TO: Maurice Jones, Town Manager

FROM: Brian M Litchfield, Transit Director

SUBJECT: Board of Orange County Commissioner’s Petition Regarding Chapel Hill Transit Funding Needs

DATE: February 15, 2018

**PURPOSE**

The purpose of this memo is to provide the information related to Chapel Hill Transit requested by Board of Orange County Commissioner Earl McKee through a petition to the Orange County Manager on February 5, 2019. The petition indicated that the Commissioner was interested in understanding the existing capital and service (operating) needs of Chapel Hill Transit.

**BACKGROUND**

Chapel Hill Transit is a department of the Town of Chapel Hill and the second largest transit system in North Carolina. We are the public transportation provider for Chapel Hill, Carrboro and the University of North Carolina at Chapel Hill (University). Chapel Hill Transit provides fixed-route bus services (31 weekday and weekend routes) and EZ Rider (ADA Paratransit) services. Chapel Hill Transit has a fleet of 117 vehicles (98 fixed-route and 19 demand response) – providing around 6.5 million annual rides and covering over 2.5 million miles.

Chapel Hill Transit is an enterprise fund of the Town of Chapel Hill and reflects financial participation by Carrboro and the University in annual operating and capital costs associated with the operation of Chapel Hill Transit on a contractual basis. The University pays 100% of the costs for their direct routes and shares in the costs associated with all local routes and EZ Rider. The current adopted budget for Chapel Hill Transit (FY2018-19) is $23.8 million (operating and capital):

* $15.8 Million Local – 66% (Chapel Hill $5.4M, Carrboro $1.8M and University $8.6M)
* $1.9 Million Federal – 8.18%
* $2.9 Million State – 12.37%
	+ (Legislature reduced this to $2.2M after the Town’s budget was adopted)
* $2.1 Million Orange County Transit Plan – 8.81%
* $1.02 Million Other – 4.29% (Tar Heel Express, Advertising and Small Grants)

All three funding partners have maintained their commitments to increased contributions to Chapel Hill Transit over the past five (5) years to assist with capital needs as Federal resources (e.g. federally directed spending, grants, etc.) and investments from the State for capital have largely disappeared in recent years. Which included the Town of Chapel Hill increasing their tax rate by 1.0 cent for Chapel Hill Transit in FY 2018-19.

**Operating and Bus Capital Needs**

Chapel Hill Transit’s operating and capital needs are demonstrated in our Short Range Transit Plan, which is currently being updated (<https://www.townofchapelhill.org/home/showdocument?id=40561>), and Capital Plan (<https://www.townofchapelhill.org/home/showdocument?id=37731>), and are summarized in this section.

Chapel Hill Transit has used funds from the Orange County Transit Plan (OCTP) since 2013 to implement new services, purchase replacement buses and cover the cost of required planning work for the North South Bus Rapid Transit (NSBRT) project. We have also purchased eight (8) fixed route replacement buses with funds from the OCTP. The adopted FY2018-19 Budget for Transit includes around $2.1M in OCTP funds for transit services.

Summary of Services Added by Orange County Transit Plan Funds 2013-2018:

|  |  |  |
| --- | --- | --- |
| **Route** | **Improvement** | **Year Implemented** |
| A | Improved service on Hillsborough Street during peak (AM) | 2014 |
| CM | Extend Evening Trips Year Round\* | 2013 |
| CW | Extend Evening Trips Year Round\* | 2013 |
| CW | Improve peak hour capacity issues | 2017 |
| D | Extend Evening Trips Year Round\* | 2013 |
| D | Extend 7:17am trip to begin in Carrboro | 2014 |
| F | Add Trips 7:38pm  (Old Fayetteville) 8:45pm (Colony Woods)\* | 2013 |
| HS | Additional trips to route with routing improvement\* | 2016 |
| J | Extend Evening Trips Year Round\* | 2013 |
| J | Improve peak hour capacity issues (AM and PM) | 2014 |
| NS | Improve mid-day service (10am - 2pm) | 2014 |
| NS | Extend Evening Service to Southern Village\* | 2017 |
| CM | Additional Saturday Service\* | 2013 |
| CW | Additional Saturday Service\* | 2013 |
| JN | Add Trip 9:10am (Estes Park)\* | 2013 |
| Sat V | Added Saturday Service\* | 2017 |
| SAT | Extend service to 6:00pm on all routes (D, FG)\* | 2014 |
| CW | Peak PM hour expansion | 2018 |
| D | Peak PM hour expansion | 2018 |
| SAT | All Routes 8:00am to 7:00pm\* | 2018 |
| ICES | Increased Cost of Existing Services | 2013-2018 |
|  | \*Includes fixed route and demand response service (EZ Rider) |  |
|  | Hours of new service implemented with Orange County Transit Plan from 2013-2018 = 10,585 |  |

