



TECHNICAL MEMORANDUM #11

Date: June 24, 2019 Project #: 21289
To: Project Management Team
From: Susan Wright, PE and Molly McCormick (Kittelson & Associates, Inc.)
Subject: Funding and Revenue Analysis

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INTRODUCTION

The following memo provides an overview of the existing and potential future funding sources for consideration through the development of RVTD’s 2040 Transit Master Plan (the Plan). Potential future funding scenarios are outlined to help RVTD plan for best- and worst-case scenarios. In addition to cost estimates prepared for Memo #9 (Service Enhancement Analysis), a cost estimate methodology is described for future planning work.

IN THIS MEMO

- ▶ Funding Sources Overview
- ▶ Potential Future Funding Scenarios
- ▶ Capital Funding and Expenditures
- ▶ Cost Estimates
- ▶ Recommendations

RVTD’s fiscal year 2019-2020 revenue budget for operations is \$14.3million including \$4.2 million of new revenues from the state’s new transportation funding package. As discussed below, the projected funding scenarios show RVTD with the ability to increase their annual operating budget to approximately \$30 million with existing revenue sources (assuming continued average annual growth). Slower growth and reduction in

revenue sources are also considered in the following funding scenarios along with potential additional funding sources.

FUNDING SOURCES

Both existing and potential future funding sources are discussed below. Although there is never complete certainty when projecting funding sources over a 20-year horizon, the assumptions are documented and can be monitored over time.

EXISTING FUNDING SOURCES

The following funding sources are currently part of RVTD's operating budget. Table 1 summarizes the projected growth in the operating budget for the 20-year planning horizon.

PERMANENT LEVY

RVTD has a permanent levy for a property tax within the district boundary at 17.72 cents per \$1,000 of assessed property value. Its historical annual growth rate is 4.25 percent, which has been applied in the funding projections.

SPECIAL LEVY

In addition to the historic permanent levy that provides funding to RVTD, voters passed a five-year tax levy in 2016 that increased taxes within the district by 13 cents per \$1,000 of assessed property value. This was the first public funding increase that RVTD received in three decades. Its average and projected growth rate is 4.25 percent. This rate was applied for funding scenarios where it was assumed that the special levy would continue to be passed in future years.

STATEWIDE TRANSPORTATION IMPROVEMENT FUND (STIF)

Section 122 of Keep Oregon Moving (Oregon House Bill 2017) established a new dedicated source of funding for expanding public transportation service through a new 0.1 percent employee payroll tax in Oregon. Goals of HB 2017 include expanding access to jobs, improving mobility, relieving congestion, and reducing greenhouse gas emissions, while providing a special focus on low-income populations. STIF funds may be used for public transportation purposes that support the operations, planning, and administration of public transportation programs and may also be used as the local match for state and federal funds which also provide Public Transportation Service.

The Oregon Department of Revenue began collecting this tax July 1, 2018 to then provide to transit agencies in late 2019. This new funding source is called the Statewide Transportation Improvement Fund (STIF). RVTD is the Qualified Entity of the funds allocated to Jackson County. RVTD will receive two separate funds through STIF, funds to be used in the district and funds to be used out of district in other parts of Jackson County.

The first year of funding is occurring within RVTD's 2019-2020 fiscal year. Approximate funding numbers for the first years were provided by ODOT. For funding projections, a growth rate of 4.75 percent was used for future years.

OTHER TAXES

Other taxes primarily include the Mass Transit Tax. The portion of funds from this tax going to RVTD for operations has decreased over fifty percent over the past several years; however, 1% annual growth moving forward is assumed for planning purposes.

5307 OPERATING GRANT – THE URBANIZED AREA FORMULA FUNDING PROGRAM

The 5307 Operating Grant provides federal funding through the Federal Transit Administration to urbanized areas for transit capital and operating assistance. A range of annual growth rates were used for funding projections, starting at 3.00 percent through fiscal year 2023-2024 and increasing to 4.30 percent starting for fiscal year 2026-2027 as this funding is anticipated to increase as ridership increases.

