Commented [EE1]: FWG#2 packet needs updating to the corrected version (the one on the website, with the TUF and matrix corrections) of funding principles and tools. The FWG and project team will revisit and update the findings and recommendations in 2019.

Overview of Analysis

Two primary analyses informed the Initial Funding Assessment: (1) Analysis of existing funding tools – tools that are already generating revenue for the City of Bend's transportation needs and will be available to implement the BTP; and (2) Analysis of funding tools that could be introduced or increased in order to fund needed transportation projects.

Existing Funding Tools and Need

ECONorthwest worked with City staff to project revenues that could be available from existing funding tools over the analysis period (FY2020 to FY2040). (Appendix D provides methods and more information.) These tools are:

- Surface Transportation Program
- State Highway Fund
- General Fund Subsidy
- Water and Sewer Franchise Fees
- Garbage Franchise Fees
- Transportation System Development Charges
- Other, or Miscellaneous, Tools

One way of thinking about this projection is that it estimates the amount of revenue available for implementation if nothing changes in the future (e.g. no new funding tools, rates remain unchanged, etc.). Combined with an understanding of preliminary capital costs and operating/maintenance costs, the existing tools baseline helped the FWG understand how much additional revenue might be needed to meet Bend's transportation system needs over the analysis period.

Existing funding tools are forecast to generate approximately $582M over the planning period, with approximately $189M (or 33% of the total) available for capital costs and approximately $392M (or 67% of the total) for operating/maintenance (O&M) costs.

In order to understand how much additional revenue may be needed, City of Bend staff developed a preliminary estimate of funding needs for both capital and operating/maintenance expenses. Capital needs are based on cost estimates of unbuilt projects on current adopted plans and lists, such as the fiscally-constrained Transportation System Development Charge (TSDC) project list, the fiscally-constrained Metropolitan Transportation Plan (MTP) project list, and the current Transportation System Plan (TSP), as well as other needs such as deferred maintenance that have become capital needs. In keeping

Updated Data

This section and accompanying details in Appendix D update a placeholder projection of existing funding tools and expected funding need that was used in earlier FWG conversations. This update replaces information presented in FWG packet #3 (Appendix C). **Updates are based on input and new information from the City of Bend and the FWG. This feedback allowed the team to modify some key assumptions originally held as proxies.**

The updated analysis finds higher revenues are possible than those we originally used as placeholder estimates. Estimates of revenue for capital expenditures increased by $39M (from $150M) for the 20-year analysis period. Estimates of average annual revenues for operating/maintenance expenditures increased by $10.7M (from $8M).

At the same time, we updated our estimates of capital and operations/maintenance needs. Estimates for capital needs decreased from the previous total by about $38M (from $450M). Estimates for operations/maintenance needs increased from the previous total by about $5M (from $10M).

As a result, our overall estimate of the amount of new revenue that might be needed the cover costs *decreased* from the previous analysis. The funding gap for capital costs decreased by $77M (from $300M). The funding gap for operating/maintenance was $2M and now it shows a surplus (although there are additional O&M needs that have been identified but do not yet have a cost estimate).

Commented [EE2]: Make this clearer in regards to how it relates to tables in Appendix D, consider removing the box referencing previous numbers with the existing TSP, this list does not include City funding for needs in expansion areas. However, the FWG will consider this over the winter and spring 2019 (see Appendix C for more details). Maintenance needs were based on the previous 11-year funding levels for O&M, with an increase to account for historic underfunding, the maintenance of new capital projects, and other existing needs. Capital and O&M estimates amounts will be refined in the spring of 2019 as staff and consultants gather additional information and perform additional analysis.

