



Date: March 30, 2017

To: Thomas J. Bonfield, City Manager
Through: Keith Chadwell, Deputy City Manager
From: Terry Bellamy, Transportation Director

Subject: Durham County Transit Plan Update

Executive Summary

The Durham County Transit Plan (formerly known as the Bus and Rail Investment Plan) documents how local transit revenue sources, such as the sales tax, car registration fees, and rental car tax will be used to benefit public transportation in Durham County. This plan is mutually adopted by the Durham County Board of Commissioners, the Durham-Chapel Hill-Carrboro Metropolitan Planning Organization (DCHC MPO) Board, and the GoTriangle Board of Trustees. As required by an Inter-local Implementation Agreement, the plan must be fully reviewed by a Staff Working Group every four years, and must be updated through adoption by the governing boards if changes exceed threshold values. Several changes have occurred due to project additions and modifications, federal and state funding resources, schedules, etc. GoTriangle will present the update to the Durham County Transit Plan.

Recommendation

The Transportation Department recommends that the City Council receive the presentation on the Durham County Transit Plan.

Background

The first Durham County Transit Plan was adopted in 2011 prior to the successful referendum that allowed for the additional half cent sales tax for public transportation. There is also an Inter-local Implementation Agreement that was adopted that directs how updates to the plan will be made. A similar plan and agreement were approved in Orange County prior to their referendum in 2012. The Durham and Orange County Transit Plans have been coordinated due to the sharing of funding for the Durham-Orange Light Rail Transit (DO LRT) project. There is a Cost-Sharing Agreement between Durham County, Orange County, and GoTriangle that specifies how funding for DO LRT will be paid for by the revenues from both counties. As required by state law, the plans must be adopted by the County, the MPO, and GoTriangle. The City of Durham is represented on the MPO Board by Steve Schewel, Don Moffitt, and Bill Bell (alternate) and represented on the GoTriangle Board by Bill Bell.

The current Durham County Transit Plan includes funding for bus expansion, bus operations, small capital bus projects, the DO LRT project, and the Durham-Wake Commuter Rail project. Many changes have occurred to affect the financial plan for these projects:

- State law has limited state funding to ten percent of the project cost for light rail and commuter rail projects. This is the most significant change to the plan in terms of total dollars and is the main impetus for the update to the plans.
- Federal and state funding shares for bus expansion and capital projects have decreased significantly since the original plan requiring additional local funding for these projects.
- The schedule for construction of the DO LRT has been delayed, and the extension to North Carolina Central University has been added. The Final Environmental Impact Statement/Record of Decision selected a preferred route for the project.
- More funding is planned to maintain and operate the bus and rail services in the plan in future years.
- The North-South Bus Rapid Transit project in Orange County has increased in scope and cost. The assumed federal and state funding shares have also changed.
- GoTriangle is using a new sales tax revenue forecast primarily based on a November 2016 report from Moody's Analytics.
- Reserves are now included in the plan.
- The Federal Transit Administration has clarified that there is a \$100 million annual reimbursement cap for projects.
- GoTriangle has developed a more detailed financing plan for the DO LRT that includes Grant Anticipation Notes, Limited Obligation Bonds, and Transportation Infrastructure Finance and Innovation Act (TIFIA) loans.
- Wake County approved a Wake County Transit Plan and held a successful local sales tax referendum in November 2016. The Wake plan includes the Durham-Wake Commuter Rail project.
- Additional federal transportation funding is being considered to fund elements of the plans.
- Foundations, endowments, and private contributions are being considered to fund elements of the plans.

The Staff Working Groups for Durham and Orange counties have been meeting regularly for several months to review the existing plans and consider changes. The changes require adoption by the three governing boards. A schedule is proposed that would allow for adoption by the end of April. The Federal Transit Administration has requested additional information from GoTriangle that more clearly identifies and commits at least 30 percent of the non-federal funding for the DO LRT project by the end of April. In addition, GoTriangle desires to have their board consider entering into a contract for final design with their General Engineering Consultant for the DO LRT project by the end of April.

The plan is scheduled to be released for public comment March 31, 2017 through April 21, 2017. It is expected that staff will be able to present the contents of the draft plan at the April 6 work session. The plan will be available at <http://ourtransitfuture.com/>.

Public meetings will be held during April. The following public meetings will be held in Durham:

- Public Workshops
 - 4/10, 5-7 pm at Durham Station Transportation Center, 2nd Floor, 515 W. Pettigrew St.
 - 4/12, 5-7 pm at GoTriangle Administrative Office, Room 104, 4600 Emperor Blvd.
- Public Hearings
 - 4/11, 9 am at Durham County Board of Commissioners meeting, 200 E. Main St.

- 4/12, 9 am at DCHC MPO Board meeting, 2nd Floor Committee Room, 101 City Hall Plaza

An online public involvement questionnaire will be used to solicit public comments. <http://ourtransitfuture.com/connect/>. GoTriangle is compiling public comments and will share them with local boards for their consideration. The final plan and updated Implementation Agreements will be considered for adoption at the April 24 Durham County Board of Commissioners meeting, the April 26 GoTriangle Board of Trustees meeting, and the April 28 DCHC MPO Board meeting.