The MPO population is anticipated to increase to approximately 193,000 by 2027. When the population within the RVTD service boundary exceeds 200,000, the federal formula for this grant will change as RVTD will be considered a provider for a "medium sized urban area." RVTD will continue to monitor the population within the service boundary as population increases and/or if the service boundary is changed to include additional areas or jurisdictions of Jackson County.

SURFACE TRANSPORTATION BLOCK GRANT (STBG)

The Surface Transportation Block Grant (STBG) program provides flexible federal funding to best address State and local transportation needs, including Federal-aid highways, bridge and tunnel projects on public roads, pedestrian and bicycle infrastructure, and transit capital projects. A static annual value of \$700,000 was considered for funding projections.

CHARGES FOR SERVICES-FARES

A portion of fares collected becomes revenue for the operating budget. An annual growth rate of 5.00 percent was used for projections.

INVESTMENT INCOME

RVTD receives investment income from the Local Government Investment Pool (LGIP) on some of their long-term savings. For funding projections, a growth rate of 3.00 percent was used for future years.

OTHER REVENUES

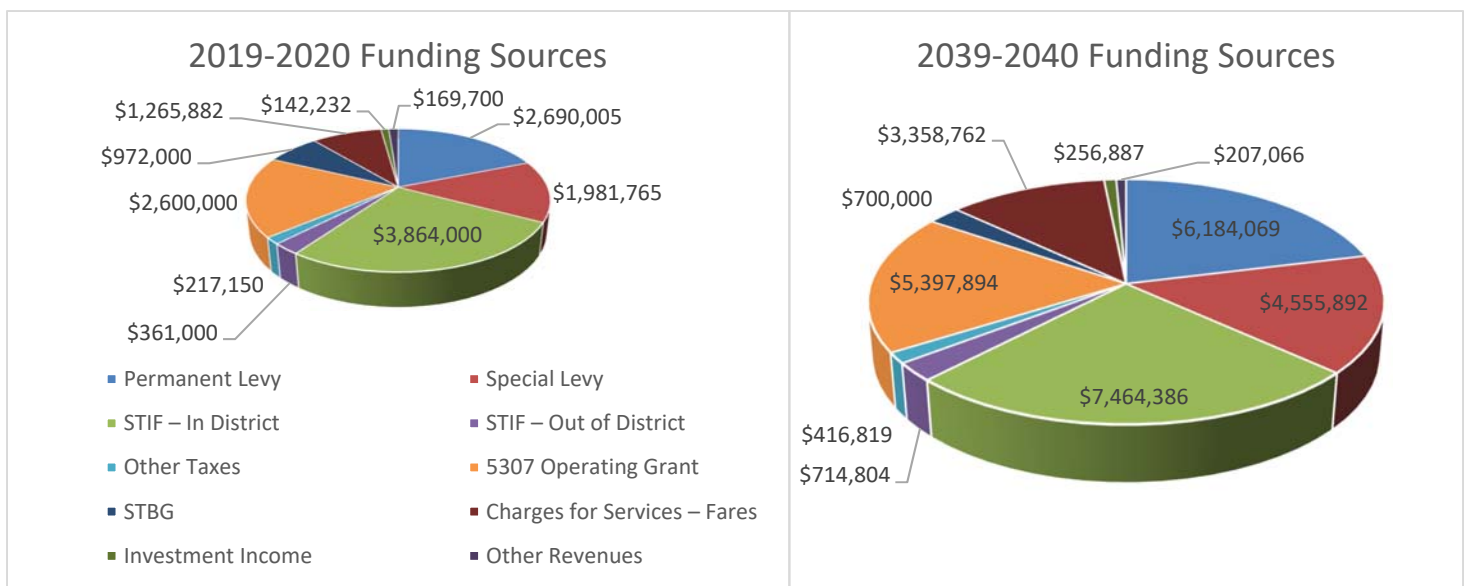
RVTD receives funding from several other sources such as advertising, sales of natural gas, parking fees, bike locker rentals, ATM fees, insurance rebates, natural gas tax rebates, and rent from Greyhound. For funding projections, a growth rate of 1.00 percent was used for future years.