Commented [EE3]: Flesh this text out, use word UGB, shift the location of the text

While the project costs remain a placeholder, as a starting place, we anticipate that they may be approximately $412 million[3] for capital uses over the entire planning period and $15 million[4] for operating/maintenance uses (This is an annual estimate that is not increased over time to account for inflation or additional O&M due to new capital projects. This estimate will be revised in winter/spring 2019). Accordingly, the estimated need for new funding tools is approximately $223M for capital uses. Based on current revenue forecasts, there is no gap for operating/maintenance uses. However, there may still be a need for new tools to generate revenue for O&M. O&M needs estimates will likely increase as the project team gains new information about additional needs (such as a bridge maintenance program) that have been identified by the Streets Department at the City of Bend, but which do not yet have a cost estimate. Moreover, a sizable portion of O&M revenues (approximately 37%) are forecasted to come from General Fund subsidies. If new funding tools were available, these subsidies could be redirected towards other needs, such as public safety.

Exhibit 1. Analysis of Potential Funding "Gap"

	Capital (FY2020 - FY2040)
Preliminary Estimated Total Funding Need	$412,113,000
Forecast of Existing Tools	$189,286,000
Est. need for new revenue tools	**$222,827,000**

*O&M needs will likely increase as the team further evaluates needed programs and competing interests for scarce general fund dollars.
Source: ECONorthwest. See Appendix D for assumptions and methods.
Notes: Values round all values to the nearest thousand. Forecast of existing tools is in nominal dollars.

Commented [EE4]: Include footnote under this table that explains what is and is not included, specifically the expansion areas and opportunity areas.

Commented [EE5]: Remove references to anticipated O&M needs from this Exhibit, revise text, add additional explanation of what needs to be refined, including reference to PCI.

Our understanding of funding needs will continue to evolve as the project team refines funding need estimates and/or modifies assumptions. For purposes of the IFA document, this analysis offers a starting place for determining foundational strategies about new funding revenue.

[3] We based capital costs on information from the City of Bend. In the FWG #3 packet (see Appendix C), we used $450 million as a placeholder for capital funding need. The City of Bend provided this estimate preliminarily and they based it on project costs over a FY2018 to FY2040 analysis period. Moving forward with a FY2020 to FY2040 analysis period, the City of Bend calculated what the capital costs are in FY2018 and FY2019 so that these costs could be subtracted from the total funding need. Capital costs in these two fiscal years was about $37,887,814. So, we subtracted about $37.9 million from the original capital cost estimate of $450 million. This gives us a new estimate for funding need for capital uses (about $412 million) over the FY2020 to FY2040 analysis period. For reference, the capital costs in FY2018 and FY2019 are for the following projects: Murphy, Empire, Neff and Purcell design, Galveston, 14th St, intersection safety improvements in various locations, and bicycle greenways.

[4] We based operating/maintenance costs on information from the City of Bend. In the FWG #3 packet (see Appendix C), we used $10 million (annual) as a placeholder for operating/maintenance need. In between FWG #3 and FWG #4, the City realized that $10 million did not hit the target of need and therefore we increased the estimate from $10 million to $15 million (annual).

Analysis of New Funding Tools

We conducted the analysis of new funding tools to provide the FWG with options to generate new revenue over the analysis period. Note that the tools under consideration did not include project-specific tools or potential grants; these types of tools are desirable when available and should be pursued, but they are too specific and uncertain to be factored into Bend's overall funding forecasts and plans. Appendix A and B (packets from FWG Meeting #1 and #2) describe the tools that were considered and provide more information explaining the process for determining which new funding tools are most appropriate in Bend. These considerations included the dimensions of equity, political acceptability, efficiency, legality, and magnitude. Appendix C provides more information explaining the methods and assumptions for projecting revenue capacity of new funding tools.

Updated Data

We updated projections of revenue for a new funding tool (seasonal fuel tax) between the materials provided at FWG #3 and this IFA document.

New data regarding fuel sales in Bend for 2017 became available from ODOT to inform our assumptions. This removed the need to estimate how much fuel is sold in Bend, as relied on in the previous forecast.

In FWG 3, we projected the fuel tax to generate about $1.2M annually for O&M expenses. Given new assumptions, we project the fuel tax to generate about $1.8M annually. The new projection is about $632,000 more than the previous projection.

