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DRAFT MEMORANDUM #3

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TO: Project Management Team and Stakeholders

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SUBJECT: Task 1.10 Funding for Transportation System Improvements
Benton County Transportation System Plan Update

This memorandum discusses the revenues and expenses related to operations, maintenance and improvement of the transportation network in Benton County and the two focus areas of Adair Village and Monroe. The analysis provides a projection of future income and costs that allow for a fiscally constrained look at capital investments through the planning horizon year, 2040. Also included is an overview of potential supplemental funding sources that could provide additional revenue.

CURRENTLY USED FUNDING SOURCES

This section describes the typical funding sources used by Benton County, Adair Village, and Monroe for the implementation of transportation improvements.

Federal Surface Transportation Program

The current federal surface transportation funding law, the Fixing America's Surface Transportation (FAST) Act, was signed into law in December of 2015, and provides a five-year allocation of funds through various programs. The FAST Act distributes money from the Federal Highway Trust Fund, which receives money from federal motor vehicle fuel tax, truck-related weight-mile charges, and through Congressional transfers from the General Fund of the US Treasury.

Federal Highway Trust Funds from the Surface Transportation Program (STP) flow to the states that use them primarily for safety, highway, and bridge projects. These funds are managed by the State of Oregon and distributed according to the methodology in the State Transportation Improvement Program (STIP).

State Highway Trust Fund

The State Highway Trust Fund makes distributions from the state motor vehicle fuel tax, vehicle registration fees, and truck weight-mile fees. Cities and counties receive a share of State Highway Trust Fund monies, and by statute may use the money for any road-related purpose located in a public right-of-way, including walking, biking, bridge, street, signal, and safety improvements. The amount of money Benton County receives is based on the number of vehicles registered in the county, while the Cities receive funds on a per capita basis.

The state gas tax funds have previously failed to keep up with cost increases and inflation. With increased fuel efficiency of vehicles and the State's emphasis on reducing vehicle miles traveled, the real revenue collected has gradually eroded over time. To offset the relative decline in contribution of state funds, the 2009 legislature passed the Oregon Jobs and Transportation Act (Oregon House Bill 2001). It increased transportation-related fees including the state gas tax and vehicle registration fees as a fixed amount at the time a vehicle is registered with the Department of Motor Vehicles. Vehicle registration fees in Oregon increased from \$27 to

\$43 per vehicle per year for passenger cars, with similar increases for other vehicle types. The gas tax in Oregon increased on January 1, 2011 by six cents, to the then current rate of 30 cents per gallon, the first increase in the state gas tax since 1993.

The recent passing of House Bill 2017 (HB 2017) will further increase State Highway Trust Fund revenue by increasing fees and diversifying revenue sources. This includes a new gas tax increase of 10 cents per gallon implemented in increments over a six-year period (conditioned on meeting accountability requirements). Vehicle registration and title fees will be increased in increments over a four-year period, including higher charges for more fuel-efficient vehicles to offset losses in gas tax revenue. There are new taxes on bicycle and light vehicle sales that will generate revenue for separate biking and walking paths, multimodal projects, and electric vehicle rebates. A public transportation payroll tax of 1/10 of a percent of wages will generate \$115 million per year for better public transportation.

The full impact of these new revenue sources on Benton County's transportation funding is not yet known. However, Benton County is estimated to receive approximately \$1.8 million annually for general transportation use, \$2.4 million annually for transit (distributed to transit providers in the county), and \$20 million was specifically reserved for safety improvements on US 20 from Albany to Corvallis. In addition, there will be approximately \$1.2 million per year available statewide for bicycle and pedestrian projects and another \$10 million per year (increasing to \$15 million per year in 2023) available statewide for safe routes to school projects. Adair Village will receive about \$19,000 annually and Monroe will receive about \$14,000 annually.

Grants and Contributions

State and Federal grants, including MPO grants, provide funding for specific projects from a grant application. The funds are non-recurring although may be distributed over a multi-year period. They may be used to generate funding for large capital projects. Benton County, Adair Village and Monroe have all received grant funding in the past. Some grants opportunities are listed below.

