BEND'S TRANSPORTATION PLAN

Initial Funding Assessment Appendices

November 13, 2018

CITY OF BEND

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Appendix A: Funding Workgroup Packet #1

Appendix A includes relevant information from Funding Workgroup Meeting #1.

Overview of Transportation Funding Plans and Funding Sources

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DATE: May 31, 2018

Summary

The Overview of Funding Plans and Funding Sources memorandum provides the background information to craft Bend's Transportation Funding Plan. It explores several key themes and provides the following conclusions:

Why prepare a funding plan, and how will it benefit Bend?

The transportation funding plan is a key tool that will guiding investments, stabilize funding, and support Bend's livability objectives. The funding plan will:

- *Guide Bend's return on public investment* by addressing questions such as: How will Bend fund new roads, bridges, paths and other capital improvements (called 'modernization' projects)? How will Bend fund transit, operations and preservation (e.g., maintenance)?
- *Stabiliz*e funding which is important for Bend because transportation revenue has been highly variable. When funding is more predictable, both the public and private sectors are in a better position to deal with planned growth, address congestion, increase safety, and budget wisely.
- *Enhance community livability* by making strategic investments made in the transportation system. When funding is more predictable, both the public and private sectors are in a better position to deal with planned growth, address congestion, increase safety, and budget wisely.

In addition to these purposes, transportation planning (including funding planning) in Bend is both a federal and state requirement; the memo details the regulations which govern these requirements.

What is a funding plan and what plans are we updating?

Funding plans are typically included as a chapter in transportation system plans. The process involves forecasting funding from existing sources, comparing that information to needs determined by systems analysis, and identifying the funding gap. It is axiomatic that a funding gap will exist—need always exceeds capacity. Thus, funding plans address hard choices that cities or regions must make. Local governments' capacity to pay for transportation (and other public services) is, in part, determined by resident desires. In other words, cities provide the

transportation system that their residents are willing to pay for. That includes seeking an appropriate balance between modernization, operations and preservation, and transit. The matching of funding capacity to needs involves a complicated assessment of the portfolio of current funding sources and new funding sources.

Long-range planning is inherently an uncertain process. The further out in time, the less certainty there is. This is especially true for funding plans. Many funding sources fluctuate with the economy or depend on the political environment and this can be difficult to forecast – particularly in a dynamic area like Bend, which is experiencing very high population growth and a booming economy. Thus, long range plans must, and do, make assumptions about the future. Those assumptions build from the foundational (population and employment forecasts) to the aspirational (how much are residents willing to pay). That does not obviate the need for planning, but it does underscore the need for ongoing monitoring and evaluation.

What we are updating – The Bend MTP and TSP

The Bend Metropolitan Planning Organization (Bend MPO) is responsible for preparing a long-range regional transportation plan for the Bend metropolitan area. That plan is called the Bend Metropolitan Transportation Plan (Bend MTP) which prioritizes transportation projects over a 25-year period. The Bend MTP takes a "big-picture" look at future demand for all modes of transportation in the Bend region and how that demand might be accommodated by investments in infrastructure. A key requirement for regional transportation plans is that they be fiscally constrained—the cost of actions identified in the Bend MTP cannot exceed the level of funding considered reasonably available in the region.

The City of Bend is responsible for maintenance and capital improvements for the transportation system under the City's jurisdiction. Accordingly, the Bend TSP is a long-range (20-year) plan that implements the transportation element of the Bend Comprehensive Plan. The TSP focuses on transportation policies, implementation strategies, and recommended projects and programs for meeting transportation needs. It also provides guidance for Bend's five-year Capital Improvement Program (CIP) which addresses transportation elements that include construction and modernization needs of roads, sidewalks and bike lanes. The capital funding levels outlined in the TSP include the City-funded projects in the MTP, plus additional capital improvements to facilities not included in the MTP (e.g. local streets and collectors). Many of these planned improvements focus on improving connectivity or making bicycle, pedestrian and safety improvements.

Where's the money?

Transportation funding come from a range of federal, state, and local sources. Examples of these sources include: federal and state gas taxes, local levies, bonds, grants, and user fees. Sources are evaluated in part, by how they affect or impact different populations. In broad terms, decision makers should be choosing among public investments with the highest net benefits and the lowest net costs. Every funding source will have its advantages and disadvantages which raises key procedural questions about how to evaluate transportation funding sources.

A core set of criteria are commonly used to evaluate funding sources including: financial effectiveness (yield, stability, growth potential), transportation efficiency, fiscal efficiency, equity, political acceptability, and legality. The evaluation of any region's transportation alternatives is unavoidably in the world of multi-criterion (multi-impact) analysis. Weighting is often used to measure the relative importance of each evaluation criterion.

I. Purpose

The purpose of this memorandum is to provide an overview of funding plans and funding sources, as background information for crafting Bend's Transportation Funding Plan. It addresses the following practical questions:

- Why prepare a funding plan, and how will it benefit Bend?
- What is a funding plan, and what plans are we updating?
- Where's the money?

Funding transportation is expensive, and can be complicated and political. Recognizing this, the City established the Funding Work Group (FWG) as a subcommittee to the Citywide Transportation Advisory Committee (CTAC) to focus on funding. This memorandum provides foundational information for the FWG to craft a plan that: addresses – head on – the high costs of transportation; cuts through the complications; and works toward consensus.

A description of federal, state, and local funding sources is available on the CTAC website, alongside other reference materials for the first Funding Work Group meeting. These funding sources will be explored in greater detail in future FWG meetings.

II. Why prepare a funding plan, and how will it benefit Bend?

Guiding Investments, Stabilizing Funding, and Supporting Livability

Guiding Bend's Return on Public Investment - Transportation planning is a necessary and prudent step for local governments. Bend's transportation systems and programs will comprise the highest percentage of all capital infrastructure investments over time. For reference, the 2040 Bend Metropolitan Transportation Plan (MTP), which was adopted in 2014, identified $188M in projects. The current Bend Transportation System Plan (TSP), whose funding plan was updated in 2012, identified $273M of projects (these plans are discussed in further detail in the sections that follow). To steer future investments, the transportation funding plan in the updated TSP will guide many important decisions to be made by the City Council, MTP Board, and community. How will Bend fund new roads, bridges, sidewalks, paths, bicycle infrastructure and other capital improvements (called 'modernization' projects)? How will it fund transit, operations and preservation (e.g., maintenance)? The funding plan recommended by the Funding Working Group will address all these questions in the context of an overall transportation vision for Bend.

Guiding Bend's Return on Public Investment - Transportation planning is a necessary and prudent step for local governments. Bend's transportation systems and programs will comprise the highest percentage of all capital infrastructure investments over time. To steer future investments, the transportation funding plan in the updated TSP will guide many important decisions to be made by the City Council, Bend MPO Board, and community. How will Bend fund new roads, bridges, paths and other capital improvements (called 'modernization' projects)? How will it fund transit, operations and preservation (e.g., maintenance)? How will Bend fund identified missing infrastructure (i.e., unpaved existing roads, missing sidewalks, bicycle infrastructure, etc.)? The funding plan recommended by the Funding Working Group will address all these questions in the context of an overall transportation vision for Bend.

Stabilizing Funding – As described later in this memo, transportation revenue in Bend has historically been highly variable (see Figure 4 on page 39). A new funding plan is an opportunity stabilize Bend's transportation funding picture. When funding is more predictable, both the public and private sectors are in a better position to deal with planned growth, address congestion, increase safety, and budget wisely.

Livability – Streets, paths and trails in Bend comprise large and highly used portion of the city's public places. They are much more than corridors of travel; they are the places where the community experiences daily life in Bend – from walking to school, to strolling downtown, to daily commutes. The funding plan will help deliver what the community says it wants, such as new roads, better sidewalks, bike lanes and transit, safer streets, or a cleaner environment, and identify when and where those improvements are needed. Achieving these outcomes will be highly influenced by the type of investments made in the transportation system, and how those

investments are intended to support land use, economic development, housing affordability, and a host of other aspects of community life.

Regulatory Drivers

Transportation planning in Bend is both a federal and state requirement. Federal regulations mandate that a Metropolitan Planning Organization (MPO) be designated for areas over 50,000 in population. The primary function of a MPO is to conduct a *continuing*, *cooperative*, and *comprehensive* transportation planning process that will result in plans and programs that consider all transportation modes and will support metropolitan community development and social goals. At the state level, Statewide Planning Goal 12 is one of nineteen planning goals. These goals were designed to be implemented through inclusion in regional and local comprehensive plans. Under Goal 12, local governments must adopt transportation plans which "provide and encourage a safe, convenient and economic transportation system." Thus, Bend has a legal mandate to develop transportation plans, including funding strategies.

III. What is a funding plan and what plans are we updating?

Elements of a Funding Plan

Funding plans are typically included as a chapter in transportation system plans. The process of developing a funding plan usually starts with forecasted funding from existing sources. That information is compared to needs as determined by the systems analysis used to identify the funding gap. Additional funding sources are considered and evaluated to address the gap and are eventually crafted into packages of funding options. It is axiomatic that a funding gap will exist—need always exceeds capacity.

Thus, funding plans address hard choices that cities or regions must make. They must match funding capacity to needs—a process that is neither simple nor certain. Local governments' capacity to pay for transportation (and other public services) is, in part, determined by resident desires and willingness to support funding. In other words, cities provide the transportation system that their residents are willing to pay for. That includes seeking an appropriate balance between modernization, operations and preservation, and transit. The matching of funding capacity to needs involves a complicated assessment of the portfolio of current funding sources and new funding sources.

Long-range planning is inherently an uncertain process. Moreover, the further out in time, the less certainty. This is especially true for funding plans. Many funding sources fluctuate with the economy or depend on the political environment and this can be difficult to forecast – particularly in a dynamic area like Bend, which is experiencing very high population growth and a booming economy. Thus, long range plans must, and do, make assumptions about the future. Those assumptions build from the foundational (population and employment forecasts) to the aspirational (how much are residents willing to pay). That does not obviate the need for planning, but it does underscore the need for ongoing monitoring and evaluation.

In the context of working with uncertainty, we use the following principles:

- Acknowledge where uncertainty exists
- Clearly state and document all assumptions
- Identify the relative importance of each assumption—including which assumptions can and cannot be changed
- Conduct sensitivity testing of key assumptions to understand how the assumptions affect results.

Different jurisdictions generally approach funding plans in similar ways, though the timing and depth of engagement do vary. Many jurisdictions address funding at the end of their planning process, which in our view is a mistake. Funding is inherently a political process and deserves

ample public input and dialog. Bend clearly recognizes this and has developed a robust process for balancing the difficult trade-offs between level of service and willingness to pay.

Our approach will include a thorough review, analysis, and recommendations of funding tools, including those outside the standard toolbox, that other communities have implemented or explored.

Transportation Funding Principles

Projects to improve the transportation system are funded through a mix of federal, state, and local revenues distributed through a variety of funding programs that dictate how this revenue can be spent. In addition to revenue generation and spending by multiple jurisdictions, revenue sharing among jurisdictions and cooperation among multiple jurisdictions on individual projects makes describing transportation funding complicated. In this section, we explain some key transportation funding principles, and provide definitions of key terms, with the intent of making this evaluation of transportation funding less complicated and easier to understand.

Funding vs. Financing

The terms "funding" and "financing" are often used interchangeably; there is an important difference. Providing transportation facilities and services costs money, and somebody has to pay those costs. The ultimate source of revenue for these costs is *funding*. Funding comes from households and businesses that pay taxes and fees that give the various levels of government money to build and maintain the surface transportation system, and to operate programs that improve mobility. Examples of funding mechanisms are tolls, fuel taxes, registration fees, impact fees, and property taxes.

For each of these mechanisms, one can determine who is paying. When the funds for transportation costs are borrowed and paid back over time, then these costs have been *financed*. Public agencies finance costs for the same reasons that households and businesses do—to reduce the current out-of-pocket costs by spreading out payments over time (e.g., financing a housing purchase with a home mortgage; the funding to pay the mortgage over time typically comes from the homebuyer from income received from a job). The ultimate source of funding for financed costs is not the financing instrument itself—e.g., bonds—but rather the revenue sources used to repay the borrowed funds.

Since financed costs must be paid back over time, financing the costs does not increase the total amount of funding available in an area over a long-term planning period. Financing the costs merely makes future funds available earlier, at the cost of the interest charged to borrow the funds. Financing the project costs decreases the level of future funds available for transportation by adding the cost of interest.

Sources, Mechanisms, and Programs

"Source," "mechanism," and "program" are terms that are often used interchangeably when discussing funding, but each term is distinct for the purposes of this analysis:

- A *source* is the entity that pays for the funding. We look at sources of funding two different ways (1) the unit of government that provides funding directly to a project (government source), and (2) the group of persons or businesses that pay the money to the government (the ultimate source).
- A *mechanism* (also called a tool) is the method that is used to charge persons or businesses to generate the funding. Examples of funding mechanisms include gas tax, vehicle registration fees, and transit ticket sales.
- A *program* is an ongoing, well-defined approach for spending a specific sum of money, usually with a specified funding source, and with clear rules on what projects can receive funding, and what dollar amounts those projects can receive. The Federal Transit Administration (FTA) Flexible Funding Surface Transportation Block Grant

Program is an example of a funding program. In Oregon, the State Highway Fund is a key program that provides money to local governments.

Capital vs. Operations and Maintenance

Our analysis looks at both capital and operations and maintenance costs:

- *Capital costs* are one-time, up-front costs associated with the construction and implementation of a project.
- *Operations and maintenance* (O&M) costs are long-term, ongoing costs associated with keeping a project in working order after the capital investment is complete.

Capital costs are frequently presented as a lump-sum number, whereas O&M costs are frequently presented as an average annual number. An important reason to separate these two types of costs is that some funding sources may only be available, or appropriate to use on either capital or O&M costs, but not both. Thus, the regional funding capacity for new capital projects will be less than the total amount of funding forecast in the region, since some of that funding will need to fund O&M needs.

What we are updating – The Bend MTP and TSP

"Its two, two…two plans in one!"

This project is a unique collaboration between the Bend MPO and the City of Bend to update the Bend MTP and TSP in a coordinated fashion. The plans are related, but operate under different legal frameworks and address different priorities and have different geographic boundaries (see Figure 1). The Bend MTP focuses on regional facilities, which include state facilities (e.g. highways), major and minor arterials, and some major collectors. Furthermore, the MTP must be fiscally constrained (see below for further discussion of what it means for a plan to be "fiscally constrained"). The TSP funding plan encompasses all of the City-funded capital projects that are included in the MTP, but also includes non-regional facilities (e.g. local streets and collectors). Identifying funding strategies and packages for both plans will be key activities for the Funding Work Group.

The two plans will likely share the same timeline. We are planning to draft the initial funding plan for the MTP as well as the TSP in spring 2019; the FWG would review both drafts at the April 2019 meeting and finalize the plans at the May 2019 meeting.

Bend MTP

The Bend Metropolitan Planning Organization (BMPO, Bend MPO) is responsible for preparing a long-range regional transportation plan for the Bend metropolitan area. That plan is called the Metropolitan Transportation Plan (MTP). The MTP takes a "big-picture" look at future demand for all modes of transportation in the Bend region and how that demand might be accommodated by investments in infrastructure. The MTP is an initial step in developing the region's network of transportation facilities and services, and serves as a framework for more detailed project planning.

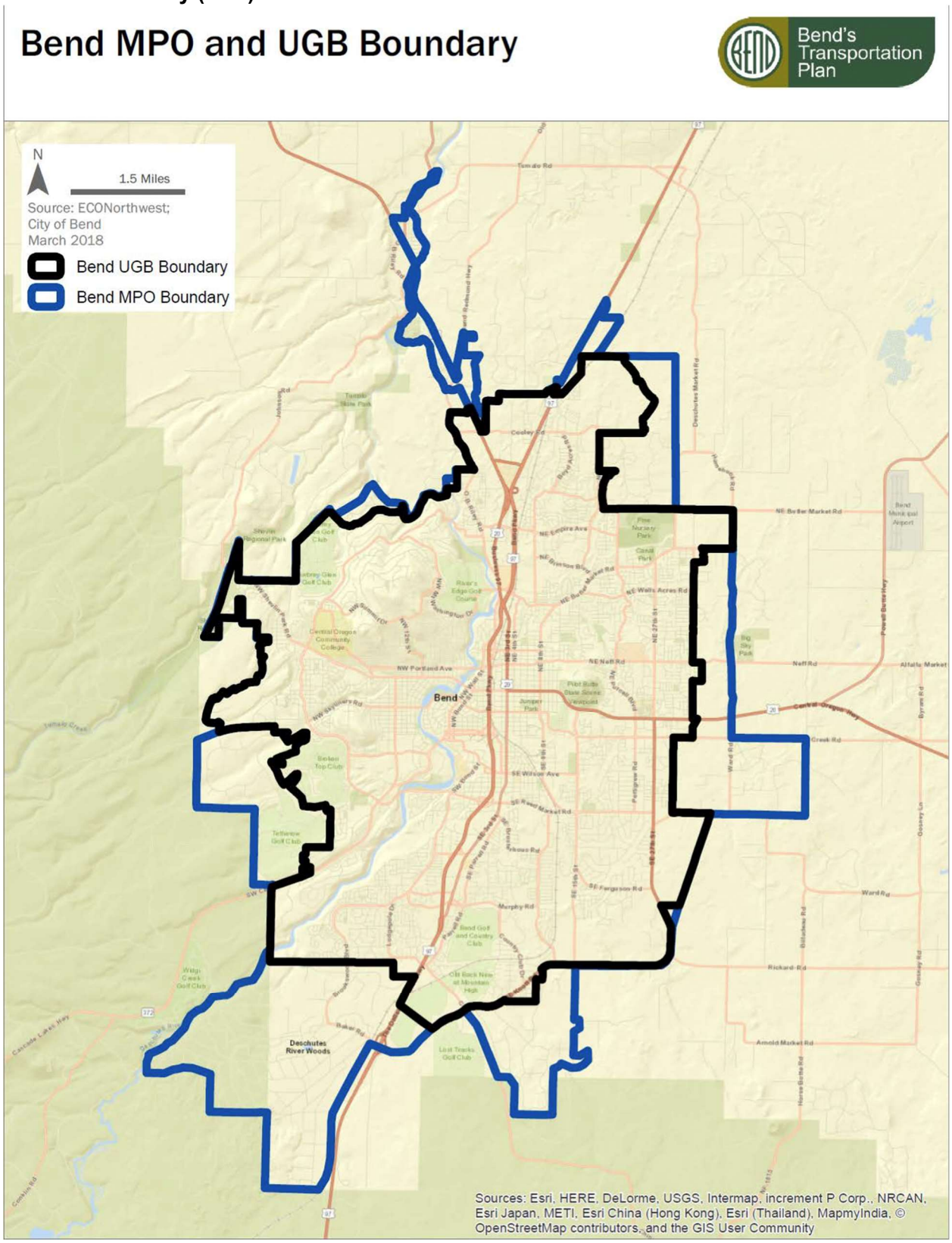
The bulk of people and freight using the transportation system are traveling on roads in cars or trucks. In addition, many walkways and bicycle facilities are part of the roadway system. The roadway system in the United States, and in the Bend MPO, is primarily owned and operated by the public sector. While the system of freeways, highways, and streets function as a single system, it is the shared responsibility of federal, state, and local governments to build and maintain this system.

Road systems in urban areas are extensive and cross many jurisdictions. Efficiently building and maintaining such a complex system requires planning to coordinate the investments of multiple jurisdictions. Large urban areas (such as Bend) are required by federal and Oregon law to coordinate plans for transportation improvements at a regional level, through a metropolitan transportation planning organization. The regional (or metropolitan) transportation plan serves

this function by considering long-run transportation needs at a regional level and identifying policies, programs, and projects to meet these needs. The Bend area is considered a large urban area for these transportation planning purposes, and the Bend MPO is the regional transportation planning organization for the Bend area. The plans of local jurisdictions responsible for the transportation system in the Bend MPO must be consistent with the policies, programs, and projects identified in the MTP.

While measures in a metropolitan transportation plan can include policies, strategies, and programs, the primary focus of the plan is on capital investments to improve existing roadways, construct new roadways, and improve transit service. A key requirement for regional transportation plans is that they be fiscally constrained—the cost of actions identified in the MTP cannot exceed the level of funding considered reasonably available in the region. In addition, projects must be in the metro to be eligible for most federal and state funding programs. ODOT, Deschutes County, and Bend each prepare short-term capital improvement plans that identify projects that will be funded in the near future, generally the next three to five years. Projects built and operated by jurisdictions in the Bend MPO area must be consistent with the MTP in order to be eligible for federal funding.

Figure 1. Bend Metropolitan Planning Organization Boundary (MTP) and Bend Urban Growth Boundary (TSP)



The cost of all projects in a region that could contribute to system improvements almost always exceeds the financial resources considered reasonably available to pay for the projects. For these reasons, the biggest and defining task of a metropolitan transportation plan is to select and prioritize projects within the constraint of available funding. A metropolitan transportation plan also describes projects beyond those that fall within whatever definition of fiscal constraint that a region ultimately chooses. These projects are considered illustrative: they could be included in the fiscally constrained set of projects if new funding sources are found. Moreover, even if they are not part of the fiscally-constrained set of projects, they are potentially part of a longer-run transportation plan, and give local governments some ability to conduct certain planning studies that might be necessary given the long time it takes for project development.

Bend MTP funding priorities and strategies

The MTP prioritizes transportation projects over a 25-year period (2015-2040) for the MPO boundary and establishes how and when to fund them. Projects that fall beyond fiscal constraint can still be listed, but only as “illustrative projects” to be funded only if additional, new revenues can be found and earmarked.

The funding plan for the current MTP is organized by entity, as specific jurisdictions have responsibility for funding different components of the regional transportation system. For example, the City of Bend, who owns most of the roadways within the MPO boundary, is expected to fund the operations, maintenance, and administration of those roads. The City of Bend also typically funds capital expenses for non-state facilities within the Urban Growth Boundary.

Another entity delineated in the MTP, is the Oregon Department of Transportation (ODOT), which builds, maintains, and operates state highways in the region, including highways routed over the city street system, has responsibility over highway projects, including capital projects as well as related operations, maintenance, and administration. In 2015, total funds allocated for both the former and latter was about $1 million. The MTP forecasted that, by 2040, and in constant 2015 dollars, total highway funds for the region are expected to be $844,000 indicating that funds will not keep up with inflation. Sources of revenue come from a share of the State Highway Fund and other Federal Highway funds.

Deschutes County is responsible for building and maintaining part of the roadway network (approximately 58 miles of arterials, collectors, local roads, and forest highways). When Deschutes County’s capital projects are relevant to the Bend MPO, they will be included in the MTP. The current MTP does not include any projects or funding from Deschutes County because the County CIP did not include any projects that fall within the Bend MPO.

Finally, Cascades East Transit (CET) possess responsibility over the public transportation system. The MTP acknowledges the forecasted funding and expenditures for CET up to 2014 and notes when there is an expected gap. However, the MPO is not responsible for long-term transit budgeting.

Figure 2 shows that the 2014 Bend MTP identified nearly $188 million in total resources for MTP projects over the 2015-2040 period. Figure 2 shows both the source and the allocation of these funds. The majority of financial resources (about $155 million) were identified as coming from the City of Bend. The remainder (about $33 million) were identified as coming from ODOT. Deschutes County was not identified as a funding source due to the relatively low amount of funds available and a degree of uncertainty about what these funds would be used for. Of the total revenue, about $188 million was available for projects in the MTP. This is about $7.5 million annually. About 83% of MTP revenues were allocated for roadway projects, with 8% for bike-pedestrian projects (often referred to as “bike-ped” projects), 6% for ITS (Intelligent Transportation Systems), and 2% for safety projects.

Figure 2. Bend MPO 2015-2040 Revenue Allocation by Project Type

MTP Projects	City of Bend	ODOT	Total
ITS	$ 5,000,000	$ 7,000,000	$ 12,000,000
Safety	$ 3,000,000	$ 1,000,000	$ 4,000,000
Stand-Alone Bike/Ped	$ 15,000,000	$ -	$ 15,000,000
Roadway	$ 131,969,746	$ 24,593,012	$ 156,562,758
Subtotal	$ 154,969,746	$ 32,593,012	$ 187,562,758

Note: Figure 2 shows funding from all federal, state, and local sources allocated to the BMPO; ITS = Intelligent Transportation Systems; "Roadway" projects are built to complete streets standards and include bike/ped facilities where applicable

City of Bend and ODOT funding shown in Figure 2 comes from a range of sources. Bend Metropolitan Planning Organization outlined the key funding sources in their 2014 MTP.

- **State Highway Fund (SHF)** is composed of several major funding sources: Motor Vehicle Registration and Title Fees, Driver License Fees, Motor Vehicle Fuel Taxes, and Weight-Mile Tax. The SHF funds are apportioned to three jurisdiction levels in the following amounts: State (50%), Counties (30%), and Cities (20%).
- **Statewide Transportation Improvement Program (STIP)** is Oregon's four-year transportation capital improvement program. This program defines which projects will be funded by what amount of money throughout the planned four-year program period. Projects at all jurisdiction levels are included in the program; Federal, state, county, and city. Sources of funding for the STIP are the same as the State Highway Fund.
- **Surface Transportation Block Grant Program (STP)** is a major federal transportation program to provide "flexible" funds for transportation projects at the state and local levels. Funds are "flexible" in that they can be spent on a variety of transportation related projects, e.g., mass transit, bike-ped. The bulk of federal funding comes from fuel taxes.
- **System Development Charges (SDC)** are fees collected when new development occurs within the City of Bend. These fees are then used to partially fund capital improvements, such as new streets within the city.

A broad array of other city funding sources are described and forecast in the MTP. Those sources are also described in the TSP and are discussed in more detail in the support materials on funding sources.

Bend TSP

The City of Bend is responsible for maintenance and capital improvements for the transportation system under the City's jurisdiction. The TSP provides guidance on priorities, projects, and funding, and the City puts these into action through a Capital Improvement Program (CIP) process. The Bend CIP represents a five-year planning forecast of prioritized transportation system improvements. This document is updated annually and approved by City Council. Resulting funding priorities are incorporated in the City's Budget. The CIP addresses transportation elements that include construction and modernization needs of roads, sidewalks and bike lanes. Many of the planned improvements focus on improving connectivity or making bicycle, pedestrian and safety improvements.

Bend TSP Funding Plan

Bend's TSP prioritized transportation projects over a 20-year period and articulates how and when to fund them. Project prioritization considers City Council priorities, directives laid out in the City's Capital Improvements Program (CIP) and the Transportation Implementation Plan (TIP), and the TSP itself. For more context, the TIP is a document which provides City staff with policy direction and design guidance to implement the goals of Bend's General Plan and their TSP.

Ultimately, seven policies and three benchmarks/guidelines direct the funding plan. They encapsulate standard budgeting principles, such as encouraging transparency and public

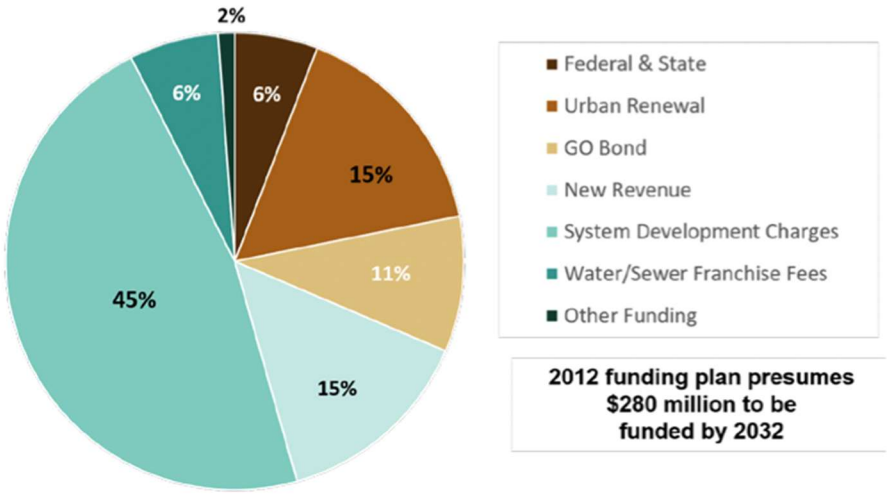
involvement, and reinforce the need to continuously seek new funding opportunities. Policies also require that the five-year transportation CIP be developed and updated annually to ensure "a balanced transportation system" and that the City and Council use the 2001 adopted Transportation Implementation Plan (TIP) to guide the development of projects outlined in the CIP.