Commented [EE6]: Box: same comment as previous: consider removing numbers to avoid confusion

The new tools that the Funding Work Group recommended for consideration are:

- General Obligation Bond
- Increased Transportation System Development Charges
- Urban Renewal
- Local Improvement District
- Targeted Sales Tax
- Transportation Utility Fee
- Local Option Levy (if used in conjunction with a GO Bond)
- County Vehicle Registration Fee
- Seasonal Fuel Tax

In summary and considering maximum potential revenue capacities over the 20-year analysis period, new funding tools could theoretically generate up to $672.9 million for capital uses and $23.8 million for operating/maintenance uses (see Exhibit 2).

Maximum Potential: Defined

"Maximum potential" means the upper limit of revenue that Bend can generate off a single funding tool. The upper limit is either legally or politically constrained in ways that may make it impractical to achieve, but it does provide useful 'sideboards' for the funding conversation.

Based on Exhibit 1, the estimated need for new capital revenue tools is $189.2 million and the estimated need for new O&M revenue tools is $0 (although, as mentioned previously, there may still be a need for new O&M funding tools).

Knowledge of maximum theoretical revenue capacity for each new tool is necessary to know so that the City of Bend understands the limits of each tool. The extent that each tool can contribute to cost is variable, as illustrated in Exhibit 3 and 4.

capacity for new tools is in excess of the BTP funding need, the City has some flexibility in determining which funding tools are ultimately selected for the Funding Plan.

Recommendations

This section provides the FWG's initial recommendations regarding the package of funding tools that should be pursued as the project team further develops the Funding Plan for the BTP. The section describes which tools the FWG believes are the best choices for the Funding Plan, which tools need additional study and consideration, and which tools appear less suitable for the Funding Plan.

The FWG evaluated four funding packages that use different combinations of funding tools; the composition of each package was determined according to the package's theme: "Users Pay", "Simplicity", "Resilience", and "Balance". These packages are detailed in Appendix C, which includes a description of the advantages and risks of each package and its component tolls.

Commented [EE7]: Add additional text to describe evaluation criteria that were used and the process that led up to the packages.

After evaluating these packages, the FWG agreed that two of the four packages are not appropriate or are too risky to serve as the foundation for successful implementation of the BTP. Specifically:

- The "Simplicity" package relies almost entirely on a large General Obligation (GO) bond for capital expenses and a local option levy for operating and maintenance funds. The FWG eliminated this package because they found it too reliant on one payer (Bend's property owners are the ultimate payers of any bonds or levies) and too risky (both tools require a public vote so if one or both tools failed, the City would struggle to implement the BTP).
- The "Users Pay" package was also eliminated. The package intends to have system users, beneficiaries, and new growth as the primary funders; it relies heavily on increases to Transportation System Development Charges (TSDCs), the creation of Local Improvement Districts (LIDs), and the adoption of a Transportation Utility Fee (TUF) to fund new transportation infrastructure. The package does not include a GO bond. While FWG members agreed that Bend's many visitors, commuters, and system users should contribute to funding transportation infrastructure, FWG members were concerned that this package generates insufficient total revenue to cover the initial target project costs. They were also concerned it relies heavily on funding tools that are contingent on new development occurring and on the concurrence of property owners to form LIDs. They pointed out that the timing of availability of revenue from these funding tools could create implementation challenges for early projects.

The FWG appreciated aspects of each of the two remaining packages ("Resilience" and "Balance"). Both packages included funding tools that derive from a range of payers (property owners, new development, visitors to Bend, commuters, and major employers). Both packages include some tools with significant revenue generating capacity and flexibility for use on a wide range of capital and operating and maintenance (O&M) projects (like a GO bond, a fuel tax, or a TUF). Both packages also include a range of tools that are focused on specific geographies or types of projects (like LIDs and urban renewal).

The principles and recommendations that follow build on the FWG's discussions of the benefits of each of the tools included in the above-referenced packages. Together, these principles and recommendations comprise initial strategies for funding transportation in Bend. They are a set of working conclusions from Phase 1 of the BTP and are subject to update as Bend works toward a Funding Plan in Phases 2 and 3 of the projects in 2019.

Funding Plan Principles

The FWG recommends the following foundational principles for the Funding Plan in the BTP.

