

FY 2021-2022 Virginia Beach Budget Response to Council Questions

Question Number: 60

Question: Explain the \$1.5M HRT cost increase. What would be the offset that we would need to make that revenue neutral? What is the offset of eliminating lower ridership routes? What is the cost of farebox revenue to make ridership free?

Date Requested: 4/13/21

Requested By: Councilmember Moss

Department: Planning

Response: The total bottom-line cost of the transportation service contracted by the City from Hampton Roads Transit (HRT) did not change between FY 2020-21 and FY 2021-22. Both years are fixed to the total dollar cost of service contracted by the City as of July 1, 2019 (\$8.1 million). What did change, between FY 2020-21 and FY 2021-22, however, was the source of funding that constituted the City's payment to HRT. In FY 2020-21, as a result of the resolution adopted by Council and by the other cities in the region in June 2020, the City was able to meet its total obligation to HRT through a mixture of new annual appropriations and a one-time carry forward provision of resources paid by the City to HRT in FY 2019-20. The availability of the resources from FY 2019-20 to be carried forward was possible, in large measure, to the reduction of HRT's network to only an Essential Service Plan in the final months of FY 2019-20 with the emergence of the coronavirus pandemic. The amounts brought forward by each City into FY 2020-21 was intended to offset the FY 2020-21 loss of the Recordation Tax as a revenue source in each City's budget after passage by the General Assembly of dedicated transit funding. Therefore, this action was known as the Recordation Tax offset. The reprieve from funding the full cost of service with new year City resources was for one-year only. In contrast, in FY 2021-22, the City will have to pay the level cost of service entirely with new annual appropriations. Thus, from the perspective of comparison to the prior year within the City's budget, HRT service cost has increased, but it has only increased in the amount of new resources the City must pay, not an increase in the total cost of service. No routes can be reduced instantaneously, for any route that is proposed to be eliminated would have to go through a full Title VI of the Civil Rights Act of 1964 Equity Analysis, which takes multiple months and requires both public hearings and assessments. Therefore, there would be no offset that could occur that would take effect in this calendar year. As part of HRT's annual updates to the adopted ten-year strategic plan, routes are evaluated for performance and short, medium, and long-term recommendations are made for service alterations to would enhance each route's usefulness and attractiveness.

Beginning in FY 2020-21, \$20 million in the Commonwealth's share of existing Recordation Taxes distributions from across the Commonwealth were deposited in the

Question Number: 60 (cont.)

Hampton Roads Regional Transit Fund and are to be used to fund the new Regional Transit System, the “757 Express”, a network of higher frequency service. It should be noted that the amount received by Hampton Roads Transit from the Commonwealth is several times larger than the amount of Recordation Taxes generated by the cities of Hampton Roads individually. Additionally, revenue from the new tax surcharge on grantor’s is also being used for the “757 Express.” Initial funding from the Hampton Roads Regional Transportation Fund is for capital costs related to the “757 Express”, such as the requisition of more busses or as a supplement to other financing sources for improvements to selected transfer stations and bus stops such that said stations and stops are to handle the capacity associated with additional busses and traffic. Additionally, in FY 2021-22, HRT’s non-City funded “MAX” express bus network will be transferred to the new fund and the 15-minute increments of several routes, including Route 20, will also be moved. However, the Hampton Roads Regional Transportation Fund will not absorb the entire costs of existing non-express routes. Thus, for routes such as Route 20, all cost of service aside from the portion of the route that runs 15-minute frequencies, must continue to be funded by the City. Over time, the new dedicated funding will pay for the expansion of 15-minute frequencies on the routes to be encompassed into the “757 Express”. Virginia Beach’s Routes 20 and 36, as well as two other routes that enter Virginia Beach, Routes 1 and 15, are slated for substantial 15-minute service improvements in Group B, beginning in October 2023 (the lead time is necessary for the delivery of busses as well as time to hire and train additional bus operators).

Revenues from the Recordation Tax Distribution are not involved in subsidizing lowered farebox collections across the HRT service area in FY 2020-21 nor is this proposed for FY 2021-22. Rather, HRT is using and intends to use federal operating assistance, provided by Congress for transit relief in the three major relief bills passed in 2020 and 2021, for such activities.

In total, HRT programmed \$1,142,653 for farebox recovery in the FY 2021-22 Virginia Beach Transportation Service plan (including paratransit). This is about 14% of the total cost of Virginia Beach’s bottom-line payment to HRT for service. If fares were to be eliminated entirely, the City’s transportation service bill would have to increase accordingly. A challenge of a “no-fare” policy would be that HRT operates as a system, therefore, riders often cross jurisdictional boundaries. Without the commitment of the other cities, it would be a difficult to eliminate all fares for all rides and routes that service Virginia Beach, and it may then be confusing to the rider regarding routes that are free and when fares would apply or not. Nevertheless, it is clear that there is interest in such a policy broadly; for example, the General Assembly has allocated \$10 million from transportation related relief money from the Division N, “Additional Coronavirus Response and Relief” portion of the *Consolidated Appropriations Act, 2021* (P.L. 116-260) for pilot programs for fare-free transit and in the 2020 session of the General Assembly, legislators had previously established a Transit Ridership Incentive program that among other provisions would encourage applications for programs to reduce or eliminate fares for low-income individuals (now codified as §33.2-1526.3(D) of the Code of Virginia). As funds and applications become available, City representatives will certainly encourage

Question Number: 60 (cont.)

HRT to explore and participate in such programming, particularly to test the potential impacts of “no-fare” policies and their impact upon rider participation.

As of the end of January, farebox collection on traditional bus routes (not including paratransit or trolley, as no trolley operations for this year have yet to occur and thus have not collected any farebox) in the City in FY 2020-21 was approximately 60% of the year-to-date traditional bus route budget. That equates to about 37% of the overall budget programmed for traditional bus route farebox collection in FY 2020-21.