



Change Your World:

Transit Funding & the Grand Community Vision

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Abstract

Imagine for a moment that the method of transportation you were accustomed to, be it, bus, rail or bicycle, were no longer available because of a strike, a power outage or worse yet, because there was no money to fund your mode of Transit. What would you do? Who would you talk to? Would you talk to your mayor? Would you talk to your governor? Would you talk to an advocacy group? What would you tell them?

How do you get policy makers and/or regional leaders to understand the importance of Transit in your region? What approach should you take to gain the support of influencers who can make transit part of the community vision? This project discusses the strategies and recommendations used by Chief Executive Officers (CEOs)/General Managers (GMs) to prepare a plan that drives home this message to policy makers. We researched a wide range of agencies; we identified successes and failures and some common themes/lessons learned communicated by various GMs/CEOs. Through interviews conducted with a wide range of CEOs/GMs and several House Representatives and Senators, we identified some key common messages that can be utilized to drive home the importance of Transit in your region.

Introduction

It is clear from recent news that the Federal government does not have sufficient money to support transportation needs. Moving Ahead for Progress in the 21st Century (MAP-21) expires this year. Congress voted in a temporary stop-gap measure that will extend the Highway Trust Fund (HTF), but only until May 2015. As Secretary Foxx stated, *"The good news is that Congress has avoided bankrupting the Highway Trust Fund. The bad news is that there is still no long-term certainty, and this latest band-aid expires right as the next construction season begins."* The funds allocated are only a temporary bandage on a wound that is getting deeper. The HTF only heals nicks and cuts on our highways. There is not enough money to build the amount of roadways needed to get to where we need to go. Nor do more roadways contribute to nurturing the quality of life we are seeking. The mass transit portion of the HTF does not address nearly enough funding for the amount of rail, bus, and other multi modal transit methods required throughout our nation. With these financial and funding facts as the backdrop, how do we maintain and grow transit systems that our aging and future generations desire? New sources of revenue are needed. Transit agencies and the communities they serve must appeal to policy makers, business leaders and other allies to secure new funding strategies.

Purpose of Paper

When we first began our study, our focus was on identifying various types of innovative funding strategies agencies are implementing to obtain funding for their transit initiatives. We soon found that there was more to securing revenue than meets the eye. We learned that finding a mutual interest and partnering with policy makers and regional leaders to support transit ultimately secures funding. We connected with and interviewed policy makers and regional leaders to understand how these leaders think and what drives their decision-making. In the end, we were able to identify effective strategies to influence policy maker's decisions to advocate for funding capital transit projects.



Through our interviews, five common themes emerged, including:

1. Understand community needs and the power of the community voice
2. Understand your regional, political landscape
3. Build effective relationships
4. Enlist your champions
5. Know your funding options

All of these elements combined can make a difference in whether or not you will be able to secure funds. In this paper, we explain in more detail how these themes are important factors in obtaining the necessary funds for your transit system's operating and capital needs. We discuss several case studies where the concept of "Development Oriented Transit" has been successful. We wrap up our study with some key learnings we've comprised for you to use to drive home the importance of *Transit and the Grand Community Vision*.

As stated above, our goal in writing this paper is to provide executive leaders with effective strategies in securing funds for your transit operating and capital projects. We do not need to stress to you the positive impact transit makes on a community. With the challenges facing us today in obtaining funding, how do you effectively turn the tides and **"Change Your World"** as it is today?

Methodology

We gathered our information by conducting interviews with numerous General Managers (GMs) and Chief Executive Officers (CEOs) from both public and private organizations, as well as several government officials including House Representatives, State Senators, and Mayors coast to coast. We further supported these interviews with academic research. Interview questions can be found in the Appendix.



Locations of those we interviewed

Understand Community Needs

You need to understand the world around you – the needs of your community. This is important as you begin to **"Change Your World."**

"Transit and Transportation are a community decision." State Senator Georgia, District 21

Our research into the subject of securing funding for capital transit projects highlighted a number of things that we already knew, but also brought to light the importance of community support. Securing

transit funding should be based on the local and regional community vision. The American Public Transportation Association (APTA) reported on March 10, 2014 that the demand for public transit is the highest it has been in 57 years.

As we talked to leaders throughout the transit industry, we found that community considerations are not only relevant but absolutely cannot be overlooked when an organization is trying to secure funding. If it is an idea that your community can get behind they will make the “ask” for you, or they will secure the vote to pass the local referendum to make the transit project or concept that addresses the community needs come to fruition.

Case Study: Community Relationships - eBART Project

Having a relationship with the broader community and understanding their interests has proved to be powerful. Take for example the eBART extension in East Contra Costa County in Northern California. The eBART Project represents the first phase of a plan to extend San Francisco Bay Area Rapid Transit (BART) rail service into East Contra Costa County. The eBART Project provides a cost-effective way to bring BART service to Antioch, and the rest of east Contra Costa County. eBART will provide East County with frequent, reliable, and high quality rail service that will connect the growing region of East Contra Costa County with areas already served by BART. An East Contra Costa County resident was quoted as saying: *"My wife and I bought a house in Antioch a little over 3 years ago anticipating that BART would have been extended into Antioch by the time that we moved into our home. . . In the morning at 5:00 AM, it takes us 30 - 45 minutes to travel 10 miles on Highway 4 to get to BART. That is an awful commute that should only take 10 - 15 minutes. If they extend BART to Antioch it would only take us probably 5 minutes from our house to get to BART."* This quote underscores two things; one, people make life decisions based on the availability of transit and two, this project was based on the community outcry for a transit option. In fact, it is largely funded by a local referendum (sales tax and property tax).

Quality of Life

Community considerations are vast and can range from congestion and air quality to access to jobs and healthcare, but all considerations lead to one common theme – quality of life. In that vein, transit CEOs and the communities they serve are seeing more regional planning. Plan Bay Area is an example of an integrated transportation and land-use/housing strategy for the San Francisco Bay Area. The plan was developed to meet the goals set forth in Senate Bill (SB) 375: The Sustainable Communities Act. The plan goals include making future development *“walkable, bikable and close to public transit, as well as jobs, schools, shopping, parks, and recreation...”*

Change TOD into DOT

Transit Oriented Development (TOD) creates a more sustainable community by centering residences, businesses, and civic uses within walking distance of a transit station. It is becoming more common as people seek to live near public transportation. APTA reported at the beginning of this year that United States riders took 10.7 billion trips in 2013. This combined with the fact that millennials, (the generation born after 1981), are looking for work and residence close to transit has caused developers to consider building residences, retail businesses, communities, along transit routes. Public/private partnerships are becoming increasingly important to transit agencies. Urban planners, transit agencies, and developers

partnering together are the key to successful TOD. This relationship should be symbiotic in nature – early collaboration between all parties allows transit to be included in development plans. Conversely, transit agencies involved at the onset of development discussions is more cost effective and can save money on expansion projects because agencies know where expansion options are limited and limitless. Turn TOD into DOT – Development Oriented Transit.

