation and partnering with the city of Jacksonville on various transportation related programs. The system records over 30,000 bus trips each day and provides service throughout 840 square miles of the region. JTA operates seven days a week, 365 days a year. JTA has established several programs to accommodate the transit needs of area residents. Program and services include but are not limited to the following:

Special Services—Fifty percent of the regular bus fleet are lift-equipped for the convenience of mobility impaired passengers a 2.5 mile fully automated, state of the art system operating on an elevated dual guideway, the Skyway serves eight stations in the central business district. Three stations are intermodal offering transfer points for bus and Park-N-Ride patrons.

Trolley Service—The system operates a clean-diesel trolley system downtown that includes five vehicles.

JTA works hard to continually enhance services and provide a fully integrated system connecting all areas of Duval County so that all who live in the region are linked to jobs and vital public services and amenities. Over the next three years, JTA will have completed a five-year bus enhancement plan, which adds seven new routes and frequency improvements on 28 existing routes. The plan calls for procuring 72 more buses and hiring 80 additional drivers. Key to JTA's continued growth and service enhancement is the Job Access and Reverse Commute program, entitled ChoiceRide. The JTA coordinated closely with First Coast Workforce Development, Inc. (FCWD) and other employers, human service organizations, transportation provides, and other community organizations on the project. The project proposes a coordinated approach to fulfill the transit needs of those seeking greater access to employment, training, daycare, and shopping. ChoiceRide is designed to expand transit services in six northeast Florida counties: Baker, Clay, Duval, Nassau, Putnam, and St. Johns.

Adequate transportation is a critical concern of individuals living below the poverty level. It is a key factor in their ability to move from welfare to work. FCWD has estimated that over 28,000 Duval County residents are living in households that are below the federal poverty level and do not have access to a personal vehicle. The problem is not unique to Duval County. Other counties in the region have similar demographic profiles (Table 7).

TABLE 7. Population in Northeast Florida Living Without Access to a Vehicle

	Baker	Clay	Duval	Nassau	Putman	St. Johns
Population (1977)	21,138	127,926	734,429	52,740	70,243	105,965
Income below Federal poverty level	2,638	7,404	83,315	5,062	12,770	8,441
Persons without a vehicle	492	1,369	28,091	1,069	2,428	2,263

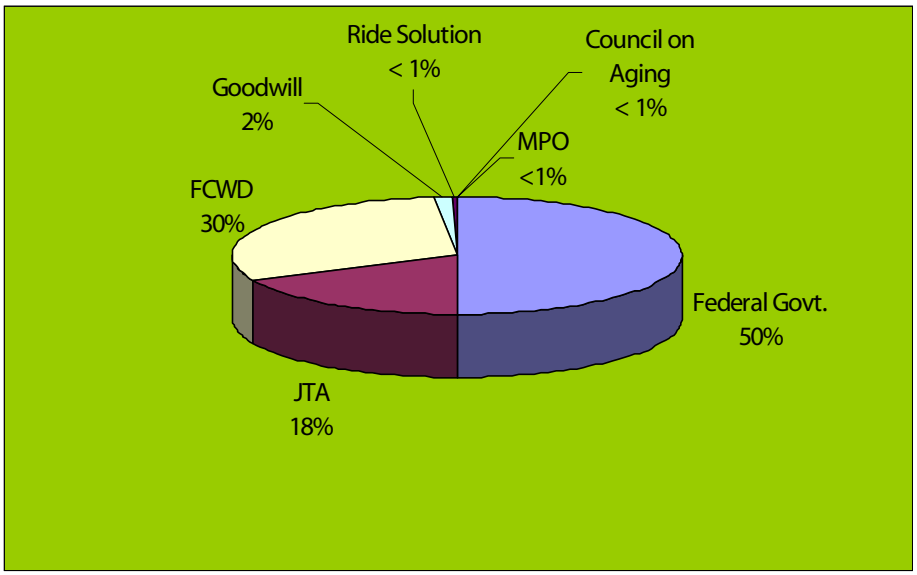
SOURCE: Jacksonville Transit Authority, 2000

It is conventional to limit ITF discussion to revenue raising activities but our study on ITF indicates that innovative financing can have an additional positive spill-over effect; that is, making a contribution to the social development of a service area, or bringing social development to an area that was previously outside the pale of development—particularly from a transit standpoint. Table 7 details the demographic areas of North Florida whose residents are without access to vehicles. The absence of such access undermines the efforts of the welfare-to-work laws and thus continues to

aggravate the spatial mismatch between the place of work and the citizen's place of residence. The ITF approaches that are being implemented by JTA (i.e., creative partnerships between JTA and community for-profit and not-for-profit organizations) are contributing to the social enhancement of communities in transit related ways. The ChoiceRide program illustrates an innovative approach to financing public transit in Jacsonville, whose results are not only revenue generation and subsequent increases in ridership, but also commendable contributions to community development.

