

SECTION 6
Financial Plans

Financial Introduction

This section identifies funding mechanisms and types of revenue available for the transportation improvements listed in Section 5 of this Plan. These mechanisms include new sources provided through local, state and federal legislation. The purpose of the financial analysis is to demonstrate what funding may be reasonably available during the planning horizon of the Plan. There are a variety of approaches that can be taken to develop what may be reasonably available during the next 24 years.

For the purposes of this MTP, SRTC has elected to use a rolling average of historical growth rates for various revenues streams used to support transportation operations, maintenance and capital investments during the period of 1997-2006. The information has been obtained from a variety of sources such as the Washington State Auditors Office (SAO) via the Local Government Finance Reporting System (<http://www.sao.wa.gov/applications/lgfrs/>), SAO Audit Reports <http://www.sao.wa.gov/reports/auditfinding/AuditReportSearch.aspx> and State and Federal Transportation Revenue and Expenditures By County 1997-2006, WSDOT, October, 2007. Revenue and Expenditures have been annually adjusted so that projects can be described in Year of Expenditure dollars.

This analysis should in no way be construed to be an actual forecast of individual programs or projects, but rather an order of magnitude analysis of funds that could be reasonably available for transportation investments during the planning horizon of the MTP. Local jurisdictions, WSDOT, and the Washington State Office of Financial Management prepare and release forecasts of revenues and expenditures and should be consulted during the actual development of projects and programs unique to their area of expertise or funding program.

Funding Sources

City/County Funding Sources

City/county revenue resources can be categorized as either restricted or unrestricted. Unrestricted revenue is available for transportation to the extent that transportation needs can compete with the many other local government needs. Restricted revenue is funding collected through specific enabling legislation limiting how much can be collected as well as how it can be spent.

General Funds: General funds include all local funds subject to appropriation by the governing body—property taxes, local option sales taxes, utility taxes, general state shared revenues, business license fees, etc. These funds may be used for transportation purposes; however they are also available for all other general funds activities and therefore must compete against the balance of priorities for the community.

Restricted Funds: The State of Washington enables local jurisdictions to impose various local revenue options:

- a. A local vehicle registration fee per vehicle. These funds must be used by the jurisdictions on operating, maintaining, or improving the road system.
- b. Mitigation fees are generally imposed as a condition for development to ensure adequate capital facilities are available to address the transportation impacts created by the development.
- c. Impact fees are available to address capital program needs identified for a general area to address growth and development. The fees must follow an established procedure and criteria that guard against duplication of fees for the same impact. These fees are only for system improvements that are “reasonably” related to the development and they are set to reflect the proportionate share of the system improvements costs directly impacted by the development.

Table 6.1 depicts the available City/County funding options and the most common types of projects. The primary sources open to the Local Public Agencies (LPAs) are property taxes, local improvement districts (LIDs), and special levies such as local option sales tax and vehicle registration fees.

Liability Insurance Tort is a lesser-known option. It would include funds where jurisdictions have sought restitution from parties that have damaged public property. For instance, if WSDOT were to seek reimbursement for a railroad trestle destroyed by a fire started by a farmer’s equipment during harvest. Those funds could then be used to replace or reimburse costs incurred.

All other local options is a grouping of miscellaneous revenue streams that local jurisdictions have indicated within the Local Government Financial Reporting System (BARS Code 546 and 547). A glossary of acronyms included in Section 6 tables is included in Appendix 9 of this Plan.

The table is meant to be an informative guide as to funding possibilities and does not necessarily represent those options currently being utilized.

