

Chapter 19: Revenue Analysis

Introduction

This chapter presents a financial analysis of funding resources that the BMPO can reasonably expect (financial constraint) to fund the projects in the plan and to support operations and maintenance of the transportation system. This report summarizes research on reasonably available funding resources, estimated project costs, and the probable funding gap.

This chapter focuses is on estimating revenues that will be available over the next 25 years for transportation improvements in the region. Other parts of the plan discuss potential projects, their benefits, and their costs. A subsequent and critical step in the planning process is the comparison of the revenue estimates in this report to project performance measures and costs in other reports to decide on the best package of transportation improvements that can be assembled within the agreed upon revenue (fiscal) constraints.

The 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 rules of the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) require the MTP to be “fiscally constrained,” meaning that the cost of projects included in the MTP cannot exceed the capacity of the region to fund the projects. This chapter estimates the level of transportation-related funding that jurisdictions in the Bend MPO can reasonably expect to have available over the planning period. This report provides a basis for making decisions about the amount of revenue available over the next 20 years to fund regional transportation improvements.

This MTP addresses only the *regional* transportation system. Regional facilities include all state transportation facilities, major arterials and minor arterials, and some major collectors. Local facilities (the remainder of the collector system and local roads) are not addressed in the plan.

ODOT, Deschutes County, and the City of 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.

Methods

To complete this chapter, the following steps were followed:

- **Reviewed existing data and previous studies.** Primary documents reviewed included ODOT's *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030* report and the Bend Transportation System Plan. Also reviewed were the City's *Urban Area Street SDC Inventory* and ODOT guidelines relating to SAFETEA-LU planning requirements.
- **Reviewed project costs data.** Project cost data compiled by the city, county, ODOT, and the transportation engineering/planning consultants working on the project.
- **Conferred with Federal Transit Administration staff.** Discussions with regional FTA staff to gain insight on agency's funding of new transit systems.

Context for the Analysis of Revenues

Transportation Finance Principles

Building and maintaining the transportation system is a joint responsibility of federal, state, and local governments. 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 finance complicated.

To organize this review of available transportation funding in the Bend metropolitan area, the chapter focuses on the sources of public funding for transportation and how those funds are spent.

There is a distinction between the terms “funding” and “financing,” which often get used interchangeably. Providing transportation facilities and services costs money, and somebody has to pay for these costs. The ultimate source of revenue for these costs is funding. 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 as households and businesses—to reduce the current out-of-pocket costs by spreading out payments over time.

Legislative framework

The bulk of people and freight using the transportation system are traveling on roads in cars, trucks, and buses. In addition, many walkways and bicycle facilities are part of the roadway system. The roadway system in the United States 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 joint 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 are required by federal and

Oregon law to coordinate plans for transportation improvements at a regional level.¹ 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 plans of local jurisdictions responsible for the transportation system in the Bend metropolitan area must be consistent with the policies, programs, and projects identified in the MTP.

While measures in an MTP can include policies, strategies, and programs, the focus of an MTP is usually 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 MTP to be eligible for most federal and state funding programs.

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 regional (or metropolitan) transportation plan is to select and prioritize projects within the constraint of available funding. A regional (or 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.

To address the requirement for fiscal constraint, regional transportation plans have a chapter or technical appendix that estimates the level of funding for capital projects that are reasonably available in the region. This document focuses on available funding for projects.

The purpose of this chapter is to provide a financial context for the discussion and evaluation of projects.

Overview of Current Transportation Funding in the Bend MPO

The purpose of this chapter is to provide a financial context for the discussion and evaluation of projects. It does so by estimating the level of revenue that will be “reasonably available” (consistent with how that term is defined by federal requirements) to fund improvements to the transportation system in the Bend MPO. As shown in this

¹ Planning, in addition to being a good idea, is the law. Much of the funding for metropolitan transportation systems comes from the federal government. As a condition of that funding, the federal government (through the US Department of Transportation and the Federal Highway Administration) requires metropolitan areas with more than 50,000 people to form a Metropolitan Planning Organization (MPO) and to have that MPO create a long-range Regional Transportation Plan.

