



MAYOR & COUNCIL MEMORANDUM

December 12, 2023

Subject: Discussion and Direction on Recommendations from Transit Stakeholders Working Group (City Wide)

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Issue – In May 2023, the Mayor and Council directed staff to create a Transit Stakeholder Group to make recommendations for long term solutions to funding and service improvements. This item is to allow for the Mayor and Council to receive an update from staff and discuss the recommendations from the Transit Stakeholder Group.

City Manager's Office Recommendation – Time has been set aside for the Mayor and Council to receive an update from staff on the recommendations made by the transit stakeholder group and provide direction as appropriate.

Background – On March 17, 2020, Mayor and Council directed the City Manager, in coordination with the Department of Transportation and Mobility (DTM), and Sun Tran, to suspend the collection of transit fares as part of the City's efforts to mitigate the spread of COVID-19 and lessen the negative financial impact of the pandemic on Tucson residents. Since the initial suspension of fare collection, the Mayor and Council have extended the moratorium on fare collection five additional times, most recently on May 9, 2023.

At the May 9th Study Session, Mayor and Council approved a motion to extend fare-free transit until December of this year and to create a stakeholder group that includes transit users, transit drivers and operators, and community members, to come up with long term solutions to funding and service improvements. Additionally, the motion advised that the City should continue to seek investments from partners like Pima Community College, the University of Arizona and Tucson school districts. There was a friendly amendment to the original motion, accepted by the motion-maker, to declare the City's intention to continue fare-free transit until an affirmative vote to reinstitute the fares following a Title VI analysis, and to bring the stakeholder group to the table with funding proposals from each partner.

In terms of budgeting, the Mayor and Council were presented with a plan in the FY24 Recommended Budget, later adopted, which included a strategy to cover much of the loss in farebox revenue collection through the first half of the fiscal year.

Present Consideration(s) – Sun Tran, Sun Link and Sun Van are currently operating fare-free and will continue to do so unless there is an affirmative vote to reinstitute fares. In addition to the extension of fare-free transit from the May 9th Study Session, another key directive was for DTM to establish a Transit Stakeholder Working Group to provide Mayor and Council with recommendations about potential funding strategies for long term funding and service improvements.

DTM staff, under guidance from the City Manager's Office, worked to establish the Transit Stakeholder Group which includes representation from bus riders/advocates, teamsters, the University of Arizona (UA), Pima Community College (PCC), Tucson Unified School District (TUSD), Pima County, the Regional Transportation Authority (RTA), and the business community. Additionally, Mayor and Council office staff were invited to each meeting to listen and engage in stakeholder conversations. The kick-off meeting was held on September 25, 2023, with additional meetings on October 9, October 23, and November 13. Each meeting included a presentation by DTM Director Samuel Credio (facilitator) and Project Manager James Castañeda (co-facilitator) followed by a roundtable discussion by stakeholders. The meeting presentations, summaries, and reference materials are available for review on the Transit Stakeholder Group [webpage](#). An additional meeting has been added for December 18, 2023, to address critical information regarding one of the recommendations finalized during the November 13 meeting.

During the November 13 meeting, Transit Stakeholder Group members drafted recommendations for Mayor and Council consideration. These recommendations seek to provide Mayor and Council with options to reach the group goals, as defined below:

1. *Short-term* – Recommendation on securing funding for fare-free transit through the remainder of FY2024
2. *Mid-term* – Recommendation to secure funding for fare-free transit indefinitely
3. *Long-term* – Recommendation on a sustainable transit funding source

During the Stakeholder Group discussions there was no consensus on a short-term recommendation to solidly address the FY2024 funding gap as outlined in the Financial Considerations. Options discussed included returning to fare collection, service reductions to match available revenue, or finding capacity within the General Fund to cover the gap. It's worth noting, representatives from the UA, PCC and TUSD indicated a willingness for their organizations to participate financially in the transit system under the sole condition that fares are reinstated.

It should also be noted that representatives from both the UA and the Southern Arizona Leadership Council (SALC) wished to abstain from a formal endorsement of the Final Recommendations; however, they acknowledged and supported their respective organization's continued participation in transit-related discussions. The recommendations, which were finalized during the last stakeholder group meeting on November 13, are presented below for Mayor and Council consideration:

- 1. Establish sustainable funding for public transit services by primarily using a combination of sales tax, property tax and service access agreements with public and private partners who directly benefit from public transit services. (Short and mid-term goals)**

Recommendation support:

- Potential and existing partners include Pima County, Town of Marana, Pascua Yaqui Tribe, City of South Tucson, University of Arizona, Pima Community College, public school districts and private employers.
- This mix of sustainable funding sources provides decision makers with a range of options to ensure transit services are funded in an equitable manner that precludes an undue financial burden on any one segment of the community.
- Layered funding prevents overreliance on a single funding source that is impacted by rapidly changing economic conditions.