- **Intentional Diversification.** Use a range of tools to achieve balance and resilience. The tools that comprise the Funding Plan will be diverse enough to generate revenues that are stable and flexible over the planning period, that generate revenue across economic market cycles, and that fund the full range of project types and programs.
- **Fairness.** Ensure visitors and commuters, new development, existing residents, and businesses (including property tax exempt businesses) pay their fair share for the transportation system that everyone uses.
- **Full Funding for Priority Projects and Associated Operations & Maintenance (O&M).** The Funding Plan in the BTP must generate sufficient capital and operations/maintenance revenue to cover the full life-cycle costs (from initial construction to on-going maintenance) of priority projects and programs, including depreciation.
- **Community Buy-in.** The community must broadly support the Funding Plan. Attaining community buy-in for many of the new funding tools, especially those that require a public vote, will require public and stakeholder outreach, polling, an educational campaign, and a balanced approach to crafting the plan.
- **Support Phased Implementation.** The projects described in the BTP will be implemented over a long term (20 years). As such, it will not require all of the funding to be available up front. The Funding Plan in the BTP should provide revenue to match the expected sequence of projects, with an explicit focus on near-term and priority projects.
- **Have a "Plan B".** Where possible and appropriate, the Funding Plan in the BTP should identify alternate tools for those that require public votes or that Bend does not fully control.

Commented [EE8]: Either include or add additional bullet point that looks towards the future, has flexibility, and could fund innovation and adaptation/inclusion of technology

Recommended Tools

The FWG recommends that the Funding Plan rely on a core set of tools that generate sufficient revenue to flexibly fund a wide range of projects, programs, and O&M costs. In addition, the plan should include a set of supplemental tools that may have more limited revenue capacity but play an important role in funding specific types of projects or projects in specific geographies.

Core Tools

The FWG recommends that the following tools be included as core components of the eventual BTP Funding Plan, with the understanding that future discussions about rates and timing of implementation are necessary.

Commented [EE9]: … would provide sufficient funds to serve as a foundation for the funding plan

- **GO Bond.** The FWG broadly agreed that a GO bond would be a necessary component of any workable Funding Plan. If approved by voters, a GO bond can provide a large amount of upfront funding for a wide range of priority capital projects. More research is needed to understand the bond amount that voters might support; some members of the FWG suggested that a bond of approximately $100 million is a reasonable starting point.[6] Several members felt that higher bond amounts might be supportable with an attractive mix of projects and well-executed public outreach. The FWG noted that a GO bond must be paired with other core funding tools that can be used for operating and maintenance costs. The FWG expressed serious concern about building new projects without knowing upfront that they will have adequate revenue to cover on-going operations/maintenance over the life of the projects.
- **Transportation Utility Fee (TUF).** The FWG broadly supports the inclusion of a TUF in the Funding Plan. These fees are used to cover transportation costs in many communities in

Commented [EE10]: Point out that this does not require a vote, but a vote could be used.

[6] For a house with an assessed value of $400,000, annual payments in the first year for a $100M bond would be between $255 and $314, depending on loan terms. See Figure 27 on page 99 of Appendix C for details.

Oregon, can be used flexibly for O&M or capital costs, and can be structured so that even property-tax exempt system users contribute to funding key transportation infrastructure. More work is needed to determine the recommended rate for a TUF. Some FWG members suggested that the initial estimates of revenue capacity were too low, because higher rates and / or a different mix of payers (households and employees) would be practical.[7]

- **Seasonal Fuel Tax.** The FWG agreed that levying a seasonal fuel tax is a reasonable tool that should be included in the Funding Plan. Its revenue capacity is relatively high, and a fuel tax can be used broadly for O&M and capital expenses for projects around the city. While it does require a public vote to enact, the FWG felt that including a fuel tax in the package would ease some concerns about voting for a GO bond, because a seasonal fuel tax would be aimed at ensuring that visitors to Bend (and commuters who work in Bend but live outside the City) would contribute to funding improvements to the transportation network along with current residents and property owners. More work is needed to determine the appropriate rate. In reviewing the initial analysis, some FWG members felt that higher rates might be supported, especially at times of greatest congestion (e.g. summer season) or when travel poses the greatest wear on the system (e.g. winter season). They specifically felt that rates of $.03 per gallon in off-seasons and shoulder seasons, and $.05 per gallon in peak season should be considered.[8]

