

7. StarTran Organizational and Funding Options

Introduction

StarTran is currently organized as a division of the City of Lincoln's Public Works and Utilities Department. The StarTran General Manager reports to the Director of Public Works and Utilities, who reports directly to the Mayor and City Council. Policy and funding decisions are made by the Mayor and Council. There is a seven-member StarTran Advisory Board that provides guidance to the Mayor and Council concerning transit issues and operations. The StarTran Advisory Board is responsible for reviewing and acting upon matters related to the operation of the system, including the following specific areas: Transit-related studies and plans, route studies and evaluations, performance indicators, rates, fares, and schedules. The Board does not have authority to review the salaries, employee benefits, or the system for the selection, promotion, and retention of employees or managers of the system.¹² As a division of a city department, the StarTran service area includes only the City of Lincoln.

StarTran is funded by the City's general fund revenues (about 64% of the total, or \$5,915,402); federal transit funding (about 16%); fare revenue (about 14%); and the State of Nebraska (about 6%).¹³ This financing arrangement is such that StarTran must go through the City budget process annually, competing with all of the other departments, with no guarantee of a particular level of funding. For the adopted 2006-07 budget, the City's contribution from the General Fund to StarTran represents about \$0.0386 per 100 dollars of assessed value (in the context of property tax).¹⁴

The organizational and funding arrangements currently in place present some limitations for StarTran. These limitations are as follows:

- There is not a dedicated source of local revenue for the transit system. The division must compete with every other city division/department on an annual basis for general revenue funds. The lack of dedicated funding, as well as the inability of the system to predict the level of local funding for a given year, hinders StarTran's efforts to grow and serve the community.
- StarTran's service area is limited to the City of Lincoln.
- The StarTran Advisory Board is *advisory*, rather than *supervisory*.

Because of these limitations, this study intends to consider other methods of transit system organization and financing. This chapter offers several scenarios for consideration, along with the advantages and disadvantages of each. The organizational and financial arrangements for selected peer cities mentioned in Chapter 3 are also presented for comparative purposes.

¹² City of Lincoln Ordinance, Chapter 2.38, Section 2.38.080 Powers and Duties Generally.

¹³ Based on the City of Lincoln's Council-Adopted 2006-07 budget.

¹⁴ Based on the estimated market value of all property (\$15,342,163,788), as stated in the City's Budget Summary for 2006-07.

Organizational Alternatives

Four organizational alternatives are considered in this chapter. These are:

- Status Quo
- StarTran as a Stand-Alone City Department
- StarTran as a Joint Public Agency- either City/County/University or City/County or City/University
- StarTran as a Transit Authority

The general advantages and disadvantages of each of these are discussed (in terms of staffing, cost, and implementation), along with whether or not the particular alternative can:

- allow for a dedicated local revenue stream, and if so, through what mechanism?
- allow for bonding if needed?
- allow for a decision-making body that represents the interests of the public, the finances of the major funding partners, and focuses on transit?
- allow StarTran to serve areas outside of the City of Lincoln?
- maximize the use of funding for public transportation, including all potential sources such as the Federal Transit Administration, the University of Nebraska, the State of Nebraska, and human service agencies?

Status Quo

StarTran is currently a division of the City of Lincoln's Department of Public Works and Utilities. Under the Status Quo scenario, StarTran would remain organized in this manner. There are advantages and disadvantages to the status quo. These are discussed below.

Advantages

- There are not any implementation issues. The staffing and union arrangements remain in place.
- StarTran would continue to make use of city services, such as accounting, payroll, purchasing, civilian pension plan, legal services, and risk management. These functions are not currently billed back to StarTran. The City Finance Department estimated that providing these functions for StarTran currently costs the City \$102,000 annually. As an independent entity, StarTran would still have a need for these services and the expenses to procure these services from the private sector would likely be substantially more than \$102,000 annually. The city could potentially continue to provide these services under contract, if it was mutually agreeable, but they would need to charge StarTran.