Table 6.1 City/County/Highway District Funding Options

Primary Project Type		Property Tax	Liability Insurance Tort	Special Levy Taxes	Sale of Property or Equipment	Interest Income	General Fund Transfer	Proceeds Bond Sales & Local Improvement Districts	Receipts from other Local Gov't	Receipts Local Gov't Contracts	Local Impact Fees	Local Option Registration	All Other Local
Roadway	New Construction	⊗	X	⊗			X	X	X	X	X	X	X
	Major Rehabilitation	⊗	⊗	⊗			X	X	X	X	X	X	X
	Widening	⊗	⊗	⊗			X	X	X	X	X	X	X
	Resurfacing	⊗	⊗	⊗			X	⊗	X	X	X	X	X
	Intersection Improvements	⊗	⊗	X			X	X	X	X	X	X	X
Bridge	New Construction	X	X				X	⊗			X	X	X
	Replace	X	X				X	⊗			X	X	X
	Rehabilitation	X	X				X	⊗			X	X	X
Signal		⊗	X			X	X			X	X	X	
Congestion		⊗	⊗			X	X			X	X	X	
Railroad			X	⊗				⊗					
Path/Trail				⊗		X	X					X	
Curb, Gutter, Sidewalk				⊗		X	X	X	X	X	X	X	
Landscaping	X		⊗			X	X		X	X		X	
Public Transportation			⊗	x	⊗	X	X					X	
Safety	X	X	⊗			X		X	X	X	X	X	
<p>Notes:</p> <ul style="list-style-type: none"> ⊗ Typical funding source for this type of project. Most projects of this type are funded in this source. X Other possible funding sources. * ST, IM, NHS, Strategic Technical Reserve-State, and Surface Transportation Project-State funding is not directly available to Local Public Agencies (LPAs). LPAs may partner with WSDOT on State routes for these funds. A typical example of partnering with WSDOT would be to include Local Planning Agency work with an WSDOT project on a State route. 													

Special Property Taxes: Additional taxes can be authorized by voters, usually to finance projects through the purchase of general obligation or revenue bonds. If the proposed amount is above the statutory limitation for a jurisdictions' taxing rate, it must be approved by 66 percent of voters with 40 percent turnout. If it is below the legal limitation, a simple majority is sufficient (usually called a "lid lift"). The tax may be temporary or permanent. An example would be the City of

Spokane's Street Bond levy. The 117 million dollar bond levy was approved by voters within the City for street reconstruction and rehabilitation.

Other Dedicated Governmental Funds for Transportation Purposes

Local Improvement Districts: Special taxing districts for transportation purposes can be created by cities and/or counties. This allows for the acquiring, constructing, improving, providing, and funding of any city street, county road, or state highway improvement within the district. With voter approval, the District has authority to levy property tax and issue general obligation bonds.

Federal and State Financial Assistance

SAFETEA-LU: The *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (SAFETEA-LU), provides \$286.4 billion in guaranteed funding for federal surface transportation programs over five years through FY 2009, including \$52.6 billion for federal transit programs – a 46% increase over transit funding guaranteed in SAFETEA-LU's predecessor, TEA-21.

The Washington State Department of Transportation (WSDOT) administers the allocation of SAFETEA-LU that are not directly attributable to Transportation Management Area (TMA's) and State generated gas tax funds to each urban and rural area. The TMA regional allocation is distributed on a competitive basis.

Community Development Block Grants (CDBG): These federal funds are available to cities and counties for a variety of public facilities (including housing and economic development projects which benefit low to moderate income households).

Table 6.2 depicts the available funding categories for Federal-aid work and the most common types of projects. The primary sources open to the Local Public Agencies are Surface Transportation Program (STP), Congestion Mitigation/Air Quality (CMAQ), and Bridge and Enhancement funding. The table is meant to be an informative guide as to funding possibilities.

Table 6.2 Funding Categories For Federal-Aid Work

Primary Project Type		STP-Rural	STP-Urban	STP-Safety	STP-Enhancement	CMAQ	Bridge	Local Discretionary Projects	*ST-State	*IM-Interstate Maintenance	*NHS-Nat'l Highway System	*STP Rural- State	*STP-State Flex
Roadway	New Construction	⊗	⊗						X	X	X		X
	Major Rehabilitation	⊗	⊗						X	X	X		X
	Widening	⊗	⊗						X	X	X		X
	Resurfacing	⊗	⊗					⊗	X	X	X	X	X
	Intersection Improvements	⊗	⊗	X		X			X	X	X		X
Bridge	New Construction	X	X				⊗	⊗		X	X	X	X
	Replace	X	X				⊗	⊗		X	X	X	X
	Rehabilitation	X	X				⊗	⊗		X	X	X	X
Signal		⊗	X		X				X	X		X	
Congestion		⊗			⊗				X	X	X	X	
Railroad			⊗				⊗						
Path/Trail				⊗	X								
Curb, Gutter, Sidewalk		X		X					X	X	X		X
Landscaping	X	X		⊗						X	X		X
Public Transportation					⊗								X
Safety	X	X	⊗						X	X	X	X	X
<p>Notes:</p> <ul style="list-style-type: none"> ⊗ Typical funding source for this type of project. Most projects of this type are funded in this source. X Other possible funding sources. * ST, IM, NHS, STR-State, and STP-State funding is not directly available to Local Public Agencies. Local Public Agencies may partner with WSDOT on State routes for these funds. A typical example of partnering with WSDOT would be to include LPA work with a WSDOT project on a State route. 													