Case Study: Hudson Yards

Transit agencies are getting more creative with identifying new revenue sources through collaboration with developers and investors. Metropolitan Transit Agency (MTA) in New York, and others are getting into the real estate business, partnering with major developers and selling prime real estate to investors. For example, in New York, the Hudson Yards project, one of the biggest New York has seen since the development of Rockefeller Center, is bringing in major retailers such as Coach and L’Oreal and the technology company SAP, to occupy the LEED Gold building at 10 Hudson Yards. Eventually all of the buildings combined in this development will connect directly with the existing transit service via a new subway station and extension of the existing subway line.



Transit is an economic generator that attracts development. Jessica Leber of Fast Company.com wrote, *“The new \$20 billion Hudson Yards development project is designed specifically to court the younger demographic that companies want in their workforces.”*

Seniors and Millennials

It is well documented that millennials are making life choices based on the availability of good public transit. Similar to APTA studies, the Rockefeller Foundation and Transportation for America published an article in April of 2014 in which the headline read: *“Access to Public Transportation a Top Criterion for Millennials When Deciding Where to Live . . . Majority of Millennials would consider moving for better transit options, aspire to be less reliant on a car to get around.”* This is a generation that will support alternative funding solutions for transportation in the form local referendums or sales tax initiatives. Understanding this generation’s interests in transit and garnering their support is invaluable.

As previously stated, the country is facing a growing population of seniors and many of them do not drive. According to the American Association of Retired Person’s (AARP) Public Policy Institute *“More than 20 percent of Americans age 65 and older don’t drive.”* The senior population cannot be overlooked as allies to support transit funding, especially considering they are active voters. A popular Political Blog

post, The Daily Kos, wrote in June 2014, “Give seniors what they want. They vote!” What do seniors want? Similar to their millennial generation counterparts, they want transportation alternatives.

Millennials and the seniors alike want to be close to transportation to gain and sustain their independence. A critical component of the neighborhoods is to improve quality of life for residents. Enhanced transportation provides that quality of life by reducing the hours and stresses of travel time in cars, on highways and providing a means to get people to where they need to go.

Jobs

It goes without saying that there is a nexus between the business community and transit. An example of this nexus is the collaboration, support and advocacy of the Silicon Valley Business community in securing the funding necessary for the Santa Clara Valley Transit Authority (VTA) and San Francisco Bay Area Rapid Transit District (BART) to connect. This is a “win-win” for the community that wanted the transportation alternative and for the businesses that will be able to attract employees from a larger area. Additionally, there are economic benefits that cannot be ignored. APTA published the following impressive figures:

- Every \$1 invested in public transportation generates approximately \$4 in economic returns.
- Every \$10 million in capital investment in public transportation yields \$30 million in increased business sales.
- Every \$10 million in operating investment yields \$32 million in increased business sales.

Through our research we found that communities are realizing they cannot pave their way out of traffic or into a better community. The “maze” in the San Francisco Bay Area; the “405” in Southern California; or the “the loop” in Atlanta are all examples and proof in themselves that adding more lanes is not the solution and is in fact a more costly venture than an investment in the local transit system.

Once you understand what the community you serve is interested in and needs, you can take that knowledge and use it as the guiding post when seeking funding. Transit should be part of your community vision and is certainly a major consideration for your local and regional policy makers.

The Transportation Community Association summarizes the importance of community considerations best:

“A society that now includes a growing population of seniors’ needs new and expanded community transportation alternatives. Communities with staggering air quality problems and ground congestion need improved public and community transportation alternatives. Areas and communities that have been abandoned or which are in decline need public and community transportation options as part of their renewal effort. Effective public and community transportation contributes mightily to the quality of life of the people living in the cities, towns and communities in which it operates.”

Understand the Political Landscape

As stated in the previous section, “Securing transit financing should be based on the local and regional community vision,” and this is often the case. However, we must be realistic. In order to secure much needed funding for transit, we must understand how to navigate the political landscape. We must

identify the people who can influence outcomes. Politicians are near, if not at the top of the list. Locally, regionally and state wide politicians or policy makers can make or break a program or project. It is critical that you identify all the political players in your regional community that influence outcomes and who they have relationships with. The political landscape is not unlike the transit landscape. We often refer to transit as a safe, reliable, affordable, and efficient means of moving people (the community). If you get on the wrong track, heading in the wrong direction at the wrong speed, the results can be as simple as having to slow down or as devastating as a collision or derailment. Before you would even think of entering an active railway, either momentarily or routinely, there is a tremendous amount of knowledge and preparation required to navigate safely. The same is true for the political landscape, except we are moving agendas, funding requests and bills forward, not necessarily people. It takes more than seeing it and studying it – you must be able to operate within it. The common term in transit used to define the area in which trains operate is appropriately titled the “right-of-way.” The visual below depicts an actual rail intersection, referred to as an “interlocking” in rail transit, that illustrates multiple paths that can be taken – straight ahead, divergent or even reverse. Each track has signals and switches that permit safe flow of rail traffic.



- *There are different paths that are highly dependent upon each other, requiring a high level of collaboration - coming from all directions!*
- *Within each one of these tracks there are multiple influencers whom when aligned can form powerful relationships and alliances that can help move your transit funding needs forward.*

When you have a better understanding of these tracks and the political landscape, you can create a strategy, road map and plan with an increased probability of a successful outcome. Get on the right

track by considering all players: private and public, big and small. Position your transit funding needs to make it an attractive proposition that can be supported individually and collectively.

Check all the boxes and maybe add a few:

- ☐ Your Riders (existing and potential)
- ☐ Your Board
- ☐ Your Agency
- ☐ Regional Transit Governance
- ☐ Local, State and Federal Policy Makers (the Chamber, Mayor, Governor up to the President)
- ☐ Business Owners
- ☐ Developers
- ☐ Supply Chain/Vendors
- ☐ Consultants
- ☐ Advocacy Groups
- ☐ Star Power *

*A well-regarded athlete, actor or political figures' endorsement of transit makes a strong statement and adds value to your project or program.

Starting the Conversation...Building a Bridge

"Without strong relationships, none of the regional plans will advance. They are just lines on a map!"

Building bridges takes planning and time. A short bridge may only require two foundations at either end, which means there may be only one real influencer or decision maker to engage. The reality is building a sustainable bridge of any considerable span will require multiple foundations. All of these foundations must be solid for the bridge to be built and to remain intact.



