City of Mesquite, Texas

SUMMARY

Dallas Area Rapid Transit (DART) provides a commuter transit service for the City of Mesquite. Mesquite is not a DART member city. DART operates express Route 282, known as Mesquite COMPASS, offering non-stop service from a park & ride facility in the City of Mesquite to the Lawnview Station in East Dallas on the DART Light Rail Green Line. Service began in March 2012 and represents the first agreement between DART and a non-member city. The service is managed by a local government corporation (LGC).

FINDINGS

Service Area

Size and Population

The city of Mesquite is home to some 142,000 people and is 46 square miles in size. It is located approximately 12 miles east of downtown Dallas, Texas.

DART is a coalition of 13 member cities, covering 700 square miles. Member cities include Addison, Carrollton, Cockrell Hill, Dallas, Farmers Branch, Garland, Glenn Heights, Highland Park, Irving, Plano, Richardson, Rowlett, and University Park. In addition to local and commuter buses to member cities, the DART rail system provides service to Dallas, Carrollton, Farmers Branch, Garland, Irving, Plano and Richardson. A commuter line links DART customers to DFW International Airport and downtown Fort Worth.

Figure 1 shows the entire Dallas metropolitan area with all DART bus and rail services. Mesquite is marked on the map at the far right.
Figure 1. DART Service Area with City of Mesquite Emphasized

Source: [http://www.dart.org](http://www.dart.org)
Demographics

A comparison of selected demographics for the city of Mesquite and Fort Bend County as reported in the 2010 Census is contained in Table 1.

Table 1. Selected Mesquite and Fort Bend County Quick Facts

<table>
<thead>
<tr>
<th>Quick Facts</th>
<th>Mesquite</th>
<th>Fort Bend County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population, 2011 estimate</td>
<td>142,674</td>
<td>606,953</td>
</tr>
<tr>
<td>Population, 2010</td>
<td>139,824</td>
<td>585,375</td>
</tr>
<tr>
<td>Persons 65 years and over, percent, 2010</td>
<td>8.6%</td>
<td>7.3%</td>
</tr>
<tr>
<td>White persons, percent, 2010 (a)</td>
<td>59.0%</td>
<td>50.6%</td>
</tr>
<tr>
<td>Black persons, percent, 2010 (a)</td>
<td>21.8%</td>
<td>21.5%</td>
</tr>
<tr>
<td>American Indian and Alaska Native persons, percent, 2010 (a)</td>
<td>0.8%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Asian persons, percent, 2010 (a)</td>
<td>3.2%</td>
<td>17.0%</td>
</tr>
<tr>
<td>Native Hawaiian and Other Pacific Islander persons, percent, 2010 (a)</td>
<td>0.1%</td>
<td>0.04%</td>
</tr>
<tr>
<td>Persons reporting two or more races, percent, 2010</td>
<td>3.1%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Persons of Hispanic or Latino Origin, percent, 2010 (b)</td>
<td>31.6%</td>
<td>23.7%</td>
</tr>
<tr>
<td>White persons not Hispanic, percent, 2010</td>
<td>41.6%</td>
<td>36.2%</td>
</tr>
<tr>
<td>Foreign born persons, percent, 2006-2010</td>
<td>14.7%</td>
<td>24.5%</td>
</tr>
<tr>
<td>Language other than English spoken at home, pct age 5+, 2006-2010</td>
<td>28.5%</td>
<td>37.0%</td>
</tr>
<tr>
<td>Veterans, 2006-2010</td>
<td>8,898</td>
<td>25,352</td>
</tr>
<tr>
<td>Mean travel time to work (minutes), workers age 16+, 2006-2010</td>
<td>28.9</td>
<td>30.6</td>
</tr>
<tr>
<td>Housing units in multi-unit structures, percent, 2006-2010</td>
<td>26.1%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Median household income 2006-2010</td>
<td>$51,368</td>
<td>$79,845</td>
</tr>
<tr>
<td>Persons below poverty level, percent, 2006-2010</td>
<td>11.3%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

(a) Includes persons reporting only one race.
(b) Hispanics may be of any race, so also are included in applicable race categories.
Source: U.S. Census Quick Facts.