ChoiceRide is a joint venture of JTA, the federal government and several local agencies. It is a project that could not have happened without the partnership of all involved, a partnership and joint venture that allows JTA to expand much needed services to its riders/clientele. Project funding has been provided by a number of sources. ChoiceRide is a five-year plan. Year two of the plan, October 1, 2000 thru September 30, 2001, is funded by a grant through the federal government—$930,000; JTA—$335,000; FCWD—$561,000; North Florida Goodwill Industries—$28,000; Ride Solution—$3,000; St. Johns County Council on Aging—$1,500; and MPO $1,000. (See Figure 12).

FIGURE 12. ChoiceRide Funding Sources for 2000–2001



SOURCE: Jacksonville Transit Authority, 2000

The above chart illustrates the significant financial impact that others have had on JTA's ability to implement this project and to dedicate other revenues to other ventures. In short, the joint venture arrangement permits JTA to "*get more bang for its buck*."

6.4 GAINESVILLE'S REGIONAL TRANSIT SYSTEM (RTS)

The City of Gainesville's (RTS) is one of the smaller transit systems that exploit its smallness to develop its local peculiarities to the fullest. The city of Gainesville has within its midst a large university community that uses transportation (a significant portion of which is personal transportation. As the details below will show, RTS officials, past and present, innovatively developed a joint partnership agreement where, today, RTS is enjoying steadily increasing revenues from the joint relationship. The maximization of local resources, physical assets (bus fleet, for example) as well as financial and human resources, in innovative ways, is a lesson in optimal localization of ITF, resulting in financial and social positive spill-overs. Further details on RTS follows below.

Gainesville Regional Transit System (RTS) has undergone a rapid transformation in recent years, from a small urban system with a declining ridership and support to a growing, heavily used and widely supported transit service. This growth has provided unprecedented ridership increases and placed tremendous strain on the system's funding and infrastructure. Success has also created expectations among the community with regard to continued expansion, longer service hours and transit as part solution to potential and real congestion issues. Although there is a Transportation development plan and TRD needs are contained in the local Transportation Improvement Plan (TIP), there exists a need for a thorough analysis of the system to plan activities and meet community expectations.

The RTS is a division of the City of Gainesville Public Works Department. RTS has a fleet of 72 diesel buses and 7 vans (used for demand response transportation). Eighteen fixed-routes provide service throughout the city of Gainesville and areas in unincorporated Alachua County directly bordering City limits. The University of Florida (UF) contracts with RTS to provide on-campus shuttles.

In fall 1998, RTS underwent dramatic changes that impacted system performance. Prior to fall 1998, most RTS fixed routes provided service at one-hour frequencies. The University and the City of Gainesville began a partnership with RTS and UF agreed to a student unlimited access program where the University pays a certain amount of the Activity and Service fees to RTS. Students then use their identification card as their prepaid pass for transit service. That additional fee was initially 19 cents per credit hour per semester and was raised to 50 cents per credit hour, worth about $500,000 annually to the transit system.

As of January 2001, a University Transportation Fee Committee consisting of students, faculty and staff has voted to increase that fee to $2.00 per

credit hour per semester. The agreement is expected to generate approximately $2.2 million for RTS annually. Additionally, the City and UF has entered into a campus development agreement intended to ameliorate traffic and parking problems, decrease congestion, and further enhance access to RTS services through a lump-sum pre-payment plan. The agreement is intended to combine several current services under a comprehensive funding program. The campus development agreement allocates $3.5 million to RTS over a seven-year period. The agreed upon distribution formula will provide RTS with an additional $500,000 plus interest per year. Through the partnership RTS enhanced several routes to provide frequent and direct service to UF and the downtown area. Total system rider-ship has increased over 100% since the beginning of the student unlimited access program. RTS carried over 5.2 million passengers in Fiscal Year 2000, in 1996 less than 1,000,000 passengers used RTS services.

7. Critical Issues For Innovative Transit Finance in Florida

The analysis in sections three, four, five and six point to several critical issues in efforts to finance transit systems in Florida which need to be highlighted here in summary form. Clearly, the issues we have identified in our analysis are:

- inadequate earmarked operating funds for transit compared to highway
- administrative and statutory limitations
- leadership quality
- and a generalized attitude toward transit suggesting that it is the "welfare child of public transportation."

Public transit in Florida has a less than positive image in the eyes of many top level administrators and elected officials on one hand, and for much of the general public on the other. This is the climate in which public transit in Florida exists.

Thus, this study makes the case that an issue with which Florida transit agencies are most concerned about, is the imbalance between money that is available for capital expenditures and money that is available for operating expenditures. This issue has been raised repeatedly by transit agencies

of all sizes. The concern over the availability of operating revenue has been revealed in several of the questions in our survey.

For example, participants were asked if they could identify any barriers (either local or statewide) to the successful implementation of ITF in Florida. Not surprisingly, non-transit stakeholders identified and emphasized statewide (rather than local) barriers to implementation of ITF, while transit agencies primarily identified local barriers. This was expected, since this breakdown parallels the division of responsibilities of the various participants. The responses are illustrated in the graphs below:

FIGURE 13. "Can you identity LOCAL Barriers to ITF?"