Understanding the political landscape and who the major players are is not enough. As simple as it sounds, you must become a “bridge builder” to effectively advance your funding needs. A resounding theme throughout our research was having the ability to engage major influencers on multiple fronts simultaneously without excluding any of them. Each individual relationship is important but the relationships collectively form a strong portfolio. One Metropolitan Planning Director (MPO) stated that over 66% of his time was spent building relationships amongst regional players.

Case Study: Building Bridges and Connecting Communities - The Buckhead Pedestrian Bridge and North Entrance, Atlanta, GA



Ten years in the making, the Buckhead Pedestrian Bridge and North Entrance was a project that brought the following major regional players together to meet community needs:

- Buckhead Community Investment District (BCID)
- Metropolitan Atlanta Rapid Transit Authority (MARTA)
- Georgia Department of Transportation (GDOT)
- City of Atlanta (COA)
- Former Mayor (Atlanta Icon & Businessman)
- State Roadway Toll Authority (SRTA)
- Federal Transit Administration (FTA)

This bridge united a community providing ADA access across a six (6) lane highway and northern access to MARTA's Buckhead Rail Transit Station. This project is an example of development oriented transit (DOT) that simultaneously met community and economic needs by opening up several inaccessible (prime) plots of land bound by the highway. Livable communities and new businesses are springing up all around the bridge and transit entrance. This successful project was the result of major players, in particular, a MARTA Board Member who brought multiple (some unlikely) players together to convince them of the multiple benefits to be achieved by this investment.

Build Effective Relationships

We previously mentioned building relationships with communities and individuals within the political landscape. In forming the relationships for successful initiatives, our research yielded a common theme among all of the people interviewed, and it is summed up nicely by Jason Segedy, MPO Director for Akron Metropolitan Area Transportation Study, (AMATS), in Akron, Ohio. Mr. Segedy said in his interview, *"There is no substitute for authentic relationships based upon mutual respect."* We heard this

theme again and again from the people we interviewed. Success comes from taking the time necessary to form genuine connections among the people that you rely upon to advance any initiative.

Case Study: Toledo, Ohio

A plan is underway now with multiple partners to fundamentally change the way Toledo Area Regional Transit Authority (TARTA) services downtown Toledo. This is the second plan proposed, however, because the first plan met with strong public backlash. Jim Gee, General Manager of TARTA, attributed that backlash to the fact that one of the stakeholders, a local theater, had not been included in creating the first plan. When that plan was unveiled, the theater saw drawings that showed their major source of parking eliminated, and no provision for their patrons. The second version of the plan, several years later, is finally moving forward with a partnership with those theater owners. It took a concerted effort and a significant amount of time to swing an attitude from opposition to support when a plan was conceived and unveiled without building the relationship first.

As the case study above highlights, building relationships after the planning stage can cost you the plan, years of effort, and credibility for future projects. Kenneth McDonald, CEO of Long Beach Transit in California put it succinctly, *“Build a coalition, not just when you need them, but all the time.”* The senior CEO’s we spoke to mentioned specifically that transit properties could no longer fund large projects on their own. There is simply not the transit funding available at a state or federal level to build complete systems without other funding streams. Having a coalition in place helps identify those funding streams once plans are complete.

Coalitions Lead to Funding

Without a coalition of partners who share a common goal, each agency will be seeking funding on their own. It can look like a pool of crocodiles at feeding time. Moments earlier, all was calm, but at the first scent of blood, it is every croc for himself. Worse, a coalition that does not include transit will apply for funds, and a major project may move forward without transit in the process at all.

Another way in which a coalition is important is keeping transit as a component of other’s plans. Developers often seem to create in a vacuum, as was seen in a Midwest capital city recently. The CEO of the transit system told us about a major employer who moved their headquarters from a downtown location to a suburban location just outside the interstate surrounding the city. It was not until after the headquarters opened in the new location that the company realized that some of their workers could not get to the new location on existing routes. The CEO felt that the disconnect was with the transit system and the employer. He described his desire to have all of the major employers in his city know how their workers use transit before considering such a move. He felt the transit agency had the responsibility to provide that education to employers.

So, the big question left is how to create a successful coalition. Mark Donagy, General Manager of the Greater Dayton RTA, said that he became, *“aggressively active in the local Chamber of Commerce.”* He also described that building a coalition could not be the job of the general manager alone. He allowed all of his management team time to join local civic organizations, participate in events, and any other activity that gave the RTA a connection to the community. His example of this practice working in the real world was with the Dayton bike share program. In two years’ time, there was a local idea to have a

bike share in Dayton, similar to Washington DC and Chicago. The RTA worked with local biking enthusiasts to create a bike plan that included the RTA as a partner. The local MPO director, also part of the coalition, had Surface Transportation Program (STP) funds that needed to be spent, and offered to fund part of the initial capital expense. Now the RTA is part of the biking community in a way that would not have been possible without the coalition, and the RTA gets to help new passengers connect with the last mile on a bike.

Curtis Stitt, CEO of COTA in Columbus, Ohio summed up the relationship idea nicely with this thought, *“People do business with people that they like, and people don’t do business with people that they don’t know.”*

Enlist Your Champions

One of the most important relationships you can build and develop is with a “Champion.” Almost every GM/CEO of a transit system interviewed, expressed the need to find a champion to promote capital projects with the policy makers in their communities. The champion takes on the responsibility for publicizing the project and garnering funding for it – *let them ask for the money for you*. A champion can be a just about anything or anyone – do not limit the sources of your potential champions. Examples of champions we found in our research and interviews include:

Institutions

Universities, hospitals, and other institutions understand the importance of transit. Universities have teamed up with many transit agencies across the nation to include transit passes as an option for students – some even use the student ID cards as the transit pass themselves. Utah Transit Authority (UTA), Portage Area Regional Transit Authority (PARTA), and Central Ohio Transit Authority (COTA) are examples of agencies that do this.

Businesses

Large corporations and other businesses that are interested in being more green and offering benefits to their employees can be a great champion for your community. For example, in the Twin Cities, Minnesota, United Health Group (UHG) has three different campuses in the southwest suburbs of Minneapolis. UHG has decided that offering transit as a travel mode option to its employees is so important that it set aside land at its newest campus in Eden Prairie, currently under construction, for the Southwest Light Rail tracks and a station, complete with space for a Park-and-Ride. It is businesses like these that influenced the policy makers in Eden Prairie to support transit and local funding for transit. In addition, both the Eden Prairie Chamber of Commerce and Minneapolis Chamber of Commerce came out with public statements of support for the Southwest Light Rail Project.

Advocacy Groups

Groups such as the Sierra Club, AARP, Disabilities and Special Needs Group, Council on Aging, and Hospitality Associations can be great allies in gaining political support for your project. In Northern California, advocacy groups like SPUR, (formerly known as San Francisco Planning and Urban Research Association), were a critical part of the diverse coalition that helped secure the federal funds to connect BART and VTA. In this case SPUR is an example of a true advocate and champion.