Additionally, the following capital projects have been identified for funding with Orange County Transit Plan funds for FY19:

* Manning Drive at UNC Hospitals stop redesign - $300,000 (on-hold until surgical tower completed)
* ADA Bus Stop Upgrades - $140,000 (will support existing efforts to bring stops into ADA compliance)

**Operating Needs:** The Legislature cut SMAP (state maintenance assistance program) funding for urban transit systems in the current fiscal year by 26% - which meant around a $700,000 loss to Chapel Hill Transit (reducing their investment from $2.9M to $2.2M) and our funding partners. Similar losses were experienced by other urban systems in the state. While some systems have cut service and/or capital expenditures in the current fiscal year - we were fortunate to be able to cover the loss for this year with grant funds. If the rescission continues into the upcoming fiscal year - we unfortunately will not be able to do the same thing and will likely need to consider other adjustments that may include increases to our funding partners, delays to much needed capital purchases and/or service adjustments – it’s a little too earlier to determine the appropriate course of action at this point, but unless the state removes or significantly adjusts the funding rescission, these decisions will likely need to be made as we move through the upcoming budget development process with our funding partners.

The draft Short Range Transit Plan for Chapel Hill Transit has also identified, through a robust community input process, around $2.8M in unmet operating (service) needs for route expansions and to increase hours of service – this is not an exhaustive list of operating needs. These needs would be in addition to potential service demands for connections to the D-O LRT project. As noted in the April 28, 2017 OCTP (<https://gotriangle.org/sites/default/files/publications/orange-county-transit-plan_170424_app.pdf>), these needs may likely exceed the funding provided by the Plan.

**Bus Capital Needs:** Over the past four (4) years the Chapel Hill Transit funding partners have invested significant resources to update our aging bus fleet. These investments have been supported by grant funds and funds from the OCTP (purchased 8 buses with OCTP funds). By the end of fiscal year 2018-19 we will have replaced (delivered/ordered) 38 of 42 oldest fixed route buses and 14 of our oldest demand response vehicles:

* Fixed Route
	+ 16 Fixed Route buses replaced through FY17 (debt financed and capital reserve funds)
	+ 6 Fixed Route buses delivered in May 2018 (5 w/ OC Transit Plan $)
	+ 6 Fixed Route buses delivered in February 2019 (grant funds)
	+ 5 Fixed Route buses on order with grant funds (3 w/ OC Transit Plan $)
	+ 3 Fixed Route buses pending order with grant funds
	+ 2 Fixed buses pending order with Electric bus grant funds
* Demand Response
	+ 7 Demand Response vehicles delivered in May 2017
	+ 7 Demand Response vehicles on order with grant funds

To maintain our fleet we will continue to need ongoing capital investments of around $3.3M per year and around $300,000 on average per year for park and ride, bus stop and facility maintenance.

**North South Bus Rapid Transit Project**

The current cost estimates for the North-South Bus Rapid Transit (NSBRT) project are $123.2M - $134.7 (YOE). The cost estimates will be better refined and updated as the project moves through Environmental and 30% Design over the next 12-15 months (FTA Project Development) and we will also determine if there is a reasonable plan for scaling the project.

The current financial plan assumes 80% ($98.5M - $100M) of project funding to come through federal sources (e.g. FTA Small Starts) and 20% ($24.6M - $34.1M) from non-federal sources. The non-federal share of the project ranges from $12.3M - $17M. The current Orange County Transit Plan (<https://gotriangle.org/sites/default/files/publications/orange-county-transit-plan_170424_app.pdf>) allocates $6.1M to the project, leaving a gap of $6.3M - $10.9M. The plan does not allocate funding for the operation of the North South BRT service. There does not appear to be additional capacity within the Orange County Transit Plan over the next several years.

**Summary**

Our staff and funding partners are continually working to meet operating (service) and capital needs and have made significant progress over the past five (5) years, thanks to increased investments from our partners and the Orange County Transit Plan. We will continue to work closely with our local funding partners and State and Federal partners to develop strategies to address our unmet needs:

* Operating: $2.8M Annually
* Capital: $3.6M Annually
* NSBRT: $6.3 – $10.9M for capital and ~$1.6M Annually for operations