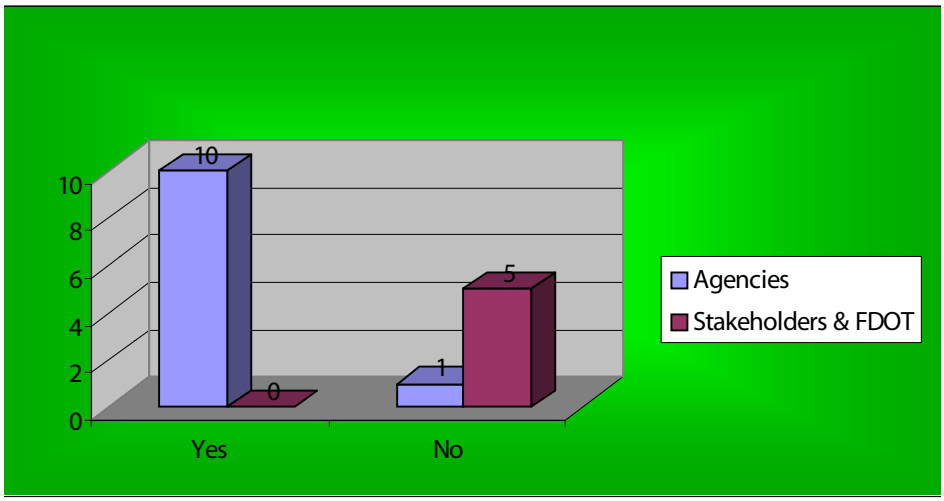
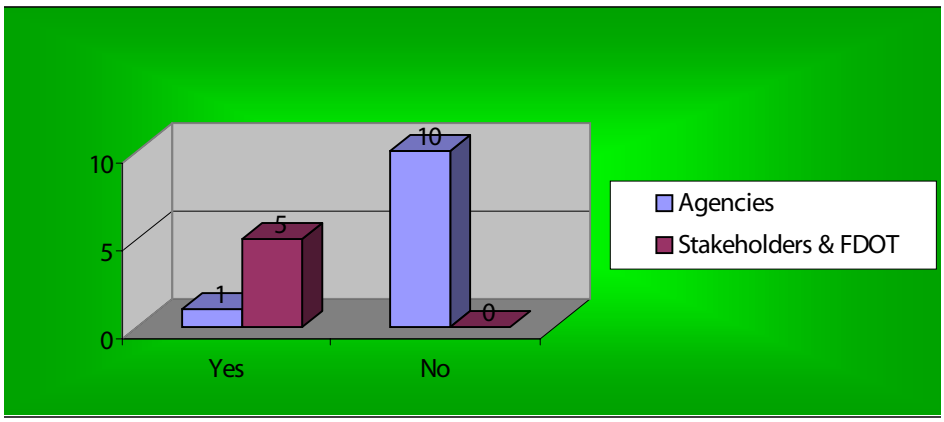


FIGURE 14. "Can you identify Statewide Barriers to ITF?"



In spite of this split response, however, both the agency group and the stakeholder and FDOT group identified the issue of operating revenue. FDOT officials and other stakeholders suggested that, "limited operating funds constrain the ability of agencies to take advantage of ITF capital funds." Agency directors identified as a barrier, "limited sources of operating funds relative to capital funds."

This issue is so important because it gets to the fundamental reason for the development of ITF. Agencies have come under increased pressure to continue providing transit services while being told to rely less on traditional local and state funding. As a consequence, there has been a push to develop innovative strategies to help finance the provision of transit services. Of course, the provision of transit service requires both a transit infrastructure and the capacity to operate and maintain that infrastructure. Developments in ITF throughout the last decade have given most agencies the ability to successfully establish a transit infrastructure. But the operations side of the equation remains a struggle.

Many smaller agencies, in fact, report that there is far more capital money available than they could use. The challenge they face is the day-to-day work of keeping the buses running and providing needed service in their area. This need shows up in another survey question. When agencies were asked about their objective in utilizing ITF, the most common response was "to raise revenue." The most important priority of agencies is revenue enhancement. In many cases this stems from what the agencies report to be reluctance on the part of local governments to provide all the operating funds requested by agencies.

In addition to the availability of operating money from local governments, agencies are also concerned about the availability of operating money from the Federal government. Many smaller agencies rely on Federal operating funds that are available to agencies that serve populations below the 200,000–population cutoff. A number of agency directors have expressed concern that as a result of the 2000 census, they may exceed this limit and lose valuable funding.

Our survey asked respondents to, " identify existing and emerging new opportunities for ITF within the state of Florida." Several stakeholders and state officials stressed the importance of having a dedicated operating revenue source. A number of agencies, however, were unsure of the direction of future opportunities. In part, this reflects the limited use that ITF has in a number of agencies.

Another place in our survey where the issue of operating revenue came up was in response to the question: "Do you have any recommendations for decision-makers (either elected or appointed) concerning the development of ITF initiatives in Florida?" Recommendations from stakeholders echoed the theme of flexibility, which has been emphasized repeatedly throughout this study. The strongest and most frequent recommendation by far, however, was a call for a dedicated operating revenue source for transit. We found again that of the many issues covered by this study, operating revenue was clearly one of the most important to agencies. Small and mid-sized agencies particularly expressed concern that there is an imbalance between funds that are available for operations and funds that are available for capital. Agencies were also concerned that new ITF strategies and capital projects are not being implemented because agencies are unable to come up with operating funds to run the programs for which capital funds are available.