Transit Boards

Look within your own organization – maybe your champion lies within your own governance structure. In Utah, the way the governance structure itself is set-up has served as a champion in getting political support and sales tax initiatives passed. The Buckhead Bridge Pedestrian Bridge and North Entrance in Atlanta was largely the result of a single MARTA board member securing business community, developer and political support in an area that hasn't always been transit friendly.

Government

Sometimes the policy makers themselves can be the champions. City Councils, County Commissioners, mayors, and legislators among others are good individuals to take up your cause. In early 2008, the Minnesota Legislature passed legislation to form a board called the Counties Transit Improvement Board (CTIB). This board has representatives from five counties in and around the Twin Cities and collects a quarter-cent sales tax plus \$20 motor vehicle sales tax dedicated to funding transit capital projects. This board also works together to prioritize the construction of new capital transit projects. CTIB has proven to be a champion for transit projects across the Twin Cities metropolitan area.

Finding the right champion or champions in your community is not easy and takes a lot of relationship building, but it can often be the difference between a successful funding initiative and a failed one.

Politicians

Be Prepared to Engage

Politicians and policy makers are special people in more ways than one! They are also one of the most, if not the most important, champion with regards to securing funds for any local or regional application. The reality is - it will be difficult, if not impossible, to secure transit funding if you do not gain the support of your local and regional policy makers.

Although policy makers are under constant scrutiny by the public, the other side of the aisle and the media among others, they were extremely open and engaged in our interviews. They were eager to share their view on transit and even more eager to share recommendations to assist in navigating the political landscape. In fact, many of the interviews exceeded an hour as it appeared they enjoyed the opportunity to dialogue on the topic.

We strategically interviewed transit GM/CEOs prior to the interviews with the policy makers so we could glean as much insight and wisdom from them before we engaged the policy makers.

Three (3) basic rules emerge when talking to politicians:

Rule #1: **Know their background**, political agenda or platform, and especially their likes/dislikes before you engage.

- What are their interests - not yours?
- Does your goal and their interest align?
- How can you make your needs relate to their position? If you cannot, you will not be effective.

Rule #2: **Know the impact of your request.** They are busy people with limited time. Be clear and succinct so they can assess the impacts.

- What is the impact on them?
- What is the community reaction going to be?
- What is the political reaction going to be?
- What is the likelihood of it succeeding or failing?

Rule #3: **Create opportunities** for them to understand and contribute. This will allow them to provide recommendations and state preferences so you can align more easily and gain their support.

- Who are you speaking to today?
- Are you following a common theme and hitting the high points, but customizing the delivery and language for them?
- Are you telling the story from their perspective?

As a result of the many GM/CEO interviews and the excellent preparation provided by the American Public Transportation Association (APTA) Leadership program we prepared questions specifically to engage the policy makers. These questions can be found in the Appendix.

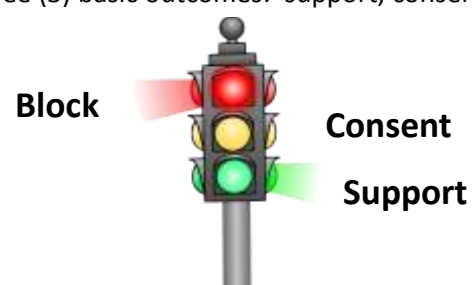
We quickly found that their background, including prior or current occupation and expertise, often shaped their political views and therefore their approach to transit funding. In their former life and in some cases current life, they were bankers, developers, and private business owners. One senator we interviewed was the owner of a large automobile dealership who is a transit advocate. He agrees that cars play a vital role in our community, but not necessarily the right solution for daily commuting, protecting the environment and congestion mitigation.

Engaging Policy Makers

Some things in life are worth repeating so we shall say it again, *“Politicians are special people!”* This section discusses and summarizes the recommendations acquired from policy makers to those transit advocates looking to start a conversation with them about transit funding. The Appendix contains a table of memorable “one-liners” from policy makers and GM/CEOs that provides additional insight to those seeking transit funding.

It was clear that policy makers want you to be prepared, succinct, and to the point regarding any requests. It was also clear that despite your best efforts, the “merits” of your transit funding need and the benefits it will bring to quality of life and economic growth, has to provide a tangible benefit to the policy maker in some way, shape or form for them to provide support.

Let’s discuss the term “support.” Support can come in many ways but in the political arena, one Metropolitan Planning Organization (MPO) director summed it up best; With regards to politicians supporting and/or voting for or against an item there are three (3) basic outcomes: support, consent, or block.



Support and block are self-explanatory. Consent on the other hand requires caution. Just like a traffic signal, it symbolizes “caution” when proceeding. Obtaining consent from major policy makers, especially those who are not transit advocates, is crucial to securing transit funding. Depending on the topic, political party, election cycle, political environment and a host of other variables, ***securing consent is an opportunity to proceed***. A policy maker’s consent can be the single determining factor as to whether your agenda moves forward. The take-away here is to ***know with as much confidence as possible whether a policy maker is likely to support, consent, or block***.

With dwindling Federal funds, growing backlog of aging infrastructure, and limited local or regional funding capacity, the singular viewpoint that transit on its own is worth funding has been replaced in modern times by transit becoming one of many elements of an investment portfolio. The following recommendations can be viewed as a series of hurdles that must be cleared in order for your funding request to be considered worth of a policy maker’s time and political capital.

- ✓ **Worthy cause!**
(has merit)
- ✓ **Community Support**
(= voter support)
- ✓ **Simple & clear message**
(relatable and resonates)
- ✓ **Financial house in order**
(balanced budget and borrowing power)
- ✓ **Established Credibility**
(you, your agency and partners)
- ✓ **Rock solid plan**
(accounts for risk)
- ✓ **Resources to Deliver**
(bandwidth – don’t reach too far)
- ✓ **Checked the Signals**
(support, consent or block)
- ✓ **Preference for Capital over Operating \$**
(tangible, visible and new)
- ✓ **Election cycles & Terms**
(timing is everything)



Your request must be able to compete with, or at a minimum compliment, other items to be funded by the local and regional policy makers. The need for transit is great, it is undeniable but transit must evolve and create a more attractive business case. The transit industry can no longer depend on federal

funding and must adopt more progressive strategies to secure funding. In the next section we will site some examples and discuss innovative approaches to transit funding.

We heard some memorable “one-liners” from policy makers and GM/CEOs who get it! Refer to Appendix for a sample.

Know Your Funding Options

To make a commitment to fund capital transit projects expresses faith in your community.