Because all 20-year priorities cannot be funded at once, projects are classified into near-term projects (1-10 years), mid-term projects (11-20 years), and far-term projects (beyond 20-years). Near term project priorities are classified further into two- and five-year priorities in the CIP.

The funding plan forecasts funding capacity and need and matches those to transportation system priorities over the 20-year period. The identified 20-year needs in the 2012 TSP were $213 million (excluding an additional $60 million forecasted for urban renewal districts) while the funding growth forecast was between $193 million to $233 million, contingent on the estimated rate of growth (slow versus strong).

Specific revenue sources fund prioritized transportation system projects. Figure 3 shows projected funding sources in the 2012 plan. The chart shows that the majority of funding (45%) was projected to come from system development charges. The next two largest sources were urban renewal (15%) and "new revenue" (15%).

Figure 3 – Allocation of Transportation System Funding Sources, 2012



Below are additional details about each of the funding sources identified in Figure 3:

- **Federal and State** programs include Surface Transportation Program (STP) funds, Moving Ahead for Progress in the 21st Century (MAP-21) funds, and a number of grants such as:
  - The Oregon Transportation Investment Act (OTIA) I and II
  - The Oregon Jobs and Transportation Act (JTA)
  - Connect Oregon
  - The Oregon Statewide Transportation Improvement Program (STIP)
  - Transportation Investment Generating Economic Recovery (TIGER) Discretionary Grants
  - The American Recovery and Reinvestment Act of 2009 (ARRA)

- **Urban Renewal** districts in Bend include 1) The Juniper Ridge Urban Renewal Plan, and 2) The Murphy Crossing Urban Renewal Plan. Governed by ORS 457, they provide the authority to use tax increment financing to finance improvement projects.
- **Bend's General Obligation (GO) Bond,** passed by the voters in 2011, approved $30 million in spending for transportation capital improvements. Bond revenue is generated by increasing property taxes over the life of the bond. Payments for this debt will complete in 2032.
- **New Revenue** in the TSP included four potential funding sources: local fuel tax, transportation utility fee, local option levy, and local vehicle registration fee.
- **System Development Charges** (SDC) fund growth related capital improvements projects. Charges are assessed on new developments through a methodology consistent with Oregon Revised Statues. The Transportation SDC methodology was last adopted by City Council in September 2011 and is proposed to be updated in the next few years.
- **Water/Sewer Franchise Fees**, implemented in 2006, are currently a 3% charge on revenue generated by water and sewer franchises. The primary purpose of franchise fees is to maintain the right of way (roadways) used by the water and sewer utilities to provide their services, by funding the transportation capital improvements. Bend has allocated its water and sewer franchise fees to street maintenance, transportation capital improvements, and "accessibility" capital projects (curb ramps and sidewalk improvements to comply with the Americans with Disabilities Act). In an effort to increase funding for transportation improvements, water/sewer franchise fees are projected to increase to 4% on July 1, 2018.
- **Other Funding** included franchise fees from garbage and other utility providers, general fund allocations, Local Improvement Districts, developer contributions, public-private partnerships, and issuance of long term debt.

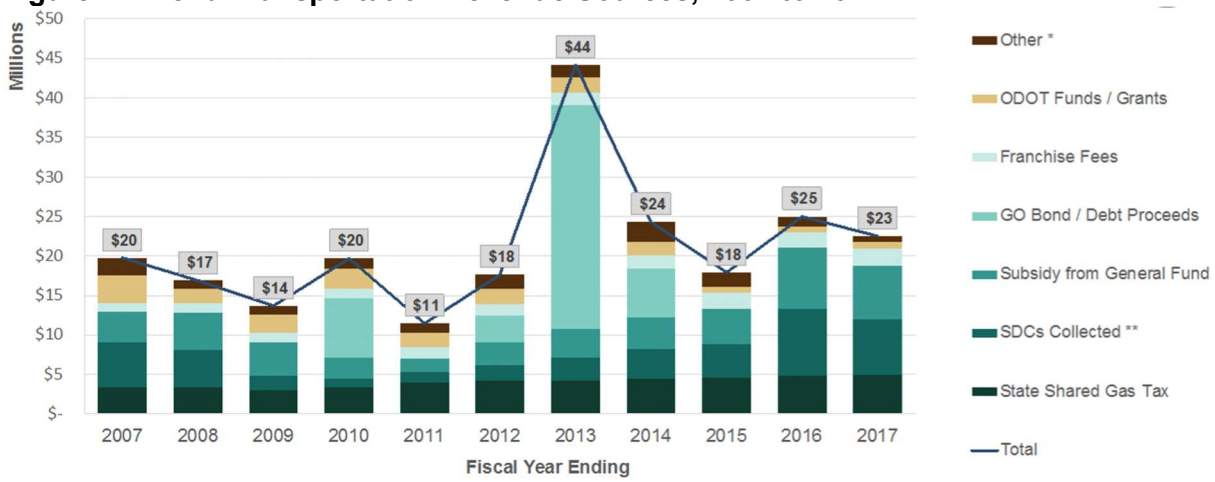
Experience with Existing TSP

How did the past TSP funding plan compare with actual funding sources? In general, the plan assumed higher funding levels, and a different distribution of funding, than Bend has recently experienced. In addition, the new revenue sources assumed in the plan did not materialize; this means that 15% of the sources in the funding plan were not realized. The City did pursue these options but it was unable to secure them. For example, a public vote came out against the local fuel tax in 2016. Local option levies, in general, struggle to gain public support; residents of many cities are often unenthusiastic about paying additional monthly fees in order to support maintenance-related costs. Finally, the City began to explore Transportation Utility Fees (TUF) just before the recession hit, and it determined that the economic climate was not suitable for a

new fee. After the economy recovered, the City was able to pass a General Obligation Bond as a major new source of transportation revenue; this made the timing unsuitable for an additional public fee.

Figure 4 shows transportation revenue sources for the 11-year period from 2007-2017. The results show the sources of City transportation funding, including a substantial influx of bond revenue in fiscal year 2013. The chart also illustrates just how highly variable these funding sources are, particularly transportation SDCs, and how greatly economic cycles can impact them. These funding variations are part of what makes long-term transportation planning so difficult.

Figure 4 – Bend Transportation Revenue Sources, 2007 to 2017



* Other category includes Developer Contributions, Sale of Assets, Interfund Transfers, Investment Income and other Miscellaneous revenue
** 10-Year SDCs collected was $43.1M, of which $30.6M or 71% could be used on eligible projects

For more information about the City of Bend's historic transportation funding sources and levels, please see the presentation from CTAC meeting #2 held on April 10, 2018. This material is available on the CTAC website.

IV. Where's the money?

Sources of Transportation Funding

Appendix A provides a comprehensive description of transportation funding sources. In summary, those sources are listed in Figure 5. The supporting documentation for this meeting provides a more detailed description of each of these sources.

Figure 5. Bend MTP and TSP Funding Sources

Funding Source	MTIP	TSP	Both
Federal			
ARRA One time Recovery Act – all funds already obligated		X	
Bend Metropolitan Planning Organization (BMPO) STBG funds	X		
Community Development Block Grants (CDBG)	X		
Emergency Relief program (ER)	X		
Federal Lands Access Program (FLAP)	X		
FTA Section 5303	X		
FTA Section 5307	X		
FTA Section 5309	X		
FTA Section 5310	X		
FTA Section 5311	X		
Highway Safety Improvement Program (HSIP)	X		
Metropolitan Planning	X		
Moving Ahead for Progress in the 21st Century – now the FAST Act		X	
National Highway Performance Program (NHPP) funds	X		
Secure Rural Schools and Community Self-Determination Act	X		

Statewide Planning and Research (SPR)	X		
Statewide Transportation Improvement Program (STIP)		X	
Surface Transportation Block Grant program (STBG)	X		
Surface transportation program (STP) funds (this is now STBG funds-changed named in FAST Act)		X	
TIGER Y		X	
Transportation Alternatives Program (TAP) N/A anymore, part of STBG	X		
State			
Connect Oregon (temp closed as funds pre-specified by HB 2017)		X	
Gas tax revenue	X		
Immediate Opportunity Fund (IOF)	X		
JTA (Closed, last bonds issued June 2017)		X	
Oregon Highway Fund	X		
OTIA (Closed, last bonds issued in OTIA III)		X	
Special Public Works Fund (SPWF)	X		
Special transportation fund (STF)	X		
Traffic control projects	X		
Local			
Cascade East Transit	X		
City of Bend	X		
Deschutes County	X		
Developer contributions/ Developer extractions		X	
Fairbox revenue	X		
Franchise fees			X
General fund allocation		X	
General obligation bonds			X
Local parking fees	X		
Local vehicle registration fee			X
Potential new sources (still TSP)		X	
Property taxes / Local option levy	X		
Public-private partnerships			X
Revenue bonds	X		
Special assessments/Local Improvement Districts (LIDS)			X
Special road districts	X		
Street utility fees	X		
Transient Room Tax (TRT)	X		
Transportation system development charges			X
Transportation system development charges		X	
Urban renewal funding			X

Evaluating Transportation Funding Sources

Evaluating funding sources includes an assessment of how funding policies affect different populations. In economic terms, the goal of government policy is to increase the economic and social well-being of the residents it serves. Ideally, policy makers and the public they represent would like to know how alternative investments perform relative to one another. They want to know what they get (benefits) for what they give up (costs). Adding benefits (positives) to costs (negatives) yields, in theory, a measure of net benefits. In broad terms, decision makers should be choosing among public investments with the highest net benefits.

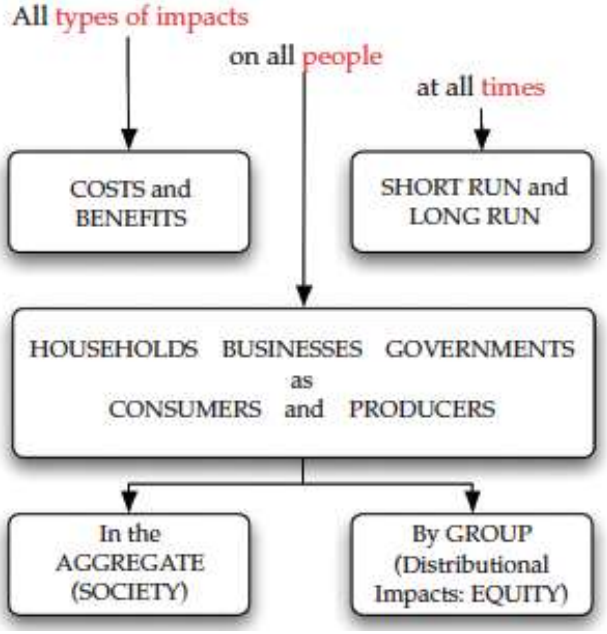
A decision to change public policy or to make a public investment is a decision to try to change the future—an assumption of change is implicit in all such decisions. Thus, good evaluation requires a comparison of a proposed policy's benefits and costs to whatever the benefits and costs would otherwise be without the policy. That "different future" is often referred to as the "base-case," "trend," or "status-quo" scenario or alternative. The base case represents how the world relevant to the policy decision is expected to look if policy does not change.

Figure 6 illustrates the challenge for policy evaluation: to measure all types of relevant impacts on all people at all times. The literature of policy evaluation and benefit-cost analysis sometimes refers to this goal as full-cost evaluation—usually synonymous with a framework that attempts to identify and quantify all impacts.

Figure 6 appears simple, but each of its boxes contains a lot complexity. Consider that there are:

- Potentially dozens of categories of impacts, many with multiple measures of impacts;
- Thousands of people, thousands of businesses, and scores of jurisdictions and interest groups in a metropolitan area, with overlapping affiliations; and
- Changes to both impacts and affected people that occur over time. At the most basic level, communities choose to incur costs now (e.g., to build transportation projects) because they expect an acceptable return from future benefits.

Figure 6. Goals of policy evaluation: what, who, and when



Source: The Land Use and Transportation Connection, APA Press, Terry Moore et al, (ECONorthwest)

This raises key procedural questions about how to evaluate transportation funding sources, and how to weigh those sources. We conducted a literature review focused on two questions:

1. What criteria have been used to evaluate transportation funding?
2. Are there examples of a matrix that has been used to evaluate transportation funding sources?

A core set of criteria are commonly identified in the literature:[1]

- **Financial Effectiveness**: The ability of a finance program to generate the needed revenue is a key measure of its attractiveness.
  - Yield: Different revenue mechanisms will produce different yields. For instance, per capita membership fees are unlikely to produce adequate funding to support capital projects, although they may be quite sufficient for bolster an MPO's staffing capability.
  - Stability: A stable stream of revenue, or a flow of funds that remains relatively constant over time, is important if transportation agencies are to plan for, schedule, and execute transportation improvements in an efficient manner.
  - Growth Potential: The value of a revenue steam's potential for growth over time
- **Transportation Efficiency**: revenue sources for transportation ought where possible to be structured in ways that encourage efficient use of the transportation system.
- **Fiscal Efficiency**: When taxes, fees, and charges employed in public finance are easy to collect, simple to understand, inexpensive to administer, and resistant to fraud, they are said to be fiscally efficient (Adams et al. 2002). This is sometimes called Administrative Ease.
- **Equity**: Equity in transportation finance addresses how transportation's costs and benefits are distributed, as well as how transportation related taxes, fees, and

[1] Institute of Transportation Studies, Berkeley California (2005). Metropolitan-Level Transportation Funding Sources. http://w w w.narc.org/uploads/File/Transportation/Library/NCHRP_Metro_Funding.pdf "Legality" has been added as an additional essential factor.

charges impact low-income versus high-income people. Cost-based determinations of equity suggest that users who impose the greatest cost on the transportation system should also pay the most.

- **Political Acceptability**: plays a critical role in decisions about whether or not to use it, and politicians are unlikely to support fees or charges that are strongly opposed by the public. Political acceptability may be especially important in attempts to create new regional sources of transportation revenue
- **Legality**: If enabling legislation does not exist at the state or federal level, then funding sources face a much higher hurdle. As a result, most plans focus on funding sources that can be approved by local government under existing state or federal legislation.

Public policy making always has multiple goals, objectives, and, therefore, criteria. An implication is that public policy is trying to *optimize*, not maximize. Technically, one can only maximize a single criterion. Hence, goals like "minimize environmental impacts" are, practically and technically, an impossibility in the real world: pollution can be reduced from what it might have been in the absence of some policy choice or perhaps even reduced in an absolute sense, but it cannot be minimized in any scenario that keeps the economy and government running about like they do now. The evaluation of any region's transportation alternatives is unavoidably in the world of multi-criterion (multi-impact) analysis.

Because there are multiple criteria, one cannot avoid the issue of weighting: what is the relative importance of each measure/evaluation criterion? If no weights are specified, criteria implicitly get weighted equally. Social scientists have been working on developing a method for estimating the relative values of different objectives for decades without finding an ultimate solution. They never will. Among the difficulties:

- A city or region may consist of tens or hundreds of thousands of people, all of whom have slightly different values, preferences, and circumstances, and many will be affected somewhat differently by a change in policy.
- Regional economies, ecosystems, and public policies are complex and interrelated; many effects occur only over a long period; and outside market, social, and natural forces affect those systems. Thus, the net impact of a policy change on all significant aspects of those systems is impossible to predict.

Even if one could somehow add all the different types of impacts for all individuals to get some estimate of the total net impact, and even if that impact were positive, policy makers might still decide that negative impacts on some people are too great to justify the total net benefits to society as a whole.

Besides weighting, there are several ways to visualize and compare multiple aspects of different funding sources. Below are three examples. Figure 7 simply describes advantages and disadvantages of a variety of funding sources. Figure 8 depicts the results of multiple criteria. Figure 9 is highly visual and intuitively shows the magnitude and implications of sources.

The purpose of these examples is to give the FWG a view towards how funding sources can be compared and evaluated against one another. For the second FWG meeting, the staff and consultant team will prepare information about a variety of potential new and enhanced funding sources. In order to ensure that we present this information in the most effective way, we need input from the FWG as to which criteria are most important, whether any important criteria are missing, and whether the FWG has initial reactions and thoughts as to how they may be interested in comparing funding sources.

Figure 7. Funding matrix with advantage and disadvantage descriptions[2]

Name	Description	Advantages	Disadvantages
1. Fare increases	Increase fares or change fare structure to increase revenues.	Widely applied. Is a user fee (considered equitable).	Discourages transit use. Is regressive.
2. Discounted bulk passes	Discounted passes sold to groups based on their ridership.	Increases revenue and transit ridership.	Increases transit service costs and so may provide little net revenue.
3. Property taxes	Increase local property taxes.	Widely applied. Distributes burden widely. Produces significant revenue.	Supports no other objectives. Is considered regressive.
4. Sales taxes	A special local sales tax	Distributes burden widely, including to non-residents. Significant revenue.	Supports no other objectives. Is regressive.
5. Tourist services taxes	Taxes on tourist services such as hotel rooms and vehicle rentals.	Primarily borne by non-residents. Is already collected.	If excessive, may reduce tourism.
6. Sin taxes	Taxes on goods such as liquor, cigarettes and gambling.	Incentivizes healthy behaviors.	These taxes are already high, and increases may harm local businesses.
7. Gas/fuel taxes	Obtain a dedicated portion of state fuel taxes, or use and potentially increase the local option fuel taxes.	Widely applied. Reduces vehicle traffic and fuel use.	Is considered regressive. Becomes less stable as fuel efficiency increases.
8. Vehicle fees, wheel levy	An additional fee for vehicles registered in the region.	Applied in some jurisdictions. Charges motorists for costs.	Is considered regressive.
9. Utility levy	A levy to all utility accounts in the region.	Easy to apply. Distributes burden widely.	Is small, regressive and support no other objectives.
10. Employee levy	A levy on each employee within a designated area or jurisdiction.	Charges for commuters.	Requires administration. May encourage sprawl and discourage job creation.
11. Road tolls	Tolls on some roads or bridges.	Reduces traffic congestion.	Costly to implement. Can encourage sprawl if only applied in city centers. Currently illegal on current roads.
12. Vehicle-mile tax	A distance-based fee on vehicles registered in the region.	Reduces vehicle traffic.	Costly to implement.
13. Parking taxes	Special tax on commercial parking transactions.	Is applied in other cities.	Discourages parking pricing and downtown development.
14. Parking levy	A special property tax on parking spaces throughout the region.	Large potential. Distributes burden widely. Encourages compact development.	Costly to implement. Opposed by suburban property owners.
15. Expanded parking pricing	Increase when and where public parking facilities (e.g. on-street parking) are priced.	Moderate to large potential. Distributes burden widely. Reduces parking & traffic problems.	Requires parking meters and enforcement, and imposes transaction costs.
16. Development impact fees	A fee on new development to help finance infrastructure, including transit.	Charges beneficiaries.	Limited potential.
17. Land value capture	Special taxes on property that benefit from the transit service.	Large potential. Charges beneficiaries.	May be costly to implement. May discourage TOD.
18. Station rents	Collect revenues from public-private development at stations.	Charges beneficiaries.	Limited potential.
19. Station air rights	Sell rights to build over stations.	Charges beneficiaries.	Limited potential.
20. Advertising	Additional vehicle & station advertising	Already used.	Limited potential. May be unattractive.

This table summarizes potential funding options identified in this study.

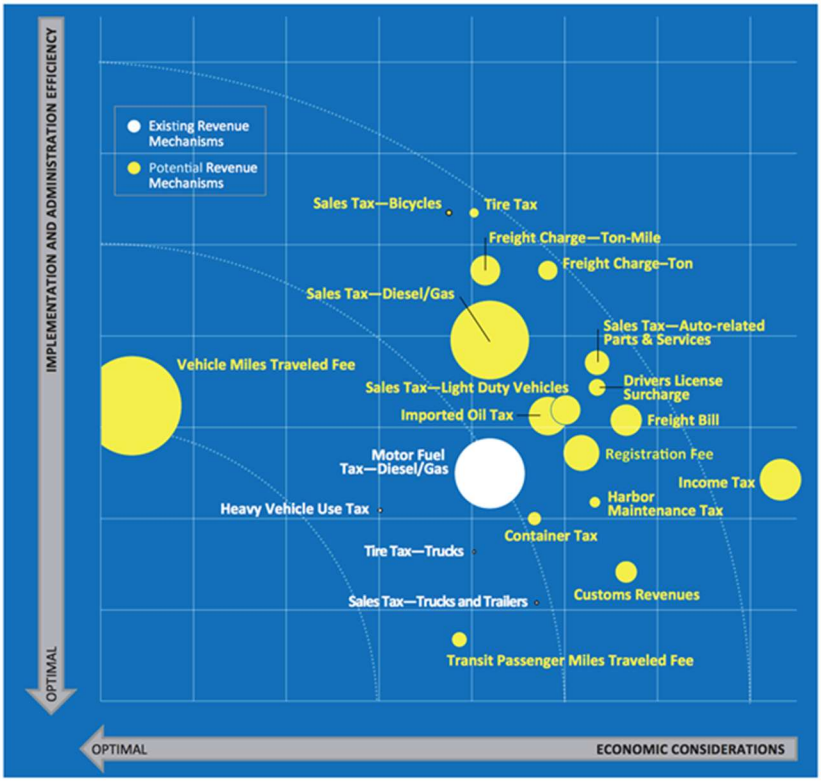
[2] Source: Litman, Todd (2016). Evaluating Middle Tennessee Region Public Transportation Funding Sources. Victoria Transport Policy Institute. http://thetransitalliance.org/wp- content/uploads/2016/10/Evaluating-Middle4-Tennessee-Region-Public-Transporation-Funding- Sources.pdf

Figure 8. Funding matrix with several criteria[3]

	Revenue Criterion					
	Financial Effectiveness					
Revenue Source	Stability	Growth Potential	Transportation Efficiency	Fiscal Efficiency	Equity	Political Acceptability
Direct User Fees						
Fuel tax on motor & diesel fuels	++	–	+	++	–	±
Sales tax on motor & diesel fuels	++	+	+	++	–	±
Aviation fuels tax	+	++	– –	++	++	±
Flat tolls (facility-based)	++	++	+	+	+	±
Variable tolls						
Area-based tolls	++	++	++	++	±	±
Time-based tolls	+	++	++	++	±	±
Congestion-based tolls	+	++	++	++	±	±
Emissions fees	+	+	++	– –	– –	–
Annual VMT fees	+	++	+	– –	–	– –
Non-User Fees						
Vehicle sales tax	+	++	–	++	–	+
Vehicle license/registration fees	+	++	–	++	– –	+
Sales tax	+	++	– –	++	– –	+
Property tax	+	++	–	++	+	±
Commercial development tax	+	++	+	++	+	±
Residential development tax	+	++	+	++	+	±
Per-capita tax from MPO members	+	+	– –	+	±	+

[3] Source: Institute of Transportation Studies, Berkeley California (2005). Metropolitan-Level Transportation Funding Sources. http://www.narc.org/uploads/File/Transportation/Library/NCHRP_Metro_Funding.pdf

Figure 9. Visual funding matrix[4]



Again, these examples are not necessarily exhaustive or ideal; rather, they are included as examples of the different ways that funding criteria can be considered, so that the FWG has an idea of the ways in which funding criteria can be evaluated other than through a weighted scoring. Future FWG memos and meetings will include more detailed discussion about funding criteria.

[4] American Association of State Highway and Transportation Officials (2014). Matrix of Illustrative Surface Transportation Revenue Options. http://downloads.transportation.org/TranspoRevenueMatrix2014.pdf

Appendix B: Funding Workgroup Packet #2

The following includes relevant information from Funding Workgroup meeting 2.

Funding Sources Matrix

PREPARED FOR: Bend Transportation Plan Funding Work Group
COPY TO: Project Team
PREPARED BY: Lorelei Juntunen, Kate Macfarlane, Sadie DiNatale, and Korinne Breed (ECONorthwest)
DATE: July 18, 2018

Introduction

The purpose of this matrix is to provide the Funding Work Group (FWG) with additional information on funding sources to be considered for the Bend Transportation System Plan (TSP) and Metropolitan Transportation Plan (MTP) Initial Funding Assessment. It is intended to facilitate discussion by the FWG at the July 24 meeting about which new or expanded funding sources are most suitable for further evaluation for inclusion in potential funding packages, and which sources are less suitable or feasible and should be excluded from further analysis.

Funding Sources Matrix

The funding source matrix presents 17 funding sources that could be conceivably used to provide additional funding needed to implement projects and programs identified in Bend's Transportation Plan (See Figure 1). Thus, the matrix is focused on local funding sources that can be controlled at the city or county level. This list of funding sources was selected by consultants and city staff from a longer list of options presented to the FWG.[5] The City currently generates revenue from six sources listed in the matrix, listed in Figure 1 as "Existing Funding Sources That Could Potentially Be Expanded". Eleven sources are potential new sources, meaning the City of Bend or Deschutes County could implement these options to generate revenue. These are listed in Figure 1 as "Potential New Funding Sources".

This matrix excludes formula-funded state or federal sources (such as Surface Transportation Block Grant program or State Special Transportation Fund) because Bend has limited ability to increase revenue from those sources. It also excludes project-specific and grant-based sources such as federal BUILD grants or the state Special Public Works Fund. These sources are outside local control and are difficult to incorporate into hypothetical funding packages absent specific project lists. However, the revenue from these sources will still be forecasted and incorporated into funding packages.

For each funding source listed in Column 1, the matrix provides:

- **Brief description of funding source (Column 2).** For more detailed descriptions, please refer to Funding Sources memos provided for FWG Meeting #1.
- **Brief evaluation of funding source using the four general criteria presented at FWG #1 (Columns 3-6).** Each cell is color-coded green, yellow, or red to indicate how each funding

[5] See ECONorthwest memoranda from June 2018: "Federal, State, and Local Funding Sources Memo" and "Overview of Transportation Funding Plans and Funding Sources". Available online at https://www.bendoregon.gov/government/citizencommittees/citywide-transportation-advisory-committee

Two sources included in this matrix were not described in previous memos to the FWG: advertising/naming rights and business fees.

source ranks in that criteria. Green indicates that a funding source fares well in that criteria, while red indicates that there are significant concerns. Yellow indicates mixed results.

- **Legality.** If enabling legislation does not exist at the state or federal level, then funding sources face a much higher hurdle. As a result, most plans focus on funding sources that can be approved by local government under existing state or federal legislation.
- **Efficiency.** This category covers everything related to creating and maintaining net revenues (net of collection costs). Efficient funding sources are stable, flexible (i.e., can be used for capital expenses or operations and maintenance), and inexpensive to administer.
- **Equity.** Equity refers to the fair distribution of both benefits and burdens. This criterion has several dimensions:
    - *Impacts to households at different income levels.* Tax systems that require poorer households to pay a larger share of their income than richer households are typically considered less equitable.
    - *Distribution across Bend community.* One perspective on equity is to strive for a fair distribution of costs across people who live, work, or travel in Bend. Using this definition, a tax burden that falls solely on the business community is less equitable.
    - *"User pays" principle.* One definition of equity in the context of transportation funding is that the charges that fund the transportation system are tied to the users who receive benefits from (or impose costs on) the transportation system. Using this definition, user charges like tolls are fairer than broader-based sources like general property taxes, because the drivers using the transportation most are the ones paying most of the cost of the transportation improvement.
- **Political Acceptability.** Political acceptability plays a critical role in decisions about whether or not to use a funding source. Adopting and implementing taxes or fees that are strongly opposed by the public may be more difficult.

- **Magnitude of additional funding (Column 7).** A potential funding source must be able to generate needed revenue. The amount any mechanism can raise is directly tied to the rate imposed, and the rate imposed is always at least partially determined by legality and political acceptability. We use a three-category scale of $ to $$$ to indicate approximate magnitude of funding potential. These estimates are preliminary; we will conduct further analysis of funding sources selected by FWG for consideration in funding packages.