- Elected officials have direct controlling authority over StarTran. This can be viewed as both an advantage and a disadvantage. As an advantage, the Mayor and Council members have a direct connection between the voters and city services. If the city is not providing services to the voters in a responsive manner, the elected officials will not be re-elected.
- While there is not a dedicated source of revenue and StarTrans does need to go before the City each year, the City has shown a long-term financial commitment to the program and does serve as a financial “backstop.”

Disadvantages

- As a division of the City, there is not a dedicated funding source for transit; however, the City could designate a portion of its property tax revenue for transit.¹⁵ The process of designating some portion of the property tax revenue would involve a community discussion regarding the issue and would be potentially controversial, as there are other city services that would also potentially want their own dedicated portion of the property tax. While this option is technically possible, it would be difficult to implement.
- StarTran has limited growth ability as a City division, both financially and geographically. The City generally asks that City divisions propose budgets that are lower than the year prior, and then there is a negotiation process that typically does allow for some growth, depending upon the amount of general revenue that is available. Geographically, StarTran is confined to providing service within the City only, though this is not a major issue as most of the transit-supportive development is located within the City.
- Elected officials have direct controlling authority over StarTran. This can be viewed as both an advantage and a disadvantage. It is a disadvantage in that, were StarTran to be a joint public agency or a transit authority, it would be governed by a board that is focused completely on transit. This board would not have to worry about a host of city services or the political implications of being elected officials, though board members are appointed by elected officials.

Other evaluation criteria for the status quo are summarized in Table 7-1.

¹⁵In the 2006-07 proposed budget, the estimated property tax rate is \$0.283 per 100 dollars of assessed value. The City is authorized by the State to assess a property tax of up to \$0.45 per 100 dollars, plus an additional \$0.05 for joint public agencies.

Table 7-1: Evaluation Criteria for the Status Quo

Evaluation Criteria	Is it Possible Under this Alternative?
Dedicated revenue stream	Not likely
Bonding	City can issue general obligation bonds.
Governing body focused on transit	No
Allows StarTran to serve areas outside of Lincoln	No
Maximize the use of all available funds	Cannot access funds for services provided outside of the City of Lincoln. Can access University funding, but only through a contractual relationship.

StarTran as a City Department

A second organizational option mentioned in this analysis is that of “graduating” Startran from a Division to a Department. Under this scenario, instead of reporting to the City’s Public Works and Utilities Department, Startran would report directly to the Mayor and Council. From the on-site visit and discussions with city staff members, there does not appear to be any impetus to “graduate” Startran to a stand-alone department. The Director of the Department of Public Works/Utilities allows Startran to operate fairly autonomously, so the added organizational layer is not a major issue. Because there does not appear to be a significant impact (either positive or negative), this alternative is not fully developed with regard to the full advantages, disadvantages, and evaluation criteria.

StarTran Combined with Other Transportation Functions as a City Department

Another variation of this alternative would be for a wider re-organization to create a Transportation and Parking Department, which could include traffic operations, parking operations/enforcement, and potentially MPO transportation planning. While these functions are all currently under City control, they are scattered in different divisions and departments.

Under this alternative, the Transportation and Parking Department would report directly to the Mayor and Council. This alternative offers the following advantages and disadvantages.

Advantages

- Combines compatible functions to create a “one-stop shopping” approach to all transportation modes in the City.
- There are synergies between transit, parking, and traffic operations that could be increased as a merged department. For example, transit routing and scheduling can be improved through the use of signal priority systems that are typically controlled by traffic operations staff. Another example is the relationship between transit and parking- downtown parking demand can be manipulated by a strategy that combines pricing and increased transit availability. There could also be a combined parking/transit pass program.

- This combination of functions would be logical from the perspective of the city resident, who may not realize that these functions are currently organized under the Department of Public Works and Utilities.
- The new department would continue to make use of city services, such as accounting, payroll, purchasing, civilian pension plan, legal services, and risk management.
- Elected officials would still have direct controlling authority over StarTran, along with the other functions of the Transportation and Parking Department. This can be viewed as both an advantage and a disadvantage. As an advantage, the Mayor and Council members have a direct connection between the voters and city services. If the city is not providing services to the voters in a responsive manner, the elected officials will not be re-elected.
- As with the Status Quo alternative, the City serves as a financial “backstop.”