Mesquite COMPASS Service Characteristics

Service Description

COMPASS (City Of Mesquite PASenger Shuttle) is part of a City of Mesquite transit initiative. Launched in March 2012, DART operates the service as express bus Route 282. The COMPASS route is a nonstop weekday commuter shuttle between Hanby Stadium in downtown Mesquite (pictured in Figure 2) and the Lawnview Station on the DART Light Rail Green Line located in East Dallas. DART operates eight round trips each morning from approximately 5 – 9 a.m. and eight round trips each evening from 3 – 7 p.m.

Figure 2. A DART bus arriving at Hanby Station in Mesquite.
The total distance is approximately 8 miles, and the trip takes approximately 22 minutes. From the Lawnview Station, using the same fare ticket, passengers can connect to light rail and local bus service.

## Service Design

The Mesquite COMPASS connector service operates from Hanby Stadium, in Mesquite, along Scyene Road to DART’s Green Line Lawnview Station, connecting the 140,000 residents of Mesquite to the DART system via the light rail. Passengers using the service can also transfer to one of the many DART bus routes at a connecting rail station or in downtown Dallas.

Currently COMPASS operates as a weekday commuter service with 8 outbound trips in the morning between 5:02 and 8:33 AM and 8 inbound trips in the evening between 2:56 and 6:38 PM between Hanby Stadium and Lawnview Station. The Hanby park and ride lot offers free parking for 197 cars, plus 10 additional spaces for persons with disabilities.

## Service Agreement and Local Government Corporation (LGC)

The COMPASS route is the first agreement of its kind between DART and a non-member city. The service was created through an agreement approved by the DART Board of Directors and the Mesquite City Council. DART has an “Out of Area” policy (see appendix to this case study) to address service for those cities not currently a member of DART.

The original interlocal agreement was between DART and the City of Mesquite. The DART Board subsequently created a separate Local Government Corporation (LGC) as the legal vehicle for the interlocal agreement with the City of Mesquite. DART believes the LGC better facilitates accounting and oversight for transit services authorized under the DART Out of Area policy.

Both the DART Out of Area Policy and a description of Local Government Corporations are provided as appendices to this case study.

The interlocal agreement, approved by the DART board in October 2011, will last three years. Because it is a new approach for DART, other communities in the region are carefully watching the Mesquite COMPASS arrangement.

## Fares and Transfers

While Route 282 (Mesquite COMPASS) is actually operating as a feeder service, which would qualify for local fares of $4/day, DART put the COMPASS service in its premium “system” fare category in lieu of charging an out-of-area access fee to the City of Mesquite (see Operating Costs below). Currently, system fares are $7/day, $3.50 for a single ride (no transfers), $100/month or $1,000/year and are good on all DART buses and trains.

Effective December 3, 2012, DART will be changing its fare structure. The current “system” level of service will be retitled to “local”, and the current “local” level will be eliminated. The new local service will cost $5/day, representing a $1 increase for current local fare patrons, but a $2 decrease for system fares. As an out-of-area transit service, Mesquite COMPASS service will be dropped from the new system level of service, and offered instead as a separate “Mesquite system” fare, which will remain $7/day and $100/month. Monthly passes will be available at the Lawnview and Buckner Stations ticket machines and at Albertson’s and Tom Thumb grocery stores.
However, Mesquite COMPASS riders using an employer-provided or self-purchased annual local pass will be required to pay $1 extra each board ($2/day), as there is no annual “Mesquite system” pass. To avoid the inconvenience of having to carry extra cash, riders may purchase an annual “regional pass” for $1,200; this pass costs the same as 12 monthly Mesquite system passes, but provides access to the entire transit system from Dallas to Fort Worth to Denton.

### Fleet

DART operates the service with two DART-branded buses from its express service fleet (see Figure 3). These vehicles have a seating capacity of 40 passengers.

### Ridership

At the start of service in March 2012, there were 80 average daily boardings on transit trips to/from Mesquite. As of October 2012, ridership ranges from 125-130 boardings per day.