Table 1. Projected Revenues - Existing Funding Sources

Existing Funding Source	Fiscal Year			
	2019-2020	2026-2027	2036-2037	2039-2040
Permanent Levy	\$2,690,005	\$3,599,859	\$5,458,159	\$6,184,069
Special Levy	\$1,981,765	\$2,652,068	\$4,021,103	\$4,555,892
STIF – In District	\$3,864,000	\$4,083,318	\$6,494,369	\$7,464,386
STIF – Out of District	\$361,000	\$391,026	\$621,913	\$714,804
Other Taxes	\$217,150	\$242,638	\$367,891	\$416,819
5307 Operating Grant	\$2,600,000	\$3,142,212	\$4,764,268	\$5,397,894
STBG	\$972,000	\$700,000	\$700,000	\$700,000
Charges for Services – Fares	\$1,265,882	\$1,781,223	\$2,901,425	\$3,358,762
Investment Income	\$142,232	\$174,927	\$235,088	\$256,887
Other Revenues	\$169,700	\$181,941	\$200,976	\$207,066
Total Operating Revenue	\$14,263,734	\$16,949,214	\$25,765,192	\$29,256,579

As shown in Table 1 and assuming existing funding sources remain active, the projected annual operating revenue for fiscal year 2039-2040 is projected to be approximately \$29 million. This corresponds to an approximate straight-line annual revenue growth rate of 5 percent. As shown in Figure 1, the approximate portion of funding from each source is projected to remain relatively consistent.

Figure 1 Projected Funding Revenues by Type – Existing Funding Sources



POTENTIAL FUTURE FUNDING SOURCES

Two potential future funding sources that RVTD could pursue if additional funding was desired are discussed below. Table 2 summarizes the projected growth for these potential funding sources for the 20-year planning horizon.

EMPLOYER PAYROLL TAX

RVTD could establish an employer-borne payroll tax through an Oregon Revised Statutes legislative change equal to one tenth of one percent. Although RVTD would like to explore the options made available with this funding source, it is unlikely to be implemented for the next five years or more. An annual growth rate of 4.75 percent was assumed for future years. A tax of that amount would be equivalent to the employee-borne tax funding the STIF.

AREA SPECIFIC TAX

An area specific tax (differential property taxing) would allow increased property tax rates for properties located in designated areas in the immediate vicinity of transit or enhanced transit. The current property tax within the district boundary of 17.72 cents per \$1,000 of assessed property value would be the base tax rate and areas with higher property taxes would also have higher levels of transit service. An annual growth rate of 3.00 percent was assumed for future years.

Although RVTD would like to explore the options made available with this funding source, it is unlikely to be implemented for the next ten years or more. Differential property taxing would require a re-districting or establishing RVTD as a mass transit district, with Eagle Point and adding new taxing areas in the high-capacity transit corridors.

Table 2. Projected Revenues - Potential Future Funding Sources

Potential Future Funding Source	Fiscal Year			
	2019-2020	2026-2027	2036-2037	2039-2040
Employer Payroll Tax	-	\$4,474,345	\$7,116,282	\$8,179,190
Area Specific Tax	-	\$2,706,915	\$3,637,868	\$3,975,197

FUTURE FUNDING SCENARIOS

Several future funding scenarios are presented in Table 3. Each scenario uses the existing funding source projections as a base, then removes certain funding sources, changes the funding source projections to represent better or worse economic climates, and/or adds new funding sources to estimate projected funding. The scenarios include the following:

- ▶ Existing funding sources without STBG
- ▶ Existing funding sources without the special levy
- ▶ Existing funding sources without both STBG and the special levy
- ▶ Existing funding sources with STIF funding remaining stagnant
- ▶ Existing funding sources with STIF funding decreasing for five years
- ▶ Existing funding sources with an additional payroll tax and excluding the special levy
- ▶ Existing funding sources with an additional area specific tax and excluding the special levy