It is no surprise that your capital transit projects take a lot of different resources to succeed. But, it takes a “three-legged stool” to bring the project all together. Phil Washington, General Manager RTD Denver stated, *“Transit agencies have had to become innovators out of necessity on financing.”* Through Federal grant programs, financing, and local revenues, this three-legged stool represents a complete funding package. Some options may work better than others, depending on the needs of your community, and no two projects are developed the same way. If you are developing a large capital project, several considerations need to be made to ensure your project provides the most benefit for the most people. Policy makers considering transit investments want assurance of land use and economic development plans that will positively impact the community. Long term operation and maintenance costs must also be stressed. So what funding and financing options are available and what are their advantages/disadvantages?

As stated in our introduction, *“the Federal government does not have sufficient money to support transportation needs.”* This leaves the first leg of the “three-legged stool,” Federal grant programs, to be an unreliable source of funding for transit projects. For the second leg, financing, there are a wide variety of options, but none usually fill the gap left by the insufficient Federal grant programs. This means the third leg, local revenues, becomes the most important. You must put together a successful revenue strategy that finds the right combination to raise the local revenue to support the financial obligation and hold together a political coalition and **“fill the gap.”** Below, we discuss innovative options for raising local revenue. Information on grants and financing are provided in the Appendix.

Transit Specific Taxes

Your state most likely has statutes that allow local taxing authorities to impose a tax and voters decide through election approval. These referendums succeed if you have done a good job maintaining a positive public image, economic and transit benefits are clearly stated, and public figures supporting capital transit projects are involved in the campaign. Additionally, relaying the importance of infrastructure investment is how voter approval has been achieved in nearly 70 percent of funding measures nationwide.

Sales tax has clearly been the most popular way, at 39% of ballot measures from 2000-2010, to raise funds for particular projects and long range transit plans throughout the United States. Sales taxes are a reliable revenue source and can generate hefty revenues. However, there can be push-back from

taxpayers due to the regressive structure. Many sales tax “add-ons” will exempt basic needs such as food, prescriptions, and school books.

Non-Transit Related Sources

Land Sales can be a one-time source of revenue raised by selling parcels of land owned by a city, county, or transit system. Alternatively, a long term lease could be entered into to continuously provide a stable source of revenues. Sometimes the land sales can promote transit-oriented development (TOD) to maximize access and encourage ridership.

There are a variety of non-transit related taxes that you can also consider to fund capital transit projects. Capital transit projects developed within a corridor of highway construction or maintenance can benefit from toll collection, but only if there are revenues above and beyond debt service, maintenance, and operations. Capital transit projects connected to road projects decrease the demand on the roads themselves while contributing to economic opportunity for low-income residents. These revenues can be substantial but need to be justified with regional support and community benefit.

Vehicle registration taxes, based on the value of a vehicle, tend to be a regressive source of potential revenue because higher-income vehicle owners have an inclination to drive higher annual mileage and therefore less per mile than lower-income vehicle owners since vehicle fees does not reflect use. However, older vehicles have a lower tax liability than newer ones and therefore could counter that argument. This source of revenue is stable and can produce a high amount of funds for your capital projects. Check with your state, as in some states, use of this source of taxation can only be for road projects due to statutory or constitutional limits.

Parking fees, while reliable and stable, are imposed on those using the parking spaces. As capital transit projects are developed, parking fees may not be in the best interest of your agency due to reducing the amount of land available for other development such as homes and businesses.

Fuel tax collection is traditionally the way most cities and states raise funds for capital transit projects. These funds are a very robust source of revenue but are declining rapidly due to more fuel-efficient vehicles. Fuel taxes are also regressive unless public transit improvements provide more convenient access to lower-income vehicle owners.

Community improvement districts are organized for the purpose of financing a wide range of public-use facilities and establishing and managing policies and public services relative to the needs of the district. In other words, the investment in the community is made by those that will be benefitting the most from the project. This can be from a variety of business and residents.

Value capture appropriates the value that public infrastructure generates for private landowners. Public investments, such as transit capital projects, can increase adjacent land values, generating an unearned profit for private landowners. These increases in land value which otherwise profit private landowners cost-free may be "captured" directly by converting them into public revenue. This can help address public concern about the fact or perception of unfair windfalls when specific owners' land values increase after transit capital projects are implemented. Two types of value capture are tax increments,

taxing the surrounding rising value of land rather than implementing a tax increase, and special assessment districts, taxing a higher rate based on benefit of the project.

Complicated as it may be to craft just the right package of grants, financing, and local revenue to build capital transit projects, many communities have been successful in filling the funding gap this way.

“Change Your World” Success Stories

While we found there is no one tried and true method for obtaining funding and ultimately “Changing Your World”, the following two case studies will give your region some inspiration to try a different approach.

Salt Lake City, Utah

The Utah Transit Authority (UTA) was founded in 1970 after the Utah State Legislature passed the Utah Public Transit District Act in 1969, enabling individual communities to form local transit districts to address transit needs. From the date of inception through the early 1990’s, Utah provided bus-only service. At that time, a 1993 initiative was presented to the voters to use tax revenues to purchase a rail corridor for potential light rail use. That initiative was rejected by the voters, with the Salt Lake County Commission leading the charge against it. Nonetheless, UTA was able to find other funds to make the corridor purchase and subsequently secured federal funding as part of the I-15 reconstruction. UTA opened this first light rail line in 1999. Now, just 15 short years later, UTA has about 45 miles of light rail tracks, 89 miles of commuter rail line and 103 bus routes serving approximately 80% of the residents in the State of Utah. In 2013, they had over 44 million riders throughout their entire system. How did UTA turn the tides?

Gain Credibility

Although their first light rail line was met with harsh public and political resistance, UTA did not let that get in their way. They delivered the project on-time and under budget, establishing credibility. By keeping promises, UTA gained the trust and confidence of the local government, business establishments, and the public.

Utah’s Champions

As discussed earlier in this paper, a champion is someone that can influence the policy makers, promoting your capital transit projects and hence obtaining the capital funding to build it. UTA had many champions between 1999 and the completion of their FrontLines 2015 campaign. In 2000, UTA went to the voters with a referendum backed by the local government bodies and the business community (about a 60/40 split). The success of the first line spurred this support and the referendum passed, providing a sales tax that primarily funded projects to follow. Then, in 2002, the Winter Olympics came to Salt Lake City. With activities spread throughout the Wasatch Front, transit between venues and the Olympic Village was highly important. UTA pulled it off without a hitch – they exceeded expectations. The 2002 Olympics was a champion for UTA as it opened the door for the support to build

the FrontRunner Commuter Rail Line for which the property was acquired in 2002, construction began in 2005, and it opened in 2008. This project utilized New Starts funds as well as local sales tax revenue.