- ODOT Highway Safety Improvement Program (HSIP)
- Transportation Investment Generating Economic Recovery (TIGER)
- Infrastructure for Rebuilding America (INFRA)
- Corvallis Area Metropolitan Planning Organization (CAMPO) grants

System Development Charges

The cities of Adair Village and Monroe use System Development Charges (SDCs) to offset the impact of new development on the transportation system. The charges are based on Equivalent Dwelling Units (EDU) and the associated Institute of Transportation Engineers (ITE) trip rates and are part of the cost of new development within these cities. The funds generated from SDC's are restricted for use on capital improvements in the transportation system for accommodating growth. Adair Village currently charges a rate of \$1,096 per EDU, while Monroe charges \$620.36 per EDU.

REVENUE & EXPENSES

This section compares typical annual transportation revenue to typical annual transportation expenditures to estimate how much funding may be available through 2040 to help implement TSP projects.

Benton County

Table 1 displays average annual revenue and expenditures for the Benton County Public Works Road Fund. The Road Fund is one of 25 County funds allocated to a specific purpose. Most of the revenue for the Fund

currently comes from Operating Grants/Contributions, largely from the State Highway Trust Fund. Anticipated revenue from House Bill 2017 is also shown in Table 1, although it is not yet known how much of this revenue would be dedicated to system maintenance versus the construction of new projects.

The other significant revenue source is Capital Grants/Contributions. These grants come for various sources, such as CAMPO, and are project-specific. The revenue from services provided by the County, such as engineering tasks and development review, fall under Charges for Services.

Recently the County has transferred \$750,000 every biennium from the General Fund for road maintenance but this source is not guaranteed and was not included in the table below Benton County operates on a biennial budget and carries forward the remaining balance into the next fiscal year, which is itemized as Dedicated Beginning Balance. It is not a new source of funds so is not included in the money available for capital expenditure.

Table 1. Benton County Transportation Revenues and Expenses with 2040 Projections

Revenue	Annual Average	Projected Total (2017 to 2040)
General Revenues	\$13,700	\$315,100
Charges for Services	\$1,053,600	\$24,232,800
Operating Grants/Contributions	\$4,065,500	\$93,506,500
Capital Grants/Contributions	\$798,100	\$18,356,300
Total Revenue	\$5,930,900	\$136,410,700
Expenditures	Annual Average	Projected Total (2017 to 2040)
Personnel Services	\$2,791,800	\$64,211,400
Materials and Services	\$2,259,200	\$51,961,600
Capital Outlay	\$1,017,800	\$23,409,400
Total Expenditures	\$6,068,800	\$139,582,400
Available Transportation Revenue (Revenue – Expenditures)	-\$137,900	-\$3,171,700

The above table shows an annual deficit of \$137,900 resulting in a 2040 total deficit of \$3,171,700. However, this outlook does not account for the non-guaranteed annual average transfer of \$375,000 that has occurred in recent years and generated an annual surplus of almost \$250,000. Also, it does not include the funds to be available through HB 2017. General revenue available through HB 2017 is estimated at \$1,800,000 million annually (\$39,600,000 by 2040) with an additional \$2,400,000 (\$52,800,000 by 2040) annually allocated to transit. These funds could significantly change the financial outlook but it is not yet known how much of the HB 2017 funds will be available for capital improvements. If capital outlay continues at the current average rate of \$1,017,800, assuming the continuation of the non-guaranteed, annual \$375,000 transfer, then Benton County is projected to have approximately \$23.4 million to spend on a combination of maintenance and TSP projects through 2040 (Capital Outlay). Any future HB 2017 funds made available for transportation system improvements (non-maintenance) will significantly increase the number of TSP projects that can be funded.

Adair Village

Adair Village receives most of its street fund revenue from the State Highway Trust Fund. If the city's growth meets expectations, it will generate over \$500,000 from System Development Charges as well. However, major transportation system improvements will require supplemental funding sources. For the fiscal years of 2006-2007 and 2007-2008 the City received a Small Cities Allotment and a general MPO grant. Future grants like these could provide additional funding for the City.