Issues and Analysis

A draft plan is expected to be released by March 31, 2017. Additional information will be provided as it becomes available. The summary below represents information available as of March 30, 2017.

The issues to be considered are the trade-offs between funding the major capital projects, bus operations and expansion, and small capital projects. The Durham and Orange county plans are closely interdependent due to the cost-sharing agreement for the DO LRT. Changes to this agreement will affect funding availability in both counties. Durham also must consider how its plan affects projects shared with Wake County, especially the Durham-Wake Commuter Rail.

Summary of key plan elements:

- Revenue assumptions:
 - The local revenue sources in the plans, in order of magnitude, are: half cent sales tax, \$7 vehicle registration fee, rental vehicle tax, and \$3 vehicle registration fee. The sales tax is by far the largest funding source, and the growth assumptions drive the funding availability in each county.
 - The updated Durham County Transit Plan uses an average annual growth rate of 4.33% for the sales tax through 2062. The Orange County Transit Plan uses an average annual growth rate of 3.71% through 2062. These rates are from the baseline growth forecast by Moody’s Analytics through 2046. Moody’s Analytics forecasted higher baseline rates for 2046 through 2062 for both counties (4.87% in Durham and 3.64% in Orange) which are not being used. The original plans assumed a 3.6% annual growth rate in Durham and 3.5% annual growth rate in Orange.
 - Durham County has a much larger existing sales tax base than Orange County. This and the higher projected growth rate for the sales tax in Durham result in a much higher amount of revenue available in Durham. The total forecasted revenue through 2062 for Durham County is \$4.260 billion, and Orange County is \$1.010 billion.
- Cost-sharing agreement for DO LRT:
 - Existing plans:

▪ All costs	77.05% Durham	22.95% Orange
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 - Proposal:

▪ Capital Costs	82% Durham	18% Orange
▪ Financing Costs	82% Durham	18% Orange
▪ Operating Costs	80% Durham	20% Orange
▪ State of Good Repair	80% Durham	20% Orange
 - The updated cost-sharing proposal was primarily informed by the minimum change needed to maintain the bus services in the existing plans, the original cost of Chapel

Hill’s North-South Bus Rapid Transit project, and keep both counties’ projected cash balances positive. However, the Durham-Wake Commuter Rail project was not assumed to be fully funded and included in the plan in developing this proposed cost-sharing agreement.

- The proposed cost-sharing could be changed during the review and comment period for the draft plans. Changing the cost-share would significantly affect Durham’s capacity to fund Durham-Wake Commuter Rail or other bus investments.
 - The original cost-sharing agreement was not based on any one specific metric but was rather informed by various project characteristics such as mileage in each county, forecasted boardings and alightings in each county, number of stations in each county, existing bus services that would be replaced by the DO LRT, etc. The extension of the DO LRT to NCCU does change some of these metrics. However, the recommended cost-sharing proposal was not developed to specifically account for a metric that was changed due to the extension to NCCU.
- Cash Flow balance: The updated Durham County Transit Plan achieves a minimum \$7.312 million cash flow balance for Durham County and \$670,000 for Orange County. Maintaining a positive cash flow balance in Orange County required changes to the cost-sharing agreement.
 - DO LRT: Generally, the funding is expected to be 50% federal, 10% state, and 40% local. However, some of the financing is not eligible for federal reimbursement. The table below summarizes the capital and financing costs and the local shares for the project. A portion of the local cost may be paid for through donations and grants.

(All \$ in YOE)	Durham	Orange	Total
Total Capital Cost			\$2,388,568,428
Total Capital and Financing Costs			\$3,307,921,349
Local Share of Capital Cost	\$783,450,444	\$171,976,927	\$955,427,371
Local Share of Capital and Financing Costs	\$1,480,394,419	\$339,164,914	\$1,819,559,333

- Durham-Wake Commuter Rail Transit: The Durham-Wake Commuter Rail project may be able to be partially included the updated Durham County Transit Plan. While the proposed cost-sharing agreement was not developed with a requirement that the Durham-Wake Commuter Rail project be fully funded and kept on a schedule compatible with Wake County’s Transit Plan, the counties directed GoTriangle to include some balance of funding for the project and identify a proposed schedule for when Durham County would be able to contribute towards construction costs for the project. The assumption is that Durham would be responsible for 1/3 of the project’s cost. Planning work for this project will begin in 2017 in coordination with Wake County.
- Chapel Hill North-South Bus Rapid Transit: Chapel Hill’s North-South Bus Rapid Transit project is funded at \$6.1 million which equals the original estimated local share from the existing Orange County Transit Plan, but does not include the increased scope and cost of the project. Chapel Hill has requested up to \$37.5 million for the local share of the increased scope and cost of the project. Chapel Hill will need to pursue other options for fully funding this project.