FrontRunner Commuter Rail - Ogden, UT

UTA's governance structure in and of itself is a champion. It allows the General Manager to operate a little more freely, without needing board approvals for every single step in the process. The majority of the 16-member Board of Trustees is appointed by elected officials of the constituent members of the transit district. The Board simply sets parameters and lets the General Manager and staff operate how they need to in order to achieve the goal. For example, the board directed the General Manager to "build 70 miles of rail in 7 years" and then stepped back.

Mike Allegra, current General Manager, said he did not even need to go to the Board to approve consultant or construction contracts. It is evident that this trust between the Board and the General Manager trickles into the community – creating trust between UTA and the cities, and UTA and the business community.

Continue the Success

The credibility UTA has built and the champions they have fostered have allowed UTA to continue their success. In fact, in 2006, UTA brought another sales tax referendum to the voters. This time the business community led the charge and the initiative passed handily and was the primary source of funding for the FrontLines 2015 program, which has allowed them to build-out their rail to the system they have today. UTA even built this program, which consisted of expansion of the FrontRunner commuter service and many TRAX light rail lines, two years ahead of schedule, opening the last line in 2013.

Have a Goal

UTA has not just focused on the large capital rail projects, but has also redesigned many of their bus routes with a goal of creating a whole transit system. Mike Allegra stated, *"UTA's vision is to have every resident of the Wasatch Front within one mile of a major transit stop by 2030."* UTA's mission statement also stresses the importance they place on being a part of the community:

"Utah Transit Authority strengthens and connects communities enabling individuals to pursue a fuller life with greater ease and convenience by leading through partnering, planning, and wise investment of physical, economic, and human resources."

Twin Cities, MN

The transit system is run a little bit more uniquely in the Twin Cities than in other communities we spoke to across the country. Metro Transit (bus, light rail, and commuter rail) is an arm underneath the Metropolitan Council, which is the regional agency of government for the Twin Cities metropolitan area. The Met Council not only has transit under its purview but also Metropolitan Transportation Services (regional transportation planning, metro-mobility services, dial-a-ride), Environmental Services (wastewater treatment, water supply, and water quality), and Community Development (regional parks and natural resources, research and regional policy, local planning assistance, Livable Communities grant program, and Metropolitan Housing and Redevelopment Authority). The Community Development branch of Met Council allows them to apply for grants for Transit Oriented Development (TOD). Other agencies that solely focus on transit only cannot apply for these grants. This really has enabled the Twin Cities to transform TOD into DOT – Development Oriented Transit.

Gain Pro-active Partners

Another unique component of the governance structure in the Twin Cities is the Counties Transit Improvement Board (CTIB). This board consists of representatives from five major counties in the Twin Cities, along with two counties at-large and has proven to be a champion for the Met Council on capital projects, primarily light rail projects. Established in 2008, the aim of CTIB is to invest in and advance transit projects by awarding annual capital and operating grants. The source of their funding comes from a ¼-cent sales tax in the five counties along with a \$20 motor vehicle sales tax. The projects they entertain are only for transit projects, so it is completely separate from highway – it is a dedicated tax to transit. The cities within the counties contribute council to CTIB on prioritization of the capital projects to be built. CTIB recently committed to fund 30% of the Green Line Extension Light Rail project. The remaining “stool legs” of the financing includes 50% Federal (New Starts), 10% County, and 10% State funds.

Many of the cities in the Twin Cities region have proven to be pro-active partners. Every year, the City of Eden Prairie conducts a resident survey and this past year, the #2 issue cited by residents is lack of transit options (the #1 issue is no complaints at all). This has led the Eden Prairie City Council to support the planned Green Line light rail extension project as they see transit as a part of their community. In our interview with Mayor Tyra-Lukens, she stated that, *“Public Transit fits (into her community) by allowing more options for transportation”*. This support by the Mayor and City Council has trickled down into city staff to the point where the city planners have helped to influence the route of the line by meeting with affected businesses and planning ahead for development around the proposed light rail line, due to open in 2019. The City Council has even approved \$1 million towards city improvements surrounding the proposed light rail line.

Turn TOD into DOT

Earlier in this paper, we introduced the “DOT” theme. In the Twin Cities, that is starting to happen. In our interview with Brian Lamb, General Manager of Metro Transit, he stated, *“With the 1st LRT line, development follows. With the 2nd line, development is concurrent. With the 3rd line, development precedes.”* This is certainly evident in the Twin Cities. Their first LRT line, the Blue Line, extends from

downtown Minneapolis to the Mall of America, via the airport. This line opened up in 2004 and has seen much development around it, but it was all post 2004. Their second LRT line, the Green Line, extends from downtown Minneapolis to downtown St. Paul and opened in 2014. During the construction of this line, the corridor saw \$1.7 billion in development prior to opening day. Now, with the Green Line extension from downtown Minneapolis to the southwest suburb of Eden Prairie, the communities along the planned route are changing zoning and talking with developers well ahead of the 2019 scheduled opening.

Strive for a Complete System

“The Council’s mission is to foster efficient and economic growth for a prosperous metropolitan region.”

Much like UTA’s vision to strengthen and connect communities, Met Council’s vision goes beyond just building rails or Bus Rapid Transit. Brian Lamb stated that Metro Transit has goals to strive for a complete regional system. His personal priority is to have the *“Transit system model the road system (highway level, arterial level, local collector level); have a complete transit system”*. While Met Council has plans for two additional light rail lines to be opened by 2021, they also have vision for Bus Rapid Transit (BRT) and local bus service enhancements. Brian Lamb further stated, *“The plan for the A BRTs are to open 1 a year for the next 12 years. The ultimate goal is 50% increase in ridership by 2020 and 100% increase by 2030”*.

Key Learnings

As we met with public and private organizational leaders, we heard 5 key strategies used to influence policy maker’s decisions for funding capital projects. The first strategy is to **understand your community’s needs**. This involves performing community outreach, harnessing the power of the community voice and using this voice to change your world.



Retail and residences along bus line in Minneapolis

The second strategy is to **understand the political landscape**. Collaboration is crucial along every path. You need to know which track you are on as there are multiple influencers, when aligned can form powerful relationships to move your transit funding needs forward.

The third strategy is to **build effective relationships**. This strategy takes much time and effort. Develop the relationships before you need them. Build a coalition of supporters. Success in this area comes from taking the time necessary to form genuine connections among the people you rely upon to advance any initiative.

The fourth strategy is to **enlist your champions**. Take the time to find a champion who will support your initiative. Champions can take on many forms such as advocacy groups, institutions, businesses as well as transit boards or government officials. Let these champions make your case and ask for the funding for you.

The final strategy is to **secure innovative funding**. The Federal government alone does not have the money necessary to make our transit systems into the Grand community visions we desire. Agencies need to perform self-help and get creative to fund capital transit projects. Creativity is key to finding new sources of local revenue and filling the funding gap.