Figure 1. Funding Sources Matrix

Funding Source	Description of Funding Source	Legality *If enabling legislation does not exist, then funding sources face a higher hurdle. All the benefits of a funding mechanism are moot if the mechanism is not legal or cannot become legal within the desired timeframe.*	Efficiency *This category covers everything related to creating and maintaining net revenues (net of collection costs). Efficient funding sources are stable, flexible, and inexpensive to administer.*	Equity *Transportation costs and benefits (plus related taxes, fees, charges) are fairly distributed to low-income vs. high-income people. Users imposing the greatest cost on the transportation system pay more.*	Political Acceptability *Political acceptability plays a critical role in decisions about whether or not to use a source. Politicians are unlikely to support fees or charges that are strongly opposed by the public.*	Magnitude of Additional Funding *The amount any mechanism can raise is directly tied to the rate imposed, and the rate imposed is always at least partially determined by legality and political acceptability.*
Existing Funding Sources that Could Potentially Be Expanded						
Bend General Fund allocation	The City of Bend's 2017-2019 adopted General Fund is about $97 million for the biennium. The allocation of these revenues is a policy choice by Bend City Council. From FYE 2013-2017, general fund allocations for transportation ranged from $2.6 million to $6.0 million per year. General Fund allocations from the City of Bend could conceivably provide a source of additional transportation funding, above and beyond current funding levels.[6]	The Bend City Council has discretion on how to allocate general fund dollars and could legally allocate more to transportation funding.	Growth and predictability are contingent on council prioritization and need for other services. Bend City Council adopts a general fund budget every two years. Overall, general fund revenues are relatively stable from year to year (because allocations are at council discretion, they could easily choose to allocate money to other priorities in difficult financial times) Administrative costs are low, and there are no restrictions on use. The general fund could be used to fund transportation capital or O&M expenses.	The general fund is primarily funded by property taxes. This mechanism is funded by everyone who owns property in city, with no direct connection to transportation users.	Absent property tax increases, devoting a larger share of the general fund to transportation would require making cuts elsewhere in the budget, such as emergency services, which could be politically challenging.	$$ Substantive increases to transportation funding would require equivalent cuts to other programs. It may be possible to offset these "cuts" if additional external funds are higher than anticipated.
Room Tax	The room tax is a fee charged for short-term overnight lodging. Bend charges a fee of 10.4%, which is higher than most Oregon cities (typical rates range between 3% and 9%). Bend's last rate increase was in 2013. ORS requires that a certain percent of room tax revenue must be used for tourism promotion. Bend's room tax generates about $10 million per year, of which about $3.5 million goes to Visit Bend. The remainder is used for other city services, including police, fire, and transportation.	A room tax is legal with certain stipulations (ORS 320.300). The City of Bend is in the process of appealing a court decision to the Oregon Court of Appeals regarding a dispute over the interpretation of state law on how room tax funds may be used.	The infrastructure to collect the room tax already exists, making this source inexpensive to administer. Although Bend has seen an increasing amount of tourism, a room tax is not the most stable revenue source. The travel and tourism industries can be volatile and are affected by business cycles, and room tax revenues can decline more than other types of taxes during a recession.	There is not a direct connection between the amount of room tax someone pays, and the benefits they receive from a transportation resource. The room tax, however, is Bend's only existing mechanism for taxing visitors. (A local sales tax or local gas tax would be other mechanisms.) Visitors benefit from local transportation systems and add to maintenance and capacity needs.	Room taxes primarily affect tourists and visitors, not Bend residents. This makes the tax politically acceptable, as local voters are not the ones paying the tax. Raising the room tax would require a public vote. However, modifying the current rate or allocation may be politically difficult due to Bend's pending court case and Bend's comparatively high room tax rate. Bend's room industry is likely to oppose an increase. Other residents may oppose this funding source because it would generate substantial funding for additional tourism promotion. Some residents have expressed opposition to the impacts of large numbers of visitors, including the additional strain on transportation facilities.	$ A hypothetical 1% increase in the tax rate could bring in nearly $1 million more per year but this would only net $300,000 that could be used for transportation funding. Under ORS, 70% of any increase to the room tax would be earmarked for tourism promotion.

[6] Allocations from Deschutes County General Fund are another potential funding source. However, Deschutes County is unlikely to want to share revenue in a way that would provide meaningful levels of funding, and the City has limited ability to persuade the County otherwise. Deschutes County generally does not contribute to transportation funding in the MTP/TSP boundary other than to maintain about 50 miles of roads. These lane miles are in UGB expansion areas, which Bend will take over upon annexation, per the Joint Management Agreement.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Transportation System Development Charges (TSDCs)	Transportation System Development Charges (TSDCs) are assessed on new development and must be used to fund growth-related capital improvements. They are intended to reflect the increased capital costs incurred by a municipality or utility as a result of a development. Between FYE 2011-2017, Bend's TSDCs have generated between $1.4 and $8.6 million in annual revenue. Transportation SDC methodology was last adopted by City Council in September 2011. Since the fiscally-constrained TSDC project list was adopted in 2011, construction cost estimates have more than doubled, leading to a funding gap for projects on the TSDC project list. In June 2018, City Council increased TSDCs to $6,800 per peak hour trip, which increases revenue generation, but not nearly enough to cover the TSDC funding gap. A methodology update is underway for TSDCs and this process will consider the fees and project list comprehensively.	Enabling legislation (ORS 223.297-223.314) provides a uniform framework that all local governments must follow to collect SDCs. Local jurisdictions must adopt a TSDC methodology for calculating the charges that sets the fee to reflect the actual cost of the needed capital improvements to which the fee is related. In June 2018, the Bend City Council adopted changes to the TSDC project list to reflect the fact that construction cost estimates have doubled since the list was created. This led to a new maximum-allowable cost per peak hour trip of $10,904. City Council increased the TSDC from $5,285 to $6,800.	The infrastructure to collect TSDCs already exists, making this source inexpensive to administer. Because TSDCs are funded by new development, they are more volatile than many funding sources and are likely to decline sharply during a downturn in the real-estate market – as evidenced in Bend during the recession. TSDC funds can only be used for the portion of project costs to increase capacity to accommodate new development, and must be used for capital projects, not operations.	TSDCs are calculated based on the increased demand that a new development will place on the transportation system. These fees may be passed on to home-buyers through housing prices. There is an exemption for deed-restricted affordable housing, but increases to TSDCs could lead to higher home prices and might affect home affordability for lower-income families that are not eligible for deed-restricted housing. This could also affect particular businesses.	TSDCs are typically more politically acceptable to residents than other types of taxes because they do not increase taxes on existing residents and businesses, although the fees may be passed on to buyers of newly constructed homes through housing prices. The public typically supports the principle that "new development should pay for itself." At present, the TSDC is set significantly lower than it would need to be in order to generate funding for all of the projects on the TSDC list. Some developers may oppose further increases to TSDCs, particularly because the rate was just raised. Provided a TSDC increase is justified by an adopted TSDC methodology, an increase can be made by City Council without a public vote. In practice, the TSDC fee is generally limited by political will; cities often choose to set their TSDC fee at a lower level than what is laid out in their technical methodology. They generally do this by removing projects from their list.	$$$ The maximum-allowable TSDC is $10,904 and the current TSDC is $6,800. An increase to TSDCs, using the current methodology, could lead to up to $4-5 million in annual revenue. The magnitude of the increase corresponds to the magnitude of additional revenue.
Utility franchise fees	A utility franchise fee is a contract between a city and a utility company that outlines certain requirements for the utility to use the city's public rights of way. Bend's Water/Sewer Franchise Fees, implemented in 2006, are currently a 4% charge on revenue generated by water and sewer franchises. Bend has allocated its water and sewer franchise fees to street maintenance, transportation capital projects, and Americans with Disabilities Act (ADA) accessibility improvements. Bend's water/sewer franchise fees generate about $1.3-1.4 million per year. Bend also has franchise fees on electric, gas, cable, and garbage. Garbage revenues go towards Streets and Operations and the remainder of these fees go to the General Fund, with 75% of the franchise fees in the General Fund dedicated to street maintenance. In June 2018, City Council voted to raise water/sewer franchise fees by 1% (from 3% to 4%). Bend could further increase water/sewer franchise fees to 5%. Several Oregon cities—including Albany, Portland, Salem, Wilsonville, and Newberg—charge fees of 5% for certain utilities.	Oregon law authorizes cities to determine the terms under which a utility may operate within the city limits, including payment of up to 5% of the utility's locally generated revenue as compensation for the utility's use of the city's streets and other public property. Franchise fees other than sewer and water can't be changed in the middle of a franchise agreement term. Franchise agreements last up to 20 years each and increases to rates may have to be negotiated separately with each utility, to the extent any utility isn't already paying the statutory maximum.	The infrastructure to collect utility franchise fees already exists, making this source inexpensive to administer. Because fees are based on a percentage of utility revenue, this source is relatively stable from year to year. Flexibility is high; funds generated through franchise fees can be used for the transportation system.	Utilities use public rights of way for their infrastructure. Charging utility franchise fees therefore offsets direct financial burden from other taxpayers and onto companies (and utility ratepayers) which use the right of ways. There is not a direct connection between a utility ratepayer's transportation usage and the amount of the utility franchise fee. Utility franchise fees do not consider a household's ability to pay and could impose a burden on low-income households and particular employers.	Because franchise fees were just increased in 2018, residents and franchisees may oppose an additional increase. The decision to raise the franchise fee rate can be made by City Council without a public vote.	$ The 1% rate increase passed in 2018 is anticipated to generate about $470,000 in additional revenue per year.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Business fee	A business license fee is a charge on businesses for the privilege of conducting business within a jurisdiction. There are a variety of ways that jurisdictions could choose to charge fees on businesses, including a flat one-time fee, to an annual fee based on sales, number of employees, size of building, amount of parking, or other factors. License fees can apply to all businesses or only certain businesses such as automobile dealers or service stations. Bend currently has a flat business license fee of $50, which generates about $300,000 per year and is used to fund the Business Advocacy Program.	There are no legal barriers to implementing business license fees, and the City of Bend already charges a business license fee of $50 per business per year.	Depending on how the fee is set up, revenues should be fairly stable and predictable, though subject to broader economic trends. Because Bend has an existing business license fee, administrative costs would be low. Business license fees have no restrictions on use.	Business fees do not have a direct link to the amount of benefit received from the transportation system. Bend's existing license fee structure is a flat fee and does not consider a business's size or profitability.	Increased business license fees will likely face opposition from the business community. Increasing the business license fee would not require a public vote.	$ Bend's current business license fee generates approximately $300,000 per year.
Parking fee	Parking revenues can be raised from both operations (e.g., parking meters or permits) and fines. Current parking revenue supports the Downtown Parking Fund, which is used to cover the costs of administering the parking system, maintaining the parking infrastructure, and providing sufficient capital to cover improvements. Bend has no on-street metered parking downtown, but drivers can pay to park for a longer amount of time at the Mirror Pond lots and the public parking garage. Bend also has an employee parking permit program, with rates ranging from $20 to $50 per month. The 2017 Downtown Strategic Parking Management Plan recommended eliminating free parking at Mirror Pond Lots and Centennial Garage, and considering implementing on-street pricing downtown.	Parking fees are allowed in Oregon.	Revenue from parking fees is relatively stable and predictable. Expanding the use of metered parking would require additional staff and capital to enforce the parking policies. Parking revenues go to the Downtown Parking Fund. City practice is to use these funds for downtown parking-related projects.	Parking revenue is paid by roadway users, including tourists visiting downtown. However, the amount paid by each user is not directly proportional to the level of use or the impact on the system.	Parking fees are widely used by local jurisdictions and are generally politically acceptable, if unpopular. Adding parking meters to areas that previously had free parking is likely to meet with resistance. In general, people in most cities seem to accept their current level of parking fee structure: fairness and political issues arise when cities talk about big changes in parking programs or fees.	$ In FYE2018, revenue from parking generated $820,000 per year and are used for infrastructure maintenance, capital improvements, enforcement, and administration; there is not additional funding available to support transportation projects. A new City of Bend study will examine potential for revenue generation from new parking revenue sources.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Existing Funding Sources that Could Potentially Be Expanded						
Local Improvement Districts (LIDs)	An LID is a type of special assessment district where nearby property owners are assessed a fee to pay for capital improvements within the LID boundary. Local street infrastructure improvements that benefit specific properties in a defined area may be funded by LID assessments. LIDs do not apply citywide and are typically used at the neighborhood or sub-neighborhood level. If funds from other sources are available, an LID is not required to fund 100% of project costs. LIDs are most commonly initiated by property owners. If at least 50% of property owners sign a petition in favor of the LID, City Council can approve the LID. Once an agreement is reached on the portion of funding to come from the LID, the jurisdiction would sell a 10- or 20-year bond to finance the project, and the bonds would be repaid through annual payments by affected property owners within the LID. Bend Code 2.10.005 provides the governing rules and procedures to create a LID for funding street improvements.	LIDs are legally allowed in Oregon and have been formed in the past in Bend.	Capital projects including all modes of transportation are eligible to receive funding from LIDs. Revenue is fairly stable and predictable once enacted. LIDs have relatively low ongoing administrative costs, but can require significant effort to put in place. The City of Bend is discussing initiating one or more LIDs to connect homes currently on septic systems to sewer, which could create some of the enabling systems that would also be needed to support transportation LIDs.	LIDs are funded by nearby property owners in order to pay for capital improvements that improve property values. The charges established by the LID should be proportional to the benefits individual property owners will enjoy. New LIDs may pose financial burdens for fixed-income homeowners and particular businesses.	The creation of LIDs usually requires extensive political outreach to gain support from property owners who will be asked to voluntarily increase their tax burden. If property owners believe they will receive tangible benefits from the capital improvement and the costs are acceptable, then the political acceptability can be relatively high. If matching funds were available from another source, that could raise political acceptability and neighborhood interest.	$ The revenue capacity for LIDs is more of a political question than a technical question. If a LID covered enough assessed value, and had high enough rates, then it could generate substantial revenue for specific projects. But, due to political acceptability and the need for property-owner support, LIDs tend to be fairly humble. However, LIDs may be an attractive option for projects that are important to local residents but otherwise would not be priority projects for City funding.
Property tax: general obligation (GO) bonds	State law allows local governments to issue general obligation debt for infrastructure improvements. The GO bond is paid for by increased property taxes over the life of the bonds. GO bond levies typically last for 20 to 30 years for transportation projects and therefore must be approved by a public vote. In 2011, Bend voters approved a $30 million general obligation bond to fund various transportation capital improvements. Payments for this debt will complete in 2032. In FYE 2018, the GO bond tax rate was $0.18 per $1,000 of assessed value (or $70 per year for a home assessed at $400,000.)	The tool is legal and allowed in Oregon (ORS 287A.001-287A.145). Under state law, a city may not issue, or have outstanding, general obligation bonds that exceed 3% of the real market value (RMV) of the taxable property within its boundaries. The City's RMV for 2017-18 was $17.8 billion, providing for a legal debt margin of $533 million. The City is in compliance with its legal debt limitation.	GO bonds are among the most stable funding sources available, as the bonds are backed by the full faith and credit of the City. Property tax rates associated with GO bonds are not affected by Measure 5 tax compression. GO bond proceeds can only be used for capital projects, not operations or maintenance. Collection mechanisms already are in place for property taxes, so administrative burden is relatively low.	GO bonds are funded through property tax increases, with no direct connection to transportation users. However, the tax is subject to a public vote, which implies this tool could only be used in situations where the public believes it is a fair use of funds. GO bonds often include a package of projects that address different areas or needs, in order to generate broad support from residents.	Any new GO bonds require a public vote. Bend voters approved a $30 million transportation bond in 2011; this tax will be levied until 2032.	$$$ The amount of debt that Bend can issue is limited by statutory limits and city policy (to protect the city's credit rating).

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Property tax: local option levy	Local option levies are temporary property tax increases, approved by voters, to fund operations of local government services. Local option levies cannot exceed five years (10 years for capital projects), though they can be reviewed and extended indefinitely at five-year intervals, if the public continues to vote in favor of the levies. It is possible that a local option levy for maintenance and operations of transportation systems could be passed. The City of Bend currently has one local option levy of $0.20 per $1,000 that is used to support the fire department (or $80 per year for a home assessed at $400,000). This five-year levy was last renewed in May 2018 with 77% of the vote.	This tool is legal and allowed in Oregon.	Property tax revenues tend to be very predictable and stable. Local option levies can be used to fund operations or capital expenses. Collection mechanisms already are in place for property taxes, so administrative burden is relatively low.	Local option levies are funded through property tax increases, with no direct connection to transportation users. However, the tax is subject to a public vote, which implies this tool could only be used in situations where the public believes it is a fair use of funds.	Any new local option levy requires a public vote. Operations levies must be renewed every five years. Several cities in Oregon, including Bend, use local option levies to fund emergency services but they may be less attractive to voters when proposed for transportation funding, particularly for operations and maintenance costs.	$$$ About 28 cities have local option levies, and in FY 2014-15 they ranged from $.20 to $7.22. The average local option rate for cities with a local option levy was $1.29 per $1,000.
Urban renewal funding	Urban renewal diverts property tax revenues from growth in assessed value inside an urban renewal area (URA) for investment in capital projects within the URA to alleviate blight. Transportation projects are frequently included in urban renewal plans. Bend has two existing urban renewal districts: Juniper Ridge and Murphy Crossing. A new urban renewal district(s) could be created to fund transportation improvements in that area.	Urban renewal is currently legal (ORS Chapter 457). Among other stipulations, it requires public involvement at all stages, a plan identifying proposed projects, and accompanying analysis. There are statutory restrictions on the size of urban renewal areas (acres and assessed value), but Bend is well under these limits.	Establishing a new URA is a lengthy process. For projects to receive urban renewal funding they must be located within the URA boundary, be identified in the plan, and contribute to the alleviation of blight within the URA. Funding is constrained by the ability to increase assessed values within the URA to generate sufficient tax-increment financing (TIF) to service debt on long-term bonds.	The equity of urban renewal depends on the types of projects funded by this tool and the overall direct/indirect impact those projects have on low-income and vulnerable populations. A fair use of urban renewal would focus on projects that have a strong likelihood to stimulate new development in the URA and generate additional property tax revenue. Urban renewal does not raise taxes, so there is no additional burden to low-income households or small businesses.	Urban renewal does not require a public vote and does not increase taxes. Urban renewal can be politically contentious due to the impact on overlapping tax districts, and because of the perception that school districts are adversely impacted. The City of Bend views this tool as an opportunity, in suitable areas, to help achieve Bend's growth plan.	$$$ The funding available depends on the specific boundary of the urban renewal area and the anticipated growth forecast. A preliminary analysis found that a new URA in Bend Central District could generate $50 million in funding capacity over the 25-year life of the urban renewal area. The City of Bend is pursuing this as a potential option for this Opportunity Area.
Transportation utility fees (e.g. transit utility fee, street tree program)	A transportation utility fee applies the same concept as water and sewer utility fees. The fee is typically assessed to all businesses and households in the jurisdiction. The fee may be flat or based on estimated trip generation. A transportation utility fee could take a variety of forms, such as a road maintenance utility fee, transit utility fee (e.g., Corvallis), or street tree program. More than thirty Oregon cities have some form of transportation utility fee.	Transportation utility fees are legal and have been enacted in more than 30 cities in Oregon.	Because transportation utility fees are based on the number of households and businesses, revenue is predictable and grows in proportion to population growth. Transportation utility fees are typically used by jurisdictions to pay for maintenance rather than for capital projects, but there are no restrictions on use.	Fairness from a "user pays" perspective depends on whether the fee is flat (e.g., per household and business) or based on estimated trip generation. However, even with trip-generation models, fees are based on broad averages and are not directly tied to actual transportation usage. Transportation utility fees disproportionately affect lower-income households because they do not consider a household's ability to pay. However, rates are typically low ($5-$10 per single-family household per month).	Based on success in other cities, Oregon residents seem more amenable to transportation utility fees than to some other taxes. However, new fees and taxes are never popular. Depending on the specific rate structure, a transportation utility fee may face opposition from businesses with high trip generation. Under Bend's charter, enacting a transportation utility fee would require a public vote.[7]	$$$ The funding available depends on the rate. Of the 12 Oregon cities with a transportation utility fee and more than 20,000 people, median revenue in FYE 2014 was $1.3 million. Medford reported the most revenue from transportation utility fees, at $8.1 million. In Bend, a flat fee of $10 per household per month could generate about $4 million per year.

[7] Note: The version of this document that was presented at the FWG meeting had an error; it stated that this *would* require a public vote. FWG members noticed this and asked for a clarification. We discussed at the meeting that this was an error and we corrected it in this version of the document. This version is accurate.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Local seasonal fuel tax (city or county)	A fuel tax is a tax on the sale of gasoline and other fuels. Local jurisdictions in Oregon may enact their own fuel taxes, which apply in addition to state ($0.34 per gallon) and federal ($0.184 per gallon). Bend could enact a seasonal fuel tax to better target tourists and through-traffic. Newport and Reedsport both have seasonal local fuel taxes. In Newport, the tax is $0.03 from June – October and $0.01 from November – May. In Reedsport, the local fuel tax of $0.03 only applies from May to October, with no local tax the remainder of the year.	Local gas taxes are currently legal and have been enacted by more than 25 cities and counties in Oregon, including Sisters; rates range from $0.01 to $0.10 per gallon. As with all funding tools, the legality of local fuels taxes could change. In 2009, the state imposed a five-year moratorium on the creation of new local fuels taxes.	A seasonal gas tax targeted at tourists would be more vulnerable to economic downturns. As vehicles become more fuel-efficient over the long-term, gas tax revenues will decline. Gas tax funds could be used for a variety of transportation uses, including operations, maintenance, and capital projects. Motorists already pay federal and state motor fuel, so the levy would not impose a new type of tax. In Oregon, local fuels taxes are typically administered by the state.	Local gas tax revenue is paid only by users of the transportation system, and the amount of tax paid is generally proportional to the amount of use. However, non-motorized users (e.g. bicycles and pedestrians) do not pay fuel tax while using these transportation modes. Also, the amount of fuel used is not directly proportional to the cost a user imposes on the system. As property costs rise within Bend, more area residents and businesses (particularly those with lower incomes) are locating farther from the center of town. A local gas tax could disproportionately impact these people.	In 2016, Bend voters rejected a local gas tax of $0.05 per gallon that was expected to generate approximately $2.5 million per year. The measure lost by a nearly 2-to-1 margin. A seasonal fuel tax may be met with greater public support since it would capture revenue from tourists as well as residents. Better outreach, including the potential tax as a ballot measure during a regular election, and having a well-defined set of initiatives could help this to be more successful. In Portland, a gas tax was proposed several times before it was approved.	$$ The $0.05 gas tax that was proposed in 2016 would have generated $2.5 million per year. A seasonal fuels tax and/or a lower tax rate would generate less revenue.
County vehicle registration fee	Vehicle registration fee is a recurring charge on individuals that own cars, trucks, and other vehicles. In Oregon, counties (but not cities) can implement a local vehicle registration fee. Fees are limited to $43 per vehicle, charged every two years. The fee would operate similar to the state vehicle registration fee. A portion of a county's fee could be allocated to local jurisdictions.	There are no legal barriers to implementing vehicle registration fees. This tool, however, can only be implemented by counties, and not by cities.	Vehicle registration fees tend to be a fairly stable and predictable source of revenue. There is already a system in place to collect statewide vehicle registration fees, which could be used to collect local (County) fees as well. There are no restrictions on the use of vehicle registration fee revenues.	Vehicle registration fees are only paid by individuals and businesses that own automobiles, which is a rough approximation of the population that will use the transportation system. Vehicle fees disproportionately affect lower-income households because they do not consider a household's ability to pay. However, the maximum fee would still be relatively low (less than $2 per month per car).	The public tends to view all new taxes as unpopular. A new county registration fee would likely require a public vote.	$$$ In 2017 there were 244,000 vehicles registered in Deschutes County. Enacting a fee of $43 every two years could generate more than $5.2 million per year. However, revenue sharing between Deschutes County and cities would need to be determined.
Payroll tax	A payroll tax is a tax on wages and salaries paid by employers or by employees as a payroll deduction. A payroll tax generates revenue from people who work inside an area, even if they live outside of the area in which the tax is applied. Employers, including those out-of-state, are required to pay payroll tax on employees who work in the area, including telecommuters. Low rates (<1%) have potential to generate substantial levels of revenue. Payroll tax revenue can be used for operations and maintenance expenses associated with the transit systems. Payroll taxes are used by TriMet, Lane Transit, Canby Area Transit, Sandy Transit, Wilsonville SMART, and South Clackamas. The State of Oregon recently passed a statewide 0.1% payroll tax to fund transit services (HB 2017).	There are no legal barriers to implementing a payroll tax.	Payroll taxes are relatively stable, though dependent upon larger economic trends. Administration costs could be fairly low, depending on implementation. For HB 2017, employers are required to withhold and report payroll tax. Oregon Department of Revenue administers TriMet's payroll tax. Payroll taxes can only be used to fund transit operations and maintenance.	Payroll taxes do not have a direct link to the amount of benefit received from the transportation system. Bend residents who are unemployed, retired, or work outside of Bend do not pay this tax.	Although several cities in the Portland area and Willamette Valley use a payroll tax, it has not been a popular tool elsewhere in Oregon. A new payroll tax would require a public vote and would likely face public and business opposition.	$$$ Because payroll taxes are broad-based, low tax rates have the potential to generate large amounts of revenue. In FYE 2017, Lane Transit District generated about $32 million from a payroll tax of 0.72%.
Advertising/naming rights	Transportation systems can raise revenue by selling advertising space to businesses and non-profits. Opportunities for advertisements include on benches, buses, or stops.	Potential legal barriers could include first amendment issues, including potential challenges relating to the City's regulation of speech (commercial and otherwise) and what advertisements may be placed where.	Successful advertising campaigns are usually facilitated by a third-party advertising vendor, which raises administrative costs. Controlling the content of the advertising can be difficult and contentious. Advertising revenue is unrestricted and could be used for operations, maintenance, or capital costs.	Advertising is funded on a voluntary basis by businesses.	Political acceptability is typically high, as this does not impose any new costs on residents or businesses.	$ Advertising revenue is generally quite small.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Tolls	Tolls are charges for users to access a particular road. Tolls are most appropriate for high-speed limited access corridors, service in high-demand corridors, and bypass facilities to avoid congested areas. Toll revenue can be used for capital projects (through use of toll-backed revenue bonds) or maintenance. Congestion pricing, where drivers are charged for the trips they make based on location and time of day, is an efficient policy for dealing with congestion. Charging tolls at peak travel times can reduce the number of trips and reduce the need for costly roadway expansion projects. Tolling can also be implemented on specific lanes on a highway through a high-occupancy toll lane (HOT lane). Carpools and transit can use HOT lanes for free; all other vehicles must pay a toll.	Tolling is allowed on Oregon roads to fund transportation projects. In 2009, the Oregon Legislature passed legislation requiring transportation officials to develop a congestion pricing pilot program (toll) to study the effect on traffic congestion in the Portland metro area.	Oregon has no tolled bridges or highways, and there is no organizational structure in place to deal with tolling. Administration and compliance costs for tolling are greater than for motor fuel taxes. These costs can be reduced greatly through electronic toll collection, but again, no system for electronic tolling has been established in Oregon and implementing such a system would be costly and time consuming. Traditionally tolls are used to finance individual projects; the jurisdiction issues a revenue bond backed by projected future tolling revenue. However, there are no restrictions on use.	Tolls have a strong connection between the fees paid and the benefits received by users. As property costs rise within Bend, more area residents and businesses (particularly those with lower incomes) are locating farther from the center of town and also to neighboring communities. Introducing a toll on a highway leading into Bend could disproportionately impact these people.	Toll roads are nonexistent in Oregon and likely would not receive public support unless the benefits (improved access, safety, or decreased travel times) were clearly perceived by users. However, tolls for new limited-access facilities might be more acceptable.	$$$ Tolls on highly-used facilities have the potential to generate substantial revenue.
Sales tax	A tax on retail sales, typically added to the price at the point of sale. Oregon does not currently have a sales tax, though state law does not preclude cities from adding one of their own. It is possible for a jurisdiction to adopt a sales tax on specific items, such as prepared foods or transportation-related items. Bend's charter requires a citywide vote on any direct sales tax.	Nothing in the Oregon Constitution or Revised Statutes currently prohibits local jurisdictions from implementing a sales tax on transportation-related goods. Bend's charter requires a citywide vote on any direct sales tax.	A general sales tax would be relatively stable and predictable, though (as with many other funding sources) it would track with broader economic trends. A sales tax targeted towards a specific sector (e.g., tourism) would be more vulnerable to revenue swings. Adopting a sales tax would require new staff to oversee the system. Other than the hurdles with implementation, the tax could be administered relatively affordably. Sales tax revenue could be used for operations, maintenance, or capital expenses.	A general sales tax is considered regressive because low-income people pay a higher percentage of their income than high-income people. The fairness of a sales tax from a “user pays” perspective would depend on how it is applied. By applying the tax only to goods and services related to transportation, there is a stronger connection between the benefits received and taxes paid.	Sales taxes are traditionally unpopular in Oregon. Statewide, numerous sales tax proposals have been defeated at the polls by wide margins. A popular vote would be required to enact a sales tax in Bend. However, sales tax on specific goods are viewed as more politically acceptable than broad-based sales taxes, this is particularly true for taxes that are perceived to be paid mostly by non-locals, like a rental car tax. Other Oregon cities with a sales tax on prepared foods and nonalcoholic beverages include Ashland (since 1993; 5%) and Yachats (since 2007, 5%). No Oregon cities currently have a general sales tax.	$$$ A broad-based sales tax could generate substantial revenue. For sales taxes applied to more specific goods, revenue capacity would vary. The narrower the tax, the smaller the potential revenue.