Chapter, reasonably available revenue in a jurisdiction is primarily from existing revenue sources. Reasonably available revenue can include increased revenue from growth in underlying factors that determine that revenue (such as increases in population that increase gasoline consumption and thus fuel taxes) and from future increases in the tax rate or fees that continue a historic trend of such increases.

This section describes recent trends in transportation funding in the Bend MPO in order to identify the existing funding sources that will be used as the basis of establishing reasonably available revenues later in this report.

Roads

Funding for building and operating roadways is typically the largest component of transportation-related expenditures by the public sector. The transportation system in the Bend MPO was built and is operated by the State of Oregon (through ODOT), Deschutes County, and the City of Bend. Revenue from each of these jurisdictions will be used to make future improvements to the regional transportation system.

This section describes current expenditures by the State of Oregon, Deschutes County, and the City of Bend to maintain and construct roadways that are part of the regional transportation system in the Bend MPO area. Though the focus of the description in this section is roadways, expenditures for road maintenance and construction frequently include elements for transit, bicycles, and pedestrians, such as bus stops, bike lanes and sidewalks.

State of Oregon

The State of Oregon is responsible for maintenance of federal and state highways in the Bend MPO area. ODOT does not report its expenditures for highways in a way that allows a summary of expenditures in the Bend MPO area. For the analysis in this report it is assumed that ODOT will continue to be responsible for operation and maintenance of federal and state highways in the Bend MPO area. Included is a discussion about the impact of increasing operation and maintenance (O&M) costs on capital funding available at the statewide level, and the implication of statewide conditions for capital funding available in the Bend MPO area.

Table 19-1 shows planned roadway projects in the Bend MPO area as listed in the current Statewide Transportation Improvement Program (STIP) prepared by ODOT. The STIP lists improvement projects on federal and state highways maintained by ODOT. The STIP also lists projects on local streets that have regional significance, even if these projects will be built entirely with local funds. The STIP is a four-year capital-improvements program, not a long-range plan. In general, funding for projects listed in the STIP has been identified and the projects have a high likelihood of actually being funded. Funding for projects in the STIP, however, may be a mix of federal, state, and local funds.

Table 19-1: Bend MPO roadway projects in the 2006-2009 STIP

Route	Description	Project Expenditures by Year				Total
		FY2006	FY2007	FY2008	FY2009	
US97	Interchange at Cooley Rd			\$20,000,000		\$20,000,000
US97	Traffic Signal at Reed Market Rd				\$328,000	\$328,000
US97	Access management/pavement		\$4,433,000			\$4,433,000
Empire Avenue	Extend from Purcell to 27th St		\$3,600,000			\$3,600,000
Reed Market Road	Corridor improvements		\$8,300,000			\$8,300,000
Murphy Road	Corridor improvements			\$4,500,000		\$4,500,000
Neff Road	Corridor improvements		\$1,250,000			\$1,250,000
Various	MPO STP Funds	\$605,000	\$605,000	\$605,000	\$605,000	\$2,420,000
Total		\$605,000	\$18,188,000	\$25,105,000	\$933,000	\$44,831,000

Source: ODOT Statewide Transportation Improvement Plan 2006-2009. Summarized by ECONorthwest.

Table 19-1 shows that annual expenditures on projects in the Bend MPO area will range from \$605,000 to \$25.1 million between FY2006 and FY2009. Annual funding for capital projects can vary widely from year to year due to the inclusion of one or a few large projects in any given year. The total spending shown in Table 19-1 averages \$11.2 million per year.

Table 19-2 shows funding sources identified in the STIP for the projects shown in Table 19-1.