Other recommendations related to operating revenue also appeared. Agencies suggested that state and federal governments must provide more revenue for the operation of ADA related programs. There were suggestions that the state dedicate part of the state sales tax for transit operations. Concern over growing populations was expressed in the recommendation that the federal government raise the population limit for revenue programs from 200,000 to 300,000.

8. Conclusions and Recommendations

The United States of America ranks first in the world in the rate of civilian mobility, which includes residential and business relocation, and transportation, whether for business, recreational or other personal reasons. Whatever the purpose, however, surface transportation occupies the largest portion of general transportation in America. America's 50 states, with substantial financial backing from the Federal government, have, in no uncertain terms, invested massively in highways and roads to accommodate general transportation in America. However, as we have shown earlier in the study Florida's attention to public transit amounts to no more than 5 cents (or 5%) of every dollar allocated to total transportation. Florida is not an exception to the norm in state funding of public transit. It is a common condition relegated to public transit in America.

This study sought to assess the status of innovative transit financing in Florida, recognizing that Florida, like the other states in the Union heavily skews its public transportation funds toward highways and the other modes of transportation such as aviation, seaports, rail and intermodal transportation. In the meantime, the demand for public transit increases, consequent response to that demand leads to increases in operating costs, while some critical sources of public transit funding sources dwindle. A gap between needs and revenues to fund those needs therefore develops. Ability to fund existing as well as expanded capital is also a problem, due to this gap. The ability to adequately and efficiently provide vehicular and other transit related maintenance and effectively sustain operating programs, also suffer from the gap between transit needs and revenues.

Since public transit service must be delivered, notwithstanding, the question becomes one of where transit systems in Florida will turn for additional revenues to supplement existing revenue streams. How can they assess the effectiveness, constraints, and opportunities associated with the search for additional revenue? This study has approached these questions as a twofold goal: one, to identify an inventory of ITF approaches and second, to provide an assessment of these strategies. Section three provides an inventory of ITF approaches in Florida and indicates the level of popularity or frequency with which each is used. Additionally, the research provides an example of the implementation of a selected number of ITF strategies in Florida, the intent being to provide the reader with a first hand view of what is being done by some of the transit agencies. These selected ITF approaches range from advertising to joint development. Our analysis of the data and assessment of ITF in Florida are provided in sections three and four of this study. A summary of the report's analysis and assessment are provided below.

Clearly, the issues we have identified in our analysis are:

- inadequate earmarked operating funds for transit compared to allocations for highway
- administrative and statutory limitations
- leadership quality
- a generalized attitude toward transit suggesting that public transit is the "welfare child of public transportation."
- furthermore, transit has a less than positive image in the eyes of many top level administrators and elected officials on one hand, and for much of the general public on the other. This is the climate in which public transit in Florida exists.

Thus, this study points to a fact that cannot be overstressed: what Florida transit agencies are most concerned about, according to our findings is the imbalance between money that is available for capital expenditure and money that is available for operating expenditure.

Another significant finding of this research project occurred through the continuing discovery of the source of innovation in Florida's transit industry. Ordinarily, the term "Innovative Transit Finance" usually connotes the existence of an established set of specific programs, such as State Infrastructure Bank loans, Certificates of Participation, or cross-border leases. These programs are widely known among transit agencies, the Florida Department of Transportation, and the many financial organizations and other private-sector members of Florida's transit community. They are not the types of programs that are being widely adopted in Florida, however.

Many of the projects, policies, and programs that Florida's transit agencies consider to be "innovative" are ones that *originate* at the local level. They tend to be on a smaller scale. They also tend to be more closely tailored to the needs of a particular transit agency. In fact, the very definition of what constitutes "innovative" finance seems to differ between the state and the local agencies. Agencies are far more likely to embrace a broader definition of innovative finance that encompasses not only the large scale financing tools mentioned above but also smaller scale programs that rely on non-traditional funding sources or innovative uses of existing resources. ITF in Florida, therefore, has a very local "ring" to it. Gainesville's RTS, for example, sees its partnership with the University of Florida in providing transit for the areas academic and local community as a very genuine example of ITF. LYNX proved to be enormously proud of their bus wrap activities, its accompanying revenues and the attraction it commands among other transit agencies.

The other dimension of innovation, which is at the local level, takes advantage of local information. This type of innovation is available to larger cities, like HARTline's many innovative elements introduced to support the TECO Line Streetcar System. But it is also very important to small agencies, such as Manatee County's work contracting out the processing of ADA paperwork to a local service agency. These innovations are possible because agencies have unique information about their own projects and programs and can take advantage of that information to tailor a financial strategy to their needs. Florida's transit agencies are doing a great deal of creative work that is allowing them to expand the services they provide, and, we submit, broaden the definition of innovative transit finance. These represent important sources of innovation.