Disadvantages

- As a division of the City, there is not a dedicated funding source for transit; however, the City could designate a portion of its property tax revenue for transit.¹⁶ The process of designating some portion of the property tax revenue would involve a community discussion regarding the issue and would be potentially controversial, as there are other city services that would also potentially want their own dedicated portion of the property tax. While this option is technically possible, it would be difficult to implement.
- StarTran has limited growth ability as a service of City government, both financially and geographically. The City generally asks that City divisions propose budgets that are lower than the year prior, and then there is a negotiation process that typically does allow for some growth, depending upon the amount of general revenue that is available. Geographically, StarTran is confined to providing service within the City only (though this is not a major issue, as most of the transit-supportive development is located in the City of Lincoln).
- Elected officials would still have direct controlling authority over StarTran. This can be viewed as both an advantage and a disadvantage. It is a disadvantage in that, were StarTran to be a Transit Authority, it would be governed by a board that is focused completely on transit. This board would not have to worry about a host of city services or the political implications of being elected officials, though board members are appointed by elected officials.

Other evaluation criteria for the Transportation and Parking Department Alternative are summarized below. Because StarTran remains a city-controlled entity under this alternative, these criteria remain the same.

¹⁶In the 2006-07 proposed budget, the estimated property tax rate is \$0.283 per 100 dollars of assessed value. The City is authorized by the State to assess a property tax of up to \$0.45 per 100 dollars, plus an additional \$0.05 for joint public agencies.

Table 7-2: Evaluation Criteria for a Transportation and Parking Department

Evaluation Criteria	Is it Possible Under this Alternative?
Dedicated revenue stream	Not likely
Bonding	City can issue general obligation bonds.
Governing body focused on transit	No
Allows StarTran to serve areas outside of Lincoln	No
Maximize the use of all available funds	Cannot access funds for services provided outside of the City of Lincoln. Can access University funding, but only through contractual arrangement.

StarTran as a Joint Public Agency

Under the State of Nebraska’s Joint Public Agency Act, two or more public agencies may join together to “perform any governmental service, activity, or undertaking which at least one of the participating public agencies is authorized to perform.”¹⁷ The Lincoln Area Agency on Aging is a joint public agency, comprised of the City of Lincoln, and the Counties of Lancaster, Butler, Filmore, Polk, Saline, Saunders, Seward, and York. There are several examples of intergovernmental agreements among agencies providing services for residents of the City of Lincoln and Lancaster County, including: the personnel, planning, and health departments, as well as parts of the finance department. While these are jointly operated, they are not officially “joint public agencies,” as defined by the Joint Public Agency Act.

There are three potential ways in which the City of Lincoln could join with other public agencies to form a joint public agency for the purpose of providing public transportation. These scenarios are:

1. The City of Lincoln and Lancaster County
2. The City of Lincoln and the University of Nebraska
3. The City of Lincoln, Lancaster County, and the University of Nebraska

Parking services may also be something to consider including in a joint public agency that is comprised of the City and the University.

The general advantages, disadvantages, and evaluation criteria associated with a joint public agency are discussed, along with details specific to the three scenarios.

Advantages

- A joint public agency has the status of a political subdivision (like an authority), while also maintaining the financial “backstop” of the participating public agencies.

¹⁷ Nebraska State Statutes. Chapter 13. Cities, Counties and Other Political Subdivisions. Joint Public Agency Act.