Draft Funding Work Group Meeting #1 Summary

MEETING DATE: Thursday, June 7, 2018

MEETING TIME: 2:30-5:00 pm

LOCATION: Council Chambers at Bend City Hall

Meeting Overview

The Funding Work Group (FWG) approved the Charter and developed understanding and agreement about the process, timeline, format, and dates for FWG meetings. The FWG reviewed information about previous funding plans, alternative approaches, and potential funding sources, and they discussed methods and potential criteria for evaluating funding sources. Finally, the group determined dates and times for the next three FWG meetings.

Attendees

CTAC Members: Ruth Williamson, Nicole Mardell, Dale Van Valkenburg, Katy Brooks, Steve Hultberg, Mike Riley, Suzanne Johanssen, Richard Ross, Karna Gustafson

City Representatives: Emily Eros, Transportation Planner; Brian Rankin, Planning Manager; Sharon Wojda, Finance Director; Camila Sparks, Budget and Financial Planning Manager; Russ Grayson, Community Development Director; Elizabeth Oshel, Associate City Attorney; Tyler Deke, MPO Manager; Susanna Julber, Senior Policy Analyst; Casey Roats, Mayor; Eric King, City Manager; David Abbas, Streets and Operations Director

Consultants: Bob Parker, ECONorthwest, Joe Dills, APG

Agenda

1. **Welcome, introductions, agenda overview, potential opportunity for public comment**

   Casey Roats, Mayor, and Eric King welcomed the group.

2. **Funding Work Group charge and process, legal briefing, and work plan**

The Work Group went over the charter and approved it. Elizabeth Oshel, Associate City Attorney, summarized conflict of interest rules and explained how and when to declare potential conflicts of interest. Emily Eros, Transportation Planner, summarized the work plan and highlighted the differences between the MPO funding plan and the TSP funding plan.

3. Overview of funding plans and funding sources

Joe Dills, APG, framed the agenda item, with Emily walking the group through the presentation and discussing the previous funding plans and the differences between them. In summary, developing a funding plan involves several key steps: forecasting funding from existing sources, comparing funding needs to what is available, identifying and evaluating additional funding sources, developing packages of funding options, and assessing funding packages. The next FWG meeting in July will focus on narrowing the

list of most promising funding sources. In order to do this, the group had an initial discussion about evaluation criteria. In October we'll be looking at packages of projects and funding. By next April, draft TSP and draft MTP for review, with this work group's products built into the funding chapter.

Questions and discussion points:

- How does the FWG process fit w/ what is going on w/ CTAC and SC (see meeting packet, page 8)? Mike Riley asked when we figure out how we move the estimated gap to the real gap? Joe clarified that we need a project list from CTAC, which will come in spring 2019 and that the projects will be prioritized by the full CTAC but providing a recommendation for how to pay for them is the FWG's role.
- Emily asked about meeting logistics. The group determined that receiving the meeting packet a week ahead of time will allow enough time to prepare, though additional time would be appreciated if the packet is really large. The group discussed how it will share and approach information and independent research; they determined that they can send materials to Emily and she will distribute/post as needed. For public comments, the group decided to approach this the same way that they do at CTAC, asking for comments at the beginning and end of the meeting.
- The group brought up SDCs and had a discussion about this. Russ Grayson explained the fiscally-constrained project list concept; the cost estimate for all projects on a fiscallyconstrained project list must equal the amount of projected SDC revenue, based on a particular level of SDC fees. This requires that an initial complete list of projects must be prioritized into a fiscally-constrained list. Katy clarified it is worth having a constrained and unconstrained list. Then you can have projects in a queue on a list for funding. Emily discussed the four potential funding sources that were identified in the previous TSP and noted what steps the City took for each and why these sources did not come to fruition. Steve Hultberg asked about the Transportation Utility Fee and noted that Corvallis was able to impose it on trip generation for commercial uses vs. residential uses - ECO will look into this for more information. Regarding potential funding sources identified in the last TSP, Richard says he hopes that the past ideas that were not successful won't be thrown out.
- The group discussed what we can learn from previous funding plans. Emily noted that we can better coordinate the MTP and TSP now, with this update, and that Bend's sensitivity to economic changes (since it is very reliant on SDCs for transportation capital funding) meant that recessions will affect SDC revenue very severely. Ruth noted and Katy confirmed that we have a different economic profile than we did in 2008. We are continuing to advance in the tech sector and OSU Cascades, diversifying.
- The group expressed concern that we are vulnerable being heavily reliant on SDCs. Also our property taxes are very low compared to other communities, Sharon clarified. Katy Brooks asked for info on the split of other communities' sources of funds for transportation improvements and maintenance.
- Karna noted that lots of jurisdictions have moved to private streets. Russ said the policy direction is that even if you're building them privately, you have to build to city standards.
- Joe asked about any other lessons learned. He brought up the Westside Consortium. Karna asked about the SDC credits and Russ clarified that the project list includes cost estimates, but the developer is credited the actual cost they spent on the project.
- Nicole Mardell noted the importance of equity and having a good combination of projects of different modes. She brought up the importance of including a good suite of projects and relating them to CTAC goals. Mike echoed that we need to ensure that bike and pedestrian projects are getting equal treatment in prioritization and policy so that those projects get built. He also noted the importance of geographic equity.

- Emily gave a brief overview of transportation SDCs in general and discussed the current SDC increase process. On June 20th, City Council will consider an SDC increase from the current amount ($5,285 per peak hour trip) to $6,800 per peak hour trip (which is what is charged on one single-family home). We'll be updating the whole SDC methodology in the next couple of years because the growth/reimbursement shares need to be updated for the current UGB growth model. The FWG won't be involved directly in that, but they will be kept apprised of the process and, as with any other existing or potential funding source, the FWG can consider whether this funding source could be enhanced, given political and economic considerations and the funding evaluation criteria that the group will discuss. The group compared other cities' SDCs and discussed differences in methodology. Also touched on supplemental SDCs as a possibility for certain areas in town. Suzanne Johanssen explained her experience as a City Councilor and the implementation of the first Transportation SDC.
- Dale asked about the TSDC list the cost of the full list was estimated at $124 million then and updated cost estimates place it at $308 million now. Why? Emily explained that the cost of materials has increased, but largely the increase comes from a very high increase to the cost of labor in the current economy (where there is a labor shortage) compared to a labor surplus in 2010 when the cost estimates were first developed. Updated design standards are another key factor; the standards to which features like roundabouts are built have increased, which means that costs have also increased. Finally, increased information plays a role – we have a much better idea of what it costs to resurface a former county road after completing local projects of that nature.

Break- 3:50-4:05

4. Initial discussion about evaluating funding options (methods and criteria)

Bob walked the group through the presentation slides, which covered types of funding sources and included material regarding funding sources that include visitors instead of just residents, which was something that CTAC members asked about in CTAC meeting #2. These included, for example: Transient Lodging Tax and fees/taxes on short term rentals, car sharing, vehicle rentals, food and beverages, etc. Bob noted that Newport and Reedsport have seasonal fuel taxes that are higher during summer months.

Bob discussed initial themes for evaluation criteria: efficiency, legality, fairness, political support. He also showed three examples of funding matrices, which have to do with how materials are presented so that funding sources can be evaluated. These materials are in the slide presentation.

Discussion points and questions:

- Richard Ross- asked about Registration Fee (Multnomah County for the bridge). Local Street Improvement Partnership. Transit operation fees (Corvallis, Missoula). Richard suggested innovative funding sources that may drive performance.
- Karna asked about #6- South Hillsboro- supplemental SDC paid over time. SDC and then also LID so payment over time.
- Mike pointed out things that are important: how to pay for tourism's impacts and transit. He noted that we can't rely on property taxes only and advocated fora combination of funding sources. He asked about payroll taxes. He also asked how we might get at that issue of the different uses and the need for trips. He commented that stability seems like a very important theme to add as a dimension for evaluating funding sources and packages, especially for our community.
- Katy – under the fairness/equity dimension, she would like the group to consider potential adverse impacts to the economy. We need to think about that. For example, a payroll tax

would have effects on local businesses, so would taxes on food, etc.) Katy explained that we need to weigh these types of impacts on businesses as the group considers funding packages.

5. Public Comment

Anne Marie Carlucci (unsure on spelling) talked about the range of different developers and development approaches, and that the Funding Plan should anticipate implementation for both small, medium and large developers/projects.

6. Scheduling next meetings, close/initial discussion of next meeting

The group decided on the following dates and times for future meetings, and Emily will schedule these:

- FWG#2: July 24, between 10am and 3:30pm (exact time later determined as 10-12:30)
- FWG#3: September 12, 3-5:30pm
- FWG#4: October 10, 1-3:30pm

Appendix C: Funding Workgroup Packet #3

MEETING DATE: Thursday, September 20, 2018

MEETING TIME: 2 pm – 4:30 pm

LOCATION: City Council Chambers, 710 NW Wall Street

Objectives

- Review of funding packages and information on funding tools
- Direction on refinements to the packages to be included in the Initial Funding Assessment
- report
- Initial discussion and direction regarding the strategies to be included in the Initial Funding Assessment report

Agenda

1. **Welcome, approval of previous meeting minutes, where we are in the process, and opportunity for public comment (15 minutes)**

   Please see attached minutes from FWG 2. Staff will describe where we are in the process, the steps for the next two meetings, and the intended outcomes for this year. The facilitator will check in with visitors to see if there is a request for public comment at the beginning of the meeting (on agenda topics).

2. **Discussion of Funding Packages (information, 60 minutes)**

   This informational agenda item is a continuation of the FWG's review and discussion of funding tools, and how they have been used in the draft packages. Each item below will have a brief presentation, followed by discussion.

   a. Overview - the Funding Packages, why are we reviewing them, and how they were created
   b. The findings – revenue capacity and funding details for each package.
   c. Discussion of key assumptions
   d. The findings – what we have learned

3. **Refining the Packages and Setting Direction for the Initial Funding Assessment (action: direction to staff, 60 minutes)**

   For this item, FWG members are asked to have some thoughts in mind about the questions below. We will record feedback on easel pads and then summarize the direction to the team.

   a. Initial reactions to the Funding Packages - likes and dislikes

b. What are the refinements that should be included in V2 of the packages and documented in the IFA?
c. What are the high level strategies that should be included in the IFA?

4. **Public comment (10 minutes)**

   Three minutes per person at the discretion of the committee

5. **Next steps and adjourn**

Accessible Meeting Information

This meeting/event location is accessible. Sign language interpreter service, assistive listening devices, materials in alternate format such as Braille, large print, electronic formats and audio cassette tape, or any other accommodations are available upon advance request. Please contact Cassie Walling at cwalling@bendoregon.gov or 541.323.8514. Providing at least 3 days notice prior to the event will help ensure availability.

Evaluation of Short-Listed Funding Tools and Potential Funding Strategies

PREPARED FOR: Bend Transportation Plan Funding Work Group

COPY TO: Project Team

PREPARED BY: Lorelei Juntunen, Kate Macfarlane, Sadie DiNatale, and Korinne Breed (ECONorthwest)

DATE: September 13, 2018

Overview: The packet, the process, and what's next

At its last meeting in July, the Funding Work Group (FWG) reviewed a variety of potential funding sources and participated in a ranking exercise to identify which funding tools the FWG considers most suitable for funding Bend's needed transportation projects and priorities. Eight funding tools emerged as most suitable; the FWG also asked the staff and consultant team to consider a local option levy for operations costs if paired with a general obligation (GO) bond for capital costs.

Since the July meeting, the staff and consultant team has worked to develop further information about the dimensions of each of the short-listed funding tools, including how they may be applied and what their maximum revenue potential might be. We considered how the tools would interact with one another. We also reviewed existing plans, project lists, and costs in order to develop a reasonable placeholder amount for how much funding Bend will need for its 20-year capital and annual operations and maintenance (O&M) needs. The actual needs will be developed by CTAC during spring 2019, but in the meantime, the FWG needs a temporary placeholder to support consideration of various approaches and identify a strategic direction to funding transportation needs, regardless of which projects and programs may be selected.

This information and analysis served as a basis for the team to develop four funding packages that consider what new tools could be used to fund Bend's transportation plan. The BTP's eventual implementation plan will estimate revenue from a number of state and federal sources that are typically used to fund transportation projects, but new local revenue will also be needed. At its September meeting, the FWG will discuss a number of distinct funding *packages*, or combinations of *new* revenue tools that can add to state and federal sources to create an implementable BTP. City staff and the consultant team developed these packages to support a policy conversation about funding strategies, building from the results of prior Funding Work Group conversations.

Each package generates the same placeholder amount for 20-year capital ($450 million) and annual operating and maintenance ($10 million) needs. The packages vary in how the funding is generated, and what overall approach they take. For example, one package aims to fund transportation in a simple and straightforward way, using as few funding tools as possible. Another funding package includes several funding tools and is designed so that all components of the community are contributing to transportation funding. Another package strives for resilience by using funding tools that are less subject to economic fluctuations and do not require public votes for renewal. The components of these packages will be revised based on the specific projects and priorities that CTAC develops. Our intent in the meantime is that the FWG can discuss different approaches to inform which strategy may be most suitable for Bend, regardless of what specific projects are selected.

After developing themes for the funding packages, we populated them with funding tools based on the tools' characteristics and potential revenue estimates. These are an initial example of how the packages might look. The packages and their themes are meant to highlight distinct policy choices for the Funding Work Group. They are intended to help the FWG begin a robust conversation about policy choices and prioritize the use of tools in combination, taking into consideration the many dimensions of the different funding tools. We have noted the advantages and risks of each package and included comments about potential revisions that the FWG may want to consider – such as tools that could be increased, decreased, or substituted for a different tool. At the September meeting, we will seek the FWG's input regarding additional information needs and appropriate modifications to a revised set of funding packages, and discuss which emerging strategies to recommend to CTAC.

Going forward, the information that the FWG has reviewed and the discussions it has had will be written up into a report, the Initial Funding Assessment (IFA), to be reviewed by the FWG in October. The purpose of the report is to document our progress and recommendations so far, to inform CTAC and the Steering Committee discussions in November and December 2018. The IFA will include this first version of the funding packages and will capture the FWG's reactions, comments, and desired revisions for the packages. It will also recommend funding strategies that the FWG sees as the foundation for the BTP funding plan. We will gather additional input from CTAC and the Steering Committee and will then wait for CTAC to develop its list of priority projects and programs in 2019.

That IFA will be used for further analysis when the BTP projects and project costs are updated in 2019. At that time, the strategy will be revisited, refined as needed, and crafted into the funding plan for the BTP. The FWG's suggestions and revisions will be incorporated during this process.

When reviewing this packet, please consider the following questions:

- Funding packages:
  - What elements of these funding packages do you want to see as part of the IFA? Why?
  - What elements of these funding packages do you **not** want to see included in the IFA?
  - What elements of the funding packages seem politically practical?
  - What questions remain unanswered?
  - What is the maximum number of new funding tools and property tax increases for bonds that is politically practical?
- Revenue capacity of short-listed funding tools:
  - For each tool, is the rate used to estimate maximum feasible revenue capacity realistic and politically practical?
- Strategic direction
  - What are the high level funding strategies that should be included in the IFA?

Packet Contents

This packet provides technical and qualitative analysis to support the Funding Work Group's conversation, as follows:

(1) **Dimensions of short-listed funding tools.** Presents the funding tools that could be used to provide additional funding and describes a set of dimensions that limit the applicability of each tool. These funding tools were short-listed at the previous FWG meeting on July 24th.

(2) **Funding packages.** Summarizes the four funding packages under consideration, considers their advantages and risks.

(3) **Estimates of revenue capacity for short-listed funding tools.** Presents estimates of maximum revenue capacity of each funding tool and provides details of ECONorthwest's analysis. This material documents the analysis and forecasting that were completed. By establishing an upper bound for each funding source, this section will serve as a reference for how funding tools can be adjusted (increased, decreased, or substituted) depending on the funding strategy and packages under consideration.

Funding Tools: Dimensions Matrix

The BTP will require more than one funding tool, and the interactions among the tools are important to consider. Different combinations of tools might provide the same total amount of funding, but vary greatly in terms of *how* they generate that amount. There are many dimensions to assess, including:

- The amount of revenue each can generate (and over what time period?)
- How the tool is authorized and implemented (Does it require a vote? Does it require renewal on a known increment of time?)
- What kinds of projects it can fund (transit, pedestrian safety, operations and maintenance?)
- Who pays (new growth, visitors, all Bend property owners?)
- Geography (is the tool available regionally, only in the City, or in some sub-section of the City?)

These dimensions determine the application of the tool and the role that it might play as part of a larger funding package.

Figure 1. Dimensions of short-listed funding tools

Dimensions	TSDCs	LIDs	Urban renewal[8]	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Transportation utility fee (TUF)	Local option levy
Suitability for different project types									
Transit									
Operations & maintenance (O&M)	No	No	No	No	Yes	No	Yes	Yes	Yes
Capital	Yes[9]	No	Yes	No	Yes	Yes	Yes	Yes	Yes
On-going programs	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Roadways									
O&M	No	No	No	Yes	Yes	No	Yes	Yes	Yes
State highway (capital)	Yes	No	Yes	Maybe	Maybe	Yes	Maybe	Maybe	Maybe
City arterial (capital)	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City collector (capital)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Infill retrofitting (capital)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
On-going programs	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Geographic extent in which the funds from each tool could be used									
Once collected, funds can be used across locations & projects (i.e. funds are **not** restricted to certain projects/geographies)	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Who pays? (Who bears the financial burden of this tool?)									

[8] Urban renewal is difficult to classify because the funds are directly paid by property owners but they would normally have been directed towards the City and other taxing jurisdictions. For this reason, the matrix indicates that the financial burden is borne by taxing jurisdictions rather than existing businesses. This process is explained in more detail later in this document.

[9] TSDCs can be used for transit capital expenses if those projects are part of the TSDC project list and conform to the adopted TSDC methodology. Bend does not currently have any projects of this nature on its TSDC project list.

Dimensions	TSDCs	LIDs	Urban renewal[8]	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Transportation utility fee (TUF)	Local option levy
Existing residents (regardless of whether they own property)	No	No	No	Yes	Yes	No	Yes	Yes	No
Property owners (residential or other types, regardless of whether they live in Bend)	No	Yes	No	No	No	Yes	No	No	Yes
Existing organizations who are exempt from property taxes (e.g. hospitals)	No	Yes	No	Yes	No	No	Yes	Yes	No
Exclusively by new growth (i.e. does not include existing residents, etc.)	Yes	No	No	No	No	No	No	No	No
Other taxing jurisdictions (through foregone revenue)[10]	No	No	Yes	No	No	No	No	No	No
Existing businesses (regardless of whether they own property)	No	No	No	Yes	No[11]	No	Yes	Yes	No
Fees are based on trip generation, system usage, or benefits from the system	Yes	Yes	No	Yes	No	No	Yes	Maybe	No
Tourists and other visitors	No	No	No	Yes	Yes	No	No	No	No
"Commuters"[12]	No	No	No	Yes	Yes	No	No	No	No
Logistics									
Public vote required	No	No	No	Yes	Yes	Yes	No	No	Yes
Regular renewal needed	No	No	No	No	Yes	No	No	No	Yes

[10] Urban renewal is difficult to classify because the funds are directly paid by property owners but they would normally have been directed towards the City and other taxing jurisdictions. For this reason, the matrix indicates that the financial burden is borne by taxing jurisdictions rather than existing businesses. This process is explained in more detail later in this document.

[11] Businesses who purchase prepared food and non-alcoholic beverages would pay this tax, but it is likely not a significant budget item for many businesses in Bend.

[12] "Commuters" are residents of surrounding areas who work in Bend or travel here for services but do not live within the city

Dimensions	TSDCs	LIDs	Urban renewal[8]	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Transportation utility fee (TUF)	Local option levy
Impacts to other taxing districts	No	No	Yes	No	No	No	Yes	No	Yes
Opt-in	No	Yes	No	No	No	No	No	No	No
Council action only	Yes	No	No	No	No	No	No	Yes	No
Magnitude of Funding									
Magnitude	$$$	$	$$$	$$	$$$	$$$	$$$	$$$	$$$

2. Developing the Funding Packages

These pages present four distinct hypothetical funding *packages*, or combinations of *new* revenue tools that can add to state and federal sources to create an implementable BTP. Each package uses a different combination of tools to generate the **same total amount of revenue and fund the same assumed mix of projects** while emphasizing the dimensions that contribute to the theme. City staff and the consultant team developed these packages to support a policy conversation, building from the results of prior Funding Work Group conversations.

The packages presented here are designed to illustrate policy choices and support FWG learning and conversation. They are not intended to be complete or final funding solutions. Because the final list of projects and costs is not yet available, it would be premature to identify a specific package. The staff and consultant team will take note of the FWG's feedback and preferences during the September FWG meeting. These comments and suggested modifications will be written into the IFA. Once CTAC has identified priority projects and programs, the FWG will then be able to revisit the potential funding strategies (tailored to the needs agreed on by CTAC and modifications requested by the FWG) and work towards making a recommendation.

Background assumptions: Placeholders used for funding needs

Among the purposes of the funding package exercise is to begin to understand the combined revenue potential of various packages to inform preliminary prioritization of tools. Because we do not yet have a list of projects and priorities from CTAC, we needed to develop a reasonable placeholder for capital and O&M funding needs. To do this, we have designed packages that all attempt to fund the same target amounts.

The target (placeholder) used for total 2020-2040 capital needs is **$450 million** (2018 dollars). This number was determined by the City and reflects the cost to complete all projects on the MTP fiscally-constrained plan, the SDC project list, and unfunded maintenance needs that have turned into capital projects. The eventual cost of projects that will need to be funded through the BTP could be somewhat lower than this amount. (It is unusual for a TSP to fully fund all projects; TSPs typically focus on a subset of 'fiscally constrained' projects that are critical to transportation system success.) Or, it could be somewhat higher after new projects are added. However, we believe it is a reasonable starting place and basis for discussion of funding packages.

Expansion Areas: It should be noted that the current placeholder of $450 million of capital needs does *not* include new infrastructure required for Bend's expansion areas (unless there was an existing need and the project is already on the TSDC or other project list). When the UGB expansion was approved in 2016, the TSP was updated to document the specific projects and costs that would be necessary to support full build- out of the expansion areas. The TSP financial plan (section 9.6 of the 2016 amendment to the TSP) states that the strategy or method for funding groups of these projects will be determined at the time of annexation as part of an area plan or master plan. The financial plan further states that a combination of funding strategies may be used, and it lists two specific examples: expansion area supplemental TSDCs, and sub-area or district contributions (which include developer contributions). The current TSP financial plan does not indicate a public funding source for the expansion areas, nor are they part of the current TSDC project list. The cost of transportation projects needed for the expansion areas would require approximately **$149.4 million in additional capital funding** ($123.8 million for new roadway projects and $25.6 million for modernization projects).

The FWG will have an opportunity at a later date to review this matter in detail and make a policy recommendation about how to approach funding for the expansion areas' transportation

needs. We would like the FWG to specifically consider how the City could approach projects within the expansion areas (i.e. should some portion of the expansion area projects be publicly funded? If so, what portion or project type would be appropriate to fund?). This would provide input for a citywide policy. There is not sufficient time to address this question at the September and October FWG meetings. Therefore, we would like to hold an additional session with the FWG during winter 2019 in order to present background information, review case studies of how other cities have approached similar situations, and gather input from the FWG as to what might be an appropriate funding policy for these areas. There will be time to gather this input before a second version of the funding packages is developed during summer 2019; the FWG group is not bound to the current assumptions we have made for the purposes of creating this packet.

Operations and Maintenance (O&M): The funding packages all assume annual O&M expenditures of **$10 million per year** (2018 dollars). This estimate was determined by the City based on historic O&M spending, which averaged $8.6 million per year from 2007-2018. We increased O&M spending to $10 million to account for historic underfunding and additional maintenance costs associated with new capital projects. As with the capital cost estimate, this number is a preliminary placeholder used to facilitate discussion of funding packages and tools. It is not a detailed forecast or recommendation.

In particular, the $10 million estimate does not include the following needs, some of which have been identified but do not yet have cost estimates:

- Bridge maintenance program
- Signal program: maintenance, timing updates, design/construction to rebuild signals, and new RRFBs. Some of these costs are maintenance and some are capital.
- Signage: the City's inventory is growing and there may be a backlog of deferred maintenance
- Overhead lighting: improvements to intersection lighting, lighting at crosswalks, lighting along key walking corridors, replacing existing heads with LEDs, etc. Some of these costs are maintenance and some are capital.
- Striping/pavement markings: annual costs are likely to increase significantly due to overall system size increase and the desire for more bike/pedestrian striping (including buffered bike lanes, sharrows, bike boxes, crosswalks, etc.)
- Sidewalk program: could include infill and reconstruction

There may also be additional needs for ADA projects (particularly ramps) and drainage maintenance. These are areas the City will consider further in order to refine its estimate of O&M needs; this will be refined as part of the revised funding packages.

The Funding Packages

Based on the above assumptions, we developed four funding packages intended to meet the placeholder targets for capital and O&M needs. Each of the funding packages covers the period from 2020-2040. Each package funds all modes of transportation and includes funding tools that can be used for capital, operating and maintenance (O&M), and programs. However, the packages differ in the mix of tools used, in who bears the financial burden, and in other key dimensions that are described in the funding matrix in Figure 1. The funding packages and their tools are shown in Figure 2.

Figure 2: Funding packages and the tools they include

Funding package	TSDCs	LIDs	Urban renewal	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Local option levy	TUF	Existing sources
1. Users pay Emphasize funding tools linked to transportation usage, impacts, or benefits	Yes	Yes	Yes	Yes			Yes		Yes	Yes
2. Simplicity Use as few funding tools as possible; emphasize a primary funding tool for capital and operations			Yes			Yes		Yes		Yes
3. Resilience Emphasize year-to-year stability and tools that do not require renewal and that are less subject to market cycles		Yes	Yes			Yes	Yes		Yes	Yes
4. Balance Aim for a balance of multiple funding ,tools with all components of the community contributing to costs	Yes		Yes	Yes	Yes	Yes			Yes	Yes

Because the City is beginning a process to develop a potential new urban renewal area in the City's downtown core, urban renewal is included in all four funding packages.

Regardless of which new tools are eventually selected, existing federal and state revenues will be an important part of the funding plan. Each package includes a preliminary estimate of revenue that could be generated through existing funding tools:

- $150 million for capital projects over the forecast period (2018 dollars). This includes revenue from SDCs, utility franchise fees, and federal sources. We have shown the difference in amounts between existing sources that are restricted to transportation usage, and existing sources ($28.6 million in franchise fees) that could be redirected towards other City needs if additional transportation capital funding were available, exceeding the $450 million placeholder target.
- $8 million per year for O&M (2018 dollars). This includes revenue from the general fund (assumed to be $2 million per year) and the State Highway Fund (SHF). Higher O&M funding from other tools could reduce the need for the general fund subsidy, allowing these funds to be redirected to other needs, such as public safety.

These estimates are included for illustrative purposes only and should be considered placeholders. While we believe we are in a reasonable range with these estimates, detailed projections of revenue from existing tools are still in progress. The Initial Funding Assessment (to be prepared for the FWG's next meeting) will include more analysis and discussion of revenue from existing mechanisms.

Figures 2 and 3 summarize how each funding package uses different tools to reach the placeholder targets for total capital and O&M funding amounts.

One important input into the funding packages is assumptions about the maximum revenue potential of each funding tool. Section 3 of this meeting packet provides details of the methods and analysis used to determine maximum revenue potential. A funding package may not require the maximum amount possible from each tool to fund the target amounts for capital and O&M. For example, the legal maximum amount that Bend could levy in a general obligation (GO) bond is $500 million. None of the packages reach that maximum. Urban renewal, on the other hand, is always maximized because the City is pursuing creation of a new urban renewal district in the Bend downtown core independently from this project, and it is reasonable to assume that a portion of that revenue would go towards transportation projects.

