

Memorandum

Date: July 24, 2007
To: Andy Cotugno, Kim Ellis, Ted Leybold, Richard Brandman; Metro
From: Steven M. Siegel
Subject: Revised Financially Constrained Revenue Estimates

1. Background

In April a preliminary estimate of financially constrained revenues was prepared for the initial solicitation of project lists. The basis for those preliminary revenue estimates were primarily derived from the ECO Northwest Report entitled "*Preliminary Financial Analysis for the 2035 Regional Transportation Plan Update*" dated December 2006, and ODOT's *Financial Assumptions Report*. Metro provided additional assumptions.

This memorandum updates the preliminary estimate to account for additional information provided by the counties, several cities, and the Port of Portland. Most, but not all, of the updated information was incorporated in the revenue estimates presented to JPACT in May. The numbers presented herein continue to be a work in progress, and may be refined based on additional information developed through the RTP update process.

The financially constrained RTP is based on amounts identified for six funding pools:

- ODOT Road Modernization Funding Pool
- Alternative Mode Modernization/Capital Project Funding Pool
- Washington County and Cities Road Modernization Funding Pool
- Clackamas County and Cities Road Modernization Funding Pool
- City of Portland Road Modernization Funding Pool
- Multnomah County and Cities (excl. Portland) Road Modernization Funding Pool

A specific array of revenue sources was identified for each of these pools based on the historic use of the revenue sources and financial plans adopted by local governments. Certain funding sources and revenue amounts that will be included in the final financially constrained plan that are not estimated in the initial estimates shown in this memorandum. This is for several reasons. First, some revenues cannot be estimated until the project lists are identified – for example, the amount of Section 5309 New Start/Small Start Funds will depend on the identified LRT and streetcar projects. Second, because some revenues are used for several purposes, simplifying assumptions were made about their use that might change based on the project list. For example, existing state highway trust fund revenues (state gas tax and registration fees) apportioned to cities and counties are assumed to be solely used for OM&P. A jurisdiction may chose to assume that a portion of their apportionment will be used for road modernization. These refinements will be identified as the process proceeds.

Table 1 shows the revenue sources included in each funding pool.

Table 1: Initial Mod/Capital Revenue Sources by Funding Pool

	ODOT Modernization Pool	Alternative Mode Modernization Pool	Local Government Modernization Pools
Existing State and Formula Federal Funds Excluding Federal Funds Allocated to Local Governments	X		
High Priority Projects and Other Federal Discretionary Grants: State Share Allocated to Metro Region	X		
New State Revenue Source: Assumed for Analytical Purposes to be the Metro Region Share of State Share of \$15 Vehicle Registration Fee Increase Every 8 Years	X		
Metro Region STP Funds		X	X
CMAQ Funds: Allocation from State		X	
Transportation Enhancement Funds from State		X	
State Support of Transit Capital Programs		X	
5309 Discretionary Bus Grant		X	
5309 Discretionary New/Small Start Grant		○	
Lottery Funds		○	
Transit District General and Federal Formula Funds		○	
Property Tax/Non-Transportation Sources		○	X
SDC/TIF			X
Franchise Fee			X
Urban Renewal		○	X
Private Development		○	X
Special Assessment		○	X
Metro Region City and County Share of \$15 Vehicle Registration Fee Increase Every 8 Years			X
Local Bridge Program (Large/Small)			X
Miscellaneous Local Sources			X
Port of Portland Funds			X
Metro Region City and County Share of Existing Highway Trust Fund and Any Increases to Trust Fund			○
Utility Fees and Local Gas Tax			○

X - Funding source included in initial revenue amounts in funding pool; can be shifted to another pool subject to agreement with applicable jurisdiction(s).

○ - Funding source not included in initial revenue amounts in funding pool; may/will be added through process.

Table 2 through Table 7, below, show the revised estimates of financially constrained revenues by funding pool. These estimates reflect revenues, and have not been doubled to reflect the targets for project solicitations.