Table 19-2: 2006-2009 STIP Funding Sources

Route	Description	STIP Funding by Source					Total
		STP	OTIA III	NHS	HEP	Other	
US97	Interchange at Cooley Rd		\$14,984,000			\$5,016,000	\$20,000,000
US97	Traffic Signal at Reed Market Rd	\$328,000					\$328,000
US97	Access management/pavement	\$798,012		\$2,854,060	\$329,040		\$3,981,112
Empire Avenue	Extend from Purcell to 27th St					\$3,600,000	\$3,600,000
Reed Market Road	Corridor improvements					\$8,300,000	\$8,300,000
Murphy Road	Corridor improvements					\$4,500,000	\$4,500,000
Neff Road	Corridor improvements					\$1,250,000	\$1,250,000
Various	MPO STP Funds	\$2,171,468					\$2,171,468
Total		\$3,297,480	\$14,984,000	\$2,854,060	\$329,040	\$22,666,000	\$44,130,580

Source: ODOT Statewide Transportation Improvement Plan 2006-2009. Summarized by ECONorthwest.

STIP funding source acronyms defined: Surface Transportation Program (STP), Oregon Transportation Investment Act III (OTIA III), National Highway System program (NHS), and the Hazard Elimination Program (HEP).

According to the STIP, funding classified as “Other” represents local funding, not federal or state funding.² Table 19-2 shows that local sources are expected to contribute a total of \$22.7 million or about 50% of the cost of STIP projects in the MPO area. The projects listed for Empire Avenue, Reed Market Road, Murphy Road, and Neff Road will all be built primarily with local funds. Traffic signals on US 97 at Reed Market Road will be funded by ODOT through the Surface Transportation Program (STP). In addition, the STIP does not include any required local matching funds as a funding source.³ The funding shown in Table 19-2 is roughly \$700,000 less than total project costs shown in Table 19-1, suggesting that this amount shortfall would be met by local matching funds. This level of local funding averages \$175,000 per year over the four years of the STIP.

² Oregon Department of Transportation. 2005. *Final Statewide Transportation Improvement Program 2006–2009*. Appendix 1 Fund Code Descriptions, page 389.

³ *Ibid.*, Key to Project Listing, page 4.

Of the \$21.5 million of federal and state funding shown in Table 19-2, the primary sources are the Oregon Transportation Investment Act III (OTIA III), Surface Transportation Program (STP), National Highway System program (NHS), and the Hazard Elimination Program (HEP). The \$15 million of funding from OTIA III in Table 19-2 is derived from bonds issued by the State of Oregon, so this funding is not from a continuing or reoccurring source. Federal and state funding from ongoing transportation programs in Table 19-2 totals almost \$6.5 million, with an average of \$1.6 million per year over the four years of the STIP.

Deschutes County

Most expenditures by Deschutes County for road maintenance and construction are for roads in unincorporated areas of the County. Most of the area within the Bend MPO, however, is in the City of Bend. Thus, (1) most of the lane-miles of road that the County maintains are outside the MPO, and (2) inside the MPO any County expenditures for road maintenance or construction occur primarily in the unincorporated areas of the MPO.

Most County roads in the MPO are located east and south of the City of Bend. Of the 55.5 miles of County roads in the MPO, 34.5 miles (62%) of these roads are local roads and 13.9 miles or 25% are collector roads, and 1 mile (2%) is a forest highway. Only 6.1 miles (11%) of County roads in the MPO are arterial roads that serve regional traffic.

Deschutes County spends \$10.5 million/year for road maintenance and improvements. In addition, the county has averaged \$425,000 per year in LID improvements.⁴ The bulk of expenditures by Deschutes County are in areas outside of the MPO. The City and County have long cooperated on maintenance of roads at Bend's urban fringe by pooling resources and coordinating efforts for efficiency. The Deschutes County Road Department estimates that it annually spends \$10,000 to \$15,000 per mile to maintain roads in the County, and that its expenditure on roads in the Bend MPO area currently averages about \$700,000 per year. While this is only 5% of the County total expenditures for roads, officials with the City of Bend have identified these expenditures as an important contribution for maintaining road conditions in Bend's urban fringe for regional mobility.

It is assumed that Deschutes County will continue to maintain roads in unincorporated areas of the Bend MPO. As the City of Bend expands into unincorporated areas of the MPO, it is likely that the MPO boundaries will also expand. As that happens, there will continue to be unincorporated areas of the MPO in which the County is responsible for road maintenance and improvement.