Figure 3. Overview of funding tools used for capital projects in each funding package (2018 dollars)

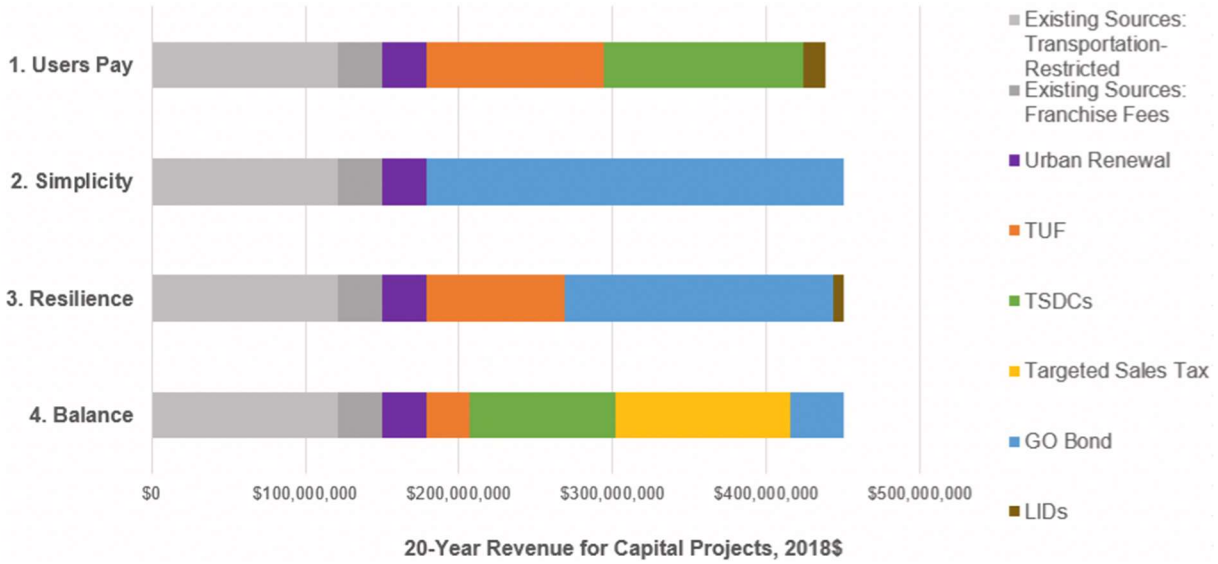
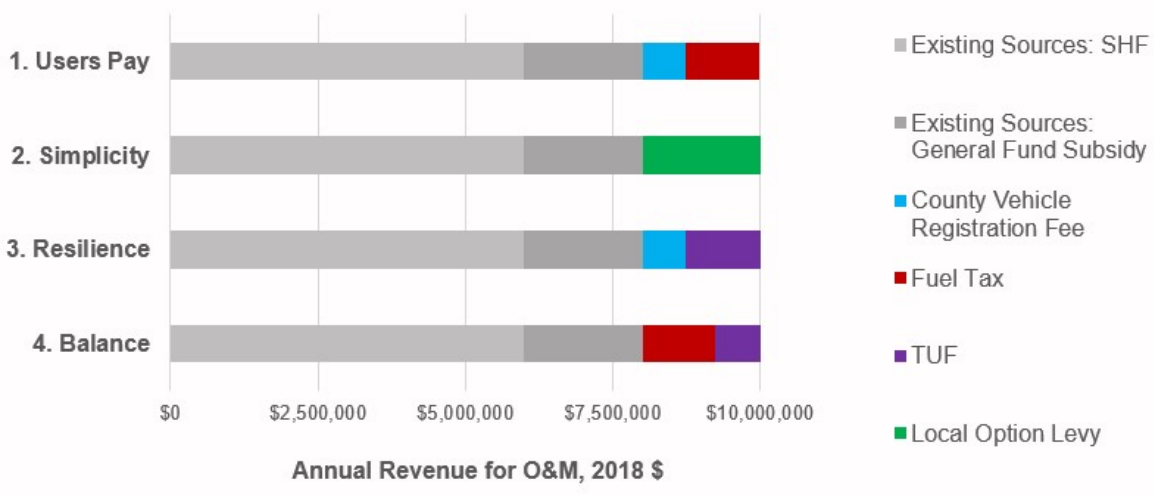


Figure 4. Overview of funding tools used for operations and maintenance in each funding package (2018 dollars)
(Note the difference in scale between Figure 3 and Figure 4)



1. Users Pay

This package emphasizes the revenue tools that are funded through payments from transportation system users or trip generators, including new development, tourists, commuters, and property owners. Its tools are:

- Fuel tax (seasonal): a new fuel tax imposed only during peak road usage times. This corresponds to increased transportation demands from existing residents, commuters, and visitors/tourists.
- Local improvement districts: an assessment of property owners to pay for infrastructure projects needed to support new development of their properties, as new development will generate additional trips.
- Increased transportation system development charges: an additional fee on new development, charged per trip generated, to account for the development's impact on the system.
- County vehicle registration fee: a fee levied per vehicle registered, to capture the impact of each car on the transportation system.
- Transportation utility fee: a fee on households and employers to pay for use of transportation system.
- Urban renewal: included in all packages.

Figure 5 identifies revenue capacity and funding details for the package. Despite using the maximum amount of revenue possible for each tool in the capital category, **the package falls $12 million short of the capital needs target of $450 million**. **The package also does not fully fund the O&M target of $10 million** but also comes close. A greater amount of O&M revenue can be raised to meet the target amount by maximizing the county vehicle registration fee.

Figure 5. User pays package, revenue capacity and funding details (2018 dollars)

Funding Tools	Amount	Key Assumptions and Notes	% of Tool's Max. Revenue Potential Used in this Package
Capital			
Existing Sources	$150,000,000	Preliminary estimate. Includes revenue from federal Surface Transportation Program, SDCs, franchise fees ($25.8 million). Will be refined in IFA.	100%
Local Improvement District	$14,000,000	Estimate is highly speculative. LID creation is dependent on suitable projects and interest from LID property owners.	100%
Increased TSDCs	$129,986,644	Cost per peak-hour trip: $10,904. This is the maximum rate allowed under the current methodology. The current TSDC is $6,800.	100%
Transportation Utility Fee	$114,949,440	Rate: $10 per month per household & $2 per month per employee. Assumes revenue would be used for pay-as-you-go. Issuing revenue bonds would reduce revenue available.	100%
Urban Renewal	$28,919,550	Based on combined revenue from Central District Plus and KorPine Plus study areas evaluated in 2017 pre-feasibility study. Assumes one-third of revenue will be used for TSP projects	100%
2020-2040 total	**$437,855,634**		
Difference from target revenue amount of $450 million	**-$12,144,366**		
Operations			
Existing Sources	$8,000,000	Preliminary estimate. Includes revenue from State Highway Fund ($6 million) and general fund subsidy ($2 million). These amounts will be refined in Initial Funding Assessment	100%
Fuel Tax (seasonal)	$1,239,061	Off season tax of 1 cent per gallon. Shoulder season tax of 3 cents per gallon. Peak season tax of 5 cents per gallon	100%
County Vehicle Registration Fee	$739,457	$20 county fee charged every 2 years. Assumes 40% of revenue would go to cities, and city revenue split would be determined by number of vehicles	47%
Annual total	**$9,978,518**		
Difference from target revenue amount of $10 million per year	**-$21,482**		

Error! Reference source not found. provides an overview of how this package performs on each dimension.

Figure 6. Suitability of funding package tools for different project types

Dimensions	TSDCs	LIDs	Urban Renewal	Seasonal Fuel Tax	County Vehicle Registration Fee	Transportation Utility Fee
Transit						
O&M	No	No	No	No	Yes	Yes
Capital	Yes	No	Yes	No	Yes	Yes
Suitable for ongoing programs	No	No	Yes	No	Yes	Yes
Roadways						
O&M	No	No	No	Yes	Yes	Yes
State highway (Capital)	Yes	No	Yes	Maybe	Maybe	Maybe
City arterial (Capital)	Yes	No	Yes	Yes	Yes	Yes
City collector (Capital)	Yes	Yes	Yes	Yes	Yes	Yes
Infill Retrofitting (Capital)	Yes	Yes	Yes	Yes	Yes	Yes
Suitable for ongoing programs (e.g., sidewalk fund, enforcement)	No	No	Yes	Yes	Yes	Yes

Advantages

Through this exercise of developing a package that captures payments from users, we learned that it may be possible to fund capital needs as well as O&M through this combination of tools, especially if the project list for fiscally constrained projects totals less than the target $450 million, or if the eventual projection of existing sources comes in substantially higher than estimated for this exercise. This package is the only one that does not include a GO bond to fund capital costs or a local option levy to fund operations.

This funding package provides substantial flexibility and capacity for funding one category of projects: smaller roadway capital projects. Other projects may be more difficult to fund.

Risks

This package assumes that TSDCs are increased to the maximum amount, from the current $6,800 per peak hour trip (equivalent to one single-family home) to the maximum of $10,904 per peak hour trip. This maximum is the amount required to fully fund projects on the TSDC fiscally constrained project list. City Council has the authority to do this, but it may not be politically acceptable since TSDCs were increased substantially in July 2018 and previous increases have faced legal challenges. Bend's total SDC rate, with this addition, could affect development feasibility. Also, this does not include transportation infrastructure required for expansion areas, which would add to developers' upfront costs if these roadways are funded privately or through a supplemental TSDC. The FWG could recommend a lower TSDC increase, knowing that a lower TSDC would cause a further capital needs shortfall for this package.

The County vehicle registration fee presents another risk with respect to political acceptability. This fee would require approval through a county-wide public vote initiated by Deschutes County. The Board of County Commissioners may be unwilling to introduce new fees, and their support is needed to introduce a ballot measure. Introducing this funding tool may require

considerable effort from the City to persuade the County commissioners to consider introducing the tool, and then to promote the tool and educate County residents about it to help them make an informed decision.

Another challenge for this package is the administration of the TUF, which could be difficult with the City's current billing software. However, the City is scheduled to implement a new billing software by the end of 2020, which should be able to accommodate a TUF.

As noted above, this package may be well-suited to funding smaller roadway capital projects. At the same time, it has several important limitations that reduce its practical application: The two biggest tools for new funding for capital projects—TSDCs and urban renewal—can only be used to fund projects on the relevant pre-specified projects list and / or in specific geographies. The package also relies on maximizing revenue from LIDs; forming LIDs can be cumbersome and add uncertainty.

Funding larger capital projects that are not included in the TSDC capital improvement list or within an urban renewal area might require issuing revenue bonds against annual revenue streams from seasonal fuel tax, vehicle registration fee, or transportation utility fee. Alternatively, the FWG could consider adding a modest GO bond to this package to maintain the package's theme while also reaching the capital needs target.

2. Simplicity

This package uses as few funding tools as possible. The following is a brief justification of why each tool was included in this package.

- General obligation bond: Debt limitations are high; the city has legal authority to issue $500 million in additional GO bonds. This amount is significantly higher than previous GO (and non-GO) bonds for transportation projects; the last GO bond was passed by voters in 2011 for the amount of $30 million.
- Local option levy: Local option levies can be used for a wide range of capital and operation services. This requires renewal every five years for an operations and maintenance levy.
- Urban renewal: Included in all packages.

Figure 7 identifies revenue capacity and funding details for the package. Because it relies heavily on a large GO bond and a local option levy, each of which can easily be scaled to the needed amount, it easily produces sufficient revenue to meet the target amounts, leaving remaining capacity available in each tool.

Figure 7. Simplicity package, revenue capacity and funding details (2018 dollars)

Funding Tools	Amount	Key Assumptions and Notes	% of Tool's Max. Revenue Potential Used in this Package
Capital			
Existing Sources	$150,000,000	Preliminary estimate. Includes revenue from federal Surface Transportation Program, TSDCs, franchise fees ($25.8 million). Will be refined in IFA.	100%
GO Bond	$271,080,450	Requires rate of first-year rate of $2.13 per $1,000 AV. ($852 for home assessed at $400,000)	54%
Urban Renewal	$28,919,550	Based on combined revenue from Central District Plus and KorPine Plus study areas evaluated in 2017 pre-feasibility study. Assumes one-third of revenue will be used for TSP projects	100%
2020-2040 total	**$450,000,000**		
Difference from target revenue amount of $450 million	**$0**		
Operations			
Existing Sources	$8,000,000	Preliminary estimate. Includes revenue from State Highway Fund ($6 million) and general fund subsidy ($2 million). Will be refined in IFA.	100%
Local Option Levy	$2,000,000	Requires rate of $0.165 per $1,000 of AV. ($65 for home assessed at $400,000)	47%
Annual total	**$10,000,000**		
Difference from target revenue amount of $10 million per year	**$0**		

Figure 8 provides an overview of how the tool performs on various dimensions.

Figure 8. Suitability of funding package tools for different project types

Dimensions	GO Bond	Local Option Levy	Urban Renewal
Transit			
O&M	No	Yes	No
Capital	Yes	Yes	Yes
Suitable for ongoing programs	Yes	Yes	Yes
Roadways			
O&M	No	Yes	No
State highway (Capital)	Yes	Maybe	Yes
City arterial (Capital)	Yes	Yes	Yes
City collector (Capital)	Yes	Yes	Yes
Infill Retrofitting (Capital)	Yes	Yes	Yes
Suitable for ongoing programs (e.g., sidewalk fund, enforcement)	Yes	Yes	Yes

Advantages

The simplicity of this package does not interfere with its ability to fund a wide variety of different services and costs. In fact, it performs well from a financial perspective. A GO bond for capital expenses nicely complements a local option levy for O&M to cover all funding needs, especially when paired with urban renewal to address some of the needed downtown infrastructure needs. Both GO bonds and local option levies are flexible tools that can be used for all types of transportation projects.

Risks

The package does have several critical limitations. Most importantly, both a GO and a local option levy require public votes to put them in place. If efforts to pass the one of both of the measures failed, the City would be in a difficult position to fund infrastructure.

The GO bond included in this package is for $271 million, which is very large compared to previous GO bonds. For context, in 2011, Bend voters approved a $30 million general obligation bond to fund various transportation capital improvements. Payments for this debt will complete in 2032. In FYE 2018, the GO bond tax rate was $0.18 per $1,000 of assessed value (or $70 per year for a home assessed at $400,000).

A higher GO bond leads to higher property tax payments for the public. Our initial estimates suggest that, to raise the $271 million amount shown in this package, a home assessed at $400,000 would have to pay about $852 per year in additional property taxes just for the GO bond, and an additional $65 for the local option levy. If the public considers this to be too high, then political acceptability could be a risk for this package.

In addition, local option levies for operations cannot exceed five years, and are subject to compression[13], which may reduce their capacity. This package would require the public to renew the local option levy every five years in order to fund O&M.

[13] See this document for more information about compression: http://www.orcities.org/Portals/17/Toolkit/CompressionFAQ.pdf

3. Resilience

This package emphasizes year-to-year stability, tools that do not require renewal, and tools that are less subject to market cycles. The following is a brief justification of why each tool was included in this package.

- Transportation utility fee: Because the fee is not based on usage, it is a consistent, predictable funding mechanism.
- General obligation bond: GO bonds are among the most stable funding tools available, as the bonds are backed by the full faith and credit of the City. Property tax rates associated with GO bonds are determined annually based on debt service payments and are not affected by tax compression.
- County vehicle registration fee: Vehicle registrations tend to be fairly stable and predictable, without major swings from year to year.
- Local improvement district: Once enacted, revenue from LIDs is stable and predictable.
- Urban renewal: Included in all packages.

Figure 9 presents revenue capacity and funding details for the package. It requires a moderate-sized GO bond (about $174.3 million) to fill the gap that the other funding tools cannot meet. Through maximizing two O&M program tools, the package fully funds the O&M target amount.

Figure 9. Resilience package, revenue capacity and funding details (2018 dollars)

Funding Tools	Amount	Key Assumptions and Notes	% of Tool's Max. Revenue Potential Used in this Package
Capital			
Existing Sources	$150,000,000	Preliminary estimate. Includes revenue from federal Surface Transportation Program, TSDCs, franchise fees ($25.8 million). Will be refined in IFA.	100%
GO Bond	$174,341,865	Requires rate of first-year rate of $1.37 per $1,000 AV. ($548 for home assessed at $400,000)	35%
Transportation Utility Fee	$89,738,585	Rate: $10 per month per household and $2 per month per employee. Used for both capital and operations. Assumes revenue would be used for pay-as-you-go. Issuing revenue bonds would reduce revenue available.	100%
Local Improvement Districts	$7,000,000	Estimate is highly speculative. LID creation is dependent on suitable projects and interest from LID property owners.	50%
Urban Renewal	$28,919,550	Based on combined revenue from Central District Plus and KorPine Plus study areas evaluated in 2017 pre-feasibility study. Assumes one-third of revenue will be used for TSP projects	100%
2020-2040 total	**$450,000,000**		
Difference from target revenue amount of 450 million	**$0**		
Operations			
Existing Sources	$8,000,000	Preliminary estimate. Includes revenue from State Highway Fund ($6 million) and general fund subsidy ($2 million). Will be refined in IFA.	100%
County Vehicle Registration Fee	$739,457	$20 county fee charged every 2 years. Assumes 40% of revenue would go to cities, and city revenue split would be determined by number of vehicles	47%
Transportation Utility Fee	$1,260,543	Rate: $10 per month per household and $2 per month per employee. Used for both capital and operations.	100%
Annual total	**$10,000,000**		
Difference from target revenue amount of $10 million per year	**$0**		

Figure 10 provides an overview of how the tool performs on various dimensions.

Figure 10. Suitability of funding package tools for different project types

Dimensions	GO Bond	Transportation Utility Fee	County Vehicle Registration Fee	LIDs	Urban Renewal
Transit					
O&M	No	Yes	Yes	No	No
Capital	Yes	Yes	Yes	No	Yes
Suitable for ongoing programs	Yes	Yes	Yes	No	Yes
Roadways					
O&M	No	Yes	Yes	No	No
State highway (Capital)	Yes	Maybe	Maybe	No	Yes
City arterial (Capital)	Yes	Yes	Yes	No	Yes
City collector (Capital)	Yes	Yes	Yes	Yes	Yes
Infill Retrofitting (Capital)	Yes	Yes	Yes	Yes	Yes
Suitable for ongoing programs (e.g., sidewalk fund, enforcement)	Yes	Yes	Yes	No	Yes

Through the exercise of developing a package that relies on tools that are resilient to market shifts, we learned the following:

- Urban renewal and local improvement districts can only be used to fund projects on the relevant pre-specified lists. However, a GO bond and transportation utility fee would provide revenue that can be used for all types of capital projects.
- This package relies on maximizing the revenue potential of a transportation utility fee. Revenues from a transportation utility fee are used primarily for capital projects, with a small amount going towards annual O&M costs.
- Maximizing vehicle registration fees provides the bulk of additional funding for annual operations and maintenance costs.

Risks

A risk for this package is the political acceptability of the county vehicle registration fee; the Board of County Commissioners would need to introduce this tool as a ballot measure, and the voters of Deschutes County would need to support it through a majority vote.

Another challenge for this package is the administration of the TUF, which could be difficult with the City's current billing software. However, the City is scheduled to implement a new billing software by the end of 2020, which should be able to accommodate a TUF.

4. Balance

This package emphasizes a balance of funding tools so that all components of the community contribute to the financial costs of Bend's transportation system. The package also includes contributions from those who benefit from using Bend's transportation system but who do not pay property taxes to the City of Bend (and would not contribute to a GO bond which is included in this package); this includes visitors/tourists, those who live outside of Bend but commute here for jobs and services, as well as organizations that are exempt from paying property taxes (such as hospitals and other government entities). The following is a brief justification of why each tool was included in this package.

- Fuel tax (with seasonal variance): Generates contributions from tourists and visitors as well as other individuals and entities who do not pay property taxes to the City of Bend
- Targeted sales tax: Generates contributions from tourists and visitors as well as other individuals and entities who do not pay property taxes to the City of Bend.
- Increased transportation system development charges: Increases contributions from developers who introduce new demands on the transportation system.
- Transportation utility fee: Charges all households and employers for use of the transportation system.
- General obligation bond: Increases contributions of all property taxpayers.
- Urban renewal: Included in all packages.

Figure 11 identifies revenue capacity and funding details for the Balance package. Due to the large number of tools included, this package funds both capital and O&M needs with room for additional revenue.

Figure 11. Balance package, revenue capacity and funding details (2018 dollars)

Funding Tools	Amount	Key Assumptions and Notes	% of Tool's Max. Revenue Potential Used in this Package
Capital			
Existing Sources	$150,000,000	Preliminary estimate. Includes revenue from STP, TSDCs, franchise fees ($25.8 million). Will be refined in IFA.	100%
Targeted Sales Tax	$113,396,354	2% tax on prepared food and beverages. Assumes revenue would be used for pay-as-you-go. Issuing revenue bonds would reduce revenue available.	40%
Increased TSDCs	$95,019,476	Raises TSDC rate to $9,800 per peak-hour trip. The current TSDC is $6,800.	73%
Transportation Utility Fee	$27,911,140	Rate: $2 per month per household and $2 per month per employee. Used for both capital and operations. Assumes revenue would be used for pay-as-you-go. Issuing revenue bonds would reduce revenue available.	38%
GO Bond	$34,753,479	Requires rate of first-year rate of $0.24 per $1,000 AV. ($94 for home assessed at $400,000)	7%
Urban Renewal	$28,919,550	Based on combined revenue from Central District Plus and KorPine Plus study areas evaluated in 2017 pre-feasibility study. Assumes one-third of revenue will be used for TSP projects	100%
2020-2040 total	**$450,000,000**		
Difference from target revenue amount of 450 million	**$0**		
Operations			
Existing Sources	$8,000,000	Preliminary estimate. Includes revenue from SHF ($6 million) and general fund subsidy ($2 million). Will be refined in Initial Funding Assessment	100%
Fuel Tax (seasonal)	$1,239,061	Off season: $0.01 per gallon Shoulder season: $0.03 per gallon Peak season: $0.05 per gallon	100%
Transportation Utility Fee	$760,939	Rate: $2 per month per household and $2 per month per employee. Used for both capital and operations.	38%
Annual total	**$10,000,000**		
Difference from target revenue amount of $10 million per year	**$0**		

Figure 12 provides an overview of how the tool performs on various dimensions.

Figure 12. Suitability of Funding Package Tools for Different Project Types

Dimensions	Fuel Tax (seasonal)	Targeted Sales Tax	Transportation Utility Fee	GO Bond	Urban Renewal
Transit					
O&M	No	Yes	Yes	No	No
Capital	No	Yes	Yes	Yes	Yes
Suitable for ongoing programs	No	Yes	Yes	Yes	Yes
Roadways					
O&M	Yes	Yes	Yes	No	No
State highway (Capital)	Maybe	Maybe	Maybe	Yes	Yes
City arterial (Capital)	Yes	Yes	Yes	Yes	Yes
City collector (Capital)	Yes	Yes	Yes	Yes	Yes
Infill Retrofitting (Capital)	Yes	Yes	Yes	Yes	Yes
Suitable for ongoing programs (e.g., sidewalk fund, enforcement)	Yes	Yes	Yes	Yes	Yes

The Balance package uses a large number of funding tools to fund transportation costs.

Advantages

The funding tools that make up this package are highly flexible and have the ability to fund larger and smaller transportation projects and programs. Although TSDCs and urban renewal can only be used to fund projects on the relevant pre-specified projects list, use of GO bonds, sales tax, and transportation utility fee provides funding for projects citywide.

A targeted sales tax on prepared food has relatively large revenue potential and is highly flexible. This is the only package that includes a targeted sales tax.

Several of the tools in this package—targeted sales tax and seasonal gas tax—would be paid by not only Bend residents, but also by tourists, commuters, and other people who visit Bend but do not live or own property inside the city.

Risks

The Balance package uses a large number of funding tools to fund transportation costs. The large number of tools may make it less politically feasible to implement.

The package assumes that TSDCs are increased substantially from the current level of $6,800, up to $9,800 per peak hour trip (equivalent to one single-family detached home). This is a smaller increase than what was modeled in the “Users Pay” package, but it is still significant and may not be politically acceptable since the City Council just raised TSDCs in July 2018. If the FWG feels that this increase is too high (or too low), it can request that we modify this funding tool and adjust other potential funding tools accordingly.

Another challenge for this package is the administration of the TUF, which could be difficult with the City’s current billing software. However, the City is scheduled to implement a new billing software by the end of 2020, which should be able to accommodate a TUF.

Three tools in this package—GO bond, sales tax, and fuel tax—would require a public vote, which may reduce the political feasibility of this package.

home). This is a smaller increase than what was modeled in the “Users Pay” package, but it is still significant and may not be politically acceptable since the City Council just raised TSDCs in July 2018. If the FWG feels that this increase is too high (or too low), it can request that we modify this funding tool and adjust other potential funding tools accordingly.

Another challenge for this package is the administration of the TUF, which could be difficult with the City’s current billing software. However, the City is scheduled to implement a new billing software by the end of 2020, which should be able to accommodate a TUF.

Three tools in this package—GO bond, sales tax, and fuel tax—would require a public vote, which may reduce the political feasibility of this package.

3. Estimates of Revenue Capacity for Short-Listed Funding Tools

This section considers how much revenue each tool could potentially generate. The amount any tool can raise is directly tied to the rate imposed, and the rate imposed is ultimately determined by a combination of legal and political consideration.

Figure 13 and Figure 14 provide a summary of ECONorthwest's estimate of maximum feasible revenue capacity for the nine new funding tools that the FWG has prioritized. It includes the key assumptions that informed the revenue capacity projections. The section that follows provides additional details on the methodologies used to estimate revenue potential for each tool.

Figure 13. 2020-2040 Estimated maximum revenue potential from tools that can only be used for capital projects, 2018 dollars

	Revenue potential over 2020-2040, 2018 dollars	Rates and Key Assumptions	Notes
Increased Transportation SDCs	$129,986,644 in additional funding	Cost per peak-hour trip: $10,904. This is the maximum rate allowed under the current methodology. The current TSDC is $6,800.	Can only be used for capital improvements on the TSDC project list
Urban Renewal	$28,919,550	Based on combined revenue from Central District Plus and KorPine Plus study areas evaluated in 2017 pre-feasibility study. Assumes one-third of revenue will be used for TSP projects	Can only be used for capital improvements within URA boundary. Estimates will be revised in 2019 as part of feasibility study.
Local Improvement Districts	$14,000,000	Assumes 2 LIDs created per year, each of which funds $350,000 in project cost	Estimate is highly speculative. LID creation is dependent on suitable projects and interest from LID property owners.
GO Bond	$500,000,000	Maximum allowed under statutory cap.	This amount is very high and may not be politically feasible.
Total	$672,906,194		

Note: Details on methodology are included in sections that follow.

Figure 14. Estimated annual revenue potential from tools with annual revenue streams

	Annual revenue, 2018 dollars	Rates and Key Assumptions	Trend in real dollars over 2020-2040 forecast period
County Vehicle Registration Fee	$1,589,833	$43 county fee charged every 2 years (max allowed by state). Assumes 40% of revenue would go to cities, and city revenue split would be determined by number of vehicles	Decreasing. Max rate is set at state level and not automatically indexed to inflation.
Prepared Food Sales Tax	$10,384,607	5% tax on prepared food and beverages	Increasing. Because tax is a percent, it captures inflation. Net sales should increase as population and tourism grow.
Local Option Levy	$4,298,510	$0.40 per 1,000 of AV	Increasing. New construction will increase Bend's tax base.
Transportation Utility Fee	$5,747,472	$10 per month per household. $2 per month per employee.	Increasing, assuming that rate is indexed to inflation.
Seasonal Fuels Tax	$1,239,061	Off season: $0.01 per gallon Shoulder season: $0.03 per gallon Peak season: $0.05 per gallon	Stable, per ODOT forecasts. Population is growing, but so is fuel efficiency.
Total	$23,259,483		

Note: These tools can also be used to fund capital projects and/or O&M (though a local option levy for capital, rather than O&M, would need to clearly specify capital projects at the outset and would have to be a 10-year levy). Without specific projects, it is not possible to estimate the split between O&M and capital, and we have therefore included annual revenue amounts. Details on methodology included in sections that follow.

Increased Transportation System Development Charge

Description

Transportation System Development Charges (TSDCs) are assessed on new development and must be used to fund growth-related capital improvements, either entirely new projects or as reimbursement for existing projects built to scale for new growth, in proportion to the amount of the project needed for future growth. TSDCs typically do not fund 100% of any given project, and supplemental funding is needed to fully fund project costs. They are intended to reflect the increased capital costs incurred by a municipality or utility as a result of a development. Between FYE 2011-2017, Bend's existing TSDCs generated between $1.4 and $8.6 million in annual revenue, amounting to $29.9M in total revenue.