Over the last 10 years the only consistent expense has been Personnel Services. Materials and Services expenses have dropped in the last four years to around \$2,000 from a peak of \$27,000. The more significant capital expenses have generally coincided with additional income such as an MPO grant. For the purpose of projecting available transportation revenue through 2040 for TSP projects, only Personal Services and a minor Materials cost are included in the expenditures table.

Table 2: Adair Village Transportation Revenues and Expenses with 2040 Projections

Revenues	Annual Average	Projected Total (2017 to 2040)
State Highway Trust Fund	\$43,400	\$998,200
System Development Charges ¹	\$21,900	\$503,700
General Revenue from HB 2017	\$19,000	\$418,000
Total Revenue	\$84,300	\$1,919,900

Expenditures	Annual Average	Projected Total (2017 to 2040)
Personal Services	\$22,700	\$522,100
Materials and Services	\$1,600	\$36,800
Total Expenditures	\$24,300	\$558,900
Available Transportation Revenue (Revenue - Expenditures)	\$60,000	\$1,361,000

With the projected SDC revenue based on forecast growth and new revenue from HB 2017, Adair Village is projected to have approximately \$1.4 million to spend on TSP projects through 2040. This assumes all new revenue from HB 2017 would be reserved for capital projects.

Monroe

The City of Monroe generates most its revenue through the State Highway Trust Fund and a transportation SDC. The only consistent revenue source has been the State Highway Trust Fund, although significant future development would generate revenue from the SDC. The projection of recurring costs includes only Materials and Services since those have recently been the only significant transportation expenses.

¹ Based on 2.5 people per Equivalent Dwelling Unit (EDU) and population growth of 1,147 through 2040 from the PSU Population Research Center. Adair Village current charges \$1096 per EDU.

Table 3: Monroe Transportation Revenues and Expenses with 2040 Projections

Revenues	Annual Average	Projected Total (2017 to 2040)
State Highway Trust Fund	\$30,700	\$706,100
System Development Charge ²	\$393	\$9,040
General Revenue from HB 2017	\$14,000	\$308,000
Total Revenues	\$45,093	\$1,203,140

Expenses	Annual Average	Projected Total (2017 to 2040)
Materials and Services	\$17,800	\$409,400
Total Expenses	\$17,800	\$409,400
Available Transportation Revenue (Revenue - Expenditures)	\$27,293	\$613,740

With the projected SDC revenue based on forecast growth and new revenue from HB 2017, Monroe is projected to have approximately \$614,000 to spend on TSP projects through 2040. This assumes all new revenue from HB 2017 would be reserved for capital projects.

POTENTIAL FUNDING OPTIONS

Looking ahead, funding for Benton County, Adair Village, and Monroe transportation improvements is expected to mostly come from the State Highway Trust Fund.³ As discussed above, this fund has experienced a decline in recent years, though new revenue from HB 2017 will help. While the current 2040 funding projections are positive, continuing reevaluation of funding availability will help ensure TSP projects can be delivered. Finding supplemental sources of funding for maintenance and operations would potentially free up money for capital investments. Supplemental funding sources are discussed in the following section.

System Development Charge (SDC)

As currently implemented by the City of Monroe and the City of Adair Village, this fee is charged to a new or redeveloped property based on Equivalent Dwelling Units and the associated trip rates. It is only effective if significant development occurs within the jurisdiction but can focus the cost of system improvements uniformly on new users. While Adair Village (\$1096 per dwelling unit) and Monroe (~\$620 per dwelling unit) already charge transportation SDCs, these cities can consider increasing the rates charged. Benton County does not have a transportation SDC and should consider adopting one as a supplemental revenue source.⁴

² Based on 2.5 people per Equivalent Dwelling Unit (EDU) and population growth of 38 through 2040 from the PSU Population Research Center. Monroe currently charges \$620.36 per EDU.

³ Maintaining Benton County's Roads and Bridges, Benton County Public Works (2016)

⁴ The League of Oregon Cities 2013 SDC Survey Report includes helpful information about SDC rates instituted by cities around the state.

Local Fuel Tax

A local fuel tax is levied per gallon of gasoline and/or diesel in addition to the state and federal taxes. As of July, 2017, local gas taxes in Oregon range from \$0.01 to \$0.10 per gallon.⁵ Many cities use fuel taxes to supplement transportation revenue, but only two other counties are currently doing so (Multnomah County at \$0.03 per gallon and Washington County at \$0.01 per gallon). Gas taxes are regulated at the state level by ORS 319.950.