- A joint public agency can raise revenue to support the services it provides (via property tax, wheel tax, or occupation tax). A property tax levy must be approved by the governing bodies of the public agencies that are members of the joint public agency. Property taxes of up to \$0.05 per 100 dollars of assessed value can go toward joint public agencies, above and beyond the levy limits of the County and the City. To provide an example of how much local revenue this provision could provide, a \$0.05 levy of City property only, at 90 percent collections, would yield over \$6.9 million annually.¹⁸
- A joint public agency can issue bonds.
- The board of the new joint public agency would be dedicated to transit issues (and perhaps parking as well), and would represent the needs of the entire community (i.e., the University, the City, and the County). The member public agencies (City, County, University) would have control over the board, as each makes appointments to it.
- The formation of a joint public agency is by “appropriate action by ordinance, resolution, or otherwise pursuant to law of the governing bodies of the participating public agencies...”¹⁹ This requirement calls for simple resolutions by each of the governing bodies of the public agencies that would form the new joint public agency. This is considered an advantage over the formation of an authority, which would require the state legislature to change the transit authority legislation. The current transit authority legislation allows only cities and counties of the “metropolitan class” to form transit authorities (only the City of Omaha and its surrounding jurisdictions currently qualify).
- If all three of the proposed public agencies joined together, the resulting agency could potentially save money by consolidating common functions, such as administration, grant writing, purchasing, maintenance, dispatch, training, etc.
- If the County were to be one of the participants, there would be the possibility of merging StarTran’s ADA paratransit program with the rural van program to create economies of scale with regard to scheduling and dispatching. There is currently very little service coordination between the rural Lancaster County transit program and StarTran’s ADA program.
- If the University of Nebraska were to be a participant, the ability of StarTran to leverage federal funds would be greatly enhanced through the additional “local” revenue source.
- If the University of Nebraska were to be a participant, the University’s transit program (under the new joint public agency) would have access to federal capital funds for fleet replacement and other capital needs. These funds typically provide 80% of the cost for new vehicles and other capital items for public transit agencies.

¹⁸ Based on data contained in the City’s Budget Summary for 2006-07.

¹⁹ Nebraska State Statutes. Chapter 13. Cities, Counties and Other Political Subdivisions. Joint Public Agency Act.

- If the University of Nebraska were to be a participant, the overall transit needs of the students, staff, and administration could be better addressed in that there would be a University representative on the board of the new joint public agency. While the University's current transit system has good transit coverage directly adjacent to campus, there are students dispersed throughout Lincoln that have more limited transit service and no evening service.
- As a joint public agency with the City as one of the members, the City could continue to provide the administrative support services it currently does for StarTran; however, it is likely that there would need to be some type of financial arrangement for the added work that would be required for a larger joint public agency with members from the County and/or the University. Also, if the new joint public agency had a dedicated revenue source (outside of the general fund), the City would need to charge for these services (currently valued at \$102,000 annually, as performed by the City). As previously mentioned, this estimate is significantly lower than what could be expected if these services were purchased in the private sector.
- StarTran could "re-invent" itself in changing its organizational structure, providing a marketing opportunity that could be coupled with the service improvements that are recommended in this TDP.
- The service area would not be restricted to the City, if the County were to be a participant.

Disadvantages

- This option is a significant change from the current organizational structure and institutional change is difficult. If a joint public agency is chosen it will likely be a long process of negotiation to get to the point of implementation. This disadvantage is a temporary one.
- The University will need to make other arrangements for charters, as Federal Transit Administration (FTA) grantees are not permitted to perform charters. While there are some exceptions to this prohibition (excessive costs and availability of willing and able service providers), the FTA is relatively strict with regard to the provision of charter services by grantees. Another concern for the University is that many of the charters are last-minute requests for service by particular departments. While the charter revenue comprises a relatively small portion of the University's transportation and parking revenue, being able to provide these services is important to the University.

One way in which the charter issue could be solved would be for the University to keep a few vehicles separate from the new joint public agency to use for charters.

- A major advantage (the ability to levy a property tax to generate local revenue) may be difficult to implement in the current fiscal and political atmosphere relative to public finance. However, if the City lowered its property tax rate by \$0.0386 per 100 dollars of

assessed value to account for the current contribution, the proposed city portion of the joint public agency contribution may be more palatable.

- Labor costs may increase under this scenario, as the wage structure for all of the drivers would need to be increased to that of the highest-paid transit system, though there could be a two-tiered system based on CDL/non-CDL drivers.