Analysis of road-related expenditures by Deschutes County shows that annual spending for Capital Projects ranged from \$1.6 million to \$3.0 million between fiscal years 2002/03 and 2004/05, averaging \$2.5 million per year over these three years.⁵ These

⁴ Figures provided by County staff on 11/9/06 via comments on preliminary draft document.

⁵ County staff comment on 11/6/06: These numbers include overlay/preservation projects which have averaged \$1.6 million per year. True capital expenditures have been fairly minimal.

expenditures were for all of Deschutes County, which includes expenditures outside of the Bend MPO area.

Table 19-3 shows roadway-related projects in the County's current Capital Improvement Program.

Table 19-3: Deschutes County Capital Improvement Program, 2005/06–2009/10

Location	Description	Expenditures by Year					Total	Funding Source	
		2005-06	2006-07	2007-08	2008-09	2009-10		FHWA	ODOT
Various	Asphalt Overlay Projects	\$2,000,000	\$2,200,000	\$2,000,000	\$2,000,000	\$2,000,000	\$10,200,000		
Huntington Rd / 1st St	Intersection improvements	\$570,000					\$570,000		
Various	Flashing intersection lights		\$40,000	\$40,000	\$40,000	\$40,000	\$160,000		
Millican Rd		\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$250,000		
Deschutes Junction	Hwy 97 Phase 2	\$2,360,760					\$2,360,760		
FS Road 40 / 45	Sunriver to Mount Bachelor	\$6,400,000					\$6,400,000	\$5,400,000	
Hwy 97 / South Century Dr	Interchange	\$6,000,000					\$6,000,000	\$2,100,000	\$2,900,000
South Century Dr	Patch Bridge to Burgess Rd				\$4,000,000		\$4,000,000	\$4,000,000	
Wickiup Junction	Planning	\$76,500					\$76,500		\$76,500
Various	Right-of-way acquisitions	\$200,000	\$30,000	\$30,000	\$30,000	\$30,000	\$320,000		
Various	LID Projects	\$750,000	\$750,000	\$750,000	\$750,000	\$750,000	\$3,750,000		
Empire / 27th St	Extension	\$250,000					\$250,000		
Various	Bike / Ped improvements	\$75,000	\$75,000	\$76,000	\$77,000	\$77,000	\$380,000		
Total		\$18,732,260	\$3,145,000	\$2,946,000	\$6,947,000	\$2,947,000	\$34,717,260	\$11,500,000	\$2,976,500

Source: Deschutes County. <http://ww2.deschutes.org/index.cfm?objectId=410D3576-BDBD-57C1-9C5E611547AFF5E7>

Deschutes County plans to spend a total of \$34.7 million on roadway-related projects over the five years shown in Table 19-3. Roughly \$14.5 million of those expenditures are expected to come from the Federal Highway Administration (FHWA) and ODOT. In addition, projects funded by Local Improvement Districts (LIDs) are expected to total \$3.75 million over the period shown in Table 19-3. Other funding sources are not reported by the County's CIP document—remaining project costs of about \$16.5 million will presumably be paid from County funds, but some additional federal, state, or local funding may be included in the costs shown in Table 19-3. The level of remaining project costs results in average capital expenditures of \$3.3 million per year by Deschutes County over the five years. These expenditures will occur throughout Deschutes County, primarily in areas outside of the Bend MPO area. The only County project in the Bend MPO boundaries in Table 19-3 is the extension of Empire to 27th Street. The city of Bend is building the extension. Deschutes County is providing \$250,000 of funding towards the project.

City of Bend

Table 19-4 shows that the City of Bend spent \$20 million for road-related expenses in fiscal year 2002/03, falling to roughly \$12 to \$11 million per year in the following two fiscal years. Over half of the road-related expenditures in Bend were for Capital Projects in the three years shown in Table 19-4, primarily for construction of new roads. The City's expenditures for Operation & Maintenance were more stable than those for Capital Projects, averaging just under \$5 million per year.

The City of Bend generates over 70% of annual road-related revenues from local sources, primarily System Development Charges (SDCs) and Franchise Fees. Proceeds from the sale of bonds generated a one-time revenue of \$12.3 million for the City in FY 2002/03. Revenue from the State Highway Fund Apportionment provided roughly 23% of the City's annual revenue in FY 2003/04 and 2004/05. Compared to SDCs, Franchise Fees, and the State Highway Fund, no other single source produces a substantial share of road-related revenue for the City of Bend.