No cities in Benton County, or neighboring Linn County, are currently collecting local fuel taxes. Therefore, if Benton County were to implement a local fuel tax alone, there could be significant “leakage” of the potential taxes if drivers switch to buying fuel in neighboring jurisdictions where prices may be lower. If the County partnered with other jurisdictions to create a regional fuel tax, this would be less of a concern.

Local Improvement Districts

Local Improvement Districts (LIDs) can fund capital transportation projects that benefit a specific group of property owners. LIDs require owner/voter approval and a specific project definition. Assessments against benefiting properties pay for improvements. LIDs can supply match for other funds where a project has system wide benefit beyond benefiting the adjacent properties. LIDs are often used for sidewalks and pedestrian amenities that provide local benefit to residents along the subject street. Property owners pay fees through property tax bills over a specified number of years.

Debt Financing

Benton County has used loans as a part of the revenue stream in the past. Counties and Cities can use debt financing to pay for significant capital improvement projects by spreading costs over the useful life of the projects. This equitable funding strategy spreads the burden of repayment over existing and future customers who will benefit from the projects. Debt service must have a funding source to fulfill annual interest and repayment obligations.

TRANSIT FUNDING

Historic Public Transportation Funding

Benton County public transportation services are typically funded through a mix of federal, state and local resources. About one-half to two-thirds of the operating budget is provided through Oregon Department of Transportation (ODOT) and Federal Transit Administration (FTA) formula funding programs. The formula funds include the following:

Oregon Special Transportation Fund: Formula funding for transportation services to older adults and persons with disabilities. ODOT allocates these funds to providers around the state, including Benton County. A local STF committee advises the County in determining funding distribution locally. There is no local match requirement.

FTA Section 5310 Enhanced Mobility for Seniors and People with Disabilities: Formula funding for capital costs (including agreements with third-party contractors) to serve older adults and persons with disabilities. ODOT allocates these funds to Benton County, and Benton County works with local stakeholders to allocate the funds locally. The local match rate is 20%.

⁵ Includes Portland’s recently approved temporary 4-year tax at 10 cents per gallon, the highest in the state. For other jurisdictions, see Current Oregon Fuel Tax Rates at http://www.oregon.gov/odot/cs/ftg/pages/current_ft_rates.aspx

FTA Section 5311 Formula Grants for Other than Urbanized Areas: Formula funding for operations and capital costs for rural transit services. The local match rate is 43.97% for operations (including agreements with third-party contractors) and 10.27% for capital.

FTA Section 5307 Urban Area Formula Funds: Benton County receives a relatively small amount of FTA Section 5307 funds from Corvallis Transit System to provide demand-response complementary paratransit service – an Americans with Disabilities Act requirement – alongside its fixed routes. There is no match requirement from Benton County.

The balance of operating funds comes from fares, County general fund, and funds from the Oregon Department of Human Services (DHS) DD-53 program. Funding from these three sources has remained consistent during the past several years. The DD-53 program is managed through an agreement reviewed and negotiated annually. DHS DD-53 is described below.

Oregon DHS DD-53: This program offers per-ride reimbursement for transporting developmentally disabled residents who are not able to access the public transportation system to reach their destinations. The trips are typically to work locations, medical appointments and other services. Benton County negotiates a per trip rate based on actual costs. The funds are a mix of non-transportation federal and state funds, and can be used as local match.

In a typical year, Benton County also receives some level of discretionary funding. These funds are not guaranteed, and fluctuate from year to year. These funds can be used for operating or capital expenses depending on the funding program. Some of these programs are specific to public transportation, while others fund transportation improvements statewide and have more limited project eligibility requirements. These discretionary programs are described below.

ODOT STF Discretionary: Discretionary funding for transportation services to older adults and persons with disabilities. These funds are offered when available statewide for projects that meet priority public transportation criteria determined at solicitation, typically every two years. There is typically no local match rate requirement.

