



## Transportation

**To:** Durham County Board of Commissioners, Durham City Council, DCHC MPO Board, and GoTriangle Board of Trustees

**From:** Ellen Beckmann, Durham County Transportation Manager  
Aaron Cain, DCHC MPO Planning Manager

**Date:** February 21, 2022

**Subject:** Durham Transit Plan Update

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### Background

The Durham County Transit Plan is required by state legislation that enabled the local option half-cent sales tax for public transit improvements. The plan must be adopted by the Durham County Board of Commissioners, the GoTriangle Board of Trustees, and the Durham-Chapel Hill-Carrboro Metropolitan Transportation Organization (DCHC MPO) Board. The ½ cent sales tax approved by Durham County voters in 2011 is the primary funding source, but the plan also incorporates funding from vehicle registration fees and the rental car tax that are managed together in a Triangle Tax District. Durham County funding sources generate approximately \$35 million annually. The plan was first adopted in 2011, with an update in 2017, and was centered around the Durham-Orange Light Rail Transit project. In 2019, GoTriangle discontinued the light rail project, and there is now a need for a new Durham County Transit Plan.

The plan update is being managed by Ellen Beckmann, Durham County Transportation Manager, and Aaron Cain, Planning Manager at the DCHC MPO. There is a multi-agency Durham Transit Team guiding the plan development. The public engagement process is following the City of Durham's Equitable Engagement Blueprint. Outreach for the plan was initiated in coordination with the Durham Comprehensive Plan from October 2019 to February 2020 through the Listening and Learning sessions. In 2020, the MPO contracted with Kimley-Horn and Associates to provide consultant support for the transit plan. Kimley-Horn is using several subconsultants on the plan, including a local Durham small business for Engagement Ambassador management and public outreach.

Phase 1 outreach occurred in fall 2020 focused on identifying high-level goals and objectives and seeking feedback on the universe of projects and services that residents would like to see included in the plan. The Durham Transit Team directly used the results of the Phase 1 outreach to develop three representative transit options for how the funding could be used through 2040, making sure to address the needs identified by current transit riders, low-income residents, and People of Color. Phase 2 outreach occurred in summer 2021 focused on the three options. The results of the Phase 2 outreach were presented to boards in fall of 2021. The key takeaways from the Phase 2 outreach were:

- Regular Transit Riders and People of Color consistently identified later/weekend bus service, more bus frequency, and more reliable bus service as their highest priorities.
- All respondents supported getting more improvements more quickly.
- All respondents supported bus rapid transit or the elements of bus rapid transit such as 15-minute service, bus-only lanes, and traffic signal priority.
- The commuter rail project has support, but it is not the highest priority for any group. The commuter rail project has less support from People of Color and Daily Transit Riders.

## **Issues & Analysis**

Staff will provide an update on current activities related to the plan. The Durham Transit Team is currently working towards the creation of a recommended plan, with the goal of having that complete in Spring 2022. The recommended plan is expected to include elements that were deemed of highest importance from the public engagement process with consideration of equity, technical, funding, and scheduling issues. The recommended plan will be compatible with the DCHC MPO 2050 Metropolitan Transportation Plan (MTP), approved in February 2022. However, the MTP will include additional projects not contained in the recommended plan due to the MTP going out to 2050 and anticipating additional funding outside of the Transit Plan. The recommended Durham Transit Plan will include projects through 2040 based on a financially constrained model using existing funding sources.

Much of the recent activity for developing the Durham Transit Plan has been centered around the financial analysis and modeling that serves as the basis for determining what can be afforded over the next 40 years. As the Tax District Administrator, GoTriangle develops and runs the financial model. GoTriangle regularly provides updates to boards and staff on the tax district's financial status, but there is no adopted Financial Policy. Durham County and the DCHC MPO staff do not have a defined role in financial management of the plan according to the existing Interlocal Implementation Agreement (ILA).

Durham County staff initiated a review of the financial model in fall 2021. The County has sought feedback from its financial advisor and has had many productive coordination meetings with GoTriangle in the development of a series of recommendations. These recommendations are:

- Sales Tax Revenue Growth – use the Moody’s baseline forecast
  - This is consistent with past modeling and does not represent a change. It averages a 4.5%+ growth rate over the 20 years. As a comparison, Wake County uses a 4% growth rate.
- Debt Service Coverage Ratio – use 1.25
  - This is consistent with the current model and does not represent a change. This is necessary to achieve an A or higher rating and is consistent with Wake County.
- Reserves
  - Operating Reserve – use three months of operating costs
    - This is consistent with past modeling and does not represent a change.
  - Capital Reserve – use 5% of the 10-Year CIP
    - This is an increase from past modeling that used a 2.5% reserve. 5% is consistent with Wake County, which is necessary for potential borrowing for commuter rail.
  - Revenue Reserve – set a \$10M minimum fund balance
    - A revenue reserve, or minimum fund balance, has not been used for past modeling. This is recommended to mitigate for potential recessions that may occur and negatively impact future sales tax revenue growth.

The total effect of these changes is to decrease the available revenue by \$26.2 million through 2040.

In addition, transit agencies in Durham are experiencing unprecedented staff shortages and increases in operating costs during the pandemic. GoTriangle and GoDurham have both reduced service due to a shortage of bus drivers. Both agencies are raising wages and offering incentives to attract more drivers. Fuel, supplies, and equipment have also increased in cost. As a result, the Durham Transit Team has had to re-evaluate the modeled increase in operating costs. Previously, the financial model assumed a consistent 2.5% annual average increase in bus operating costs. GoTriangle has requested a 4.8% increase from FY22 to FY23, and GoDurham has requested a 20% increase from FY22 to FY23. Incorporating these operating costs results in a \$23 million increase in costs in order to continue the previously approved bus operating projects, and at least a \$50 million decrease in the ability to borrow funds while maintaining the 1.25 Debt Service Coverage Ratio. These increases in bus operating costs will result in less funding being available to potentially fund other projects.