Table 7-3: Evaluation Criteria for a Joint Public Agency

Evaluation Criteria	Is it Possible Under this Alternative?
Dedicated revenue stream	Yes. Can levy a property tax, occupation tax, or wheel tax. Cannot levy a local option sales tax.
Bonding	Yes
Governing body focused on transit	Yes
Allows StarTran to serve areas outside of Lincoln	Yes
Maximize the use of all available funds	Yes

StarTran as a Transit Authority

The final organizational option under consideration for StarTran is the formation of a transit authority. In Nebraska, any city of the metropolitan class may create by ordinance a transit authority. In addition to the city of the metropolitan class, the area covered by the authority can include the county in which such city is located, one or more adjacent counties, and any city or village that is located in the county(ies) served by the authority²⁰. Counties, cities, or villages need to have approval of their respective governing bodies to become part of the authority, as well as formal approval and proclamation by the board of directors of the transit authority.

Transit authorities are public corporations, operating under the direction of five-member boards. They are considered governmental subdivisions of the State of Nebraska. The board has the authority to determine routes, service levels, and fares. Board members are appointed by the governing boards of member jurisdictions. Authorities are empowered to levy taxes (within certain limits) to provide funds to operate the system. Authorities can also issue bonds and enter into agreements for grants and other public funding.

As the transit authority statute is currently written, Lincoln is not eligible to form a transit authority because it is not a city of the metropolitan class, nor is it in a county that is directly adjacent to a county served by an authority. Currently, only the City of Omaha falls under the criteria for metropolitan class, which is defined as having a population of 300,000 people or more. If the City of Lincoln were to be interested in pursuing the formation of a transit authority, it would be necessary to ask the State Legislature to change the State Statute to include cities of the primary class. Currently, Lincoln is the only city in Nebraska that falls into the category of primary class, which is defined as having a population of more than 100,000 people and less than 300,000 people.

²⁰ Nebraska State Statutes, Section 14-1801.

Advantages

- Transit authorities have taxing authority of up to ten cents on each one hundred dollars of the taxable value of the taxable property in the cities and counties served by the authority; further, the member jurisdictions of the authority “shall allocate no less than \$0.03 per 100 dollars of assessed value.”²¹ It should be noted that this minimum taxing authority is less than what the City currently provides for StarTran (\$0.038). The maximum amount of \$0.10 would provide for up to \$13.8 million, based on the City’s estimated 2006-07 estimated market value of all property. It is likely that some figure in between \$0.03 and \$0.10 per 100 dollars of assessed value would be appropriate. The governing bodies of the member jurisdictions authorize the amount of the annual levy, within the limits of Nebraska law.
- Transit authorities have the authority to issue bonds.
- Transit authorities have dedicated boards that are appointed by the mayor of the city and approved by the city council and the county board of the county in which the city is located. This mechanism would allow StarTran to have a transit-focused board, while still allowing the City and the County to exercise control over who is on the board.
- If the County is also involved in the transit authority, some of the same advantages would be present as were discussed under the joint public agency option, such as the ability to serve areas outside the city, joint scheduling/dispatching for ADA and rural van service transportation, and the consolidation of common functions, such as administration, grant writing, purchasing, maintenance, dispatch, training, etc.
- If only the City forms the transit authority, the actual implementation process will not require much change (from an operational perspective).
- StarTran could “re-invent” itself in changing its organizational structure, providing a marketing opportunity that could be coupled with the service improvements that are recommended in this plan.

Disadvantages

- Legislative action is required to implement this option.
- If StarTran were to become independent of the City, it would have to take on a number of functions that the city currently provides for StarTran, such as accounting, payroll, purchasing, civilian pension plan, legal services, and risk management. These functions are not currently billed back to StarTran and are valued at about \$102,000 annually (as currently performed by the City). As an independent entity, StarTran would still have a need for these services, which would likely cost considerably more than \$102,000 if procured from the private sector. The city could potentially continue to provide these

²¹ Nebraska State Statutes, Section 77-3443.

services under contract, if it was mutually agreeable, but they would need to charge StarTran, which would increase the system’s annual operating costs.

- A major advantage (the ability to levy a property tax to generate local revenue) may be difficult to implement in the current fiscal and political atmosphere relative to public finance. However, if the City lowered its property tax rate by \$0.0386 per 100 dollars of assessed value to account for the current contribution, the proposed city portion of the joint public agency contribution may be more palatable.