Table 3. Potential Future Funding Scenarios

Funding Scenario	Fiscal Year Projected Funding			
	2019-2020	2026-2027	2036-2037	2039-2040
Existing Revenue Sources	\$14,263,734	\$16,949,212	\$25,765,192	\$29,256,579
Without STBG	\$13,291,734	\$16,249,212	\$25,065,192	\$28,556,579
Without Special Levy	\$12,281,969	\$14,297,144	\$21,744,089	\$24,700,687
Without Both STBG and Levy	\$11,309,969	\$13,597,144	\$21,044,089	\$24,000,687
STIF Funding – Stagnant	-	\$16,746,336	\$22,920,377	\$25,348,857
Payroll Tax (Without Special Levy)	-	\$18,771,489	\$28,860,371	\$32,879,877
Area Specific Tax (Assumed No Special Levy)	-	\$17,004,059	\$25,381,957	\$28,675,884

CAPITAL FUNDING AND COST ESTIMATES

Capital costs are the costs that are required to serve a transit route (buses, bus stops, shelters, signs, etc). The following describes the capital cost assumptions for the service enhancements included in the plan.

- Standard 40' bus (\$560,000)
- Electric bus (\$800,000)
- High Capacity Transit (HCT) route bus
- A bus spare ratio of 20% to allow for maintenance (e.g., if a service enhancement requires 1 additional bus, a cost of 1.2 buses is assumed to account for needed spares).
- Bus stops for new routes

State and federal grants have historically been used to purchase buses with a local match from RVTD's annual budget of 10-20% of the cost of the vehicle. The need for buses to support service expansions may exceed the amount of grants available for bus purchases statewide due to the statewide increases in vehicle needs as a result of STIF. In the event this is the funding scenario for bus purchases, RVTD may need to budget for the full cost of bus purchases in some years.

SERVICE ENHANCEMENT COST ESTIMATE METHODOLOGY

Cost estimates for service enhancement projects are based upon the following methodology.

TRANSIT SERVICE COST ESTIMATES

Unit costs for added service hours were estimated by dividing RVTD's current operating costs by their current number of service hours. RVTD's current costs per service hour are approximately \$50/hour of pure operating costs and \$90/hour when fully loaded with maintenance and administration costs. For service added within the current service hours and days, RVTD is able to add additional service hours with minimal additional maintenance, planning, or other supporting staff. Therefore, these types of enhancements in the short-term are assumed to cost approximately \$50 per service hour.

As enhancements begin to spread outside the existing service span (e.g. more evening or Saturday hours or Sunday service), additional maintenance staff will be needed to operate the system. Service enhancements that expand the service hours or days are assumed to cost approximately \$75 per service hour.

The full cost to add service hours that require new maintenance, planning, and supporting staff is \$90 per service hour in current dollars. By 2040, that equates to \$134/hour assuming 2% compounded annual increase in costs and \$197/hour assuming 4% compounded annual increase in costs. Based on a 2040 revenue estimate of \$29 million, RVTD may be able to afford approximately 160,000 annual service hours (RVTD provides approximately 80,000 annual service hours currently) assuming they are also purchasing approximately one bus per year without grants.

RECOMMENDATIONS

RVTD's existing funding sources (including the upcoming STIF funding) provides a solid base for continuing to provide the existing transit services in the region and to enhance those services into the future. With that in mind, it is also important to set the agency up for financial success if existing funding sources are reduced.

As with all funding forecasts, estimates can change quickly given the uncertainty of federal and state funding levels, and RVTD should continue to continually monitor the

funding environment and update the future revenue forecast regularly. RVTD may seek to renew the special levy in the near-term and supplement or replace it in the future with a more stable funding source such as a payroll tax or enhanced transit area property tax.

In addition, RVTD has received comments from both the transit-riding and non-transit-riding public about fares. The riding public would like to see fare decreased, with the non-riding public would like to see the fare increased. RVTD will continue monitoring fare and plans to complete a fare elasticity study within the next 10 years. Possible outcomes from this study are increasing the base fare for some or all rides, decreasing fares for older adults, and/or decreasing fares for Veterans.