The substantial popularity of toll revenue credits and pool purchasing emphasizes the importance of local flexibility in the application of ITF. Both strategies essentially create cost savings for transit agencies, which enable the agency to enhance service by redeploying resources where they are most needed. In both cases, the agency has maximum flexibility to use the money where they see fit, and in both cases there is little cost associated with applying the program. This combination of simplicity in administration and flexibility in application has ensured the popularity of these programs.

One type of financial innovation is not better than the other. It is important to recognize, however, that ITF seems to be proceeding along two lines: large-scale "traditional" ITF that can be uniformly applied across agencies, and small scale non-traditional ITF that is tailored to a specific agency. The growth of both types of Innovative transit finance will be necessary to support the continued growth of public transit in Florida.

8.1 RECOMMENDATIONS

Transit agencies in Florida have had numerous successes with Innovative Transit Finance. Though there have been some false starts, the experience has generally been positive. To improve the implementation of ITF in Florida, stakeholders have made many recommendations to our research team. Some of the most common ones have been repeatedly expressed by stakeholders from both large agencies and small, and from those at FDOT and the private sector.

INFORMATION COORDINATION

One of the most important and easily implemental recommendations does not involve an innovative finance strategy at all; it is a simple call for better information. This desire for better information manifests itself in several ways, however. The complexity of some of the financial-oriented ITF, and the difficulty in coordinating ITF efforts across agencies and across FDOT districts were noted as definite barriers to successful implementation of ITF. Difficulty keeping up with changes in national, state, and local laws and rules was also cited as a barrier. These are problems that could be solved with a well-coordinated ITF information plan.

Our interviews with transit agency directors revealed an interesting contradiction. Many agencies have stated that they believe that Innovative Transit Finance will become more prominent in Florida's public transit future. At the same time, however, relatively few agency directors plan on using many ITF strategies in their own agencies. The most likely explana-

tion for this discrepancy is that agency directors believe that ITF strategies are generally sound and are valuable to transit, and yet they do not have enough information to make specific strategies part of their immediate future. This is another area where better communication and information may be helpful.

What is needed is a forum for communicating information and coordinating ideas about Innovative Transit Finance in Florida. This forum could be a group, an office, an agency, or even an individual. Regardless of how they are organized, these individuals would work primarily with the agencies themselves, and would be responsive primarily to the agencies themselves. Proposals for the development of innovative finance initiatives would come from the ground up, with the ITF forum serving as facilitator and coordinator. The agencies would be able to articulate needs and ITF coordinators would serve as facilitators and consultants. This facilitator group would be the in-house financial advisory team. This is precisely the type of expertise that may be available to larger agencies already but that smaller agencies do not have access to at present. Even the larger agencies that do have access to financial expertise do not necessarily have the ability to effectively coordinate and communicate with other agencies around the state.

ADOPT A MORE BUSINESS LIKE APPROACH

Both state-level and agency-level participants in this project have suggested that ITF could be more effective if transit service were treated more like a business, especially in terms of investment. A number of respondents suggested that capital budgeting decisions should be looked at more as investments that are expected to generate a future return than as current expenditures. While the notion of return on investment may seem to initially be at odds with the view of transit services as a "public service" product, this is not necessarily so. Even when transit service is not expected to produce a profit, approaching capital expenditures from a business investment standpoint can provide substantial benefits. A business-like approach should, at the very least, make it easier for an agency to attract private investment in the form of joint development or public/private partnerships.

CHANGE IN ATTITUDE AND PERCEPTION AMONG TRANSIT TOP LEVEL ADMINISTRATORS AND ELECTED OFFICIALS

Also emphasized by many participants in our study was the need for a change in the attitude of governmental administrators and policy decision makers toward transit agencies and their operations. Bureaucratic inertia and a bias toward "tried and true" finance methods were cited as a reason for the slow adoption of new ITF strategies. Administrative hurdles, excessive regulations, and reluctance on the part of local governments to try new things are all barriers to innovation.

"Flexibility" is a term that was used repeatedly by many respondents in our surveys. Generally the recommendation is that transit agencies need increased flexibility to respond in a dynamic way to changing needs and a changing administrative environment. This recognition of the dynamic nature of transit provision reflects an understanding that successful transit agencies will need to do two things: First, maximize the amount of information at their disposal, and second, maintain the flexibility necessary to respond to changing needs. Innovation and risk-taking go hand in hand. They are the means by which new things will be accomplished, and new ideas will get turned into projects that serve the public.

DEDICATED TRANSIT REVENUE SOURCE

Popular throughout our study was the call for a dedicated source of transit operating revenue. Suggestions included a penny sales tax, or part of the gas tax, as well as other sources. Regardless of the source however, this dedicated stream of revenue for transit operations was seen as necessary to leverage the large amount of capital funding that is currently available. Initially, it would seem that increases in general tax revenue to transit agencies are exactly what ITF was designed to avoid. Stakeholders have noted though, that many ITF strategies cannot be implemented for lack of supporting operating revenue. This was in fact one of the risks identified with ITF. Agencies were reluctant to make full use of capital funds available to them because they knew they could not generate the operating revenues to maintain the program. In this light, a dedicated revenue source can be viewed as a way to allow agencies to take full advantage of the ITF programs that are available.