Table 19-4: Road-related revenues and expenditures, City of Bend, FY 2002/03– 2004/05

	FY 2002/03	FY 2003/04	FY 2004/05
Beginning Balance(s)	\$4,275,500	\$8,911,100	\$8,289,800
Receipts from Local Sources	\$21,563,100	\$8,558,200	\$9,579,700
Special Area Assessments (LID, EID, etc)	\$1,942,200	\$12,800	\$12,400
System Development Charges	\$4,150,000	\$5,377,200	\$6,474,400
Transfers from Non-road Funds	\$129,000	\$209,100	\$215,100
Interest Income	\$230,600	\$151,500	\$383,200
Land Sales & Rentals	\$202,800	\$7,700	\$8,800
Permits	\$1,300	\$0	\$0
Proceeds from Sale of Bonds and Notes	\$12,303,600	\$0	\$0
Hotel/Motel Taxes	\$493,000	\$582,000	\$653,000
Franchise Fees	\$1,619,400	\$1,679,600	\$1,716,800
Private Contributions	\$455,700	\$509,900	\$17,100
Unspecified Other	\$35,500	\$28,400	\$98,900
Receipts from State Government	\$2,384,900	\$3,107,900	\$3,899,300
State Highway Fund Apportionment	\$2,294,900	\$2,730,800	\$3,099,000
State General Fund	\$90,000	\$0	\$0
Fund Exchange Program	\$0	\$309,100	\$473,100
Unspecified Other	\$0	\$68,000	\$327,200
Receipts from Federal Government	\$273,300	\$0	\$0
Unspecified Other	\$273,300	\$0	\$0
Other Receipts	\$532,000	\$0	\$0
Receipts from other Governments	\$500,000	\$0	\$0
Work for other Jurisdictions	\$32,000	\$0	\$0
TOTAL REVENUE	\$24,753,300	\$11,666,100	\$13,479,000
Capital Projects	\$14,657,400	\$6,788,800	\$6,412,500
Right-of-Way	\$3,674,100	\$831,400	\$1,011,400
Construction Engineering	\$899,400	\$337,300	\$1,068,400
Construction & Expansion	\$8,927,400	\$4,022,400	\$2,748,300
Bike/Pedestrian Facilities	\$206,100	\$3,000	\$0
Debt Service	\$950,400	\$1,594,700	\$1,584,400
Administration and General Engineering	\$734,000	\$476,900	\$362,300
Operation & Maintenance Projects	\$4,726,300	\$5,021,700	\$4,472,800
Repair & Preservation	\$558,100	\$713,200	\$946,900
General Maintenance	\$3,470,800	\$3,016,800	\$2,891,200
Safety & Traffic	\$539,600	\$607,900	\$282,100
Snow/Ice Removal	\$157,800	\$683,800	\$352,600
TOTAL EXPENDITURES	\$20,117,700	\$12,287,400	\$11,247,600
Ending Balance	\$8,911,100	\$8,289,800	\$10,521,200

Source: ODOT Local Road and Street Finance Questionnaire. Summarized by ECONorthwest.

Note: Ending balances are total revenue minus total expenditures plus carry over from previous year.

Table 19-5 shows that roadway-related projects in the City's current capital improvement schedule have a total cost of \$40.8 million over the next five years. The majority of these projects will expand the capacity of existing streets, bring streets up to standards, improve intersections, and add signals. These improvements are all related to increasing the capacity of existing streets to maintain an acceptable level of service to the traveling public.