- Hillsborough Train Station: The Hillsborough Train Station is funded at \$0.686 million.
- Bus Investments: The proposed plans maintain the bus investments in the original plans. However, the local shares have changed based on updated assumptions on the availability of federal and state funding. In addition, some projects have more refined cost estimates. The Durham County Transit Plan includes the following bus improvement projects:
 - Park-and ride lots (lease or purchase of parking spaces, bus stop improvements, shelters)
 - Northern Durham
 - Patterson Place
 - Woodcroft
 - Bus access improvements (sidewalks, bus shelters, ADA landing pads, etc. along high frequency bus transit corridors)
 - Holloway St. between Miami Blvd. and Park Ave.
 - Fayetteville St. between Lakewood Ave. and Lawson St. and Pilot St. and Elmira Ave.
 - Future corridor to be identified
 - Neighborhood transit centers (large bus shelters with bus bays, security, etc. to accommodate large number of riders and transfers between routes)
 - The Village
 - Southpoint
 - Bus stop improvements (ADA accessibility, shelters, benches, etc.)
 - Patterson Place
 - 180 GoDurham bus stops – This is projected to improve stops that serve up to 90% of GoDurham’s ridership.
 - 20 GoTriangle bus stops in Durham County
 - The increased cost to operate existing GoDurham service
 - The Durham County Implementation Agreement allows GoDurham to utilize up to 50% of of the \$7 vehicle fee to help offset the increased cost for existing bus services. The cost to operate existing bus services has increased more quickly than the revenues from the \$7 vehicle fee. GoDurham has and will continue to fully utilize these funds.
 - Bus expansion
 - GoDurham has already used revenue from the plan to increase service by 41,000 hours on existing routes and provide service on new routes. Up until now, this service has been able to use existing spare buses in GoDurham’s fleet. Five new buses are currently in procurement to continue to provide these services into the future.
 - GoTriangle has used revenue from the plan to increase service by 7,640 hours and purchased two buses. GoTriangle plans to increase service by 7,700 additional hours in the future.
 - Rail dividend hours
 - The DO LRT is expected to replace some existing bus services currently provided in the corridor. These bus services are referred to as rail dividend hours and will allow GoDurham and GoTriangle to redeploy existing bus resources to new routes, rail feeder service routes, or increase frequency on existing routes. Durham is expected to have 15,000-27,500 rail dividend hours in 2029.

- Durham County Access service
 - Durham County Access has provided 7,500 additional annual trips and purchased 1 van using revenue from this plan.
- Orange County: A similar set of bus investments are planned in Orange County. Comparatively, less new service has been implemented due to Chapel Hill Transit's focus on replacing their aging fleet with newer buses in recent years. In addition, the Orange County Implementation Agreement allows for Chapel Hill Transit and Orange Public Transit to use up to 100% of their \$7 vehicle fee to help offset the increased cost for existing bus services. As a result, a larger portion of their bus investment funding goes to support existing services than in Durham. Also, the rail dividend hours in Orange County are 30,000-45,000 hours. This is much higher than in Durham due to the high levels of existing bus service currently provided along the NC 54 corridor in Chapel Hill that can be replaced by the DO LRT.
- While the funded bus improvement projects in Durham have and will continue to greatly improve bus service in Durham, they do not represent a full and comprehensive list of all bus improvements that will be needed in Durham through the timeline of the plan. As Durham continues to grow in population, new destinations and employment centers are developed, and traffic congestion increases, additional bus routes, vehicles, amenities, etc. will need to be provided. A positive cash flow balance in future years of the plan will allow Durham to update and add projects to future plan updates to provide these services. GoDurham expects to conduct short-range transit planning to help further identify, refine, and prioritize future needed services and facilities.
- Identified risks:
 - GoTriangle is modeling a scenario where the DO LRT has a 10% cost overrun. The project does have a 30% contingency.
 - The Federal Transit Administration's New Starts program is expected to fund 50% of the DO LRT project. Changes or limitations on this federal program would have a major impact on the delivery of the DO LRT project.
 - The financial model assumes that the DO LRT will be funded with 10% state funding. The project will need to compete for this funding through the State Transportation Improvement Program (TIP) prioritization process. While the DO LRT did score well enough to receive funding in the FY 2016-2015 TIP process (which was later eliminated by the NC General Assembly's action in imposing new caps on state funding for transit projects), the project will need to re-compete for funding in the FY 2020-2030 TIP process. There is no guarantee that the project will receive state funding or that it will be provided on the schedule modeled in the plans.
 - The revenue assumptions used the Moody's Analytics baseline forecast for sales tax growth through 2047, and a more conservative lower than forecasted growth rate in 2047-2062.

Alternatives

The City Council could not receive the presentation, and Durham County, the DCHC MPO Board, and GoTriangle Board of Trustees could adopt the plan update without the City Council's input.

Financial Impact

The Durham County Transit Plan will have a financial impact on the City through its funding of the GoDurham bus system. The plan also impacts the financial aspects of the Durham-Orange Light Rail Transit project and the Durham-Wake Commuter Rail project.

UBE Summary

Department of Equal Opportunity/Equity Assurance did not review this item for compliance with the Ordinance to Promote Equal Business Opportunities in City Contracting.