ITF SUCCESS SHOULD NOT BE PENALIZED

Several transit stakeholders expressed the fear that revenue successful ITF can prove to be punitive; that is, transit agencies may experience budget cuts because they have demonstrated an ability to raise additional revenue. This is a relatively complex issue since ITF is intended to find supplementary sources of revenue; transit agencies are expected to demonstrate at some point in time, less dependence on local government budgets. Local governments that finance transit operations should pause to remember the old adage, "money attracts money," and that the business community is generally encouraged to do business with transit agencies that have demonstrated the ability not only to generate money but also to secure self-sustaining revenues. Transit agencies that adopt an investment posture are very likely to remain attractive to the business community. ITF, as a revenue raising strategy, in this way, therefore, justifies its own continued existence. This means that ITF is good for local government budgeting, good for business, and consequently good for the service area that ITF serves. Thus, local governments would be wise not to discourage ITF activities by penalizing transit systems for their innovative transit financing successes, but to encourage them for their successful approaches. The state legislature can also participate in rewarding transit systems for successful efforts by increasing its budget allocations for transit beyond the present (approximately) 5%, or legislating a statewide dedicated tax revenue source for public transit. Together, both levels of government can join hands with transit agencies in their attempts to preserve and promote long-term ITF development in Florida.

SHARED EFFORT IN PUBLIC TRANSIT IMAGE BUILDING

It is not exclusive to Florida that public transit as a state budget allocation is miniscule compared to other categories of public transportation in the United States. The consequences of inadequate funding of public transit in Florida are genuinely real. Indeed the record shows that state funding of transit in absolute amounts has increased, but so has state revenues. The state budget has almost doubled in twelve years, but the percentage increase in transit funding has remained below 5% of the overall funding of transit in Florida. The demand for transit, and by implication, the cost of providing transit service to Florida citizens has increased in both absolute terms and as a percentage of expenditure costs to local government.

Finally, inadequate funding of transit has had multiple negative consequences. One of most relevance here is the public's perception of transit as

being the first mode of transportation to avoid, the last type of transportation to support as part of the infrastructure of and service to the citizens of Florida communities. The State's inadequate funding of transportation has contributed to an unbroken circle of low funding coupled with a high rate of unmet needs, and consequent inefficient service in many urban centers in Florida.

Florida elected leadership and its high level appointed administrators, it is recommended, should reconsider the fall-out effects of inadequate funding on citizens' perception of transit service in their respective communities. The first step toward a reconsideration of the role of public transit, we submit, is the need for an across the board positive attitude toward public transit at the highest levels of policy making in the state of Florida. As many stakeholders pointed out, repeatedly, a change in attitude is first needed at the top of Florida's state and local governments. It is indeed very probable that with this change a dedicated percentage increase in funding for transit could occur. In turn, this could lead to a greater return on the dollar, when measured in the context of (a) improved public perception, and (b) a greater willingness on the part of citizens to use more transit and rely less on personal transportation, when public transit could be an acceptable substitute. This would be a benefit to both public transit and the state; that is, by making Florida a more environmentally sustainable society.

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Appendix I: Selected Florida Transit General Performance Indicators and Efficiency Measures

Data from Figures 15–22 adapted from, Center for Urban Transportation Research. *2000 Performance Evaluation of Florida Transit Systems Part 1*. Tampa: University of South Florida.