Commented [EE11]: What's described here is a fuel tax with seasonal variation. FWG prefers that this be described as a tool that needs more testing and is less specific. We don't know enough yet to determine whether this could be truly seasonal or seasonally-variable. More information from Newport/Reedsport/others would help inform us.

Commented [EE12]: Refer to this as a "for example" and refer the reader to Appendix C for more information about rates that were considered *as examples*. (The FWG will come back to this once we have a project list and a sense of the magnitude of need.) "For the purposes of revenue forecasts, we used [rates], an additional scenario that the committee considered could increase the revenue"

Other Core Funding Tools that Require Additional Exploration

The FWG agreed that two other tools (an increase in TSDCs and a food and beverage sales tax) should be further explored in the coming months as core tools. Some members of the FWG had concerns or questions not yet fully resolved. These concerns and questions will require further consideration. The concerns are described below.

- **Increased TSDCs.** Unlike other tools described in the recommendations, the City already has a TSDC, and it is included in the estimate of existing sources. Regarding increasing those existing TSDC, several FWG members supported increases in TSDCs, over time, as a straightforward, City-controlled tool with substantial revenue capacity that is intended explicitly to fund growth. At the same time, others noted that TSDC revenues are volatile because they are dependent on new development (and therefore are subject to development cycles), that that TSDCs were recently increased by 34% and that further increases may affect development feasibility and housing costs. They also pointed out that increases in City-wide TSDC rates might reduce the ability of the City to consider supplemental TSDCs (i.e. higher TSDC rates) as a funding tool in the Urban Growth Boundary (UGB) expansion areas where there may be a clearer nexus to new development and greater support from developers.[9] Further information and discussion are needed regarding supplemental TSDCs as a potential funding tool for expansion and/or opportunity areas.

- **Food and Beverage Sales Tax.** FWG members supported, in concept, the inclusion of a prepared food and beverage tax that generates revenue through the tourism economy. However, most members expressed concerns about describing and justifying the tool to

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[7] Details of the TUF projections under various scenarios are included on page 102 of Appendix C. They range from about $400,000 up to almost $11M, depending on approach and rates used. FWG members' comments suggest that that higher end of this range may be possible.

[8] This would increase revenue projections from the $1.2M described in FWG packet #3 to $1.9M. See page 94 of Appendix C for details on the original analysis. Note that the project team has recently also received updated information regarding Bend's fuel sales that will further increase revenue projections. This new data will be included along with updated revenue projections in the BTP Funding Plan.

[9] This kind of area-specific SDC is often called a 'supplemental SDC' and is used to fund the specific infrastructure needed to allow development to occur in that area. They are often negotiated with developers and property owners as part of master plan agreements for UGB expansion areas in Oregon.

voters who must approve it. Some felt that it would be challenging to communicate the logic or linkage between levying a sales tax on food/beverages and using that revenue for transportation projects. Some felt that a vehicle fuels tax was a more straightforward path toward getting voter approval for a tool that increases revenue generated by Bend's many visitors.

Supplemental Tools

The FWG recommends the following tools to supplement the core tools described above. Each could play a niche supporting role in a complete funding package, and the City should continue to evaluate them as more is known about specific projects and costs.