### Operating Costs

DART keeps all fare box revenues in order to cover system access and impacts.

For service provided out of area, DART charges non-members for:

1) the fully allocated operating costs (calculated per hour and mile of service, with G&A expenses added as a percentage),
2) a capital charge for the non-Federal portion of the buses used for the service, and
3) an access fee intended to cover the cost of use of connecting service for transferring customers.

In the city of Mesquite’s case, the latter fee is not charged to Mesquite; it is instead recovered through the $2 fare surcharge to patrons. In FY 2012, the fully allocated operating costs for the service (1) were approximately $313,000, and the capital charges (2) were approximately $14,000 for two vehicles to operate the service.
RESOLUTION
of the
DALLAS AREA RAPID TRANSIT BOARD
(Executive Committee)

Amendments to DART's Board Policy III.07, DART Fixed Route Service beyond Service Area Boundary

WHEREAS, in 2010 the DART Board adopted a strategic goal of strengthening DART's role as a regional transportation leader by pursuing mechanisms that would allow DART the flexibility required to provide services both within and outside of the current service area; and

WHEREAS, on April 25, 1995, the Board approved Policy III.07 for DART Fixed-Route Service Beyond Service Area Boundary and on November 11, 1997 and August 10, 2004 (Resolution No. 040098), amended the policy; and

WHEREAS, current Board policy restricts contracting with cities outside the Service Area to commuter rail service and bus shuttles to post-secondary public education institutions; and

WHEREAS, in March and April 2010, DART conducted introductory meetings with several cities contiguous to the DART Service Area to determine if interest in DART services existed in cities outside the service area; and

WHEREAS, interest from cities outside the DART Service Area includes transit services that are not currently allowed by Board policy; and

WHEREAS, expanded contract service opportunities outside the DART Service Area are part of DART's financial strategy to aggressively pursue new revenue streams; and

WHEREAS, the recommended Policy provides that the fully allocated costs of contracted service will be reimbursed, and as a result, there should be no adverse financial impact to DART.

NOW, THEREFORE, BE IT RESOLVED by the Dallas Area Rapid Transit Board of Directors; that DART Board Policy III.07: DART Fixed Route Service beyond Service Area Boundary is amended as shown in Exhibit 1.
Amendments to DART’s Board Policy III.07, DART Fixed Route Service beyond Service Area Boundary

Scott Carlson
Secretary

William Velasco
Chair

APPROVED AS TO FORM:

Gary C. Thomas
President Executive Director

ATTEST:

April 12, 2011
Date
Exhibit 1

DART Fixed-Route Service Beyond Service Area Boundary

<table>
<thead>
<tr>
<th>DATE ISSUED:</th>
<th>April 25, 1995</th>
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<tr>
<td>Resolution No.</td>
<td>950097</td>
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<tr>
<td>Amended by Resolution:</td>
<td>970226, 040098</td>
</tr>
<tr>
<td>Policy No.</td>
<td>III.07 (Operations)</td>
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Section 1.

Except for Charter and Special Events services as authorized by separate policy and other services as described in this policy, DART transit service will not extend beyond the boundaries of the DART Service Area. For the purposes of this policy, D/FW Airport is considered to be part of the DART Service Area.

Section 2.

Existing bus routes may be extended to service any publicly-funded, post-secondary educational institution whose campus is contiguous to the DART service area when the extension does not involve operation over the streets of a non-member jurisdiction and the institution enters into an interlocal agreement to pay DART the fully allocated cost of such service.

Section 3.

