



# City of San Antonio

## Agenda Memorandum

**File Number:**16-4928

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**Agenda Item Number:** 2.

**Agenda Date:** 9/28/2016

**In Control:** City Council B Session

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**DEPARTMENT:** Transportation & Capital Improvements (TCI)

**DEPARTMENT HEAD:** Mike Frisbie

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

B Session briefing on the recommendation by the Transportation, Technology and Utilities (TTU) Council Committee to explore funding options, beyond the City's Advanced Transportation District (ATD) funding, in order to provide \$10 million in funding annually, phased-in over a four year period, to VIA Metropolitan Transit "VIA" for proposed bus service improvements.

### **SUMMARY:**

During the September 28, 2016 B Session, TCI will brief the full City Council on the original ATD funding policy issue, including the ATD Ad Hoc Committee's recommendation to provide the City's ATD funds to VIA; the current TTU Council Committee's recommendation to have staff explore funding options separate from ATD in order to provide \$10 million annually to VIA phased in over a four year period; the bus service improvements VIA proposes to implement with the additional funds; as well as potential impacts to the City's General Fund and local and state tax options as long-term funding strategies.

### **BACKGROUND INFORMATION:**

In July 2015, Councilman Rey Saldana first raised that inadequate funding levels resulted in VIA not providing convenient and frequent bus service. Councilman Saldana proposed that the City's ATD funding be re-allocated to VIA to improve bus service and requested the policy issue of how City utilizes its ATD funding be discussed. Staff first presented this policy issue to the TTU Council Committee on November 4, 2015, followed by full City Council at the November 18, 2015 City Council "B" Session.

In January 2016, the ATD Ad Hoc Committee was established and charged to evaluate VIA's funding model

and determine if the City should allocate all or a portion of the City's ATD funds to enhance VIA services. The committee was co-chaired by District 4 Councilman Rey Saldana and District 6 Councilman Ray Lopez. Committee members included Alex Briseno, Victor Boyer, Patti Radle, James Lifshutz, Darryl Byrd and Sid Martinez. The Committee held six meetings between February and June 2016 that included an overview of ATD, City's ATD Program, VIA's ATD Program, VIA's current and preferred level of service, and potential funding options.

At the final meeting held June 29, 2016, the Committee recommended that the City transfer \$10 million annually in ATD funds to VIA over a four year period with no funds in FY 2017, \$2.2 million in FY 2018, \$6.5 million in FY 2019 and \$10 million in FY 2020 and beyond. The Committee's recommendation also included that the City's ATD Fund maintain at least \$5 million annually toward sidewalk funding, that the City's annual budget strive to maintain funding levels consistent with the FY 2016 levels at \$15 million and that the proposed 2017 Bond Program have a substantial sidewalk program.

On August 10, 2016, the TTU Council Committee was briefed on the ATD Ad Hoc Committee's recommendation and the impact to the City's ATD Program. The TTU Council Committee's recommendation was to have staff explore funding options, beyond the City's ATD, in order to provide \$10 million in funding annually to VIA, phased-in over a four year period with no funds in FY 2017, \$2.2 million in FY 2018, \$6.5 million in FY 2019 and \$10 million in FY 2020 and beyond.

VIA's total revenue for FY 2016 is estimated at \$230.67 million. VIA is primarily funded through a one-half cent sales tax (0.500%) approved by voters in 1977 via the Metropolitan Transit Authority (MTA) tax and through a one-half of one-quarter cent sales tax (0.250%) approved by voters in 2004 through the ATD. For FY 2016, the MTA will generate \$143.0 million and the ATD will generate \$32.0 million in revenue for VIA. The remaining \$56.0 million is collected through fares and grants.

Sales tax revenue VIA receives is less than other major cities. VIA needs an additional ½ cent to be comparable to other transit authorities.