FIGURE 15. County/Service Area Population

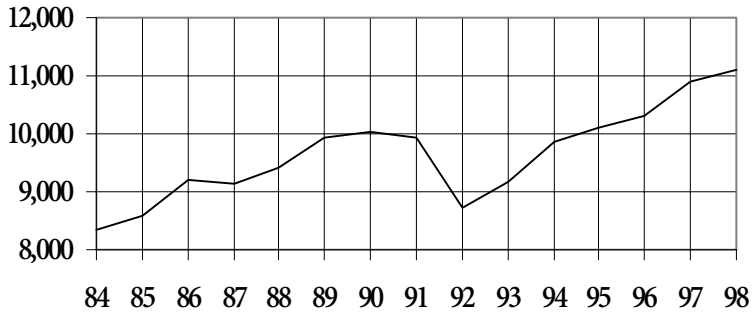


FIGURE 16. Passenger Trips

FIGURE 17. Total Operating Expense

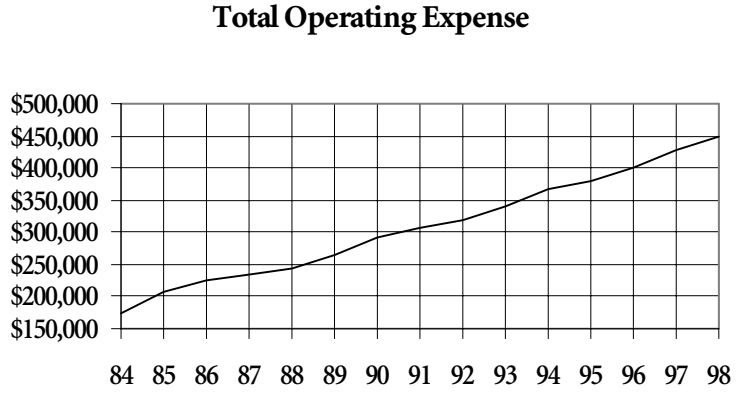


FIGURE 18. Passenger Fare Revenue

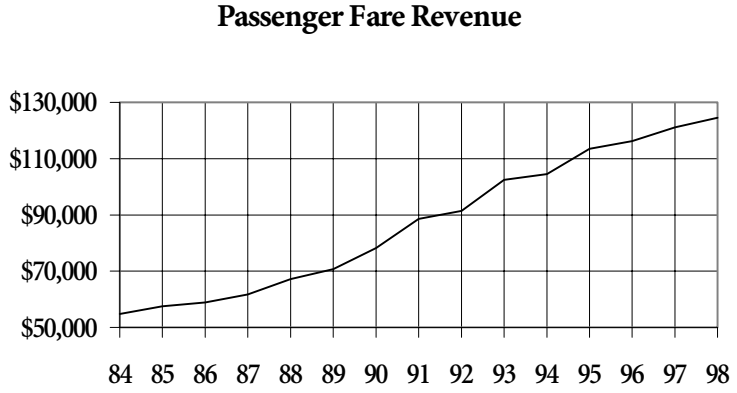


FIGURE 19. Operating Expense Per Capita

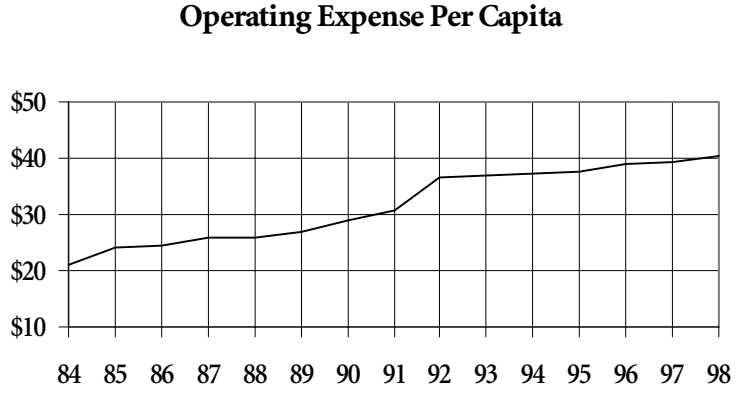


FIGURE 20. Operating Expense Per Passenger Trip

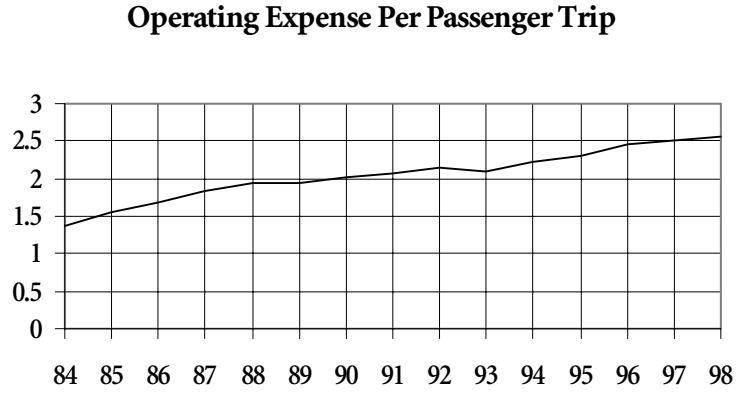


FIGURE 21. Average Fare

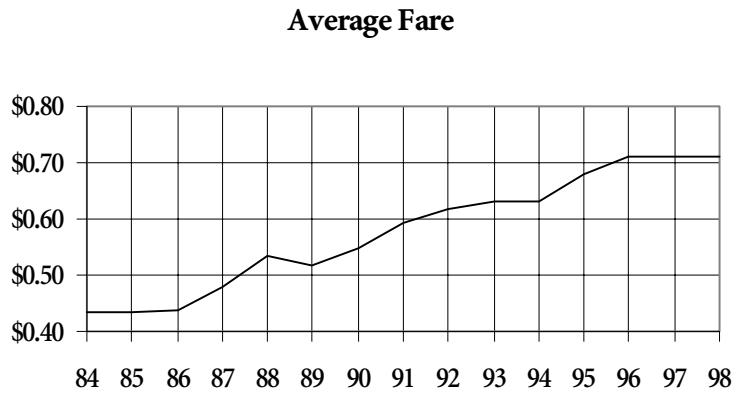
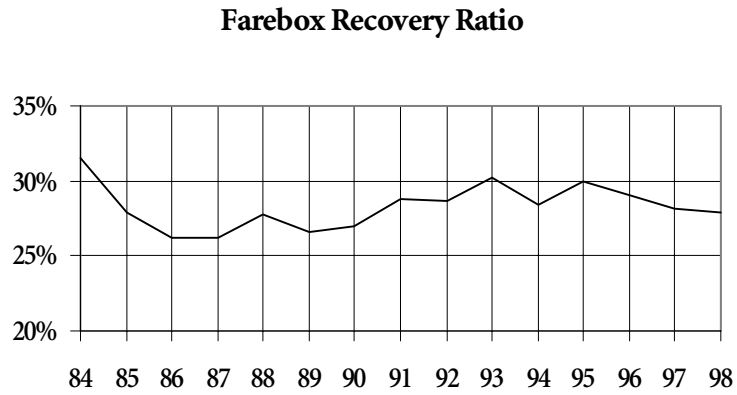