DART may consider providing commuter rail and express bus service outside the DART Service Area under one or more interlocal agreements with other local governmental entities. A Service Agreement under this section shall not adversely impact or delay any transit service that is included in DART's Transit System Plan or 20-year Financial Plan. A Service Agreement under this section must be presented to and approved by the DART Board of Directors and will include, but not be limited to, provisions that address the following considerations:

- The value of access to the DART System, including resources and expertise; and
- The stability of the funding source for the contracted service;
- The recovery by DART of at least the fully burdened cost of providing the service; and

  Operations III.07

D. The full, unsubsidized cost of the service to which the delivered patrons connect.
Local Government Corporations (LGCs)

An LGC is a separate and independent corporate entity formed by a municipality or county to act on behalf of the local government. LGCs are nonprofit corporations and the earnings may not benefit a private interest. 1 While the powers and functions of an LGC are governmental in nature, LGCs are quasi-governmental in that they have the powers and duties of both public and private entities.

LGCs are not uncommon for developing transportation, water and sewer infrastructure, economic development ventures, and other projects that will benefit the public, and the purpose of an LGC must be stated in the articles of incorporation. For transportation improvements, chapter 431 of the Texas Transportation Code (the Texas Transportation Corporation Act) sets specific guidelines for the creation and operation of LGCs within the State. By law, “the purpose of [an LGC created under chapter 431] is limited to the promotion and development of public transportation facilities and systems.”2

An LGC has broad statutory authority including the powers of

- a transportation corporation under chapter 431 of the Transportation Code, and
- a nonprofit corporation under the Texas Non-Profit Corporation Act to the extent that the provisions are not inconsistent with chapter 431.

An LGC can buy, assemble, and sell land, can accept tax-deductible donations, including monetary and land grants, and may issue bonds with city or county credit upon approval by the governing body.

Benefits of an LGC

- **LGCs provide legal and financial protections to the local government that creates the LGC.**
  - The local government is protected from lawsuits or claims that may be brought against the LGC.
  - Board members of an LGC enjoy governmental immunity; they are not considered public officials.
  - An LGC limits the financial risk that a local government would otherwise take on.
  - The bonds issued by an LGC do not count against the bonding authority of the local government. The local government’s credit rating is protected.

- **The LGC creates a firewall from a funding and accounting standpoint.**
  - Because the creation of an LGC segregates funds, an LGC provides assurance that the funds intended for its purpose are only used for that purpose.

- **The structure of an LGC is flexible and LGCs can be easily dissolved.**
  - The structure, including the board composition (subject to some state requirements) and board terms, and powers of the LGC are determined by the local government that creates the LGC.
  - The local government that created the LGC can dissolve it. If dissolved, the assets of the LGC become the property of the local government.

- **LGCs may utilize flexible procurement options.**

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The contracts of an LGC are exempt from the competitive bidding provisions applicable to the local government body that created the LGC.³ Competitive bidding requirements and processes can be defined by contract with the local government.

An LGC is not subject to the Professional Services Procurement Act⁴ or Chapter 2251 of the Government Code (the Prompt Payment Act), which establishes the timelines by which the state and political subdivisions must pay vendors, and by which vendors who receive such payments must pay their subcontractors.

Except for LGCs serving counties with populations of more than 2.4 million, HUB requirements do not apply.

- **LGCs may take advantage of some same tax benefits.**
  - An LGC’s property and transactions to acquire property are exempt from property tax.

- **LGCs facilitate focus on designated projects.**
  - Projects under the jurisdiction of an LGC can theoretically be developed more quickly since the LGC is focused on its specific goals and objectives.
  - The creation of an LGC theoretically allows the elected officials of the local government to concentrate on other local issues.

### Disadvantages of an LGC

- Creates another entity, which could create inefficiencies.
- An LGC’s funding is subject to annual funding by the local government. This is not treated by public debt markets as a strong creditworthy instrument.
- Creation of an LGC requires negotiating and agreeing on a contract that establishes the details of the relationship between the local government and the LGC.
- Bonded debt is issued by the local government and impacts the local government’s bonding capacity.

### Establishing an LGC

To create an LGC, at least three qualified voters within the designated jurisdiction of the proposed LGC must file a written application for incorporation to the governmental body. The application must include the proposed articles of incorporation. The governmental body approves the corporation’s articles of incorporation and appoints a minimum of three corporation directors. Next, the Secretary of State of Texas approves the resolution and articles of the LGC and issues a certificate of incorporation. Lastly, the LGC must adopt bylaws.

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