City	Rate	Effective
Austin MTA Sales and Use Tax	1%	July 1985
Dallas MTA Sales and Use Tax	1%	Jan 1984
Houston MTA Sales and Use Tax	1%	Oct 1978
San Antonio ATD Sales and Use Tax	1/8%	April 2005
San Antonio MTA Sales and Use Tax	1/2%	Jan 1978

The current sales tax rate for the City of San Antonio is 8.25%, the maximum allowed by State law. An increase above the current rate, to allow one full cent to VIA, would require legislative action and may be bracketed to Bexar County. The 0.125% for Pre-K 4 SA sales tax expires on March 31, 2021 and the 0.125% for Edwards Aquifer/Park Protection sales tax expires once \$100 million is generated for Edwards Aquifer and \$80 million is generated for Parks Protection.

City of San Antonio	1.000%
Edwards Aquifer/Park Protection	0.125%
Pre-K 4 SA	0.125%
ATD	0.250%
VIA MTA	0.500%

State of Texas	6.25%
Total Sales Tax	8.250%

With the additional \$10 million in revenue, VIA intends to fund annual operating costs as a result of implementing frequency improvements on ten routes and travel time and capacity improvements on five major corridors. VIA will provide the capital funds to purchase an additional 24 buses in FY 2017.

## **ISSUE:**

During the September 28, 2016 B Session, TCI will brief the full City Council on the recommendation by the Transportation, Technology and Utilities (TTU) Council Committee to have staff explore funding options, beyond the City's ATD, in order to provide \$10 million in funding annually to VIA, phased-in over a four year period with no funds in FY 2017, \$2.2 million in FY 2018, \$6.5 million in FY 2019 and \$10 million in FY 2020 and beyond.

VIA is under-funded and needs an additional ½ cent in sales tax revenues to be comparable to other transit authorities in Texas. An increase in revenue by ½ cent of sales tax for VIA would equate to an approximate increase of \$140 million annually. The \$10 million in additional revenue results in a 4% increase to VIA's total expenditure budget.

The City's sole eligible funding source, outside of ATD, is the General Fund. Transferring \$10.0 million from the General Fund to VIA would result in the reduction in programs and staff across City departments. Long-term funding strategies, such as local and state tax options, should be explored and coordinated with local and state partners beginning with the 85<sup>th</sup> Legislative Session. In the likely case that additional revenue from local and state tax options are not possible, the attached document shows General Fund service reduction options for City Council consideration.

## **ALTERNATIVES:**

Transferring \$10.0 million from the General Fund to VIA would result in the reduction in programs and staff across City departments. An alternative to providing General Funds would be to explore local and state tax options beginning with the 85<sup>th</sup> Legislative Session.

## **FISCAL IMPACT:**

VIA is seeking \$10.0 million in annual operating costs to provide frequency improvements on ten routes and travel time and capacity improvements on five major corridors. The TTU Council Committee recommends exploring funding options, beyond the City's ATD funding, in order to provide \$10 million in funding annually, phased-in over a four year period with no funds in FY 2017, \$2.2 million in FY 2018, \$6.5 million in FY 2019 and \$10 million in FY 2020 and beyond, to VIA Metropolitan Transit "VIA" for proposed bus service improvements.

The City's sole eligible funding source, outside of ATD, is the General Fund. Transferring \$10.0 million from the General Fund to VIA would result in the reduction in programs and staff across the City departments. The attached document shows General Fund service reduction options for City Council consideration.

## **RECOMMENDATION:**

Staff does not recommend transferring \$10.0 million from the City's General Fund or the City's ATD funds to VIA since it would result in the reduction of General Fund programs and staff across City departments. The \$10 million in additional revenue results in a 4% increase to VIA's total expenditure budget. While a ½ cent sales tax increase, generating \$140 million annually, is what is required for VIA to be comparable to other transit authorities in Texas.

Staff recommends engaging with local and state partners and pursuing long-term funding strategies, such as local and state tax options, beginning with the 85<sup>th</sup> legislative session to increase annual revenue for VIA.