Table 7-4: Evaluation Criteria for a Transit Authority

Evaluation Criteria	Is it Possible Under this Alternative?
Dedicated revenue stream	Yes. Can levy a property tax.
Bonding	Yes
Governing body focused on transit	Yes
Allows StarTran to serve areas outside of Lincoln	Depends on whether or not the County is part of the authority.
Maximize the use of all available funds	Depends upon whether or not the County is part of the authority. Can continue to provide services under contract to the University.

Organization and Financing in Peer Cities

While it is beyond the scope of this project to conduct in-depth reviews of how peer agencies are organized and financed, the overall structures and financing mechanisms for five of the peer cities mentioned in *Chapter 3 Peer Group and Trend Analyses* are provided below.

Lansing, Michigan - Capital Area Transportation Authority (CATA)

Like Lincoln, Lansing is a capital city with a major university presence (Michigan State University). CATA is a larger transit system than StarTran, operating 70 peak fixed route vehicles and 20-25 smaller vehicles for rural services in Ingham County. CATA provides all of Michigan State’s regular route service, after a service merger a few years ago. CATA is organized as a transit authority comprised of the following five jurisdictions: City of Lansing, City of East Lansing, Meridian Township, Lansing Township, and Delhi Township. Michigan State University is located in East Lansing.

The Board is comprised of representatives from the member jurisdictions. There are also two non-voting members of the Board. These members are from Ingham County and Michigan State University. CATA provides contractual services for the County and the University. In addition to the Board of Directors, there is also a Local Advisory Committee that is comprised of human service agency representatives, citizens, and a board liaison.

Local funding is derived through a millage that is in place in each of the member jurisdictions. The millage, in place since 1981, is currently 2.1838 mills, or \$2.1838 dollars for every \$1,000

of assessed value. The millage must go before the voters for renewal every five years. In addition to the millage, CATA also receives contractual revenue from the University and the County. The County has a separate millage of \$0.40 per \$1,000 of assessed value to support transit services. CATA’s total operating expenses and the local revenue amounts are provided in Table 7-5.

Table 7-5: CATA Local Funding

FY2005 Total Operating Expenses	\$ 30,422,097
Local Revenue (48% of Total)	\$ 14,490,893
Source of Local Revenue	Millage from each member jurisdiction and contractual funds from the University.

Tallahassee, Florida - StarMetro

Tallahassee is also a capital city with a major university presence (Florida State University, Florida A & M University, and Tallahassee Community College). Similar to StarTran, StarMetro is organized as a city department, reports to a City Manager and is part of the city budget. StarMetro provides city bus routes as well as campus shuttles for Florida State University, Florida A & M, and Tallahassee Community College. These are provided on a contractual basis. Local funds come from the city’s general fund and from contractual revenue.

Tallahassee, with help from the Center for Transportation Research (CUTR), recently developed a comprehensive plan to implement changes to the current system to improve and expand service delivery, customer amenities, system design, and community perception. A series of improvements are described, along with the associated costs and desired implementation dates. The plan was titled, “Tallahassee Transit Renaissance,” and included the name change to StarMetro. The system’s total expenses and local revenue amounts are provided in Table 7-6.

Table 7-6: StarMetro Local Funding

FY2005 Total Operating Expenses	\$ 10,163,137
Local Revenue (49% of Total)	\$ 4,949,577
Source of Local Revenue	City general revenue funds and contractual revenue.

Little Rock, Arkansas - Central Arkansas Transit Authority (CAT)

Little Rock, Arkansas is a capital city with a university presence, though the university (University of Arkansas at Little Rock) is not the main campus and is not as large as the University of Nebraska.

The Central Arkansas Transit Authority provides transit service in the region and was created in 1986 through an interlocal agreement that chartered CAT as a public corporation. There are 13

board members, with the following representation: five members selected by the Little Rock City Council; three members selected by the City of North Little Rock; two members selected by Pulaski County; and one member each from the Villages of Cammack, Maumell, and Sherwood. CAT operates 55 buses, 22 vans, and the River Rail Electric Streetcar. There are 47 peak hour buses in operation. There are no contractual arrangements with the University, though CAT does sell discounted bus passes on campus. Table 7-7 presents the FY2007 operating budget, along with the local funding details.