Table 2: ODOT Road Modernization Funding Pool (2007\$)

Funding Source	Financially Constrained Amount	Adjustments from Preliminary Estimate
Metro Region Share of Existing State and Federal Formula Funds excluding Fed Funds Allocated to Local Governments	\$331.1	Corrected Metro Region Share of State Mod Program to 28.8%
ODOT Share of High Priority Project and Other Discretionary Fed Grants in Metro Region	\$335.3	Same as Preliminary Estimate
Metro Region Share of New Revenues: Assumed for Analytical Purposes to be State Share of \$15 Vehicle Registration Fee Increase for Modernization Every 8 Years beginning 7/1/09	\$162.2	Corrected Metro Region Share of State Mod Program to 28.8%
All ODOT Road Mod Funds in Metro Region	\$828.6	

Table 3: Alternative Mode Mod/Capital Funding Pool (2007\$)

Funding Source	Financially Constrained Amount	Adjustments from Preliminary Estimate
Metro Region CMAQ Funds	\$306.0	No Change
Alternative Mode Share (25%) of Metro Region STP Funds	\$120.7	No Change
Metro Region Enhancement Funds	\$44.2	Corrected Metro Region Share of State Mod Program to 28.8%
5309 Discretionary Bus Grants	\$29.0	No Change
State Support for Transit Capital Programs	Preliminary estimated assumed capital program funded with "Westside Lottery Bond" moneys beginning in 2012; instead those lottery funds will be used for Milwaukie LRT Lottery Bonds and are not available for general transit capital program.	
Total Alternative Mode Pool	\$499.9	

Table 4: Clackamas County/Cities Road Modernization Funding Pools

	Clackamas County/Cities	Adjustments from Preliminary Estimate
Regional High Priority Projects/Other Disc. Grants	\$88.4	No Change
Regional STP Funds	\$95.5	No Change
"Other" Federal Funds Exc. Bridge	\$13.8	Reflects updated Metro region share
Bridge	\$14.2	Previous estimates over-estimated regional total of bridge funds; shares remain same as in initial estimates
General Fund	\$0.0	Previous estimate mistakenly included general fund contributions.
SDC-TIF	\$585.0	Changed to reflect Clackamas County 20-year plan and new SDC for new urban area beginning in 2010 in same annual amount as County "Joint Area" SDC, includes some other slight adjustments based on additional information.
Urban Renewal	\$116.0	Reflects additional information.
Private Development	\$109.6	No Change
Special Assessment	\$3.2	Initial estimates assumed revenues not included in County plan.
Other Local Sources	\$99.5	No Change
Share of \$15 VRF Increase Every 8 Years	\$46.9	No Change
Financially Constrained Amount	\$1,172.0	

Table 5: Washington County/Cities Road Modernization Funding Pools

	Washington County/Cities	Adjustments from Preliminary Estimate
Regional High Priority Projects/Other Disc. Grants	\$100.9	No Change
Regional STP Funds	\$109.0	No Change
"Other" Federal Funds Exc. Bridge	\$15.8	Reflects updated Metro region share
Bridge	\$14.2	Previous estimate over-estimated regional total of bridge funds; shares remain same
General Fund	\$1,119.3	Slight adjustment lower per new information
SDC-TIF	\$327.2	No Change
Urban Renewal	\$43.5	No Change
Private Development	\$89.7	No Change
Special Assessment	\$45.0	No Change
Other Local Sources	\$126.2	Slightly adjusted lower based on new information.
Share of \$15 VRF Increase Every 8 Years	\$61.1	No Change
Financially Constrained Amount	\$2,051.9	