- **Urban Renewal.** The FWG broadly agreed that urban renewal should be used to fund appropriate transportation projects in a potential new Urban Renewal Area (URA) in Bend's core area. In that geography, it will be among the most powerful tools available for funding infrastructure. However, because urban renewal dollars can only be spent inside a URA boundary, and only on projects that are identified in an adopted urban renewal plan, this tool is limited in application and better suited to supplement core tools in the Funding Plan.
- **Local Improvement District (LID).** The FWG agreed that LIDs should be part of the Funding Plan and recognized that they are best suited to funding infrastructure needs in UGB expansion areas, opportunity areas, and for neighborhood-focused walkability improvements. Because they require property owners to agree to them (and typically initiate them), broad geographic application of a LID is not likely to be successful. LIDs also carry an administrative burden and may require additional staff to support implementation.
- **County Vehicle Registration Fee.** Use of this tool is contingent on Deschutes County's willingness to pursue and impose a vehicle registration fee that will ultimately need to be approved by voters by a county-wide vote, which adds substantial risk to the certainty of this tool. However, FWG members felt there was real merit to exploring the County's willingness to use this fee, particularly as a regional tool to support projects on Highway 97 that have regional significance because they enhance services and/or fix problems for all residents in Deschutes County.
- **Local Option Levy.** The group identified a local option levy as a valuable tool to catch up on deferred street maintenance needs and viewed it as a valuable tool for one-time use (rather than for new capital or for ongoing O&M). Because it must be regularly renewed with a public vote, the FWG expressed concerns about using this tool as an ongoing revenue source throughout the 20-year implementation period. Clear messaging would be important for this tool to ensure that the public understands what it includes and how it is different from a GO bond.

Commented [EE13]: Yes to "catch-up", but this could be for all modes. Change text to reflect this.

While there are still many unknowns, collectively, the FWG recommendations point toward this eventual Funding Plan structure:

- A GO bond, perhaps paired with a phased City-wide TSDC increase or a TUF, would provide foundational revenue for City-wide capital costs, and are especially suited to large and highly visible projects that enhance system-wide service. These tools could then be paired with some combination of a TUF, seasonal fuel tax, and perhaps a prepared food and beverage tax to provide additional capital revenue and provide operating and maintenance funding.
- For specific geographies that need targeted investments (such as UGB expansion areas, opportunity areas, or parts of the City that need sidewalk investments), urban renewal, LIDs, and supplemental TSDCs are an option.
- A county vehicle registration fee could serve regional needs and a local option levy could serve targeted O&M needs, especially for catching up on deferred maintenance projects.

Commented [EE14]: Add footnote or more language to describe that expansion areas are not currently part of the funding need we are forecasting, but may be in the future.

Commented [EE15]: Serving all modes

The analysis completed to date suggests that the new funding tools in such a funding package, if successfully passed by voters and/or the City Council and implemented and combined with existing funding tools, would likely have sufficient total revenue capacity to cover both capital and O&M costs (though some tools would have to be stretched to their maximum revenue potential). Such a package would also be responsive to the other foundational principles that FWG discussions highlighted.

Commented [EE16]: Acknowledge transit. (Transit could consider a special taxing district that would benefit transit service (check the exact language), as per HB2745)

Commented [EE17]: New paragraph: in addition to foundational and supplemental tools, FWG is interested in pursuing project-specific grants, including funding sources that could fund innovation, pilot projects, and other programs. Specifically acknowledge VMT as a potential tool that could be considered in the future. (Whereas this report has focused on tools that are possible now, there are others on the horizon)

Arriving at the Recommendations

The Initial Funding Assessment recommendations are the product of an iterative process involving technical analysis and FWG input during a series of meetings, described below. The FWG discussed and provided input on revenue projections (existing and new tools), approaches to funding, and funding packages comprised of various tools. Ultimately, these discussions helped to form the foundation of Initial Funding Assessment (IFA) and its recommendations.

Funding Work Group Meeting #1

Funding Work Group Meeting #1 took place on June 7, 2018. The following provides a summary of the technical content and meeting outcome.

Summary of Technical Content

The first meeting of the FWG included an overview about the landscape and challenges of transportation funding at the federal, state, and local levels (including transportation system development charges), as well as a review and discussion of Bend's previous transportation funding plans. The FWG also reviewed information about a variety of potential funding tools and discussed potential evaluation methods and criteria for comparing funding tools. See Appendix A for details.