The current TSDC methodology was adopted by City Council in September 2011. This included a fiscally-constrained TSDC project list and established a TSDC rate based on the funding needed for those projects, according to their 2011 costs. Since 2011, construction cost estimates have more than doubled, leading to a funding gap for projects on the TSDC project list.

Acknowledging these cost increases, in June 2018, City Council increased TSDCs to $6,800 per peak-hour trip. This increases revenue generation but will not fund all projects on the TSDC

project list. A methodology update will be undertaken for TSDCs, and this process will consider the fees and project list comprehensively.

Applicability

TSDCs can fund capital costs for both transit[14] and roadway projects that provide capacity needed by future growth. These fees are imposed at the city level or in a geographically constrained area (in the case of a supplemental TSDC, which is sometimes used for areas of new growth that have disproportionately high infrastructure needs compared to the rest of a city). System users/beneficiaries and new growth pay these fees.

Revenue Capacity

Increasing TSDCs to the maximum rate allowed under the current methodology ($10,904 per peak hour-trip, which equates to one single-family home) could fund an additional $74.1 million in project costs over the forecast period. This would fund the remainder of the current TSDC project list.

Figure 15. Transportation System Development Charges assumptions and revenue potential

	TSDC Cost per Peak-Hour Trip	Projects Funded FYE 2020-2040 ($2018)	Additional Funding Generated
Existing rate	$6,800	$100,485,482	$0
Hypothetical rate increases	$7,800	$132,158,641	$31,673,159
	$8,800	$163,831,800	$63,346,318
	$9,800	$195,504,959	$95,019,476
Maximum-allowable rate based on 2018 cost updates and current methodology	$10,904	$230,472,126	$129,986,644

Note: Revenue capacity is rounded to the nearest thousand.

Methods

In 2018, consultants for the City of Bend updated the cost estimates for projects on the TSDC project list. This analysis found that the total cost to complete projects on the existing TSDC list would be $286.7 million in 2018 dollars. Using the adopted 2011 TSDC methodology, this updated cost results in a maximum-allowable cost per trip of $10,904.

In June 2018, City Council adopted a 29% TSDC rate increase, resulting in a TSDC of $6,800 per peak-hour trip. Analysis by the City of Bend found that this rate would fund approximate $100 million in project costs over the FYE 2020-2040 period, in 2018 dollars (as shown in Figure 15.) This is a rough analysis and the actual number could vary considerably. This analysis assumed that projects were cash-funded by the City rather than debt-financed. The analysis also assumed that funded projects were 80% improvement eligible on average (this depends on the improvement eligibility of the projects that are funded, and also on how improvement eligibility is calculated. Current improvement eligibility for each project is based on trip modeling performed for the current adopted TSDC methodology, which is due for an update).

Based on these two data points, we calculated the incremental amount of project funding that results from each dollar of TSDC rate increase. Figure 15 shows estimates of revenue capacity

[14] The City of Bend does not currently use TSDCs for transit projects since it does not operate the transit system.

for hypothetical rate increases of less than the maximum allowed amount. These estimates are preliminary and assume that any TSDC rate increases would go into effect in 2018.

Local Improvement District

Description

A local improvement district (LID) is a type of special assessment district where, within an LID boundary, property owners are assessed a fee to pay for capital improvements. Local street infrastructure improvements that benefit specific properties in a defined area may be funded by LID assessments. LIDs do not apply citywide and are typically used at the neighborhood or sub-neighborhood level. If funds from other sources are available, including public or private, an LID is not required to fund 100% of project costs.

LIDs may be initiated by property owners or a municipality. If at least 50% of property owners sign a petition in favor of the LID, City Council can begin the process of establishing an LID. An LID project is proposed and the assessment amount is estimated based on the anticipated cost to construct the project. Generally, an LID may not be formed if owners of more than 2/3 of the property area to be assessed remonstrate (i.e. file written objections with the City) against the proposed improvement. Once an LID is formed and the final assessment is imposed, the City would issue bonds to finance the project, and the bonds would be repaid through assessments on the affected property owners within the LID. Property owners can pay the assessment in full in advance or in installments, with the balance secured by a lien on the property. Assessments are based on the final costs of the project.

In Bend, LIDs may be formed to pay all or part of proposed water, street, sanitary sewer, sidewalk, storm drain, and/or other public improvements. Bend Code 2.10.005 provides the governing rules and procedures to create a LID.

Applicability

Local improvement districts fund capital costs of public improvements. Ultimately, the funding for LIDs comes from property owners. However, one key difference between LIDs and property tax tools (like GO bonds or local option levies) is that LIDs can assess property owners based on methodologies other than as a percent of taxable assessed value. The assessment methodology is linked to the benefits received by the included properties. For example, an LID to pay for new sidewalks could assess property owners based on linear foot of frontage. Local improvement districts are also geographically constrained by nature – its boundary is determined by the properties that are specially benefitted by the improvement.

Revenue Capacity

Local Improvement Districts are organized to fund a particular infrastructure need in a particular area. This makes revenue from LIDs difficult to estimate and project without a specific project in mind. Figure 16 shows results from two different approaches to estimating LID revenue potential.

Figure 16. Estimates of LID revenue potential, 2020-2040

Different approaches for estimating revenue	LID revenue generated
Approach A: Preliminary estimate of cost of eligible projects	$4,800,000
Approach B: 2 LIDs created per year, each raising $350,000	$14,000,000

Note: Revenue capacity is rounded to the nearest thousand.

Methods

The City of Bend has created LIDs in the past, primarily for sewer projects. The magnitude of revenue that LIDs can produce is typically relatively small compared to other funding strategies.

ECONorthwest took two approaches to estimating capacity from potential LIDs. First, ECONorthwest determined the revenue capacity assumption of $4.8 million based on the current cost of "infill retrofitting" projects (provided by the City of Bend). This is based on the assumption that infill retrofitting projects are the project type mostly likely to be reasonably paid for through LIDs.

Another approach for estimating the revenue potential of LIDs is to review the magnitude and frequency of previous LIDs in Bend and extrapolate based on that. Since 2000, four LIDs have formed to fund sewer infrastructure projects. These four LIDs were used to fund a wide range of project costs, from $88,500 to $1.6 million, with a median LID contribution of $387,000.

Figure 17. Approach B: Estimate of LID revenue generation based on extrapolation

Number of LIDs created per year	Total LIDs created over forecast period	Total revenue generated, assuming $350,000 raised per LID
0.2	4	$1,400,000
0.5	10	$3,500,000
1.0	20	$7,000,000
2.0	40	$14,000,000

Urban Renewal

Description

Urban renewal diverts property tax revenues from growth in assessed value inside an urban renewal area (URA) for investment in capital projects within the URA to alleviate blight. Transportation projects are frequently included in urban renewal plans.

Bend has two existing urban renewal districts: Juniper Ridge and Murphy Crossing. Additionally, City Council has directed staff to complete a feasibility study for a potential new urban renewal area in Bend's Downtown Core area. This process is likely to begin in January 2019. The information provided here is therefore preliminary and will be updated through a coming process.

Applicability

Urban renewal districts can be used to fund infrastructure capital costs, including both transit and roadway projects. Urban renewal districts must be geographically constrained and can only fund projects within the district boundary. Technically, taxes paid by property owners fund the projects in the URA, but practically speaking, the funding comes from foregone increased revenue that would have otherwise been directed to other taxing districts. Property owners in a URA are subject to the same property tax rate as the rest of the city, but the rate received by the city and by special tax districts is “frozen” for the duration of the URA. During this time, any increases in property tax revenue above the “frozen” base are directed towards projects in the urban renewal district. Therefore, funding generated by urban renewal districts is the increase in property tax value paid by property owners, without sharing with other taxing districts, during the life of the URA. The other taxing districts are affected in that they forego increased revenue, but they do not actually provide the funding. However, since the other taxing districts do bear the financial burden of a URA, the funding tools matrix (Figure 1) considers other taxing districts to be the group that “pays for” this funding tool.

Revenue Capacity

To support decision-making about the potential for a new URA in the City’s downtown core area, the consultant team completed preliminary analysis of the revenue potential for a new URA in 2017. The revenue capacity described here derives from that prior work. It will be updated and refined through a coming feasibility study process in 2019. The coming work could change the proposed boundary and will include more detailed analysis of the market for new development to support revenue projections. The numbers presented in this section could therefore change substantially, but provide a starting place for discussion of an initial funding strategy.

Based on initial analysis, a new urban renewal area with a combined boundary of Central District Plus and KorPine Plus study areas (see map and accompanying table, Figure 18 and Figure 19) could fund $86.6-$88.6 million (2018 dollars) in projects over the lifetime of the urban renewal area. It is not reasonable to assume that all of this revenue capacity would be used for transportation projects. To account for this uncertainty, we assume that one-third of urban renewal funding would be available for transportation projects. Based on this assumption, Figure 20 shows that a new urban renewal area could provide $28.9 million for transportation projects.

Figure 18. Map of Urban Renewal Study Areas analyzed in 2018 Pre-Feasibility Study

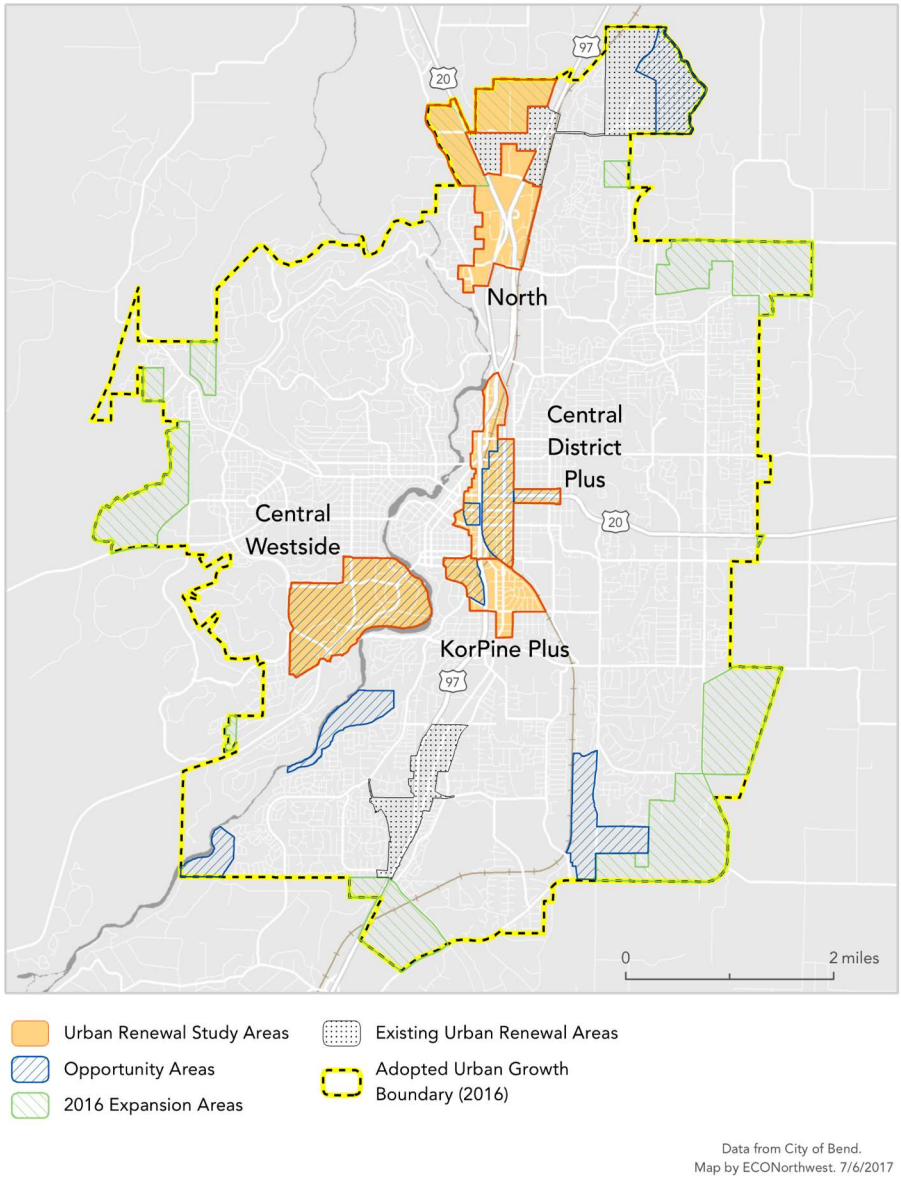


Figure 19. Urban renewal assumptions & revenue potential from March 2018 pre-feasibility study

Geography	TIF/ Bonding Capacity (2017 dollars) Low estimate	TIF/ Bonding Capacity (2017 dollars) High estimate	Total Acreage
North	$26,000,000	$27,000,000	711
Central District Plus	$56,000,000	$57,000,000	432
KorPine Plus	$28,000,000	$29,000,000	235
Central Westside	$55,000,000	$56,000,000	583

Note: Revenue capacity is rounded to the nearest thousand.

Figure 20: Urban renewal assumptions & revenue potential, applied to transportation projects

Estimate of total funding capacity of Central District Plus and KorPine Plus urban renewal study areas (average of high and low estimates, adjusted to 2018 $)	$87,635,000
Assumption of share of urban renewal funding that would go to TSP projects	33%
Estimate of total urban renewal funding available for TSP projects	$28,919,550

Methods

Revenue generated by an urban renewal area is determined by the official boundary and the amount of assessed value growth that occurs within that boundary. For more information about the methods and assumptions used in the 2018 pre-feasibility study, please refer to that report.[15]

Seasonal Fuel Tax

Description

A fuel tax is a tax on the sale of gasoline and other fuels. Local jurisdictions in Oregon may enact their own fuel taxes, which apply in addition to state (currently $0.34 per gallon with additional $0.02 per gallon increases planned in 2020, 2022, and 2024 respectively) and federal ($0.184 per gallon). More than 25 cities and counties in Oregon enact a local fuel tax, with rates ranging from $0.01 to $0.10 per gallon. In 2016, Bend voters rejected a year-round fuel tax of $0.05 per gallon.

Bend could enact a seasonal fuel tax to better target tourists and through-traffic. Newport and Reedsport both have seasonal local fuel taxes. In Newport, the tax is $0.03 from June to October and $0.01 from November to May. In Reedsport, the local fuel tax of $0.03 only applies from May to October, with no local tax the remainder of the year.

[15] http://bend.granicus.com/MetaViewer.php?view_id=9&clip_id=424&meta_id=23134

Applicability

A fuel tax can be imposed year-round or seasonally. Fuel tax revenues can be used for operations, maintenance, and capital costs but are restricted to roadway use (which includes sidewalks, enforcement, etc.) and cannot be used for transit. Fuel taxes may be imposed at the city or county-level. Everyone who buys fuel within the relevant jurisdiction—including residents, tourists, truckers, employers—would pay the tax. This tax requires a public vote.

Revenue Capacity

As shown in Figure 21, the revenue potential of a new fuel tax is highly dependent on the rate. Annual revenue potential ranges from $143,000 (from a $0.01 seasonal tax) to $4 million (from a $0.10 tax similar to the City of Portland's). Based on the failure of the 2016 gas tax measure, we estimate that the highest political feasible rate would be $0.05 per gallon for peak tourist months and $0.03 per gallon for the remainder of the year, which would generate about $1.6 million per year.

Figure 21. Annual revenue potential from various seasonal fuels tax rates, 2018 dollars

	$0.01 per gallon	$0.02 per gallon	$0.03 per gallon	$0.05 per gallon	$0.10 per gallon
Year-Round	$400,000	$800,000	$1,200,000	$2,000,000	$4,000,000
Summer only (May - Oct)	$211,641	$423,282	$634,923	$1,058,205	$2,116,410
Summer only (June - Sept)	$143,215	$286,430	$429,646	$716,076	$1,432,152
Off season - Nov, Dec, Jan, Feb	$123,685	$247,370	$371,055	$618,425	$1,236,849
Shoulder season - Mar, Apr, May, Oct	$133,100	$266,200	$399,300	$665,499	$1,330,999
Peak season - Jun, Jul, Aug, Sept	$143,215	$286,430	$429,646	$716,076	$1,432,152

Note: Revenue capacity is rounded to the nearest thousand.

Figure 22. Seasonal fuel tax assumptions and revenue potential, maximum feasible, 2018 dollars

	Estimated Annual Revenue
Off season: $0.01 per gallon	$123,685
Shoulder season: $0.03 per gallon	$399,300
Peak season: $0.05 per gallon	$716,076
Annual total	**$1,239,061**

Note: Revenue capacity is rounded to the nearest thousand.

ODOT's adopted long-range revenue forecast assumes that fuel tax revenues will keep pace with inflation over time. In other words, declining fuel sales due to increased fuel efficiency will be offset by increased fuel sales due to population and tourism growth.

Methods

ECONorthwest projected revenue capacity for a conceptual fuel tax, assumed to be levied over three different time periods: a year-round levy, a seasonal levy from May 1 through October 31, and a seasonal levy from June 1 through September 31. To inform the projections, ECONorthwest used five different tax rates: $0.01 per gallon, $0.02 per gallon, $0.03 per gallon, $0.05 per gallon, and $0.10 per gallon.

Revenue from a local fuel tax in Bend is a function of the amount of fuel sold. However, local fuel sales data are only available for jurisdictions that currently have a gas tax. In order to estimate gallons of fuel sold in Bend, ECONorthwest used two data sources and the following analytic steps to arrive at a foundation for the estimates:

1. Review per-capita fuel sales for other cities in Oregon

Figure 23 shows annual per-capita fuel sales for other cities in Oregon with an ODOT-administered local fuel tax. Per-capita fuel sales vary widely, from 291 gallons per person per year in Portland to upwards of 2,000 gallons per person per year for Troutdale and Warrenton. Jurisdictions with higher per-capita fuel sales tend to be on major highways and/or in tourist corridors.

Figure 23. Gallons of fuel sold per capita, Oregon cities with fuel tax, 2017

	Gallons of motor vehicle fuel sold (2017)	Population (2017)	Gallons per capita
Warrenton	11,757,956	5,285	2,225
Troutdale	34,153,023	16,070	2,125
Hood River	11,726,707	7,955	1,474
Cottage Grove	14,085,173	9,920	1,420
Newport	10,252,068	10,215	1,004
Veneta	4,133,068	4,785	864
Canby	12,960,318	16,660	778
Astoria	7,537,534	9,735	774
Coquille	2,850,870	3,915	728
Springfield	38,774,198	60,655	639
Tigard	29,063,575	50,985	570
Woodburn	13,568,607	24,685	550
Milwaukie	8,387,034	20,550	408
Oregon	**1,643,472,051**	**4,141,100**	**397**
Eugene	63,229,495	167,780	377
Portland	185,802,904	639,100	291
Average of all gas tax cities			948
Median of all gas tax cities			774
Average of cities with >50,000 people			469
Median of cities with >50,000 people			473

Source: 2017 fuel sales from ODOT Taxable Distribution Reports: https://www.oregon.gov/ODOT/FTG/Pages/TaxableDistributionReports.aspx. 2017 Population from Portland State University Annual Population Estimates: https://www.pdx.edu/prc/annual-population-estimates Gallons per capita calculated by ECONorthwest.

2. Analyze Fuel Sales Data from 2012 Economic Census

In addition to analyzing per-capita fuel sales of other Oregon cities, we used the U.S. Census Bureau's 2012 Economic Census, the most recent year available. Although this data is several years old, it provides detailed information about business activity in Bend and around the state.

We used the following steps to estimate annual gallons of fuel sold in Bend:

1. Use 2012 Economic Census to determine annual revenue of gas stations (NAICS 447) in Bend in 2012: **$109,540,000**
2. Use 2012 Economic Census to determine the statewide share of gas station revenue that is spent on automotive fuel (as opposed to food, etc.): **84.2%**
3. Estimate the amount spent on fuel in Bend in 2012 by multiplying the total revenue of gas stations (#1) by share that is spent on gas (#2): **$92,232,680**
4. Estimate number of gallons sold in Bend in 2017. Use consumer price index, 2017 average gas prices, and population growth to estimate 2017 sales. This yields an estimate of **40,592,000 gallons** sold in Bend in 2017.

Finally, we verified this approach by using the state of Oregon as an example. Using the methods described above, we estimated that 1.75 billion gallons of fuel would be sold in Oregon in 2017. Actual fuel sales were slightly lower, at 1.64 billion, but within a reasonable margin of accuracy.

3. Using both data sources, estimate of annual fuel sales in Bend

Figure 24 shows the results of various approaches to estimating the volume of fuel sold in Bend each year in 2017. To determine the per capita estimates, we multiplied Bend's 2017 population by various summary rates from Figure 23. Based on these results, we chose to use an estimate of 40 million gallons sold in Bend in 2017.

Figure 24. Estimated Gallons of Fuel, Bend, 2017

Approach	Estimated gallons sold in Bend, 2017
Per capita: 397 gallons per person (statewide average)	34,445,705
Census data on spending at gas stations	40,591,878
Per capita: 473 gallons per person (median of gas tax cities with 50,000+ people)	41,039,845
Per capita: 774 gallons per person (median of all gas tax cities)	67,156,110
Assumption used for revenue forecast	**40,000,000**

Note: Revenue capacity is rounded to the nearest thousand.

4. Estimate potential seasonal fuel tax revenues

To estimate revenue capacity for seasonal fuel taxes, ECONorthwest analyzed the percent of fuel sold in Oregon in 2017 for each month of the year. As shown in Figure 25, summer months have higher fuel sales.

To estimate revenue from seasonal fuel taxes, we multiply the relevant monthly shares by Bend's annual gallons of fuel sold. For example, a seasonal tax in May-October is only levied on 53% of annual sales.

Figure 25. Oregon fuel sales in 2017 by month

Month	Gallons sold	Share of annual total
January 2017	127,517,580	7.8%
February 2017	115,547,965	7.0%
March 2017	133,757,271	8.1%
April 2017	131,967,799	8.0%
May 2017	143,900,693	8.8%
June 2017	145,034,114	8.8%
July 2017	152,876,745	9.3%
August 2017	155,196,783	9.4%
September 2017	135,317,860	8.2%
October 2017	137,239,065	8.4%
November 2017	133,049,814	8.1%
December 2017	132,066,362	8.0%
2017 total	**1,643,472,051**	**100%**

Source: ODOT Taxable Distribution Reports

We determined which months would be considered peak, shoulder, and off season through review of Visit Bend data on hotel room demand.

Targeted Sales Tax

Description

Oregon does not currently have a state sales tax, though state law does not preclude cities from adopting one. It is possible for a jurisdiction to adopt a sales tax on specific items, such as prepared foods or transportation-related items. However, state law prohibits local taxation of alcoholic beverages, whether wholesale or retail (restaurant). Bend's charter requires a citywide vote on any direct sales tax. Staff and consultants received input from the Funding Work Group that a sales tax on prepared food, similar to the sales taxes levied by Ashland and Yachats, might be most likely to be successful in Bend. This analysis therefore evaluates revenue potential from a targeted sales tax on prepared food and non-alcoholic beverages.

Applicability

Revenue from a targeted sales taxes could be used to fund operations, maintenance and / or capital expenditures. This tax may be levied at the city or county-level. The tax is paid by everyone who purchases the taxed item, regardless of place of residence. Thus, a targeted sales tax is one mechanism by which tourists, visitors, and commuters could contribute to Bend’s transportation funding. In Oregon, all sales taxes must be approved by a public vote.

Revenue Capacity

We estimate that levying a targeted sales tax on prepared food and non-alcoholic beverage sales in Bend could generate $2 million to $14.5 million per year, depending on the sales tax rate used.

Figure 26. Prepared food and non-alcoholic beverages sales tax, assumptions and revenue potential, annual and 20-year forecast (constant 2018 dollars)

	1% Tax	3% Tax	5% Tax	7% Tax
Annual Revenue Capacity, 2018	$2,076,921	$6,230,764	$10,384,607	$14,538,450
Total Revenue Capacity, 2020-2040	$56,698,177	$170,094,531	$283,490,885	$396,887,239

Note: Revenue capacity is rounded to the nearest thousand.

Over time, inflation-adjusted annual revenue from a targeted sales tax will grow, as population increases.

Methods

To calculate the targeted food and beverage tax, ECONorthwest used U.S. Census Bureau NAICS data for 2012 spending by product type for Oregon and Bend.[9]

Data from the 2012 Economic Census show that 65% of accommodation sector spending in Oregon on prepared food and beverage sales (product and service codes 21100, 21210, and 21220); we used this as an assumption to determine the share of Bend's accommodation sector sales that is prepared food and beverage sales. This allows us to estimate how much was spent in Bend in 2012 on prepared food and non- alcoholic beverages: $165.8 million. Then, we estimate results for 2018 using population change and the consumer price index.

We verified this approach using Ashland as an example. Ashland has a 5% sales tax on prepared food and non-alcoholic beverages. Using the methods described above, we estimated that Ashland would collect $3.16 million in tax revenue in 2017; their actual revenue was slightly lower at $3.03 million, but within a reasonable margin of accuracy.

To project this estimate over a 20-year period for Bend, we used average annual population growth rates from the Deschutes County Coordinated Population Forecast for 2015-2065. This approach assumes that food and beverage sales will increase in proportion to population.

General Obligation Bond

Description

State law allows local governments to issue general obligation (GO) debt for capital (typically infrastructure) improvements. The debt associated with the GO bond is repaid with increased property taxes over the life of the bonds. For major transportation projects, GO bonds are typically structured to be repaid over 20 to 30 years. They must be approved by a public vote.

In 2011, Bend voters approved a $30 million general obligation bond to fund various transportation capital improvements. Payments for this debt will complete in 2032. In FYE 2018, the GO bond tax rate was $0.18 per $1,000 of assessed value (or $70 per year for a home assessed at $400,000).

Applicability

General obligation bonds can be used to fund capital costs of both transit and/or roadway projects. They cannot be used for operations or maintenance. Ultimately, property taxpayers fund GO bonds. Tourists, tax-exempt institutions, commuters, and other people who live outside Bend do not pay for this funding tool.

Revenue Capacity

State law requires property taxes for GO bonds to be levied as a dollar amount rather than a rate per thousand of total assessed value, as these levies are based on the amount of annual debt service and reserves required to service the debt issued for the bonded improvements. Each year, the assessor effectively 'works backward' to determine how much to assess on each property in the City to be able to collect the amount of revenue needed to meet the annual repayment obligation. The amount of taxes levied each year on any individual property will therefore fluctuate based on: (1) the amount of scheduled principal and interest payments, and (2) the assessed value of the property in the City that drives GO bond property tax collections, which changes as new development and assessed value growth occurs.

Oregon law caps the amount of GO bond debt that any jurisdiction can hold at 3% of real market value. The City of Bend's real market value for 2017-2018 was $17,776,376,158, so it could issue more than $500 million in total GO bond debt and remain under the legal debt limit.

Figure 27 shows revenue projections for four debt issuance options ($50 million, $100 million, $200 million, and $500 million) over a 20- and 30-year amortization periods.

Figure 27. General obligation bond assumptions and revenue potential, 20 and 30-year amortization periods

Principle & Amortization Period	Annual property tax collected for debt payment	Rate in first year (per $1,000 AV)	Annual payment for home valued at $400,000
20-year amortization period			
$50 million	$4,344,494	$0.39	$157
$100 million	$8,688,988	$0.79	$314
$300 million	$26,066,965	$2.36	$943
$500 million	$43,444,942	$3.93	$1,572
30-year amortization period			
$50 million	$3,522,015	$0.32	$127
$100 million	$7,044,030	$0.64	$255
$300 million	$21,132,089	$1.91	$764
$500 million	$35,220,148	$3.19	$1,274

Methods

We assumed the following to estimate annual property tax collections and rates, based on conversations with City staff:

- 5% interest rate
- 1.07 coverage ratio to account for losses and delinquencies.
- 1.2% bond insurance cost
- City of Bend Net Taxable Assessed Value, FY 2017-2018: $11,057,097,220

County Vehicle Registration Fee

Description

A vehicle registration fee is a recurring charge on individuals and businesses that own cars, trucks, and other vehicles. In Oregon, counties (but not cities) can implement a local vehicle registration fee. ORS 801.041 requires a county-wide vote to approve an ordinance establishing vehicle registration fees in counties with a population of less than 350,000. County vehicle registration fees are limited to $43 per vehicle, charged every two years. Note that political acceptability is a concern for this tool, given that it would need to be initiated by Deschutes County and would then require a countywide public vote.

Applicability

Vehicle registration fees can fund operation, maintenance, and capital costs. This fee is imposed at the county level only, but a share of the revenue is required to be allocated to cities within the county. All Deschutes residents who own a vehicle would pay a fee.

Visitors and Bend workers who commute from outside Deschutes County would not pay.