ATTACHMENT A: RVTD FUNDING ANALYSIS

**ROGUE VALLEY TRANSPORTATION DISTRICT
PROJECTED OPERATING BUDGET FOR FIXED**

Resources	2019-2020 Projected Budget	2026-2027 Projected Budget	2036-2037 Projected Budget	2039-2040 Projected Budget	Projection Factor
Permanent Levy	2,690,005	3,599,859	5,458,159	6,184,069	4.25% Historical Average
Special Levy* Assumes levy continues. (see Below)	1,981,765	2,652,068	4,021,103	4,555,892	4.25% Historical Average
STIF * In District	3,864,000	4,083,318	6,494,369	7,464,386	4.75% Figures provided I
STIF * Out of District	361,000	391,026	621,913	714,804	
Other Taxes	217,150	242,638	367,891	416,819	1.00%
5307 Operating Grant	2,600,000	3,142,212	4,764,268	5,397,894	3.00%
STBG Grant ?	972,000	700,000	700,000	700,000	
Charges For Services-Fares	1,265,882	1,781,223	2,901,425	3,358,762	5.00%
Investment Income	142,232	174,927	235,088	256,887	3.00%
Other Revenues	169,700	181,941	200,976	207,066	1.00%
TOTAL OPERATING REVENUES No change	14,263,734	16,949,214	25,765,192	29,256,579	

* first year is for 19 and 20

SCENARIO 1 Revenues	2019-2020 Projected Budget	2026-2027 Projected Budget	2036-2037 Projected Budget	2039-2040 Projected Budget
LEVY GONE TOTAL REVENUES	14,263,734	14,297,146	21,744,089	24,700,687
SCENARIO 2 Revenues Minus No gain for STIP = 4 % loss	14,263,734	16,746,336	22,920,377	25,348,857

***SEE BELOW SAME COLOR CODING FOR EFFECT ON SERVICE HOURS**

SERVICE AVAILABLE				
Fixed Costs	\$3,457,140.00	\$3,971,167.17	\$4,840,830.62	\$5,137,128.18
Fuel	\$224,321.07	\$257,674.40	\$314,103.65	\$333,329.31
Available for variable svc hours	\$10,582,272.93	\$12,720,372.27	\$20,610,258.18	\$23,786,121.83
Rate Per SVC Hour-Variable-Existing Service	\$45.00	\$51.69	\$63.01	\$66.87
Cost of first 80,000 per actual costs for 2017-2018	\$3,600,000.00	\$4,135,268.40	\$5,040,869.11	\$5,349,410.63
CAPITAL PURCHASES- Match for 2 buses	\$120,000.00	\$120,000.00	\$120,000.00	\$120,000.00
Balance of Revenues for new Service	\$6,982,272.93	\$8,465,103.86	\$15,449,389.07	\$18,316,711.21
Rate Per SVC Hour-Variable-New Service	\$45.00	\$57.22	\$69.75	\$74.02
EXISTING SERVICE -No	80,000	80,000	80,000	80,000
Changes in revenues				
# New Service hours	155,162	147,934	221,486	247,447
Total Service Hours	235,162	227,934	301,486	327,447
W/O Levy-Existing	80,000	80,000	80,000	80,000
# of new service hours	111,122	101,587	163,839	185,900
LOSS In service hours from Full Revenue scenario	44,039	46,347	57,648	61,547
Total Service Hours	191,122	181,587	243,839	265,900
STIF goes stagnant in 2027-2037	80,000	80,000	80,000	80,000
# of new service hours	155,161.62	144,388.98	180,702.19	194,656.19
LOSS IN SERVICE HOURS	-	3,545.45	40,783.95	52,790.83
Total Service Hours	235,162	224,389	260,702	274,656
New Revenues- Payroll Tax	4,105,000	4,474,345	7,116,282	8,179,190
Additional Service Hours	91,222	78,193	102,021	110,496
Area Specific Tax	2,200,970	2,706,915	3,637,868	3,975,197
Additional Service Hours	48,910	47,306	52,153	53,702

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by ODOT