- 2. Pursue actions to seek voter approval of a sales tax increment to be dedicated to improved transit service levels, including improved transit facilities, for a specific term with a program of improvements, as part of a balanced plan of multi-modal transportation investments. (Short and mid-term goals)**

Recommendation support:

- The current transit Comprehensive Operational Analysis (COA) will identify specific service improvements that can be funded from this sales tax increment.
- Continue to prioritize the safety and comfort of transit riders and bus operators.
- Transit improvements should include more shade and shelters that improve the transit rider experience and support climate action through the strategies outlined in Tucson Resilient Together and the Long-Range Regional Transit Plan (LR RTP).

- 3. Recommend Mayor and Council include in its next legislative agenda, the pursuit of legislation that allows State revenues to be appropriated to support local public transit services. (Mid and long-term goals)**

Recommendation support:

- Include caveat that state transit appropriations should not decrease existing state-shared revenues with cities.

The Stakeholder Group also crafted a fourth recommendation to establish a Metropolitan Public Transit Authority (MPTA) service delivery model as the cornerstone for long-term financial sustainability of the transit system. The enabling legislation for the MPTA includes facets such as the ability to be created by City Ordinance, a dedicated funding source through property tax imposition, and the establishment of a voter-elected Board with full authority for policy, funding, and operational decisions for all aspects of transit. However, upon further review by the City Attorney's Office (CAO), there are additional considerations in the form of case law that heavily restrict the viability of an MPTA without substantial revisions to the underlying legislation.

Per the attached memorandum from the City Attorney, dated March 13, 2017, the Arizona Supreme Court's decision in *Tucson Transit Authority, Inc. v. Nelson*, 107 Ariz. 246, 485 P.2d 816 (Ariz. 1971) invalidated certain key components of the MPTA legislation, including provisions relating to: (1) the tax-exempt status of an MPTA; (2) its authority to issue bonds without prior approval; and (3) its ability to operate outside the control of the Arizona Corporation Commission (ACC). At a minimum, the MPTA statutes would need to be amended to define clearly what type of entity an MPTA is; the scope of authority of an MPTA to engage in transit operations; and the funding sources (revenue bonds, property taxes) that are legally available to the MPTA. A fourth meeting of the Transit Stakeholder Group will be held in December to further discuss the viability of the MPTA.

Plan Tucson Consideration(s) – The discussion of this item relates to the following Built Environment Goals and Policies:

Goal 22. Well-maintained public facilities and infrastructure that support coordinated cost-effective service delivery for current and future residents.

Public Infrastructure Policy 1. Invest in highest priority needs to manage and maintain public infrastructure and facilities that are fundamental to economic development and to sustaining and enhancing living conditions in the community.

Public Infrastructure Policy 2. Prioritize major public infrastructure investments in developed areas and for improvements of the existing infrastructure.

Land Use, Transportation & Urban Design Policy 13. Continue to explore and monitor opportunities to increase the use of transit, walking, and bicycles as choices for transportation on a regular basis.

Land Use, Transportation & Urban Design Policy 22. Participate in efforts to develop a coordinated regional, multi-modal transportation system that improves efficiency, safety and reliability of transporting people and goods within the region and to destinations outside of the region.

Financial Considerations – The City Manager's FY24 Adopted Budget includes the assumption of continuing fare-free transit through December 2023, and programmed \$4.6M to cover a portion of that cost. Based on the most recent estimates from the Business Services Department, **a funding gap of \$8.2M exists for the remainder of FY2024 to maintain current service levels.** To contextualize the historic amounts of General Fund investment (transfers in) and farebox collections, please see the following table:

Mass Transit Revenues (in Millions) for All Modes						
Revenue Source	FY18	FY19	FY20¹	FY21¹	FY22¹	FY23²
General Fund (Transfers In)	\$ 45.8	\$ 46.0	\$ 23.1	\$ 32.2	\$ 20.4	\$ 60.3
Farebox Collections	\$ 12.5	\$ 12.5	\$ 8.9	\$ -	\$ -	\$ -

Table 1: Mass transit revenues (in millions) for all modes

¹From FY2020 through FY2022 the City of Tucson was able to use COVID-19 relief dollars to help fund transit services and compensate for the loss in farebox collections. These federal relief dollars came by way of grant monies associated with the CARES Act, the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act, and the American Rescue Plan Act (ARPA).

² FY2023 revenues are shown as unaudited amounts.

Based on FY2023 ridership levels and the average revenue per passenger pre-fare suspension (FY2018 – FY2019), transit fares would generate an estimated amount of \$13.4M; however, this projection does not account for the likely decline in ridership associated with resuming fare collections.

As mentioned, the above recommendations from the Transit Stakeholder Group do not address the immediate short-term budget deficit. Options for closing the FY2024 \$8.2 funding gap include:

- Revising the Transit 5-year Investment plan
- Service reductions
- Cost savings in Sun Tran’s operating budget
- Allocating budget capacity from the general fund

If there is a desire to make budgetary adjustments to the 5-Year Investment Plan, staff can return to Mayor and Council with an update to spending within the Investment Plan and scenarios for reallocating the budgeted funds to cover the \$8.2M FY24 shortfall.

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Legal Considerations – The attached memo provides a legal opinion from the City Attorney regarding the formation of an MPTA.

Respectfully submitted,



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MJO/SC/RC/JC/hw
Department of Transportation and Mobility

Attachment: Memorandum from City Attorney Mike Rankin dated March 13, 2017