Other Sources:

Tolls: Paid by user, limited to repayment of bonds to finance construction.

Parking Fees: Either for use of right-of-way (street parking) or special facility (parking garage).

Development Regulations: Various development regulations (especially subdivision ordinances) may require that certain facilities be constructed, frequently requiring developers to finance them.

Special Assessments: Local Improvement or Road Improvement Districts may be formed to finance street improvements through a special assessment for benefited property owners.

Industrial Revenue Bonds (IRBs): IRBs are a special debt instrument under the IRS code allowing tax-free interest. Bonds are retired by revenue generated from the benefited property and can be used for street improvements. This power is limited by requirements in the IRS code.

Environmental Mitigation: Public facilities, including streets, traffic signals, or additional lanes may be required to mitigate adverse environmental impacts from development. As part of the development approval process, the municipality can require that impacts on public facilities caused by the development must be mitigated as a condition of approval. The two parties may agree to negotiate an agreement that determines the appropriate share of the funding, and establishes the developer's methods of payment for mitigation of direct impacts. A developer may agree to pay a monetary fee or to mitigate through donation of a right-of-way or completed facilities. Negotiated agreements are entered into voluntarily and are enforceable by the municipality.

Voluntary Contributions: Voluntary contributions can be made by the developer to facilitate their development. Contributions can be in the form of money, but often are in the form of donated right-of-way or even a completed facility. Contributions are subject to the same stipulations as a negotiated agreement, however, they are not enforceable by law.

Financial Capacity Analysis

Approach:

When considering the ability to adequately finance the regional transportation system through 2030, SRTC considered the regions' financial performance over the past 10 years using information obtained through the Washington State Auditors Office, Local Government Financial Reporting System (<http://www.sao.wa.gov/applications/lgrfs/>). Using a 10-year rolling average approach, the region can review and estimate the economic impacts to various cost centers that exist in operating and maintaining the regional transportation system. This approach provides a reasonable predictability about the ability to sustain the historical percentage of funding from local, state and federal sources. This approach also takes into account that while annual performance may vary by year and funding source, the overall funding levels should be fairly reliable.

Funding analysis covered revenues and expenditures by category from 1997-2006, with forecasts to 2030 consistent with the planning horizon.

The SRTC staff developed the financial forecasts for local, state and federal revenue sources, which had sufficient historical data from which to develop a rolling average methodology. This included local property taxes, gas tax, special levies, State Highway Distribution Accounts, and Federal Surface Transportation Program funding. For Washington State Department of Transportation funding, SRTC assumed a similar historical investment level for the planning horizon.

The financial capacity analysis for future years assumes that existing revenue streams will remain in the future, even though they be named or categorized differently by future legislative actions. In addition, it is assumed that local options available to the region are reasonably available for future use, unless they have been rejected by voters on three separate occasions, after which they would be considered unlikely to be available in the foreseeable future. There are three local options that may be considered for use during the next twenty years. Those include: Local vehicle registration fees, Local option sales tax, and exercising the remaining .3% of the local option sales tax for public transportation.

Cities and Counties

For the period 1997-2006, jurisdictions with Spokane County, as a group, reported up to \$44 million per year from various dedicated revenue sources. Of the \$44 million, 34.5% was derived from State Motor Fuel Tax designated to local jurisdictions, while 33.7% was derived from Local property tax levies. The balance of funding to local jurisdictions, 31.8%, has been derived from state and federal grant programs. The local share of dedicated transportation revenue has remained steady, while there has been an increase during the past five years between state and federal funding, with local jurisdictions deriving a lower percentage than the ten-year average. This has been the result of the Washington State legislature directing the past two gas tax increases referred to as the “Nickel Package” and the “TPP” to predominantly State owned facilities. The most significant increase of local funding for transportation has been from voter approved property tax increases within the City of Spokane, general fund transfers, and Local Improvement Districts. Local impact fees, SEPA mitigations and voluntary developer agreements, still have had limited application on the regional transportation system within the region. The City of Spokane is presently in the process of adopting a local impact fee program.