Table 7-7: CAT Local Funding

FY2007 Total Operating Budget	\$ 13,377,596
Local Revenue (65% of Total)	\$ 8,695,437
Source of Local Revenue	General revenue funds from each member jurisdiction. The amount of the contribution required from each local jurisdiction is derived from a mileage-based formula.

Springfield, Missouri - City Utilities of Springfield Transit Services (The Bus)

Springfield, Missouri, is similar to Lincoln, Nebraska in both population density and major university population, though the service area for transit is smaller in Springfield. Missouri State University (MSU), with a student population of just under 19,000, students is located in Springfield.

Public transit services in the City are operated by City Utilities of Springfield (CU), which is a community-owned utility serving southwest Missouri with electricity, natural gas, water, telecommunications and transit services. CU is governed by an 11-member Board of Public Utilities, nine who are customers inside the city and two who are customers outside the city. Board members are appointed by the Springfield City Council to serve three-year terms. The Board makes policy decisions for CU and appoints the General Manager, who is the Chief Executive.

The City Utilities Transit Service is unique, as it is one of the few remaining transit systems in the country that is operated by a public utility company. Local funds for transit are derived from the electric and gas rate payers in the service area. Table 7-8 provides these funding details.

Table 7-8: City Utilities Local Transit Funding

FY2006 Total Operating Expenses	\$ 7.4 million
Local Revenue (57% of Total)	\$ 4.2 million
Source of Local Revenue	Revenue derived from the electric and gas rate payers.

Lexington, Kentucky - The Lexington Transit Authority (Lextran)

While Lexington, Kentucky, is not a capital city, it is home to the University of Kentucky. Lexington’s service area is smaller than Lincoln’s (both in terms of population (11 % fewer people) and square miles (18% fewer square miles)), and the population is more densely concentrated than it is in Lincoln. The University of Kentucky has a student population of 26,682.

Lextran is a transit authority, incorporated under Kentucky law as the Transit Authority of the Lexington-Fayette Urban County Government. The Lextran Board is appointed by the Mayor of Lexington. Lextran operates a fleet of 58 buses, 8 buses on a University of Kentucky campus shuttle service, and contracts a door-to-door paratransit service through Red Cross Wheels. There are ten major routes.

In 2004 a tax referendum was passed to provide a dedicated source of local funds for Lextran. The referendum provides Lextran with \$0.10 per every 100 dollars of assessed property. The local funding details are provided in Table 7-9.

Table 7-9: Lextran Local Transit Funding

FY2005 Total Operating Expenses	\$ 9,089,956
Local Revenue (34% of Total)	\$ 3,082,348
Source of Local Revenue	Property tax; \$0.10 per 100 dollars of assessed value.

Peer Summary

The five peer systems show the diversity of ways in which transit is organized and financed in similar communities across the country. The examples include transit authorities, city governments, and a utility company. Local funding sources are also varied and include direct tax/millage, general revenue, and utility-generated funds.

Summary

This analysis has offered the following organizational alternatives for consideration:

- Status Quo- StarTran remaining as a division within a department of the City;
- StarTran as a Stand-Alone City Department, reporting directly to the Mayor and Council;
- StarTran as a Joint Public Agency- either City/County/University or City/County or City/University; and
- StarTran as a Transit Authority.

The various advantages and disadvantages for each alternative, with a particular emphasis on the

ability of each to generate dedicated revenue, were discussed. Of the four alternatives, only two allow for direct, dedicated, local revenue generation. These are the joint public agency alternative and the transit authority alternative.

Whether or not to change the way in which transit is administered in the City, which mechanism to choose, and which partners will participate, are decisions to be made by the governing boards of the prospective transit partners (i.e., the Mayor and Council of the City of Lincoln, the Lincoln County Board of Commissioners, and the Board of Regents from the University of Nebraska). While the status quo can keep StarTran at its current level of operation, it is likely that an organizational change that allows for a dedicated source of local revenue will be needed if the system is to grow.