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DART Prepares Multiple Budgets Due to Funding Uncertainty

Expense and service cuts required to align with anticipated local funding over three years

At a workshop today, DART staff presented two budgets for fiscal year 2025 that begins July 1. Like other public entities, DART is facing a budget shortfall as revenues have not kept pace with the rising costs of providing services. In addition, as a new funding formula is implemented to align member community contributions with the level of service communities receive, the City of Des Moines' contribution to DART significantly exceeds what DART can collect in property taxes in the years ahead.

The City of Des Moines has shared it plans to commit an additional \$1.5 million in fiscal year 2025 (FY25) and an additional \$2 million to DART in fiscal year 2026 (FY26). DART will have to make some cuts to service but not to the degree shared in late 2023. The City of Des Moines has also indicated the Council could consider an increase in its franchise fee at a later date that could further reduce the amount of service cuts.

To ensure DART has flexibility to maintain as much service as possible amidst evolving funding commitments, staff proposed two budgets at the workshop. Each budget also projects three years of funding and potential impacts to service, with the goal of providing several years of stability to riders who rely on DART and to allow the DART Commission and staff to focus on developing a new regional vision for the future of public transit in Greater Des Moines. The two budget scenarios are:

- An operating budget that allows DART to maintain most of its service in the event the City of Des Moines passes the franchise fee by the end of May and uses those funds to maintain service. This would allow DART to begin receiving franchise fee revenue in FY26 and FY27 and reduce the magnitude of service cuts needed in FY25 to a 10% reduction in service.
- A reduced operating budget that reflects the additional funding the City of Des Moines has committed for the next two years. The level of local funding requires DART to cut service by \$3 million in FY25 in order to balance its budget for the next three years. This reduction will result in a 20-25% service cut in November 2024. That level of service will then remain in place through fiscal year 2027 if DART does not receive additional funding beyond what has been committed. Service cuts would focus on maintaining most local routes and reducing

frequency on routes. DART is preparing for public input in April or May on the service cuts.

"We understand the City of Des Moines does not have the votes to pass an increase in the franchise fee at this time but appreciate the contribution the city has made to DART," said Russ Trimble, DART Commission Chair and City of West Des Moines Mayor. "Unfortunately, the funding commitment from the City of Des Moines falls short of its expected contribution per the property tax formula agreed to in 2019 and is only slightly above its contribution last fiscal year. As a result, we will need to address this through service cuts that impact riders who depend on DART to get to work, school, and medical appointments. The Commission and staff remain committed to working together to provide as much service as we can while we reimagine our regional transit system for the future and determine how we sustainably fund that system."

"The City of Des Moines recognizes that public transit is an essential service for the metro area, and we also understand the critical need for Des Moines residents who rely on DART transportation," said City of Des Moines Mayor Connie Boesen. "That is why we have committed to partner with DART to develop an improved and sustainable operation for the future. It is a goal of our City to deliver equitable services to residents who rely on accessible and dependable transportation in our entire region. This two-year funding commitment will allow DART time to study alternative models, and reconfigure a transit system built on rider demand data rather than city boundaries to provide a high level of service to the households that need public transit the most," Boesen added.

"Like many public entities, DART is facing difficult budget decisions as local revenues have not kept pace with costs, in addition to the funding formula shifting communities' contributions based on level of service," said DART CEO Amanda Wanke. "Transit services are essential to our region, and we remain steadfast in our commitment to provide the best services we can with the funding we receive."

DART's budget accounts for 4.75% expense growth in fiscal year 2025 and reducing administrative expenses to help account for where expenses are growing significantly higher than 4.75%. DART has maintained an average 5% expense growth since fiscal year 2015 even as inflation has caused significant increased costs for fuel, insurance, and parts; workforce shortages have increased labor costs; and state changes have decreased the amount of revenue DART receives. Property tax revenues are increasing next year to address the revenue gap created by no longer having one-time COVID-19 relief dollars for operating revenue. DART continues to take steps to reduce the increase in property tax rates, including applying one-time capital funds to its operating budget.

To account for growth in expenses outpacing revenue, DART has identified \$500,000 in administrative expense reductions that will take effect in fiscal year 2025. These reductions focus on maintaining as much service as possible while eliminating some customer amenities, like Wi-Fi on buses and the DART trip planner and nextbus feature. It also includes plans to begin passing credit card fees to customers and a possible reduction in customer service hours.

About DART

The Des Moines Area Regional Transit Authority (DART) is Iowa's largest, and only, regional transit agency, providing service in and around Polk County. DART operates a family of transportation services, providing 3.2 million annual rides that connect thousands of people every day to jobs, school, healthcare and other essential destinations. Twelve communities make up DART's service area, where the agency carries out its mission to enrich lives, connect communities and expand opportunities for central Iowans. For more information about DART services, schedules, route changes, or directions to the nearest DART stop, visit the website at ridedart.com, download the free MyDART app or call 515-283-8100.

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