An Operating Cost Policy is currently being evaluated by the Durham Staff Working Group to provide documentation of what is reimbursable by the Transit Plan and the reimbursement process. The intention of this policy is to make sure that GoTriangle and GoDurham are

following consistent practices in defining operating costs and that Transit Plan funding is not being used to displace existing funding or resources utilized by transit agencies to support services. The expectation is that the Transit Plan would only fund the increase in operating costs for services supported by the Plan, and the City of Durham and GoTriangle would fund a corresponding increase in operating costs for all other services.

The Durham Transit Team has also made assumptions for administrative costs. Existing administrative costs are assumed to remain and grow at a 2.5% annual increase. The approved FY2022 work program includes:

- \$2,023,300 for GoTriangle for Tax District Administration, Transit Plan Administration, and Project Implementation
- \$58,200 for the DCHC MPO for Transit Plan Administration
- \$205,900 for Durham County for Transit Plan Administration

The Staff Working Group has recently received requests for additional administrative costs from the City of Durham and GoTriangle. While the Staff Working Group has not made any recommendations on these staff requests, the Durham Transit Team is modeling a placeholder for up to 4.5 new positions funded through 2040. The decision on how to evaluate and what to approve for the continuance of existing and new administrative costs will be made through the annual work program approval process.

Lastly, for purposes of developing the recommended plan, the Durham Transit Team has remained consistent about the assumed cost of commuter rail and Durham's share of the non-federal funding. The project is modeled at a \$1.95 billion capital cost and \$41 million annual operating cost starting in mid-2030. The project would be 50 percent federally funded and 50 percent non-federal. Of the 50 percent non-federal, Durham County's adopted plan has assumed that it would pay 20 percent of the cost (or 10 percent of the total cost) and Wake County's adopted plan has assumed that it would pay 67 percent (or 33 percent of the total cost). Thus, the two adopted county plans leave 13 percent of the non-federal cost (or 7 percent of the total cost) undetermined. Increasing Durham County's cost-share from 20 to 33 percent of the non-federal share would result in an increase in the cost to Durham from \$387.8 million to \$649 million and would result in a reduction of about half of the new projects and services in the recommended plan.

GoTriangle has developed several options for Durham and Wake to share costs. These include variations in the shares for capital and operating costs, variations in how the federal funding grant is credited back to the counties, variations in the timing of each County's contributions, no interest "loans" from Wake to Durham, etc. Durham County has reviewed these options but continues to recommend that we follow a consistent 20 percent cost-share. While we appreciate GoTriangle's and Wake County's creative efforts, all of the options would decrease Durham County's available resources to address other transit needs of our residents today and decrease our flexibility to address future transit needs as our community grows and changes.

This estimated cost of the commuter rail may change as a result of the GoTriangle Greater Commuter Rail Study currently underway. One of the primary purposes of the study is to develop an updated cost estimate that corresponds with the railroad infrastructure requirements and community expectations. The Durham Transit Team will revise and incorporate updated costs as they are available. However, despite these efforts, all information may not be known at the time of the adoption of the Durham Transit Plan, and there will likely be some uncertainty about the cost of the project.

The Durham Transit Team is proceeding with developing the recommended plan with the above financial assumptions. The current schedule would result in the release of the recommended plan in May 2022. Phase 3 outreach would occur over the summer, and adoption of the plan is expected in fall 2022. The Phase 3 outreach will employ the same equitable engagement practices as in Phases 1 and 2. The Durham Transit Team has received feedback from stakeholder groups on the analysis and format of equity and performance metrics used in the Phase 2 outreach process. We are committed to addressing these concerns in Phase 3. We expect to work with our consultants and stakeholder groups in the design of our Phase 3 outreach materials.

While the Transit Plan schedule is delayed from previous communications, the Durham Transit Team wants to allow new priority projects to be implemented in FY23 to address the needs of our residents and to be responsive to the expressed desire to have more improvements more quickly. This means that new projects need to be identified in early 2022 and adopted in the plan and annual work program by June 2022. These new projects will focus on the needs of current bus riders. The schedule for implementing these new projects is dependent on the transit agencies' ability to hire adequate staff.

Concurrent with adoption of the Durham County Transit Plan, the Board of Commissioners, GoTriangle Board of Trustees, and DCHC MPO Board will also need to adopt an updated Interlocal Implementation Agreement (ILA). The ILA was approved in 2013 and outlines the roles and responsibilities of each agency for the administration of the funding, the process for adoption of the annual work plan by the GoTriangle Board, the definition of a material change that requires approval by all three boards, the membership, voting procedures, and administration of the Staff Working Group, and other issues. The current agreement references the discontinued light rail project and is oriented towards the funding and delivery of a Federal Transit Administration (FTA) New Starts regional transit project by GoTriangle.

The new agreement should be tailored to the delivery of projects funded in the updated final Transit Plan. It is also an opportunity to add stronger plan oversight and accountability processes and re-define the role of County, MPO, GoTriangle, and City staff in the implementation of projects. The financial review described in this memo is an example of a process and policy that should be specified in the new ILA. Durham County staff have initiated a Transit Plan Governance Study in coordination with Orange County to develop new ILAs in each county and update policies and procedures for plan implementation. Interviews with key staff and elected officials occurred in September, a workshop among elected officials was held in early November, and a staff workshop was held in early March. The Transit Plan Governance

Study will proceed in parallel with the Durham Transit Plan and is a critical opportunity to address the plan's goal of increasing community trust related to the delivery of transit projects and use of the county taxes and fees.