Revenue Capacity

If Deschutes County imposes a $43 bi-annual vehicle registration fee ($21.50 per year), we estimate that Bend would receive approximately $1.6 million annually, or $29 million over the 20-year analysis period (in inflation-adjusted 2018 dollars). A $20 bi-annual fee ($10 per year) would generate about $740,000 in annual revenue for Bend. This is shown in Figure 28.

Figure 28. Vehicle Registration Fee Assumptions and Revenue Potential, 2018

Annualized county vehicle registration fee	Estimated annual revenue, total collected	Estimated annual allocation to Deschutes County (60% of revenues)	Estimated annual allocation to cities in Deschutes County (40% of revenues)	Estimated annual revenue allocation to Bend (a portion of the 40% to cities)
$10.00	$2,489,234	$1,493,546	$995,697	$739,457
$21.50	$5,351,852	$3,211,111	$2,140,741	$1,589,833

Note: Allocation to cities based on statutory formula as well as assumptions described in the methods section that follows.

The maximum county vehicle registration fee is set in state statute and does not automatically raise with inflation. Without changes at the state level, inflation-adjusted annual revenue from a vehicle registration fee will likely decline over time. This is because the estimated inflation rate (3.1%) is higher than Deschutes County's projected annual population growth (1.9% from through 2035, 1.2% after 2035).[16]

Methods

To determine Bend's estimated revenue for vehicle registration fees, ECONorthwest used two fee rate options: (1) $43 every two years, which is the maximum fee rate a county can impose and (2) a reduced rate of $20 every two years.

[16] Inflation rate of 3.1% comes from ODOT's guidance on long-range revenue forecasts. "Financial Assumptions for the Development of Metropolitan Transportation Plans SFY 2018-2047." Published December 2016

Forecasted annual population growth rate for Deschutes County is from PSU Coordinated Population Forecast, 2035-2065. https://www.pdx.edu/prc/sites/www.pdx.edu.prc/files/Deschutes_Forecast_Report_201506.pdf.

Next, ECONorthwest estimated annual revenue capacity for Deschutes County using both fee rates. Per 2017 DMV records, Deschutes County had 244,282 registered vehicles.[17] Per state statute (ORS 801.041), counties must split vehicle registration fees 60/40 between the county (60%) and cities within the county (40%), unless a different distribution is agreed upon by the county and the cities in the county. Therefore, ECONorthwest multiplied annual revenue capacity for Deschutes by 40% to determine annual revenue capacity for all of the cities within Deschutes County.

Finally, ECONorthwest estimated annual revenue capacity for Bend specifically. We used U.S. Census Bureau data to determine the number of vehicles in each of Deschutes County's cities.[18] The number of vehicles in Bend accounts for roughly 74% total vehicles in Deschutes County's cities (Bend, La Pine, Redmond, and Sisters). We used this share to estimate Bend's portion of vehicle registration fee revenue. This is our assumption about how revenue would be shared between cities; it is possible that a different revenue split could be used. Ultimately, the revenue split would be determined through an intergovernmental agreement between the cities.

To project out to 2040, ECONorthwest multiplied the number of registered vehicles in Deschutes County by the forecasted annual population growth rate for the county.[19] This relies on the assumption that vehicle registrations will scale proportionately with population.

Transportation Utility Fee

Description

A transportation utility fee applies the same concept as water and sewer utility fees to collect revenues for transportation projects. The fee is typically assessed on all businesses and households in the jurisdiction and is added to a monthly utility bill. The fee may be flat or based on estimated trip generation.

A transportation utility fee could take a variety of forms, such as a road maintenance utility fee, transit utility fee (e.g., Corvallis), or street tree program. More than 30 Oregon cities have some form of transportation utility fee.

Another challenge for this package is the administration of the TUF, which could be difficult with the City's current billing software. However, the City is scheduled to implement a new billing software by the end of 2020, which should be able to accommodate a TUF.

Applicability

Revenue from transportation utility fees can be used to fund operation, maintenance, and capital costs. All utility ratepayers in the City of Bend would pay a transportation utility fee, including institutions that are exempt from paying property taxes.

Revenue Capacity

Most Oregon cities that assess a transportation utility fee based on trip generation use an approach similar to the method Bend uses for TSDCs, in which each individual property is assessed based on its estimated trip generation. For businesses, the rate varies based on size and type of business. However, we do not have disaggregated data for Bend that would allow us to duplicate those methodologies.

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[17] Oregon Department of Transportation. (2017). Oregon Motor Vehicle Registrations by County, Driver and Motor Vehicle Services Division, as of December 31, 2017. https://www.oregon.gov/ODOT/DMV/docs/2017_Vehicle_County_Registration.pdf

[18] U.S. Census Bureau, 2012-2016 American Community Fact Finder, Table B25044.

[19] PSU Coordinated Population Forecast, Deschutes County, https://www.pdx.edu/prc/sites/www.pdx.edu.prc/files/Deschutes_Forecast_Report_201506.pdf. The rate is 1.90% per year for 2015-2035, and 1.20% for 2035 to 2065.

Instead, ECONorthwest analyzed three methods for assessing a transportation utility fee to triangulate likely results:

[12] U.S. Census Bureau, 2012-2016 American Community Fact Finder, Table B25044.

1. Flat rate per household and per business
2. Flat rate per household and per-employee rate for business
3. Rate per number of daily trips generated (using Bend travel demand model totals)

Figure 29-Figure 31 show annual revenue generation for these three methods. Of these approaches, Option 1 is the simplest while Option 3 is most closely linked to trip generation.

Figure 29. Option 1: Transportation utility fee annual revenue, rate per household and business

			Monthly rates per household / business		
	2016 counts		**$2 per month**	**$5 per month**	**$10 per month**
Households	37,406	households	$897,744	$2,244,360	$4,488,720
Businesses	5,206	businesses	$124,941	$312,360	$624,720
Total			$1,022,685	$2,556,720	$5,113,440

Note: Revenue capacity is rounded to the nearest thousand.

Sources: Households from the US Census Bureau's 2012-2016 American Communities Survey (ACS) for the City of Bend. Businesses from 2016 Quarterly Census of Employment and Wages (QCEW) data.

Figure 30. Option 2: Transportation utility fee annual revenue, rate per household and employee

	2016 counts		**$1 per month**	**$2 per month**	**$5 per month**	**$10 per month**
Households	37,406	households	$448,872	$897,744	$2,244,360	$4,488,720
Employees	52,448	employees	$629,376	$1,258,752	$3,146,880	$6,293,760
Total			$1,078,248	$2,156,496	$5,391,240	$10,782,480

Note: Revenue capacity is rounded to the nearest thousand.
Sources: Households from 2012-2016 ACS for the City of Bend. Employees from 2016 QCEW data.

Figure 31. Option 3: Transportation utility fee annual revenue, based on trip generation

		Monthly rates ($ per daily trips generated)			
	Daily trips within MPO, 2018	**$0.10**	**$0.25**	**$0.50**	**$1.00**
Bend MPO	324,953	$389,943	$974,858	$1,949,716	$3,899,433

Note: Revenue capacity is rounded to the nearest thousand.

Source: Daily trips provided by DKS Associates for 2010 and 2040 model years. ECONorthwest interpolated 2018 trips based on average annual growth rate between 2010 and 2040.

To assess the maximum transportation utility fee rate that is likely to be politically feasible, we further analyzed the annual tax burden for a variety of different types of businesses under Option 2 (see Figure 32). The average Bend business has 11 employees, so a rate of $10 per employee per month would cost the business about $1,300 per year.

St. Charles Medical Center is one of Bend's largest employers, with about 4,200 employees regionwide.[20] Assuming 3,000 employees in Bend, a $10 monthly fee per employee would cost St. Charles $360,000 per year. Bend could theoretically cap the maximum amount of transportation utility fee levied to any one business, which would reduce overall revenue generation.

Figure 32. Implications of per employee method for businesses of different types, annual cost

Business	Average number of employees	$2 per month	$5 per month	$10 per month
St Charles Medical Center*	3,000	$72,000	$180,000	$360,000
Grocery store	57	$1,357	$3,393	$6,786
Restaurant	19	$463	$1,158	$2,317
Doctors office	17	$405	$1,013	$2,027
Average Bend business	**11**	**$262**	**$656**	**$1,312**
Day care provider	7	$171	$428	$857
Auto repair and maintenance	5	$116	$289	$578

Note: These business types are provided as examples for illustrative purposes only.

Source for St. Charles: EDCO report on largest employers in Central Oregon. https://edcoinfo.com/wp-content/uploads/2018/05/2018-Central-Oregon-Largest-Employers.pdf. This estimate assumes 70% of St. Charles' regional employment is within Bend.

Source for all others: 2016 QCEW data provided by Oregon Department of Revenue for Bend MPO. Confidentiality checked by ECONorthwest.

Figure 33 shows our preliminary estimate of the maximum politically feasible rates for households and businesses under Option 2. This rate structure would generate about $5.7 million per year, with an annual financial impact of $120 per household and $264 for the average business.

Figure 33. ECONorthwest's estimate of maximum politically feasible rate

Rate	Revenue	Tax burden
$10 per month per household	$4,488,720	$120 per year per household
$2 per month per employee	$1,258,752	$264 per year for average business
	$5,747,472	

[20] EDCO report on largest employers in Central Oregon. https://edcoinfo.com/wp-content/uploads/2018/05/2018-Central-Oregon-Largest-Employers.pdf.

Methods

Option 1

Option 1 uses a flat rate imposed on every household and every business. As of 2016, Bend had 37,406 households[21] and 5,206 businesses[22]. ECONorthwest estimated revenue based on three monthly, flat rates per household and per business. Rates are: $2 per month, $5 per month, and $10 per month.

Option 2

Option 2 uses a flat rate imposed on every household and every employee. As of 2016, Bend had 37,406 households[23] and 52,448 employees[24]. ECONorthwest estimated revenue base on three monthly, flat rates per household and per employee. Rates are: $2 per month, $5 per month, and $10 per month.

Option 3

Option 3 uses daily trips within the Bend Metropolitan Planning Organization (BMPO) jurisdiction. DKS Associates provided daily trips for 2010 (base year) and 2040 (future year). [25] To interpolate daily trips in 2018, ECONorthwest calculated the average annual growth rate between 2010 and 2040, to arrive at an estimated daily trips in BMPO is 324,953 (2018).

Local Option Levy

Description

Local option levies are temporary property tax increases, approved by voters, to fund operations of local government or taxing district services. Local option levies cannot exceed five years (10 years for capital projects), though they can be reviewed and extended indefinitely at five-year intervals, if the public continues to vote in favor of the levies. It is possible that a local option levy for maintenance and operations of transportation systems could be passed.

The City of Bend currently has one local option levy of $0.20 per $1,000 that is used to support the fire department (or $80 per year for a home assessed at $400,000). This five-year levy was last renewed in May 2018 with 77% of the vote.

Applicability

Local option levies fund operations and maintenance costs (up to five-year levy) or capital costs (up to 10-year levy). Revenue from local option levies is typically stable year to year but can be affected by property tax compression[26]. When compression occurs, the new local option levy can lower revenue raised by other local option levies. The cost of the levy is borne by property taxpayers.

Revenue Capacity

As with all taxes, the revenue capacity of a local option levy is dependent on the rate chosen. A local option levy with a rate of $0.10 per $1,000 AV would generate about $1.1 million per year (in constant 2018 dollars) while a rate of $0.40 would generate about $4.34 million per year. This is shown in Figure 34.

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[21] U.S. Census Bureau, 2012-2016 ACS, Table B5024.

[22] Bend MPO, QCEW data, 2016.

[23] U.S. Census Bureau, 2012-2016 ACS, Table B5024.

[24] Bend MPO, QCEW data, 2016

[25] Provided via email from DKS on August 3, 2018.

[26] See this document for more information about compression: http://www.orcities.org/Portals/17/Toolkit/CompressionFAQ.pdf

Figure 34. Local option levy assumptions and revenue potential, constant 2018 dollars

	Rate per $1,000 of taxable assessed value (TAV)			
	$0.10	**$0.20**	**$0.30**	**$0.40**
Estimated annual revenue, FYE 2020	$1,074,628	$2,149,255	$3,223,883	$4,298,510
Total revenue over 5-year levy, FYE 2020-2024	$5,512,191	$11,024,383	$16,536,574	$22,048,765
Annual cost for a home with taxable AV of $400,000	$40	$80	$120	$160

Note: Revenue capacity is rounded to the nearest thousand.

In inflation-adjusted dollars, annual revenue from a local option levy is estimated to increase over time. This is because assumed annual growth in assessed value (4.2%- 6.0%) is higher than inflation (3.1%).

Methods

To estimate revenue capacity from a local option levy, ECONorthwest used the City of Bend's 2017-2018 taxable assessed value of $11.0 million. For FYE 2019-2023, we used the City's projected annual growth in assessed value, which ranges from 6.0% (FYE 2019) to 4.2% (FYE 2023). For FYE 2024 through 2040, we assumed 4.2% annual increase in taxable assessed value. This includes both annual growth of existing property (which is legally capped at 3.0% per year) and increased value due to new construction. We assumed a 93% collection rate due to losses and delinquencies. To convert from nominal to constant 2018 dollars, we used ODOT's long-range inflation forecast of 3.1%.

To inform rates per $1,000 of assessed value, ECONorthwest used Bend's active five- year local option levy of $0.20 as a mid-point. Higher-ranged rate options derive from $0.10 increments per $1,000 of assessed value.

Funding Work Group Meeting #2 Draft Summary Notes

MEETING DATE: Tuesday, July 24, 2018

MEETING TIME: 10 a.m. – 12:30 p.m.

LOCATION: Council Chambers at Bend City Hall

Meeting Overview

The Funding Work Group (FWG) reviewed individual potential funding sources and evaluation criteria. The FWG voted and identified eight potential funding sources for further evaluation and eliminated several sources from further consideration.

Attendees

CTAC Members: Ruth Williamson, Nicole Mardell, Dale Van Valkenburg, Katy Brooks, Steve Hultberg, Mike Riley, Suzanne Johanssen, Richard Ross, Karna Gustafson

City Representatives: Emily Eros, Transportation Planner; Brian Rankin, Planning Manager; Sharon Wojda, Finance Director; Camila Sparks, Budget and Financial Planning Manager; Russ Grayson, Community Development Director; Ian Leitheiser, Assistant City Attorney; Tyler Deke, MPO Manager; Susanna Julber, Senior Policy Analyst; Eric King, City Manager; Karen Swirsky, Senior Planner; Jon Skidmore, Assistant City Manager; Karin Morris, Accessibility Manager; Nick Skinner, Community Development Program Technician

Consultants: Lorelei Juntunen, ECONorthwest, Kate Macfarlane, ECONorthwest, Joe Dills, Angelo Planning Group

Public: Dave Kyle, Dave Bryant, Sid Snyder, Mike Walker, Chris Edmonds

Agenda

1. **Welcome, agenda overview, where we are in the process, potential opportunity for public comment (10 minutes)**

   Joe Dills reviewed the agenda and the Phase 1 work plan. The work of the FWG is being coordinated with the work of CTAC and SC.

   FWG Meeting #1 Summary - Richard Ross requested a change on the bottom of page 2. The discussion was not about sales taxes, but about utility fees. He also clarified that there was a moratorium on local gas taxes. Katy Brooks moved to approve the summary with Richard's changes. Karna Gustafson seconded the motion. The FWG approved the motion.

   Public Comment - No one from the public commented.

2. **Follow-ups from questions asked at FWG#1 (information, 10 minutes)**

   The FWG raised a few questions at meeting #1 and asked staff for additional information. Emily Eros reviewed the questions and provided information about the supplemental local sources of revenue being used in Medford, Corvallis, Hillsboro, and Gresham. A follow-up memo will be sent by email with further information.

3. **Funding tools and evaluation criteria (information, 30 minutes)**

This agenda included a focused review of funding tools and evaluation criteria, with the intention helping the FWG prioritize the tools. A summary matrix was provided in the meeting agenda packet. Joe Dills reviewed the matrix, including a discussion of each funding tool, the attributes of each tool relative to draft evaluation criteria, other cities that have used the tools, and the (order of magnitude) revenue potential for Bend.

4. Prioritization of Funding Tools for Inclusion in Draft Funding Packages (action, 50 minutes)

Prior to conducting this exercise, Ian discussed conflict of interest disclosure requirements. Steve, Karna, Dale, and Katy declared potential conflicts of interest.

During this agenda item, the FWG members used dots to identify high priority funding options and options that should not be considered. The FWG identified the following funding sources for future consideration. This includes:

- Transportation system development charges
- Local improvement district
- General obligation bond
- Urban renewal funding
- Transportation utility fee
- Local fuel tax (possibly seasonal)
- County vehicle registration fee
- Targeted sales tax

The FWG discussed the reasons for the rankings. The FWG asked that local option levy remain in consideration because it could be paired with other options (like a GO bond) to cover maintenance for new capital.

Following the meeting, the staff and consultant team will use the FWG's rankings to prepare a draft funding packages for discussion at FWG Meeting #3.

Next Steps: Lorelei said ECO will develop several funding packages for FWG consideration. Kate reviewed the funding sources that were identified by the group as being most suitable for further consideration.

Public comment (10 minutes)

Mike Walker, RWNA, suggested the FWG look at new corridors and areas that were added to the UGB, and consider whether there are mechanisms to capture revenue from not just incoming developers, homebuyers, and businesses, but also landowners whose land has been annexed into the UGB and who will benefit from a large profit from selling their property for development. Land in the new UGB areas is very expensive, and the costs are passed onto homebuyers and the landowners are seeing most of the financial gains. As a developer, Mike wants to know how these funding mechanisms will affect land residual value.

5. Next steps and adjourn

Appendix D: Existing Funding Tool Assessment

The purpose of this memorandum is to provide the Funding Work Group (FWG) with information about the existing revenue tools that fund Bend's Transportation System. This memorandum is an appendix of the Initial Funding Assessment (IFA), presented to the Funding Work Group at its meeting on October 31, 2018.

The following subsections describe the forecast of revenue from existing funding tools; revenue from new funding tools will add to this base to cover the costs of prioritized projects.

Forecast of Revenues from Existing Funding Tools

The City of Bend currently collects revenue from federal, state, and local funding sources, and uses these revenues for both capital and operation and maintenance expenses.

Following are two forecasts for existing funding tools: (1) revenues used for capital expenditures (Figure 1); and (2) revenues used for operations/maintenance expenditures (Figure 2). In summary, ECONorthwest estimates that on average, existing tools will generate approximately $12.1M per year for capital funding needs and approximately $9M per year for operations/maintenance funding needs. The forecast is presented in nominal dollars unless otherwise noted.

Financial Terms Defined:

Real dollars (real prices or real $) are prices adjusted for inflation or deflation. Adjusting prices gives a more accurate depiction of revenue for various years that the revenue is received. For instance, inflation impacts the time value of money, so the value of a dollar decreases over time. One thousand dollars in 2000 has the same buying power as $1,500 today.

Comparatively, **nominal dollars** (current prices or nominal $) are not adjusted for inflation. It measures the dollar value of a product at the time it was produced.

Note: We present values in nominal dollars, unless otherwise noted.

The sections that follow Figures 1 and 2 provide detailed descriptions of each of the funding tools and our projection methodologies.

Figure 1. Forecast of Revenues from Existing Tools (Capital Funding)

FYE	Water/Sewer Franchise Fees[27]	TSDC Revenues Collected[28]	Surface Transportation Program[29]	Other[30]	Revenue Commitments 31	Total
2020	$1,225,300	$8,250,752	$0	$100,000	($15,083,603)	($5,507,551)
2021	$1,262,100	$8,483,275	$0	$100,000	($4,516,911)	$5,328,464
2022	$1,300,000	$8,722,773	$0	$100,000	($13,346,168)	($3,223,395)
2023	$1,339,000	$8,669,456	$0	$100,000	($2,756,757)	$7,351,699
2024	$1,379,200	$8,723,540	$309,439	$100,000	($2,533,512)	$7,978,667
2025	$1,420,600	$8,985,246	$316,246	$100,000	($2,533,512)	$8,288,581
2026	$1,463,200	$9,254,804	$323,204	$100,000	.($2,533,512)	$8,607,695
2027	$1,507,100	$9,532,448	$330,314	$100,000	($2,533,512)	$8,936,350
2028	$1,552,300	$9,818,421	$337,581	$100,000	($2,533,512)	$9,274,790
2029	$1,598,900	$10,112,974	$345,008	$100,000	($2,533,512)	$9,623,370
2030	$1,646,900	$10,416,363	$352,598	$100,000	($2,533,512)	$9,982,349
2031	$1,696,300	$10,728,854	$360,355	$100,000	($2,533,512)	$10,351,997
2032	$1,747,200	$11,050,719	$368,283	$100,000	($2,533,512)	$10,732,691
2033	$1,799,600	$11,382,241	$440,887	$100,000	($2,533,512)	$11,189,216
2034	$1,853,600	$11,723,708	$450,586	$100,000	($2,533,512)	$11,594,382
2035	$1,909,200	$12,075,420	$460,499	$100,000	($2,533,512)	$12,011,607
2036	$1,966,500	$12,437,682	$470,630	$100,000	($2,533,512)	$12,441,300
2037	$2,025,500	$12,810,813	$480,984	$100,000	($2,533,512)	$12,883,784
2038	$2,086,300	$13,195,137	$491,565	$100,000	($2,533,512)	$13,339,490
2039	$2,148,900	$13,590,991	$502,380	$100,000	($2,533,512)	$13,808,759
2040	$2,213,400	$13,998,721	$513,432	$100,000	($2,533,512)	$14,292,041

[27] Water/sewer franchise fees projection shows 62.5% of the total revenue from this source. The other 37.5% is not included in these projections; it is assumed to go the accessibility construction fund for capital projects. We did not forecast ADA needs, so this analysis does not include ADA funding. Note: these funds are not restricted; it is a policy decision made by City Council to allocate these funds in this way, and this policy could change in the future.

[28] TSDCs build up in growth/improvement reserves and only a portion of those reserves are spent each year, depending on projects being built and their TSDC eligibility. Therefore, we have shown total TSDC revenues collected each year (as opposed to revenues spent).

[29] The U.S. Department of Transportation's Surface Transportation Program (STP) is one of the most flexible highway funding programs. Refer to page 91 for more information about the source and to review forecasting methodology. Note: The forecast assumes the full allocation (100%) of STP revenue is directed to operations/maintenance (O&M) expenses until 2024. After 2024, 25% of future allocations goes to capital expenditures and 75% to O&M. This is based on current allocations.

[30] Other sources of revenue are: rental income, charges for service, loan repayments, investment income, and miscellaneous revenues. We have assumed a flat rate of $100,000 per year based on City records for previous years

[31] Includes cash payments for commitments in the Transportation Construction Fund, including ongoing debt service for the Empire and Murphy capital projects. These are outgoing revenues and should be subtracted from the total revenues collected to arrive at a net figure that could be available for new projects.

Total	**$35,141,100**	**$223,964,338**	**$6,853,992**	**$2,100,000**	**($78,773,139)**	$189,286,291
Average	**$1,673,386**	**$10,664,968**	**$326,381**	**$100,000**	**($3,751,102)**	$9,013,633

Source: ECONorthwest. Values are in nominal dollars.

Figure 2. Forecast of Revenues from Existing Tools (Operations/Maintenance Funding)

FYE	Surface Transportation Program[32]	State Highway Fund[33]	General Fund Subsidies[34]	Garbage Franchise Fees	Other[35]	Total
2020	$850,927	$7,194,243	$5,225,715	$861,395	$100,000	$14,232,280
2021	$869,648	$7,470,779	$5,330,229	$887,236	$100,000	$14,657,892
2022	$888,780	$7,757,557	$5,436,834	$913,854	$100,000	$15,097,024
2023	$908,333	$8,001,210	$5,545,571	$941,269	$100,000	$15,496,384
2024	$618,878	$8,154,302	$5,711,938	$969,507	$100,000	$15,554,625
2025	$632,493	$8,289,066	$5,883,296	$998,592	$100,000	$15,903,448
2026	$646,408	$8,262,653	$6,059,795	$1,028,550	$100,000	$16,097,406
2027	$660,629	$8,250,793	$6,241,589	$1,059,407	$100,000	$16,312,418
2028	$675,162	$8,540,750	$6,428,837	$1,091,189	$100,000	$16,835,938
2029	$690,016	$8,859,810	$6,621,702	$1,123,925	$100,000	$17,395,452
2030	$705,196	$9,189,492	$6,820,353	$1,157,642	$100,000	$17,972,683
2031	$720,711	$9,530,147	$7,024,963	$1,192,372	$100,000	$18,568,193
2032	$736,566	$9,882,139	$7,235,712	$1,228,143	$100,000	$19,182,560
2033	$881,773	$10,245,842	$7,452,784	$1,264,987	$100,000	$19,945,386
2034	$901,172	$10,621,644	$7,676,367	$1,302,937	$100,000	$20,602,120
2035	$920,998	$11,009,945	$7,906,658	$1,342,025	$100,000	$21,279,626
2036	$941,260	$11,411,158	$8,143,858	$1,382,285	$100,000	$21,978,561
2037	$961,968	$11,825,710	$8,388,174	$1,423,754	$100,000	$22,699,605
2038	$983,131	$12,254,043	$8,639,819	$1,466,467	$100,000	$23,443,459
2039	$1,004,760	$12,696,612	$8,899,013	$1,510,461	$100,000	$24,210,846
2040	$1,026,864	$13,153,888	$9,165,984	$1,555,774	$100,000	$25,002,511
Total	**$17,225,672**	**$202,601,784**	**$145,839,192**	**$24,701,769**	**$2,100,000**	**$392,468,417**
Average	**$820,270**	**$9,647,704**	**$6,944,723**	**$1,176,275**	**$100,000**	**$18,688,972**

Source: ECONorthwest. Values are in nominal dollars.

[32] Based on current practice, the full allocation (100%) of Surface Transportation Program (STP) revenue is assumed to be directed to operations/maintenance (O&M) expenses until 2024. After 2024, 25% of future allocations are assumed to be directed to capital expenditures and 75% to O&M; this assumption is based on the anticipation that other (capital) needs will become a priority for STP revenue.

[33] The State Highway Fund (SHF) is the largest state funding program and allocates funds to ODOT, counties, and cities. See page 92 of more information about the source and to review forecasting methodology.

[34] The General Fund Subsidy assumptions are based on the current City Council adopted fiscal policies. The policy states that 75% of franchise fees collected in the General Fund are used for street maintenance and preservation activities. City Council has the ability to change this policy at any time.

[35] "Other" sources include licenses and permits, charges for services, investment income, and other miscellaneous revenues. We have assumed a flat rate of $100,000 per year based on City records for previous years, and did not include assumptions for private development contributions since these are project-dependent and highly variable.

Funding Tool Description and Projection Methods

This section describes each of the existing types of revenue and ECONorthwest's methodology for forecasting them. It is organized into two sections to correspond with Figure 1 (forecast of revenues from existing funding tools, for capital uses) and Figure 2 (forecast of revenues from existing funding tools, for operation and maintenance uses).

Capital Funding Tools

Four existing tools will provide capital funding:

- Water and Sewer Franchise Fees
- Transportation System Development Charge Revenue Collected
- Surface Transportation Program
- Other Tools

Water and Sewer Franchise Fee

Description

Local governments may establish franchise fees. They are charged on a franchisee who is required or agrees to pay a fee as compensation for using public rights of way (e.g. such as using a public right-of-way to accommodate a private utility). Bend has franchise fees for water, wastewater (sewer), telecommunications, gas, electric, cable, and garbage utilities. On July 1, 2018, the City of Bend increased water and sewer franchise fees by 1% (from 3% to 4%). Current Council policy is to allocate 62.5% of the water/sewer franchise fee revenues to transportation capital projects, with the remaining 37.5% allocated to funding for accessibility capital projects that are paid for out of the City's accessibility construction fund. We did not forecast accessibility construction (ADA) needs, so this analysis does not include the ADA revenues.

Projection methods

The City of Bend provided the forecast of franchise fees, which are projections based on a 3% account revenue growth.

Transportation System Development Charges

Description

Transportation System Development Charges (TSDC) are fees collected when new development occurs in the City. SDCs are fees paid by land developers and are intended to reflect the increased capital costs incurred by a municipality or utility as a result of a development (in most states, they are called "impact fees"). Enabling legislation (ORS 223.297-223.314) provides a uniform framework that all local governments must follow to collect SDCs. TSDC revenue can only be used to fund capital improvements for transportation. Local jurisdictions must adopt a method for calculating the charges that sets the fee to reflect the actual cost of the needed capital improvements to which the fee is related. SDCs typically vary by the type of development.