FTA Section 5339 Bus and Bus Facilities: Discretionary funding to replace, rehabilitate and purchase buses, equipment and bus-related facilities. Vehicle replacements must meet age and mile requirements. ODOT can combine the program with other funds. The local match rate is 20%.

US Department of Energy: Benton County participates in the Northwest Oregon Transit Alliance, a five-county partnership to build and promote interregional public transportation. The Alliance received a startup grant that included a multi-jurisdiction strategic plan and organizational improvements.

Table 4 summarizes federal, state and local funding for fiscal years 2013 to 2018 for the Benton County Special and Rural Transportation Program. Annual revenues have totaled approximately \$1.4 million per year during the past five years. Slightly more than half of the County budget stems from federal and state formula funds, on average, and the other half originates from local funds.

The largest formula fund is the Section 5310 program for older adults and people with disabilities. The program is a critical and stable source for Benton County transit. The County joined the state's FTA Section 5311 Rural transit funding program in 2014 and receives about \$110,000 annually. The Section 5311 program has a 50% local match rate, so Benton County's general fund contribution has also increased. Corvallis Transit System must provide demand response ("paratransit") service to complement its fixed route system, which Benton County provides through an annual funding agreement.

Table 4: Public Transportation Funding for Benton County Special and Rural Transportation Program, 2013-2018

Revenue source	Fiscal year				Near-term estimate ⁶	
	2013	2014	2015	2016	2017	2018
Total funding	\$1,024,000	\$1,154,000	\$1,310,000	\$1,384,000	\$1,309,000	\$1,405,000
Formula Funding	\$521,000	\$660,000	\$796,000	\$683,000	\$700,000	\$661,000
FTA §5310 E&D	\$364,000	\$394,000	\$251,000	\$265,000	\$287,000	\$287,000
FTA §5311 Rural		\$84,000	\$245,000	\$111,000	\$109,000	\$115,000
Corvallis Paratransit	\$33,000	\$33,000	\$33,000	\$42,000	\$39,000	\$39,000
Oregon STF	\$124,000	\$149,000	\$267,000	\$265,000	\$265,000	\$220,000
Discretionary Funding	\$262,000	\$128,000		\$35,000	\$47,000	\$177,000
FTA §5339 Bus		\$73,000		\$35,000	\$46,000	\$79,000
Other Federal	\$24,000					
US Dept. Energy	\$238,000	\$55,000				
STF-Discretionary ⁷					\$1,000	\$98,000
Local Funding	\$241,000	\$366,000	\$514,000	\$666,000	\$562,000	\$567,000
Fares	\$34,000	\$70,000	\$102,000	\$96,000	\$101,000	\$101,000
DHS DD-53 ⁸	\$161,000	\$234,000	\$302,000	\$345,000	\$325,000	\$330,000
General Fund	\$46,000	\$62,000	\$110,000	\$225,000	\$136,000	\$136,000

Source: Benton County, All figures rounded to the nearest thousands (1,000).

⁶ The funds in fiscal years 2017 and 2018 were estimated by Benton County based on existing funding agreements and past performance.

⁷ The STF Discretionary grant is a two-year project to provide fixed route express service between the Albany Train Station and Downtown Corvallis.

⁸ The DHS DD-53 program is for developmentally disabled passengers travelling to services, employment and other activities. The program reimburses Benton County on a per-ride basis at a negotiated rate.

The total local share has ranged from \$241,000 to more than \$650,000, including general fund, fare revenues, and DD-53 service agreements. The County general fund contribution has been, on average, about \$120,000 annually, and nearly tripled from 2013 to 2017. Benton County, in coordination with the Special Transportation Fund Advisory Committee, maintains STF funding program reserves that may be used to fill small gaps in short-term resource needs.

Future Public Transportation Funding

Benton County assumes for planning purposes that current federal, state and local public transportation funding will remain constant during the next 20 years. Past funding trends suggest that funding levels may rise and fall over short periods, but will be generally sufficient to maintain existing services. As noted previously, HB 2017 is anticipated to increase public transportation funding in Benton County by \$2.4 million per year, though how that will be distributed throughout the county is not yet known. Benton County creates short-term funding outlooks for near-term budgeting purposes. The Oregon Department of Transportation does not provide long-term public transportation funding projections.