Table 6: Portland Road Modernization Funding Pools

	Portland	Adjustments from Preliminary Estimate
Regional High Priority Projects/Other Disc. Grants	\$117.6	No Change
Regional STP Funds	\$126.9	No Change
"Other" Federal Funds Exc. Bridge	\$18.4	Reflects updated Metro region share
Bridge	\$0.0	No Change
General Fund	\$0.0	Eliminated per PDOT
SDC-TIF	\$222.0	Per PDOT, this is currently being revised by PDOT; this temporary placeholder doubles previous estimate
Urban Renewal	\$203.0	No Change
Private Development	\$69.3	No Change
Special Assessment	\$17.7	No Change
Other Local Sources	\$58.0	Lowered per PDOT
Port of Portland Funds	\$134.0	Added per email from Robin McCaffrey
Share of \$15 VRF Increase Every 8 Years	\$82.6	No Change
Financially Constrained Amount	\$1,049.4	

Table 7: Multnomah County/Cities Excluding Portland Road Modernization Funding Pools

	Multnomah County/Cities excl. Portland	Adjustments from Preliminary Estimate
Regional High Priority Projects/Other Disc. Grants	\$28.4	No Change
Regional STP Funds	\$30.6	No Change
"Other" Federal Funds Exc. Bridge	\$4.4	Reflects updated Metro region share
Bridge	\$113.6	Per County, lowered to correct overestimation of bridge revenues
General Fund	\$0.0	Previous estimate mistakenly included general fund contributions.
SDC-TIF	\$339.1	Increased to reflect Gresham finance plan
Urban Renewal	\$66.7	Increased to reflect Gresham finance plan
Private Development	\$240.7	Increased to reflect Gresham finance plan
Special Assessment	\$0.0	No Change
Other Local Sources	\$72.8	Slight adjustments based on additional information
Share of \$15 VRF Increase Every 8 Years	\$42.0	No Change
Financially Constrained Amount	\$938.3	

These preliminary draft totals are proffered with the following caveats:

- The numbers shown address modernization/capital projects; this memorandum does not address transit or highway operations, maintenance, and preservation revenues.
- The numbers shown are in 2007 dollars. Recent FHWA rules on RTP financial plans require that costs and revenues be shown in year of expenditure dollars. Ultimately such numbers will be produced; but for the initial solicitation of projects it is best to keep both costs and revenues in constant dollars. To ensure consistency, the project solicitation must require all projects costs to be shown in 2007 dollars.
- Because many of the funding sources can be used for either modernization or OM&P, it is necessary to make some simplifying assumptions about how these funding sources are spent (i.e., the assumed split between their use for modernization or OM&P). These assumptions may be adjusted based on initial project list. Also, revenue for funding sources identified in Table 1 by 'o' will be incorporated in future drafts based on results of initial project list.

2. Methodology

2.1 ODOT Road Modernization Funding Pool

There are three components to this funding pool:

- *Metro Region Share of Existing State and Formula Federal Funds Excluding Federal Funds Allocated to Local Governments*
- *ODOT Share of High Priority Projects and Other Discretionary Grants in Metro Region*
- *Metro Region Share of \$15 Vehicle Registration Fee Increase for Modernization Every Eight Years Beginning 7/1/09*

The “*Metro Region Share of Existing State and Formula Federal Funds*” uses the estimates of state and federal funds shown in Table 3-1 the ECO Northwest (ECONW) report entitled *Preliminary Financial Analysis for the 2035 Regional Transportation Plan Update (December 2006)*. The ECONW numbers were primarily derived from ODOT’s *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005-2030 (December 2004)*. ECONorthwest extrapolated the ODOT numbers to 2035, converted them to 2007 dollars, and allocated statewide totals to the Metro Region. As used in the estimate of ODOT Road Mod funds, federal funds apportioned to MPOs and “Other Federal Funds” are excluded. The underlying estimates of state and formula federal funds by ECONW and ODOT assumed, among other items:

- An extrapolation of existing state and federal revenues.
- Implementation of OTIA program.
- A 1-cent per year increase to the state gas tax (with associated weight-mile increases). However, the ODOT methodology attributed all of these future

revenue increases to OM&P. The revenues attributed to road modernization were limited to that minimally required by ORS 366.507. Thus, the assumed 1-cent per year gas tax increase does not affect ODOT's estimate of federal and state funds available for road modernization.