Projection Methods

The City of Bend provided the forecast of TSDC fees which are calculated using a forecast of new growth, with the appropriate TSDC rate applied based on the trip generation of certain land uses. Estimates are based on projections from the City of Bend's transportation funding model which are comprised of two components: growth/development activity and the TSDC rate. The revenue forecast assumes that development activity remains constant with current levels, with

annual revenue growth based only on a 3.5% increase in the TSDC rate.[36] Estimates are projected by fiscal year through the analysis period (2020 to 2040).

Surface Transportation Program

Description

The U.S. Department of Transportation's Surface Transportation Program[37] (STP) is one of the most flexible highway funding programs. The STP program is funded by contract authority from the Highway Account of the federal Highway Trust Fund. Funds are subject to the overall Federal-aid obligation limitation. Compared to other federal transportation programs, STP provides the most financial support to local agencies. Projects eligible for STP funding include highway and bridge construction and repair; transit capital projects; and bicycle, pedestrian and recreational trails.

Funds are first distributed to states. Distribution of the funds to Oregon's counties, cities and small Metropolitan Planning Organizations (MPOs) is governed by an agreement between ODOT, the League of Oregon Cities and the Association of Oregon Counties. Annual funding award notices are typically provided each year in late January. After the funding notice is provided, the Bend MPO determines how to allocate the available funds. Additionally, the City of Bend participates in an annual STP exchange, where federal funds are exchanged for state funds. This results in slightly lower funding amounts but fewer funding restrictions and reporting requirements.[38]

Projection methods

To estimate STP revenue for Bend, we begin with Bend MPO's forecast of STP dollars for 2020 through 2040. Bend MPO provided this forecast to ECONorthwest. We collaborated with Bend MPO to further determine an assumed allocation of STP dollars from Bend MPO's allocation to the City of Bend.

Bend MPO makes decisions annually about how STP funds will be allocated. STP dollars are challenging to project at the City level because the MPO does not determine how to allocate *future* uses of the funds. To address that uncertainty, we use an assumption provided by the MPO Manager, as follows: For purposes of this analysis, we assume 75% of revenues will be allocated the City of Bend during the planning period. The City of Bend's total STP allocation is further assumed to be split between capital costs and operations/maintenance costs: The full allocation (100%) of STP revenue is directed to operations/maintenance expenses until 2024. Beginning in FY2024 through FY2040, about a third of the City of Bend's STP revenue is allocated to capital expenditures. Stated another way, beginning in FY2024 through FY2040, we assume 50% of Bend MPO's allocation of STP revenue is allocated to City of Bend's operations/maintenance costs and 25% (the balance of City of Bend's total allocation) is allocated to City of Bend capital costs.

"Other" Tools

Description

[36] The existing forecast of TSDC revenue does not currently account for economic downturns, which can be difficult to predict.

[37] Map-21 – Moving Ahead for Progress in the 21st Century, Surface Transportation Program. https://www.fhwa.dot.gov/map21/factsheets/stp.cfm

[38] In 2018, the City of Bend received $0.94 in state transportation funding for every $1.00 of federal STP funding that the City gave the state of Oregon.

Other funding tools are: rental income, charges for service, loan repayments, investment income, and miscellaneous revenues.[39]

Projection Methods

To estimate revenue for "other" tools, we use a conservative estimate of $100,000 per year in FY2020 through FY2040, based on direction from the City of Bend.

Operations and Maintenance Funding Tools

Five existing revenue tools will provide operating and maintenance funding during the planning period. These tools are:

- State Transportation Program
- State Highway Fund
- General Fund Subsidy
- Garbage Franchise Fees
- Other Sources

Surface Transportation Program

Description

As mentioned previously, the Surface Transportation Program (STP) is one of the most flexible highway funding programs through the U.S. Department of Transportation. Compared to other federal transportation resources, this program provides the most financial support to local agencies. Projects eligible for STP funding include highway and bridge construction and repair; transit capital projects; and bicycle, pedestrian and recreational trails. Annual funding award notices are typically provided each year in late January. After the funding notice is provided, Bend MPO determines how to allocate the available funds to cities.

Projection Methods

To estimate STP revenue for Bend, we begin with Bend MPO's projected revenue for 2020 through 2040. These estimates are consistent with ODOT MPO guidance and Bend's previous forecast. We assume a 75% fixed split for Bend MPO revenue allocated to the City of Bend. From here, we split the City of Bend's STP allocation into capital and operations/maintenance revenue. Bend's STP revenue is directed entirely to operations/maintenance until 2024. Then, about two thirds of the City of Bend's STP revenue is allocated to operations/maintenance expenditures. The balance is allocated to capital.

State Highway Fund

Description

The State Highway Fund[40] is the largest state funding program and allocates funds to ODOT, counties, and cities. This program funds projects such as highways, streets, and active transportation pathways. State Highway Fund money derives from driver licenses fees, registration and title fees, fuel taxes, and weight-mile taxes. The State allocates this revenue using a formula: 60% to Oregon, 24% to counties (based on vehicle registrations), and 16% to cities (based largely on population).

Projection Methods

[39] Note that "other" funding sources includes private contributions. We did not forecast private contributions because they are project-specific and difficult to predict. However, private contributions are included in the list of "other" tools since they would factor into the City's actual revenues.

[40] Transportation Funding in Oregon. https://www.oregon.gov/ODOT/About/Pages/Transportation-Funding.aspx

To forecast SHF revenue, we use state level projections developed by ODOT which are then allocated to the city based on population and the city share of the fund. To estimate the share of funds from all cities to the City of Bend, we use a fixed percentage based on 2017 population. In 2017, Bend's population was 86,765 people; all cities in Oregon accounted for 2,816,752 people[41]. Accordingly, the population in Bend is 3.1% of the population for all cities and thus, we use 3.1% as the fixed percentage to calculate the share of revenue that Bend receives. The fixed percentage is used each year of the analysis period (FY2020 to FY2040). This is consistent with the Bend MPO's methodology used to estimate SHF revenues in the 2014 plan.[42]

General Fund Subsidy

Description

Bend's General Fund is primarily funded through property taxes, though other types of discretionary revenue also contribute, such as room tax revenues and franchise fees. The majority of General Fund dollars are allocated to public safety (approximately 75% in fiscal year 2019). In the past, forecasting General Fund dollars allocated to transportation proved difficult because its use was determined through an annual political process. However, the City Council adopted a policy to establish a stable funding source for street maintenance by dedicating 75% of the General Fund franchise fee revenues to street maintenance and preservation activities. The Council also set policy that ending reserve levels in the General Fund will be evaluated annually and undesignated reserve balances in excess of the targeted levels will be dedicated to improving the condition of the City's street and transportation system.

Projection Methods

General Fund revenue estimates in the forecast assume there are no changes to the Council policy and 75% of general fund franchise fees are allocated to transportation operations and maintenance needs. The City of Bend provided estimates for Fiscal Year FY2020, FY2021, FY2022, and FY2023. To forecast out to 2040 and convert to real dollars, we held FY2023 revenue constant and assumed it would follow the franchise fee growth assumption of three percent as determined by the City of Bend.

We did not prepare a General Fund forecast through the 2040 planning period and therefore did not make any assumptions on the amount of additional funding that may be available based on ending reserve levels in the General Fund.

Garbage Franchise Fees

Description

Another type of franchise fee imposed by Bend are garbage franchise fees.

Projection Methods

The City of Bend provided garbage franchise fee estimates to inform the foundation of the forecast. These estimates are based on revenue collections for FY2016, FY2017, and FY2018. To project garbage franchise fees beyond FY2018, we assume each proceeding year would increase following a three percent franchise fee growth rate (as determined by the City of Bend).

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[41] Portland State University (PSU). Certified 2017 Population Estimates. https://www.pdx.edu/prc/population-reports-estimates

[42] An alternative method to forecasting SHF revenue exists. This alternative method, approved by ODOT, alters the **percentage split assumption**. The percentage split assumption is 3.1% if its basis is *2017 population estimates*. The alternative method would base the percentage split assumption on PSU's *population forecast.* Bend's population is growing faster than other areas of the state. Thus, using a population forecast rather than a 2017 estimate could show increased revenues to Bend. That said, the method based on 2017 population estimates is more conservative, which also has merit. PSU is currently updating their population forecasts. When these forecasts are complete, the project team may consider using this alternative method.

"Other" Tools

Description

"Other" types of revenue include licenses and permits, charges for services, investment income, and other miscellaneous revenues.

Projection Methods

To estimate revenues in this category, we received direction from the City of Bend to use a conservative estimate of $100,000 in FY2020.

Appendix E: Information about How Other Communities Fund Transportation

PREPARED FOR: Funding Work Group

PREPARED BY: Emily Eros, City of Bend

DATE: July 30, 2018

Introduction

At the first Funding Work Group (FWG) meeting, members asked to learn more about how other cities fund their transportation systems. In particular, members were curious about Oregon cities that are similar in size to Bend, and about cities that have a very low permanent rate for property taxes.

This memo discusses funding in the context of permanent property tax rates. It also includes a brief summary of transportation funding mechanisms for four cities in Oregon: Hillsboro, Medford, Corvallis, and Gresham. These cities were selected for their population size and other characteristics (e.g. Medford has a high amount of tourism, Corvallis has a four-year university, and Gresham has a low permanent property tax rate per capita). Collectively, they form a diverse set of examples.

Overall, this memo finds that all of the sample cities have had to piece together transportation funding from a variety of supplemental sources, such as transportation utility fees and gas taxes. All of the funding sources pursued by these cities are included in the options presented for Bend (see the Funding Sources Matrix included in the meeting packet for FWG Meeting #2).

Permanent tax rates

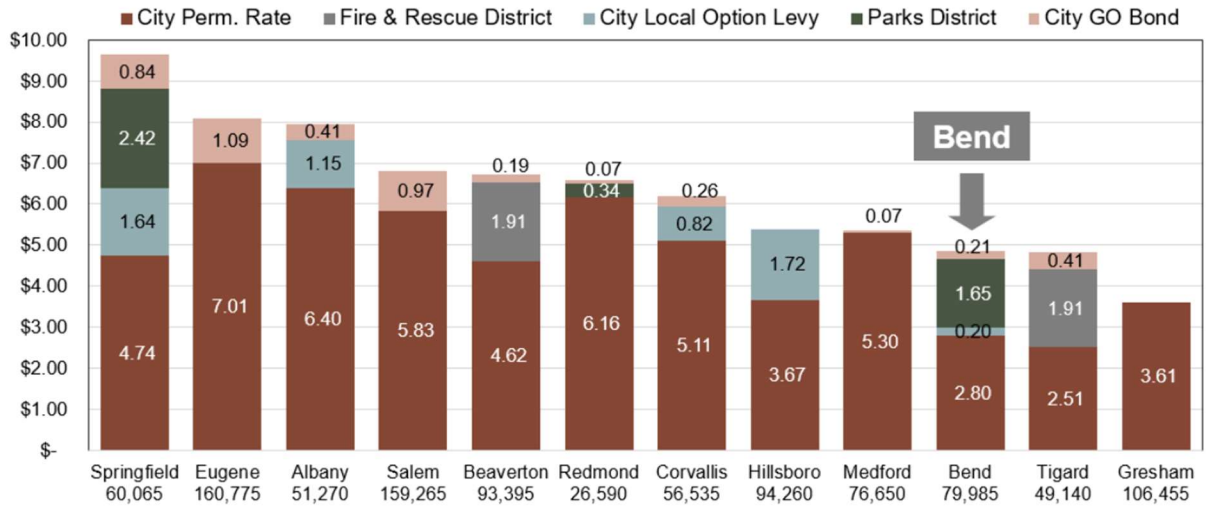
In order to answer the FWG's questions, we first had to identify comparable Oregon cities with especially low property tax rates. Comparing cities' tax rates and revenues is difficult because there are so many differences between them. Cities provide different types and scales of services, so we considered only cities with a population of at least about 50,000, as well as Redmond. Figure 1 shows property tax rates for sample cities in Oregon for 2015-2016.[43] Population estimates are shown, as well.[44] The labels on each city's data correspond to the amount, in dollars, per $1,000 of assessed property value. For example, Bend has a permanent tax rate of $2.80 per $1,000 of assessed value.

This chart shows that Bend's permanent tax rate is much lower than almost any other city in Oregon with a comparable size. However, the chart also shows that even cities with higher tax rates and larger revenues have turned to other funding sources for additional revenues; many cities have pursued general obligation bonds and/or local option levies. This suggests that funding is a challenge regardless of property tax rates, but that the challenge may be more acute in Bend.

[43] This period was chosen because it is the most recent compilation of rates that the City of Bend has currently developed. This chart does not include GO bonds that were approved after FYE 2016, which includes cities like Eugene and Salem.

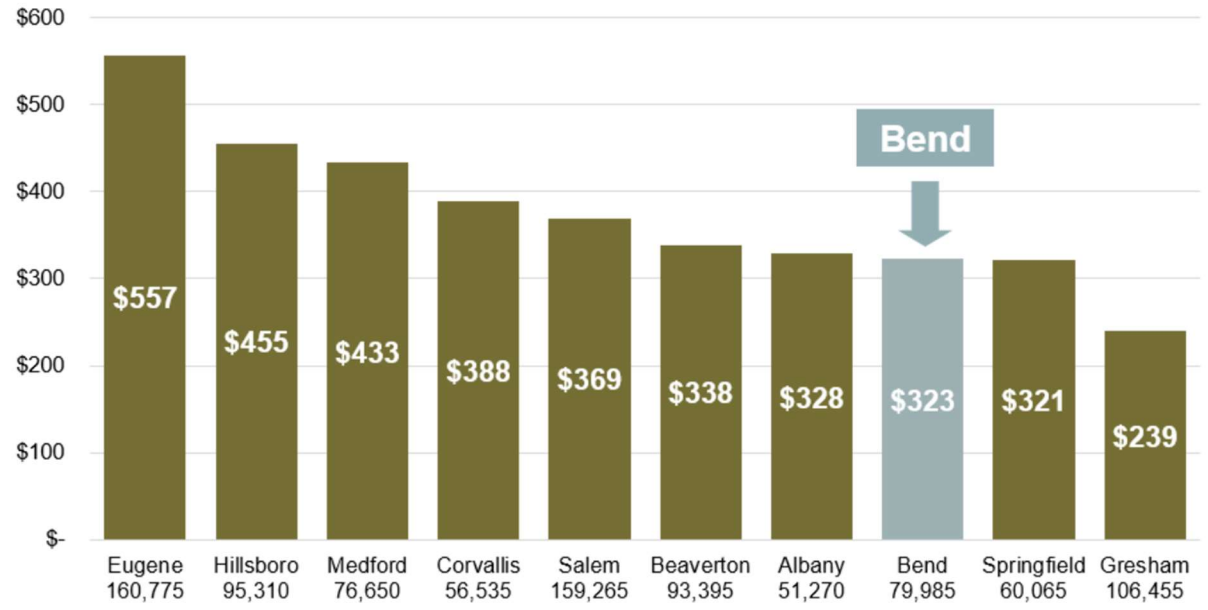
[44] Population estimates are for summer 2014.

Figure 1: Property tax rates for sample Oregon cities, 2015-2016



We also considered the revenues generated by property taxes. Figure 2 shows General Fund property tax revenues per capita in 2015-2016 for a sample of Oregon cities. Only two cities had lower revenues per capita than Bend: Springfield and Gresham. This occurred because, even though Gresham's and Springfield's permanent tax rates are higher than Bend's, their property values are lower. Again, this chart shows that Bend has a particularly challenging funding situation; there are not many "peer" cities with relatively low permanent tax rates or General Fund property tax revenues per capita. However, in order to answer the FWG's question, we selected Gresham as a comparable city that may have to be especially creative about transportation funding.

Figure 2: Budgeted General Fund property tax revenues per capita, 2015-2016



Transportation funding in sample Oregon cities

For each of the comparison cities, this section includes a graph illustrating the principal sources of transportation funding and a call-out box identifying key differences compared to Bend. Funding details are taken from cities' most recent adopted budgets, are often based on anticipated funding for the coming year, and sometimes require considering budgets from multiple funds. As such, these figures may not be perfect figures for each city's transportation budget but represent best-available information and will capture overall trends and strategies.

Hillsboro

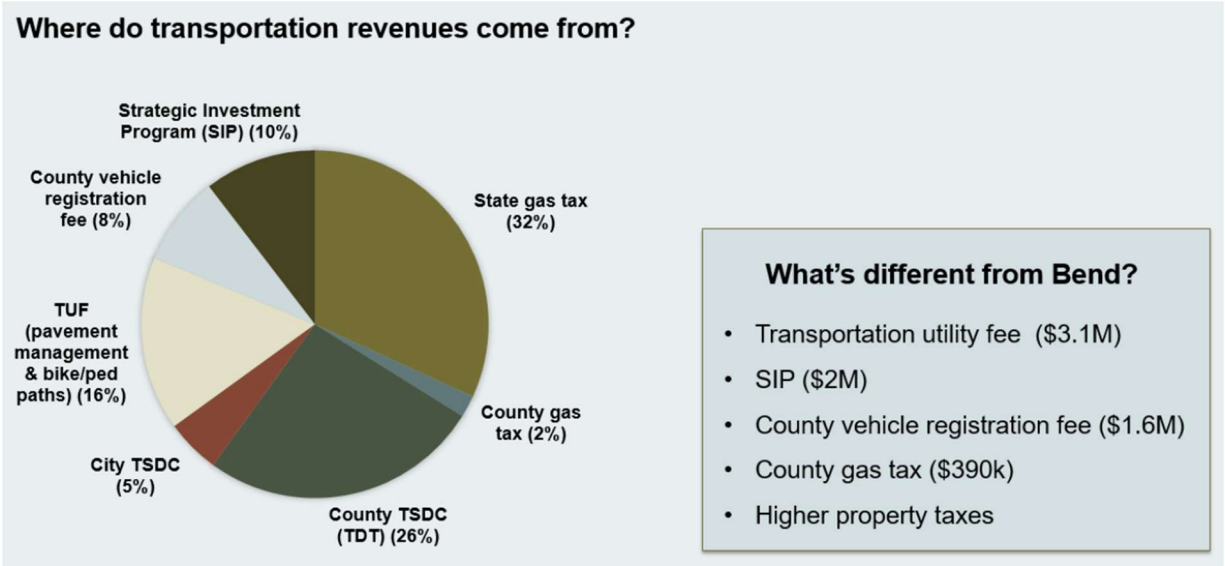
Hillsboro's transportation revenue comes from a variety of sources. Most notable is the city's use of two transportation utility fees (TUFs): one for transportation maintenance and the other for the construction of bike and pedestrian paths. The TUFs are currently assessed at a combined $8.16 per month for a single-family home and are expected to generate $3.1 million for FYE 2018.

In addition, over the past several years, the Hillsboro City Council has also elected to use Strategic Investment Program (SIP) funding to help fund pavement management needs. Hillsboro's adopted FYE 2018 budget indicates that $2 million in SIP funding will be used for pavement management needs. SIP funding comes from fees paid by large companies (in this case, Intel) as part of a property tax abatement program. The threshold for SIP property tax abatement starts at $100 million (in project property value) for a location within the UGB of a city of over 40,000 people.

Hillsboro also has a county vehicle registration fee of $30 per year, which is split 60/40 between the county and the cities within it. Hillsboro's share will generate roughly $1.6 million in FYE 2018.

Hillsboro also benefits from a county gas tax. The city's share of this is anticipated to total roughly $390,000 in FYE 2018.

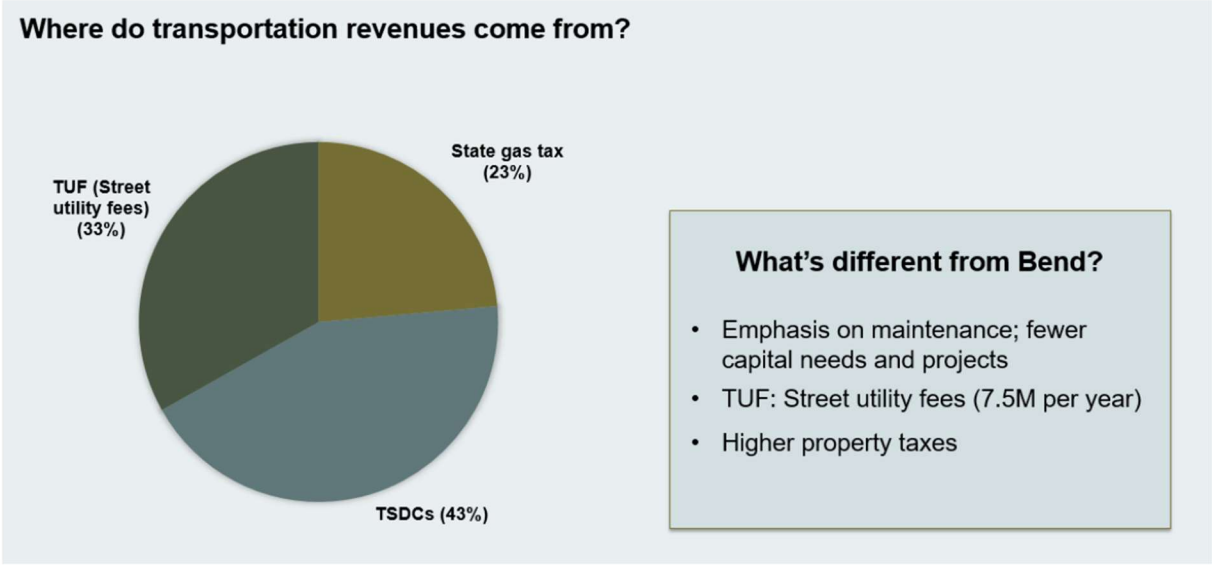
Figure 3: Transportation funding summary for Hillsboro



Medford

Medford places a heavy emphasis on transportation maintenance and operations, which is documented as the top priority in the City's TSP. Like Hillsboro, Medford generates part of its transportation funding through a TUF, adopted in 1991. In 2017, this fee was roughly $7.35 for a single-family home. The fee is expected to generate roughly $7.5 million for FYE 2018. These fees are used for street maintenance and operations.

Figure 4: Transportation funding summary for Medford



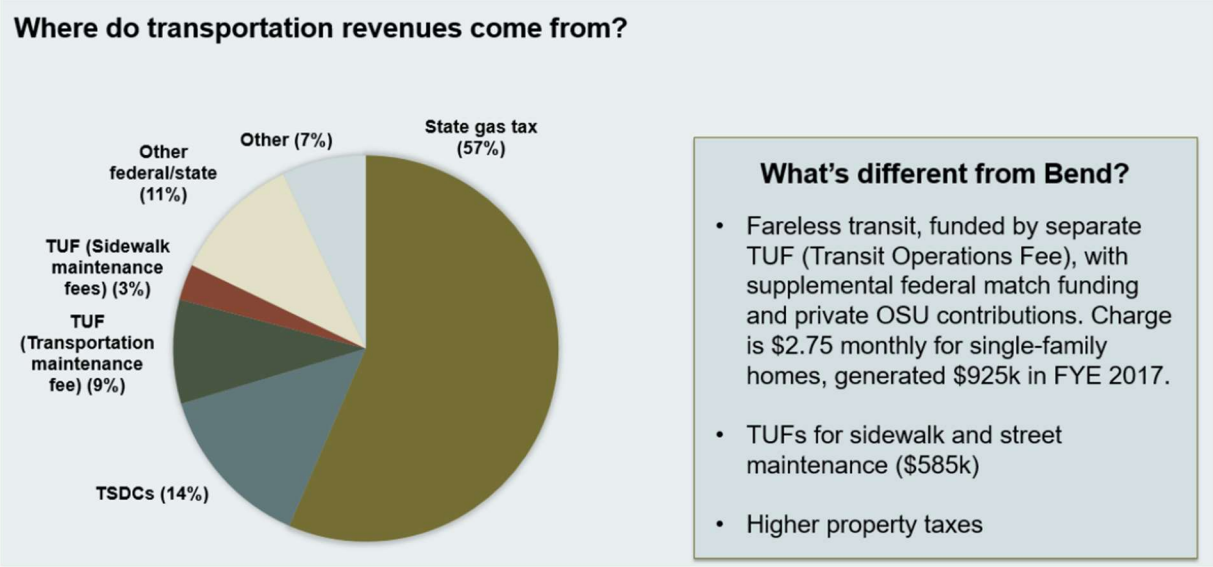
Corvallis

Corvallis also has TUFs in place that fund street maintenance, sidewalks, and (notably) public transit. Corvallis has a fareless transit system that is funded by a combination of TUF revenues (named "Transit Operations Fee", or TOF[45]), private funding from Oregon State University (OSU), and federal match funding. Single-family homes pay $2.75 monthly; this fee generated $975,000 in FYE 2017. In order to compare cities consistently, we have not included funding sources for transit agencies in the revenue charts. Therefore, the transit TUF (TOF) is not shown in Fig. 5.

Corvallis' TUFs for sidewalk and street maintenance amounts to roughly $1 per month per single-family home and generated $585,000 in FYE 2017.

[45] Corvallis refers to its monthly transit fee as the Transit Operations Fee (TOF). We have referred to it as a TUF in this text in order to enable comparisons between cities. The TOF functions in the same way as a TUF and is enabled by the same legislation; it is simply a different term.

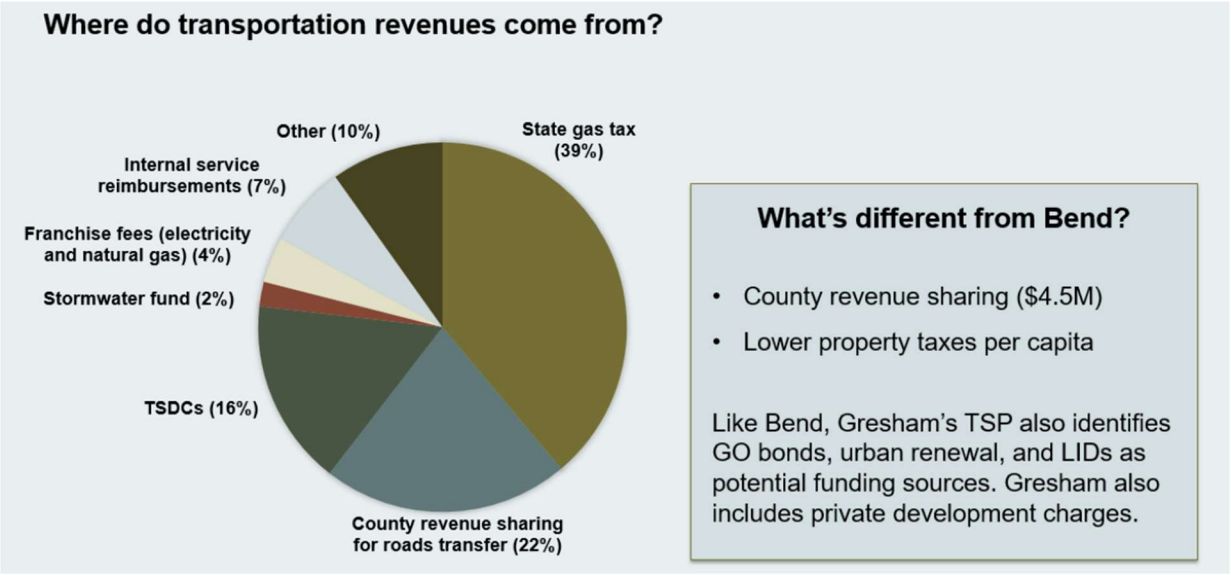
Figure 5: Transportation funding summary for Corvallis



Gresham

Gresham, like Bend, has very low revenues from property taxes as compared to other Oregon cities. And, like Bend, Gresham uses a variety of funding sources for its transportation systems. County revenue sharing is particularly notable; this is expected to generate $4.5 million in funding in FYE 2019. This revenue sharing agreement was established because of the roads that were transferred from the county's jurisdiction into the city's jurisdiction. Gresham has also identified potential funding sources like GO bonds, urban renewal districts, and local improvement districts (LIDs) in its Transportation Systems Plan.

Figure 6: Transportation funding summary for Gresham



Conclusions

The information reviewed in this memo suggests that cities across Oregon have had to pursue supplementary funding sources at the local level in order to fund their transportation systems. This is true for cities with high permanent tax rates as well as cities like Bend and Gresham, with lower tax rates and revenues. The cities compared in this memo have implemented a variety of funding solutions: transportation utility fees, vehicle registration fees, gas taxes, revenue sharing, GO bonds, and franchise fees. All of the applicable sources are being considered and evaluated as part of the Funding Work Group's meetings and information packets.