The funding in state and federal funding to the region however, has been relatively constant. This is primarily a result of the Washington State legislature funding WSDOT projects in the Spokane Metropolitan Area. This includes the continued widening of I-90 to Sullivan Road, reconstruction of the deck on the I-90 viaduct, and right of way and construction funding for the North Spokane

Corridor. The overall amounts, however, have a very small impact on the forecast of future funding since the funds are allocated to specific projects, and are not available to support the overall regional transportation needs identified in this plan. **Table 6.3** provides the percentage of local projected revenues by category from 2007 through the year 2030.

Table 6.3 Percentage of Local Revenue By Category Through 2030

Category	Percent
Local	68.2%
State	23.16%
Federal	8.57%

Within the metropolitan area, Spokane County and local jurisdictions are not currently expected to maintain their historical proportionate share of dedicated funding in relationship to the Washington State Department of Transportation, unless local option transportation taxes are enacted during the planning horizon. While they are expected to increase in population, employment, and geographically, it is anticipated that other areas around the State, such as Puget Sound, Vancouver, and the Tri-Cities area will grow as well. As such, a rolling average of historical funding levels have been extrapolated to 2030 to derive a reasonable estimate of funding to support operations, maintenance and capital improvements through the plans' 24 year planning horizon.

Table 6.4 provides the reasonable revenue for local jurisdictions as a group in the Spokane Metropolitan Area during the planning horizon. No attempt has been made to disaggregate the forecast to the jurisdictional level as a part of the regional plan.

Table 6.4 Reasonably Available Revenue For Local Jurisdictions As A Group 2007-2030

Year	Revenue	Year	Revenue
2007	\$44,113,034	2019	\$71,693,453
2008	\$46,422,879	2020	\$75,815,556
2009	\$47,451,354	2021	\$79,336,927
2010	\$49,886,011	2022	\$84,298,283
2011	\$50,287,641	2023	\$88,392,318
2012	\$52,636,376	2024	\$93,815,628
2013	\$54,838,915	2025	\$98,596,918
2014	\$58,532,191	2026	\$105,079,351
2015	\$59,885,271	2027	\$110,798,602
2016	\$63,011,605	2028	\$118,396,086
2017	\$65,304,420	2029	\$125,263,595
2018	\$68,846,110	2030	\$134,185,512
24 Year Total:			\$1,846,888,037

Washington State Department of Transportation

For the period 1997-2006, Washington State Department of Transportation reported receiving \$774 million during the 10-year period, or \$77.4 million per year. Of the \$74 million reported, approximately 53.8% came from State funding sources, followed closely by federal funding sources, which averaged 46.2% of their total revenues. Since WSDOT budgets are based on priority programming and legislative actions rather than direct allocations through distribution formulas by geographic area, historical investment trends are used to establish a base line forecast. As indicated previously, statewide increases in gas tax or vehicle registration fees do not necessarily impact the level of funding to the Spokane Metropolitan Area.

Given the above factors, it is difficult to assess what funding will be available to meet the transportation needs in Spokane County during the 24-year horizon of the plan. The WSDOT has, at their discretion, the ability to advance or delay projects contained in existing programs in order to meet financial constraints brought about by the impacts of inflation, project scope changes, or the lack of anticipated revenues. As a result of these and a multitude of other factors, SRTC has calculated the average of transportation investments by WSDOT in Spokane County and extrapolated that investment through 2030. This approach takes into account federal appropriations to individual projects and the historical funding used for operation and maintenance of the system.

Table 6.5 Historical Breakdown of Revenues and Expenditures For Spokane County by WSDOT

Category	Percentage
State	53.8%
Federal	46.2%

Federal funding to WSDOT is not anticipated to change measurably during the life of the Transportation Plan. Federal program funding levels have seen a slight increase in the past five years. However, unless the Highway Trust fund is replenished through new revenue sources, it is expected the federal share will be a minimal part of the overall WSDOT budget. Direct appropriations to specific projects such as the North Spokane Corridor, which are difficult to predict, will most likely provide any significant changes to the Federal revenue forecasts during the planning horizon.