FIGURE 22. Farebox Recovery



Appendix II: Example Survey

Florida A&M University
and State of Florida
Department of Transportation

A Survey Assessing the Effectiveness of Innovative Transit Financing (ITF) Strategies in the State of Florida

Date of Interview:

Interviewer:

Agency Name:

Contact Person:

Title:

Address:

Telephone:

E-Mail:

FAX:

Follow-up Contact(s), please list dates:

Date:

Interviewer:

ITF Questionnaire

1. Are you familiar with the concept of Innovative Transit Financing (ITF)?

   ❑ Yes
   ❑ No

2. What are your views about Innovative Financing in general and ITF in particular?

3. Has your agency been involved with or implemented ITF ? If yes, what types?

4. Please describe your agency's experience with ITF?

5. Does your agency plan to implement ITF in the future?

6. Can you identify any barriers to the successful implementation of ITF either from a statewide perspective or from your own local experience? If yes explain.

7. How can ITF be made more effective in your local area? From a statewide perspective?

8. Please identify any ITF strategies currently used by your agency?

9. What is the objective of your agency's participation in ITFs?

10. What has been the outcome (costs and benefits) of applying the ITFs strategies?

11. Do organizational management and institutional management affect outcomes?

    ❑ Yes
    ❑ No

    Please explain

12. Please identify existing and emerging new opportunities for ITFs within the state of Florida?

13. Do you believe the State of Florida's transportation and development practices hinder or help innovative financing strategies?

    a. Not at All
    b. Somewhat
    c. Very Much

    Please Explain

14. Do you believe the State of Florida's land development and growth development policies and practices hinder or help ITF? Please explain.

15. What do you see as the possible risks associated with the use of ITFs? Please explain.

16. What are the future prospects for increased used of ITFs in Florida. Please explain your answer.
    a. Limited
    b. Encouraging
    c. Great

17. What are the future prospects for increased use of public transit services by citizens? Please identify particular types.

18. In what way can this study be of benefit to your agency's ITF activities?

19. What can Florida's communities learn from each other's experiences with innovative financing and from experiences outside Florida?

20. Do you have any recommendations for decision makers (elected or appointed) concerning the development of ITF initiatives in Florida?

21. What proportion of an agency's budget do you think can be funded through innovative financing?

22. Are you concerned that innovative financing may supplant an agency's traditional sources of revenue?

23. Several states have already established State Infrastructure Banks (SIB), including Florida. What opinion do you have on SIBs? Do you see them as effective instruments of ITF?

Appendix III: Transit Agencies and ITF Strategies

TABLE 8. Specific Transit Agencies and IIF Strategies They Have Used or Plan to Use

*See key below to identify transit agencies

ITF Strategy	Agencies that are currently using	Agencies that plan to use in the future
Toll revenue credit match	A, B, C, D, E, F, G, H, I, J, K, M, N	B, F, I, J, L
Bus wrap advertising	A, C, D, E, F, G, H, I, J, K, L, N	F, I, J
Pool purchase (non-FL Transit Assoc.)	A, C, F, G, H, I, J, K, M	F, I, J, L
Pool purchase (FL Transit Assoc.)	A, C, D, E, F, I, M, N	F, G, H, I, K, L
Local gas tax	A, C, E, H, I, K, N	B, D, F, G, I
STP funds	A, C, D, G, H, J	E, F, I, J
Lease using FTA* funds	C, D, E, H	K
Joint Development	A, D, E, H	C, F, I
CMAQ funds	A, D, H, I	E, I
"Other" flexible funds	A, C, D, H	C, E, F, J
SIB loan	C, E, I	D, H, I
Property swap	B, D, H	C, E
Special tax district	D, F, H	C, F
Impact fee	A, D	C, F, G, H
GARVEE bond	D, H	E, L
Cross border lease	F, N	C, D, E, F, H, I
Lease-buyback (or similar)	H	E
Taxable Debt	H	E
Turnkey Management	H	E
Incremental Tax Areas	D	E, F, H
Certificates of Participation	None	E, F

***Letter codes for above table**

A— Broward County Mass Transit
B— Escambia County Area Transit
C— Gainesville RTS
D— Hillsborough Area Regional Transit Authority
E— Jacksonville Transportation Authority
F— Lakeland Area Mass Transit
G— Manatee County Area Transit
H— Miami-Dade Transit Agency
I— Palm Beach County Transportation Agency
J— Sarasota County Transportation Authority
K— Space Coast Area Transit
L— SunTran
M— Tallahassee Transit
N— Votran

Appendix IV: Individuals Interviewed

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