We found no one-size fits all strategy to implementing a successful transit program, however these various lessons learned can be used by your agency as a roadmap to change your world and achieve your community vision.

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Appendix

Transit Funding and the Grand Community Vision Team

- Eileen Rodriguez – General Manager, Maintenance of Equipment Department, MTA Long Island Rail Road
- Ericka Mitchell – Acting Department Manager, Labor Relations for the San Francisco Bay Area Rapid Transit District
- Julie Norton-Dew – Interim General Manager/CEO for The Coast RTA in South Carolina
- Kim Proia – Senior Project Manager with AECOM in Minneapolis
- Bryan Smith – Director of Planning for Portage Regional Transportation Authority (PARTA) and
- David Springstead – Senior Director of Engineering & Development for Metropolitan Atlanta Rapid Transit

Interview Questions

1. The following is a sample list of the questions we asked the General Managers and Chief Executive Officers of Transit Agencies (note not all questions were asked of each interviewee): you have a dedicated funding source? If yes, how did you get it? What is it from ie. Gas tax, sales tax? How those funds are used (i.e. capital improvements, operating expenses, vehicle procurement)?
2. Chart of funding sources – look at all, particularly local funding sources. What is the percentage of local compared to the rest of the funding sources?
 - a. What percentage of the funding comes from bonds?
 - b. What percentage is operating funds?
 - c. What percentage comes from the federal government?
3. Identify several recent completed or future projects or procurements that you have been trying to get funding for.
4. Give examples of successful and unsuccessful project in securing funds and why? How did you get the funding for the successful project and why didn't you get the funds for the unsuccessful project?
5. Who are your allies? Public and private. Who are your biggest cheerleaders? Who are in your network and who is the most influential?
6. Name a project where you received more than the amount of funds requested and why?
7. Discuss a project(s) that were different, unique to your area but were influential to transit growth in your community.
8. Where does your mayor/governor sit in the process and how much influence do they have?
9. Who is your designee and who is the direct? Designated recipient – person that puts the blessing on the project but don't receive the funds. Direct recipients – receive the funds. Designated recipient is like an oversight; explain to them what you are doing with the money.
10. What other local entities do you need to gain approval from in order to get funding and implement a capital project (i.e. LRT, BRT, etc.)? Are there specific processes you need to go through?
11. What's the priority of your funding spending?
 - a. For example, must fulfill federal regulations first of which there is no choice (ex. PTC)
 - b. Safety related items
 - c. Projects to maintain a State of Good Repair

- d. Nice to have's, wish list – what might be some items on your wish list?
12. What is your personal priority?
13. How do State mandates affect your funding?
14. What is each agency's cut and who determines this cut? (LIRR, MNR receive different amounts than NYCT. What affects the amounts distributed? Size of agency? Ge of structures? How the agencies operate?
15. AREMA funds – how much did your agency receive if anything and what was this used for? Sandy funds?
16. What are the wants, needs and nice to have's of each agency and does the budget represent this?

These questions were structured to obtain policy makers' visions of transit's role in their community.

1. What is your definition of a successful transit agency?
2. What role does your office/agency play in the overall success of your city, region or state?
3. What role do you play in creating a successful transit system (locally or regionally)?
4. How do you influence policy makers and regional leaders to support transit and in particular your own initiatives?
5. With whom do you focus most of your time regarding transit funding? Why?
6. What top three (3) actions would you recommend to someone looking to start a conversation (to encourage) their local and state policy makers and regional leaders to support (and fund) transit?
7. What is your short-term and long-term vision for your community (city/county/state)? If there were no constraints, what would your community look like? How does public transportation fit into that vision?
8. What is the biggest challenge in getting to that vision? What would an ideal transit system look like in that vision?
9. Who are your allies in achieving your community vision? Public and private. Who are your biggest cheerleaders? Who are in your network and who is the most influential? How does public transportation fit with those individuals/entities?
10. What would you like to see in a transit leader, as you work with them in your community?
11. What is your personal priority for your community?
12. Are there any questions you weren't asked that we should add to this interview?

Notable Quotes

Here are some memorable "one-liners" from policy makers and GM/CEOs who get it:

- Don't neglect your system to grow your system
- Success begets Success
- Have a political flag bearer
- There is no substitute for authentic relationships based upon mutual respect
- If you are over 25 and don't ride transit, we've lost you
- Transit on its own will not move. It must be attached to a bigger vision. It has to involve job creation, development and economic impact.
- If an agency cannot show it is operating efficiently then there is no need to continue the dialogue or make the funding request.

- We cannot pave our way out of this problem!
- Follow the money – know your region, your funding process and who makes the decisions.
- You can build around us or build with us!
- Having political access as a transit GM/CEO is critical. There are doors that cannot be opened without political access – someone helping on the inside.
- Educate us (the policy makers). We do not know enough about transit.
- Make “realistic” requests for funding support.
- Without strong anchors: businesses, college, and venues the community will not grow.
- If your transit agency is part of a state legislature then you need to understand how the state operates and what the State’s vision of transportation is.
- Attracting the next generation is critical – they are searching for alternatives to cars!
- Transit and transportation are a community decision.
- It has to work for the state and for the locals. It is a balance.
- Transit is not the money maker but an enabler to making money.
- The message must be simple for all – so they can get behind the idea.
- You must have a “Flag Bearer” someone to “Carry the Water” who is a political figure, connected, and the public identifies with. These are the faces and leaders that will make it happen.

Know Your Funding Options - Grants

The federal government is a key player to kick start construction, expansion, and operations of transit systems. However, as we stated previously, the federal government does not have sufficient money to support transit needs. The following are examples of federal grants currently available.



The Transit Investment Generating Economic Recovery (TIGER) program was created as part of the American Recovery and Reinvestment Act (ARRA) in 2009 to create jobs, facilitate economic recovery, and advance projects that contribute to the national transit priorities and objectives. This grant is highly competitive and requires a 20% local match (except for rural projects) and you must prove that your project is innovative and will have a significant impact on the Nation, a metropolitan area, or a region. The projects are rated by the following criteria:

- State of Good Repair: Improving the condition of existing transit facilities and systems, with particular emphasis on projects that minimize life-cycle costs.
- Economic Competitiveness: Contributing to the economic competitiveness of the United States over the medium- to long-term.
- Quality of Life: Creating affordable and convenient transit choices through place-based policies and investments that increase transit choices and access to transit services for people in communities across the United States.
- Environmental Sustainability: Improving energy efficiency, reducing dependence on oil, reducing greenhouse gas emissions and benefitting the environment.
- Safety: Improving the safety of U.S. transit facilities and systems.

Secondary Criteria:

- Innovation: DOT will give priority to projects that use innovative strategies to pursue the long-term outcomes outlined above.
- Partnership: DOT will give priority to projects that demonstrate strong collaboration among a broad range of participants and/or integration of transit with other public service efforts.