- A constant \$8.1M (2003\$) annual statewide "flex" to transit.
- While ECO NW assumed the Metro region total is 24% of the statewide total; this has been corrected in the current memorandum to be 28.8%.

The *ODOT Share of High Priority Projects and Other Discretionary Grants in Metro Region* uses the SAFTEA-LU-based estimate of HPPP and Discretionary grants shown in Table 3-2 in the ECO NW report, and pursuant to an agreement between Metro and ODOT, assumes that ODOT will be the grantee for one-half of these funds.

The ECO NW report, similar to the ODOT assumptions, assumes that there will be new state revenue available to the mod program, which for analytical purposes is calculated as a \$15 increase in the state vehicle registration fee every 8 years and that these revenues would be split 50/30/20 between ODOT, counties, and cities. The ODOT share would be specifically dedicated for road modernization. The *Metro Region Share of \$15 Vehicle Registration Fee Increase for Modernization Every Eight Years Beginning 7/1/09* uses the statewide forecasts of the ODOT share of a \$15 VRF increase every eight years shown in Table E-2 in the ECO NW report, and applies a revised 0.288 factor (initial estimate used 0.24) to estimate the Metro region share of these ODOT mod funds.

2.2 Alternative Mode Modernization/Capital Project Funding Pool

As revised, there are four components to this funding pool:

- *Metro Region CMAQ Funds*
- *Alternative Mode Share of Regional STP Funds*
- *Metro Region Enhancement Funds*
- *5309 Discretionary Bus Grants*

The *Metro Region CMAQ Funds* were estimated by converting the statewide CMAQ estimate provided in ECO NW Report Table E-6 to 2007 dollars, applying the estimated Metro share of 80% documented in the ECO NW Report, and assuming that all of the Metro Region CMAQ funds would be allocated to the Alternative Mode Pool.

The *Alternative Mode Share of Regional STP Funds* were estimated by using the Metro Region STP funds forecast in Table 3-3 in the ECO NW Report, and assuming that 25% would be allocated to alternative modes.

The *Metro Region Enhancement Funds* were estimated by converting the statewide Enhancement Funds estimate provided in ECO NW Report Table E-6 to 2007 dollars, applying the estimated Metro share of 28.8%, as revised from the ECO NW Report, and assuming that all of the Metro Region Enhancement Funds would be allocated to the Alternative Mode Pool.

The *5309 Discretionary Bus Grants* were estimated at \$1 million per year in 2007 dollars, based on historic trends.

The *State Support of Transit Capital Programs* funds, which were included in the ECO NW report and the preliminary estimate were deleted in this current estimate because underlying these monies was the assumption that they would be derived from the lottery revenues used to repay the Westside LRT bonds. These lottery revenues are now committed to the Milwaukie LRT lottery bonds, and are not available as initially assumed.

There are several funding sources that are anticipated to be included in later iterations of the Alternative Mode Pool that are not included in this initial estimate because the estimation of their amounts is dependent on the project list. These include:

- *5309 Discretionary New/Small Start Grant*
- *Lottery Funds*
- *Transit District General and Federal Formula Funds*
- *SDC/TIF*
- *Urban Renewal*
- *Private Development*
- *Special Assessment*

2.3 Local Governments Road Modernization Pools

Individual road modernization pools are estimated for Clackamas Counties and Cities, Washington County and Cities, Portland, and Multnomah County and Cities Excluding Portland.

The *Regional Share of High Priority Projects and Other Discretionary Grants in Metro Region* uses the SAFTEA-LU-based estimate of HPPP and Discretionary grants shown in Table 3-2 in the ECO NW report, and assumes that regional governments will be the grantee for one-half of these funds, pursuant to an agreement between Metro and ODOT

The *Metro Region STP Funds for Roads* were estimated by using the Metro Region STP funds forecast in Table 3-3 in the ECO NW Report, and assuming that 75% would be allocated to road modernization projects.