Within Spokane County, WSDOT is expected to maintain or increase their proportionate share of funding in relationship to other Regions within the State of Washington. While they are expected to benefit from the same increase in population and employment, it is anticipated that other areas around the State,

such as Puget Sound, Vancouver, and Tri-Cities will grow as well. As such, rolling averages of historical funding levels have been extrapolated to 2030 to derive a reasonable estimate of funding to support their operations, maintenance and capital improvements through the Plans' 24 year planning horizon.

Table 6.6 provides a reasonable estimate of anticipated revenue for WSDOT in the Spokane Metropolitan Area during the planning horizon.

Table 6.6 Reasonably Available WSDOT Revenue 2007-2030*

Year	Revenue	Year	Revenue
2007	\$72,632,642	2019	\$88,830,739
2008	\$74,169,444	2020	\$90,473,372
2009	\$76,532,711	2021	\$92,164,849
2010	\$75,854,355	2022	\$93,916,195
2011	\$75,947,167	2023	\$95,817,770
2012	\$78,641,018	2024	\$97,814,639
2013	\$79,976,776	2025	\$99,820,724
2014	\$81,116,887	2026	\$101,887,706
2015	\$82,583,714	2027	\$104,030,139
2016	\$83,789,206	2028	\$106,253,844
2017	\$85,344,241	2029	\$108,561,242
2018	\$87,189,664	2030	\$110,576,918
24 Year Total:			\$2,143,925,963

* Does not attempt to include potential earmarks from Federal or State legislative actions

Public Transportation

Currently, public transportation in Spokane County is supported through the use of Local Option Sales Tax and Federal Transit Administration funding commonly referred to as Section 5307. The local option sales tax, currently set at .6% is a voter approved sales tax managed by the Spokane Transit Authority. The Federal Transit Administration funding (Section 5307) requires a local contribution that varies based on how the funds are to be used; whether for capital, preventative maintenance, etc. The local match for federal funding is derived from a variety of sources but primarily fare box and local option sales tax revenue.

Spokane Transit Authority has been financially successful, with the exception of a 3-year period immediately following the passage of the Washington State Initiative 695. I-695 essentially eliminated the State's Motor Vehicle Excise Tax, which represented a substantial proportion of Spokane Transit Authority's revenue stream for capital, maintenance and operation activities. Spokane Transit received voter approval to increase the local option sales tax from .3% to .6% to offset the loss of MVET and maintain transit operations at pre- I-695 levels.

For the purposes of this Plan, the forecast is based on historical rates of increase with the exception of not including the time period after the passage of I-695 and the before the vote to increase the local option sales tax. The Plan assumes STA will be able to maintain the .6% local option sales tax level through the planning horizon to support capital, operations and maintenance activities.

Table 6.7 provides the reasonably available financial resources during the horizon of the plan for public transportation at the .6% local option tax level and FTA Section 5307 funds, using historical growth rates. More accurate and detailed forecasts are being prepared by Spokane Transit at this time and will be amended into the plan upon their approval by the STA Board in the Spring of 2008.

Table 6.7. Reasonably Available Financial Resources For Public Transportation 2007-2030

Year	Revenue	Year	Revenue
2007	\$ 58,636,462	2019	\$ 108,545,259
2008	\$ 61,651,644	2020	\$ 111,005,975
2009	\$ 65,653,409	2021	\$ 115,994,176
2010	\$ 65,667,192	2022	\$ 120,068,731
2011	\$ 71,481,208	2023	\$ 125,860,367
2012	\$ 74,471,398	2024	\$ 131,931,761
2013	\$ 76,141,928	2025	\$ 144,256,920
2014	\$ 79,486,329	2026	\$ 150,193,234
2015	\$ 86,746,173	2027	\$ 153,629,699
2016	\$ 90,849,058	2028	\$ 160,611,828
2017	\$ 95,471,506	2029	\$ 166,862,507
2018	\$ 104,297,306	2030	\$ 174,954,079
24 Year Total:			\$ 2,594,468,150

Financial Options Available

Presently there are three viable financial options available to increase funding for the transportation investments referenced in Section 4 of this Plan that has not been initiated. They are:

Local Option Vehicle Registration Fee. This local option considers the imposition of a \$20.00 annual vehicle registration fee for vehicles registered in Spokane County. The funds can be used for construction, rehabilitation, and maintenance of highways and bridges. For the purposes of this analysis, SRTC compiled the actual vehicle registrations in Spokane County from established forecasts to 2030 using a rolling average historical growth rate. The premise being that a rolling 20-year average will have moderate peaks and valleys in growth, while at the same time be more responsive than a trend line projection of historical data.