The New Starts/Small Starts program provides capital funding to build, expand, or improve the capacity of your fixed-guideway transit systems. Congress retains control over how much funding this program receives each year. Each project is reviewed and rated, then sent to Congress with recommendations. Your project must be justified by the following criteria:

- Cost Effectiveness – Incremental cost per hour of transit system user benefits compared to the baseline alternative; using opening year forecast.
- Land Use - 3 categories are evaluated for this criterion:
 - Existing land use patterns,
 - Transit supportive plans and policies, and
 - The performance and impact of these policies.
- Other Factors - Economic Development benefits and congestion pricing will be considered in this category; applicants are encouraged to provide information on the economic development impacts of the proposed project.

Additionally, your projects are required to have the following local financial commitment:

- A reasonable plan to secure funding for the local share of capital costs or sufficient available funds for the local (non-Federal) share,
- The additional operating and maintenance costs of the project are less than 5% of the agency's operating budget, and
- The agency is in reasonably good financial condition.

If you cannot obtain the financial commitment locally and achieve a minimum of a medium rating, then the Federal funding is not guaranteed.



The federal government distributes Surface Transit Program (STP) funds for capital transit projects thru the Flexible Federal Highway Fund program to states and metropolitan areas to preserve and improve the conditions and performance on any Federal-aid highway, bridge and tunnel projects, on any public road, pedestrian and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

The flexibility of STP funds allows your state and local communities to determine the best use; however, they are highly competitive and can be limited to certain projects or areas. Obtaining a strong local coalition to lobby your projects is essential.

State capital funds have allowed many capital transit projects to be built in the past. However, with limited capital funds and regional equity considerations, your state DOT may only be able to fund a major project every few years. Similar to STP funds, building a strong local coalition can demonstrate to state DOT officials that your capital transit project has a significant importance to the region. Finally,

these funds are the smallest percentage of total project funding and your state may not have a process to obtain funds for capital transit projects. For example, the State of Utah does not provide any state funding for transit.

Communities across the country are looking for ways they can take transit and make it part of their daily lives/routine. It is your job to make sure it is there when they need it and want it and provide alternative choices for transportation. One new funding program, addressing the specific needs of communities lacking ready access to transportation, and transit access to employment centers and education/training opportunities is the Ladders of Opportunities. According to a US DOT Press Release *“The funds may be used to modernize and expand transit bus service specifically for the purpose of connecting disadvantaged and low-income individuals, veterans, seniors, youths, and others with local workforce training, employment centers, health care, and other vital services.”*

Know Your Funding Options - Financing

In recent years, Congress has supported capital transit project financing through low-cost, flexible federal loans. These loans have become an intricate part of the three-legged stool. Financing capital projects is a viable option to reap the benefits of early delivery and may be an option for your transit system.

Bonds are issued by governments, generally with a promise to pay periodic interest payments and to repay the face value on the maturity date to investors. This may be a good way to finance your large capital transit projects if your year to year budgets are constrained. Bonds can provide a quick source of cash. You may need a public referendum before a revenue bond can be issued. Revenue bonds generally carry higher interest rates due to this higher risk factor. For instance, a revenue bond could be issued and paid back to investors based on the revenue generated from the completed project itself. However, the strength of the revenue source and long term payback may not be in the best interest financially for your project.

Grant anticipation notes enable bond-related expenses to be paid with future approved Federal Highway Funds. Although not guaranteed, this source of funds is a predictable and stable source of revenues. If your agency does not have the power to tax, grant anticipation notes may be an attractive option due to their accessibility. In the case of vehicle replacement, however, low-cost financing may be a better option as these notes limit your ability to replace vehicles timely.



Denver Regional Transportation District's Denver Union Station was a \$500 million public transportation project with five public/private partners and nine financing sources.

Private capital or public-private partnerships (P3's) are an alternative method of financing for large transit capital projects that have been gaining momentum in the industry. You need to ensure there is a net benefit to the public with these agreements, while also allowing a reasonable return on the private investment. This approach allows a private partner to provide money to cover a portion of the project costs in return for collecting fees from users or a source of income from the government. In turn, the private partner assumes the risks of delivering the project and your agency, along with your local government, gives up some control over the implementation. Public-private partnerships are very complex, but are becoming more of a common place. Moving Ahead for Progress in the 21st Century (MAP-21) continues to support private sector participation by better coordinating public transit services delivered by both public and private providers; promoting more effective use of private-sector expertise to deliver capital transit projects; and promoting better understanding of public-private partnerships by providing technical assistance and education opportunities.

Private activity bonds are issued by a state or local government on behalf of a private entity and must be approved by USDOT, but are another financing option. Providing private developers and operators with access to tax-exempt interest rates lowers the cost of capital significantly than traditional bonds, enhancing investment prospects. First introduced in 2005, the federal government encourages private involvement to benefit from these lower financing costs. This money is used by the private entity to construct your project. Then, the private entity is responsible for repayment without taxation on the income generated. Increasing the involvement of private investors in your projects generates new sources of money, ideas, and efficiency.



The Transportation Infrastructure Finance and Innovation Act (TIFIA) provides credit assistance such as loans, loan guarantees, or lines of credit by attracting private and other non-federal co-investment in capital transit projects. Loans thru TIFIA are directly given to public and private project sponsors offering flexible terms and providing combined construction and permanent financing of capital costs. Loan guarantees are full-faith-and-credit guarantees by the federal government to institutional investors, such as pension funds, that make loans for projects. Lines of credit are contingent sources of funding in the form of federal loans that may be drawn upon to supplement project revenues, as needed, during the first ten years of project operations. The repayment of these loans is pledging a portion of dedicated revenues such as tolls, user fees, special assessments,

or other non-federal sources. TIFIA addresses challenges governments have in securing financing at reasonable rates for large-scale capital transit projects with forms of user-backed revenues. TIFIA also provides more favorable interest rates and flexible repayments than private capital markets. It could be the extra boost you need to push large capital transit projects to the forefront rather than delaying due to the uncertainty over the timing of revenues.

State Infrastructure Banks (SIBs) were created as a way to increase public and private investment in transit infrastructure. SIBs are state-run provided loans and other non-grant assistance for large transit capital projects. States determine the loan application process, interest rates, length of loan, and other policies. The capital is initially raised with Federal Highway funds. As the loans payments are made, proceeds are made available for other projects. SIB loans may assist in meeting local match requirements. You can use them as a way to prevent long delays of projects and reap great economic benefits.

A wide variety of traditional financing mechanisms exist for you to increase your access to funds. These traditional financing mechanisms have been supplemented by Federally-supported financing mechanisms which help transit to leverage other funding sources and reduce principal and interest costs. It also reduces the risk to private investors which lend for transit.