The *Metro Region Share of "Other" Federal Funds Excluding Bridge* uses the "MTIP Allocation Basis" estimate of "Other" funds in Table E-6 in the ECO NW report, and excludes the Bridge, Enhancement, Rural Roads and CMAQ components of that table. This memorandum adjusts the initial estimate by correcting the Metro region share of the state total to 28.8%.

The above calculations provide totals of state and federal funds for the Metro region. These Metro-wide totals were disaggregated to four sub-districts (Portland, Washington

County, Clackamas County, and Multnomah County excluding Portland) on the basis of their proportionate population. Since the relative population between sub-districts changes annually based on the differing sub-district growth rates, an approximate mid-point population for each sub-district was used which was calculated as the average of population of the sub-districts between 2005 and 2035.

The initial estimates of Statewide *Bridge Fund* totals were taken from Table E-6 in the ECO NW report and multiplied by 80%, per ECO NW documentation, to determine the Metro Region share. Based on conversations with Karen Schilling, it was concluded that the bridge total was about twice as large as it should have been, and has been reduced in the current estimate. As before, 80% of the Metro region share is anticipated to be Large Bridge funds apportioned to Multnomah County, and Washington and Clackamas County are anticipated to receive 10% each from the Bridge funds for Small Bridges.

Table 3-6 in the ECO NW report forecasts local revenues by year for the entire Metro region. This table was based on the data shown in Tables E-11(A), E-11(B), and E-11(C) in the appendix to the ECONW report, which shows local revenues by jurisdiction.

The initial forecast assumed:

- All state gas tax/registration fee revenues allocated to cities and counties, other than the \$15 registration fee increases are used for OM&P.
- City and county revenues derived from the assumed \$15 registration fee increase are used for road modernization projects.
- All local gas tax and utility fee revenues are dedicated to OM&P.
- ECO NW's forecasts of "*General Fund*," "*SDC/TIF*," "*Franchise Fee*," "*Special Assessment*," and "*Other*" local revenues by jurisdiction are used for road modernization projects.
- ECO NW's forecast of \$10 million per year of *Urban Renewal* funds for road modernization projects is composed of \$7 million per year from Portland, and \$1.5 million per year each within Clackamas and Washington Counties. While all Urban Renewal funds are initially shown in the road modernization pool, it is anticipated that future forecasts will transfer some of these funds to the alternative mode pool.
- ECONW's forecast of \$10 million per year in *Private Development* revenues is allocated to sub-districts based on their proportion of 2005-2035 population growth.

This memorandum revises these forecasts, primarily as follows:

- The initial Clackamas County revenue estimates did not properly match the County's 20-year plan. The totals in the County plan have been incorporated in the revised estimates, and have been extrapolated to 29 years. In addition, the County's 20-year forecast did not incorporate SDC revenues for the land recently added to the UGB in the Damascus area. Thus, an amount was added to the Clackamas County/City SDC total to reflect the assumption that SDC's would be

levied in this area beginning in 2010 that would generate the same level of proceeds as that projected for the "joint area" in the county.

- Per conversations with PDOT, the initial estimates for the City of Portland mistakenly incorporated recurring general fund revenues and significantly overestimated "other revenues." These revenues were adjusted per communications with PDOT. In addition, the initial Portland totals did not reflect ongoing revenues expended in the Portland limits by the Port of Portland. Based on communications with Port staff, these revenues have been added. Lastly, PDOT is in process of updating City SDCs, and will provide a revised estimate in near future. For purposes of this memorandum, it was assumed that this new estimate will be roughly twice the initial estimate. This rough estimate will be revised when the new estimate is received from PDOT.
- Several substantial revisions were made to the Multnomah County/Cities of Multnomah County Excluding Portland revenue estimate. Based on input from County staff, it was concluded that the bridge revenue estimate was about twice as high as it should have been; the current estimate corrects this over-estimation. The total was also revised to reflect Gresham's 20-year finance plan, which incorporated substantially higher SDCs, Urban Renewal, and Private Developer Fee revenues than in the initial estimate.
- Revenues derived from ODOT were revised to reflect a 28.8% Metro region share of these funds, rather than the 24% factor previously applied.