The analysis looked at a potential revenue stream that could be achieved through a \$20.00 increase in vehicle registration fees. The results indicate that in the current year (2007), collectively jurisdictions could annually achieve approximately \$9 million. Using forecasts in the growth of vehicle registrations, it is anticipated the revenue could significantly increase annually to \$20 million by 2030.

Local Option Gas Tax: This option allows for local jurisdictions to impose up to 10% of the State Gas Tax level. Using Motor Vehicle Fuel Tax (MVFT) allocations to Spokane County, this option has the potential to generate approximately \$4.74 million in 2008. Given the historically flat rate of increase in MVFT, this option has the lowest potential to keep pace with inflation over the 24 year planning horizon. The estimated revenue is anticipated to marginally grow to \$4.9 million per year by 2030.

It is expected that successful implementation of these local financial options would be dependent on clearly defining a program of projects for which the funds would be expended, and an adequate public education program on the relationship between transportation choices and the need to support adequate transportation infrastructure investment.

Commercial Parking Tax (RCW 82.80.030): This option is available to cities and counties. The tax is levied on gross parking proceeds or number of stalls owned by a commercial parking business, or on the customer (much like an admissions tax). In the past, this option has not been considered a likely option and has not been fully investigated for revenue potential.

Conclusion

The financial analysis developed for this plan indicates current financial resources to support transportation operations, maintenance, and capital infrastructure in Spokane County are estimated for the period from 2007 to 2030 will have a combined revenue estimate of **\$7,106,212,666** using existing funding levels and historical performance. This reflects an average increase of 3.01% in overall funding performance for all modes of transportation; while existing street and roadway revenue performance lags at approximately a 1.95% increase during the horizon of the plan.

To balance out revenues with anticipated expenditures, it is anticipated that local jurisdictions will need to seek a local option for street and road improvements. The most likely option that has the best performance potential would be the \$20.00 vehicle registration fee. This would generate an estimated \$330 million during the planning horizon and be necessary to offset the anticipated inflation in operations and maintenance costs as well as provide for \$700 million in capital transportation investments.

For Public Transportation, it appears financial resources are adequately available to address the inflation of operation and maintenance costs within the current revenue rate in place. It is anticipated that STA will retain the .6% local option tax rate through the life of the plan, unless capital projects are advanced that would necessitate the need to seek voter approval for additional capital investments.

The combined estimate with the imposition of the local option vehicle registration fee would be \$7.436 billion in reasonably available revenues. SRTC assumes the local option vehicle registration will be enacted during the early years of the planning horizon.

Revenue in comparison to the estimated financial expenditures during the same time period shows a near break-even position during the planning horizon. Based on historical data derived from cities, WSDOT, and Spokane County, SRTC can expect to experience an overall average annual increase in expenditures of approximately 4.7% per year. However, while some cost categories can expect to see moderate increases, capital construction/reconstruction and administrative costs (salaries, medical insurance, utilities etc.) are expected to increase at almost twice the average rate per year at 7.95% and 8.31%. Total forecast expenditures for transportation operations and maintenance are estimated at \$3.577 billion. This leaves \$3.859 billion in available capital construction funding during the planning horizon. Those projects are identified in section four of this Plan.

Based on this financial analysis, the Metropolitan Transportation Plan is reasonably financially constrained to ensure the plans and projects identified have the potential for being implemented during the planning horizon. To be proactive and limit the decline in transportation system performance, it is important that jurisdictions collectively work to construct projects that meet the priority transportation needs identified in this Metropolitan Transportation Plan. The key to the success of the MTP is to strategically invest in projects that meet those regional deficiencies and are consistent with the goals and policies of the comprehensive land use plans being developed by local jurisdictions and Spokane County.