Meeting Outcome

The group agreed that the broad criteria of efficiency, legality, fairness, and political acceptability would be suitable dimensions to compare new funding tools, and that it would be most helpful if this information were presented through a visualization as well as a descriptive table. The staff and consultant team prepared the packet and materials for Meeting #2 according to these decisions.

Funding Work Group Meeting #2

Funding Work Group Meeting #2 took place on July 24, 2018 and was focused on identify the new funding tools that are best suited to use in Bend.

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

FYE	Water/Sewer Franchise Fees[35]	TSDC Revenues Collected[36]	Surface Transportation Program[37]	Other[38]	Revenue Commitments [39]	
2020	$1,225,300	$8,250,752	$0	$100,000	$15,083,603	
2021	$1,262,100	$8,483,275	$0	$100,000	$4,516,911)	
2022	$1,300,000	$8,722,773	$0	$100,000	($13,346,168)	
2023	$1,339,000	$8,669,456	$0	$100,000	($2,756,757)	
2024	$1,379,200	$8,723,540	$309,439	$100,000	($2,533,512)	
2025	$1,420,600	$8,985,246	$316,246	$100,000	($2,533,512)	
2026	$1,463,200	$9,254,804	$323,204	$100,000	.($2,533,512)	
2027	$1,507,100	$9,532,448	$330,314	$100,000	($2,533,512)	
2028	$1,552,300	$9,818,421	$337,581	$100,000	($2,533,512)	
2029	$1,598,900	$10,112,974	$345,008	$100,000	($2,533,512)	
2030	$1,646,900	$10,416,363	$352,598	$100,000	($2,533,512)	
2031	$1,696,300	$10,728,854	$360,355	$100,000	($2,533,512)	
2032	$1,747,200	$11,050,719	$368,283	$100,000	($2,533,512)	
2033	$1,799,600	$11,382,241	$440,887	$100,000	($2,533,512)	
2034	$1,853,600	$11,723,708	$450,586	$100,000	($2,533,512)	
2035	$1,909,200	$12,075,420	$460,499	$100,000	($2,533,512)	
2036	$1,966,500	$12,437,682	$470,630	$100,000	($2,533,512)	
2037	$2,025,500	$12,810,813	$480,984	$100,000	($2,533,512)	
2038	$2,086,300	$13,195,137	$491,565	$100,000	($2,533,512)	
2039	$2,148,900	$13,590,991	$502,380	$100,000	($2,533,512)	
2040	$2,213,400	$13,998,721	$513,432	$100,000	($2,533,512)	
Total	**$35,141,100**	**$223,964,338**	**$6,853,992**	**$2,100,000**	**($78,773,139)**	
Average	**$1,673,386**	**$10,664,968**	**$326,381**	**$100,000**	**($3,751,102)**	

Source: ECONorthwest. Values are in nominal dollars.

Commented [EE18]: Make the total clear to the reader, rather than showing a delta and having them infer the math.

[35] Water/sewer franchise fees projection reflects 62.5% of the total revenue from this source. The other 37.5% goes to 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.

[36] 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).

[37] The U.S. Department of Transportation's Surface Transportation Program (STP) is one of the most flexible highway funding programs. Refer to page 112 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.

[38] Other sources of revenue are: rental income, charges for service, loan repayments, investment income, and miscellaneous revenues.

[39] 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.

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

FYE	Surface Transportation Program[40]	State Highway Fund[41]	General Fund Subsidies[42]	Garbage Franchise Fees	Other[43]	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.

Commented [EE19]: Revise: footnotes need more explanation that they are assumptions, and why

[40] The full allocation (100%) of Surface Transportation Program (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.

[41] The State Highway Fund (SHF) is the largest state funding program and allocates funds to ODOT, counties, and cities. See page 113 of more information about the source and to review forecasting methodology.

[42] The General Fund Subsidy is 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.

[43] "Other" sources include licenses and permits, charges for services, investment income, and other miscellaneous revenues.

annual revenue growth based only on a 3.5% increase in the TSDC rate.[44] 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[45] (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.[46]

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.

Commented [EE20]: Somewhere in this appendix, refer to transit

"Other" Tools

Description

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

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

[46] 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.