Table 19-5: Transportation Capital Improvement Program, City of Bend, 2005/06-2009/10

Location	Description	2005/06	2006/07	2007/08	2008/09	2009/10	Total
Continuing Projects							
Citywide	Transportation SDC Analysis	\$75,000		\$50,000		\$50,000	\$175,000
Arterial / Collector streets	Streetlights improvements	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,250,000
Newport Bridge	Replacement**	\$2,765,000	\$1,700,000				\$4,465,000
Hwy 97	Mt. Washington bridge**	\$2,865,000					\$2,865,000
27th St (Neff to Forum)	Widening**	\$1,630,000					\$1,630,000
Empire Ave at Boyd Acres	Traffic signal**	\$1,495,000					\$1,495,000
Cooley Rd	Interchange and corridor**	\$500,000	\$2,250,000	\$2,250,000			\$5,000,000
15th Ave (Hwy 20 to Bear Cr)	Extension**	\$856,000					\$856,000
Reed Market Rd	Corridor improvements**	\$500,000	\$1,300,000	\$1,400,000	\$2,000,000	\$3,000,000	\$8,200,000
Empire Ave	Modernization	\$620,000					\$620,000
New Projects							
8th at Greenwood, 8th at Olney	Capacity improvements	\$500,000					\$500,000
Downtown Signals	Capacity improvements			\$500,000	\$500,000		\$1,000,000
Revere at Division St	Capacity improvements					\$500,000	\$500,000
Neff Rd (8th to 27th St)	Corridor improvements	\$250,000	\$1,000,000				\$1,250,000
Empire Ave	Empire Ave extension (Ph 1)	\$350,000	\$2,000,000	\$1,250,000			\$3,600,000
Murphy Rd	Brookwood to 15th St	\$500,000	\$500,000		\$2,250,000	\$1,250,000	\$4,500,000
Butler Market at Brinson	Intersection improvements	\$100,000	\$700,000				\$800,000
Brookwood at Powers	Roundabout		\$500,000	\$800,000			\$1,300,000
Purcell at Bear Creek	Intersection improvements			\$800,000			\$800,000
Total		\$13,256,000	\$10,200,000	\$7,300,000	\$5,000,000	\$5,050,000	\$40,806,000

Source: City of Bend. Transportation Improvements Five-Year Capital Improvement Program

Note: Projects marked ** are those for which ODOT is contributing funds.

To obtain a clearer picture of local costs, projects listed in the City of Bend transportation improvements capital program are compared with those in the Statewide Transportation Improvement Program (STIP) within the Bend MPO area. Several projects in the City of Bend, listed in Table 19-5, appear identical to some projects in the Bend MPO that are listed in the current STIP. The STIP projects are summarized in Tables 19-1 and 19-2. Comparing the project cost in Table 19-5 to the level of "Other" funding shown in Table 19-2 appears to confirm the supposition that "Other" funding in the STIP is from local sources. Taking into account and netting out federal and state funding for STIP projects listed in Table 19-2 (approximately \$6.5 million) leaves the remaining project costs of \$34.3 million presumably must be funded by local sources. This level of local funding would average \$6.9 million per year over the five years shown in Table 19-6.

The City's capital improvement schedule does not identify specific funding sources for listed projects. The City of Bend reports the project costs that are expected to be funded by ODOT and City sources other than SDCs; the remaining amount are the costs that will be funded by current SDC revenue. This analysis is shown in Table 19-6. Non-SDC funds are expected to contribute almost \$10.5 million for project costs, leaving costs of \$30.3 million to be funded by expected SDC revenue. This level of costs over five years implies that SDC revenue is expected to average just over \$6 million per year over the five years shown in Table 19-5.

The only funding source other than SDCs identified in Table 19-6 is ODOT funding for the Newport Bridge project and other funding sources for the Empire Avenue extension and the Cooley Road interchange. In addition, Table 19-2 shows that federal and state sources are expected to contribute funding of \$6.5 million (STP, NHS, HEP funds) for projects in listed in Table 19-5. The cost of projects other than those funded by SDCs or ODOT in Table 19-6 totals \$6 million (other funding for Empire Avenue extension and Cooley Road interchange), or \$1.2 million per year. City staff report that funding sources for these remaining costs have not been identified, and that these projects may or may not occur depending on the availability of funding.

Table 19-6: Capital Projects Funding Sources, City of Bend, 2005/06-2009/10

Cost / Funding Component	Amount
Total capital costs	\$40,806,000
Less Non-SDC funds	\$10,465,000
ODOT funding of Newport Bridge project	\$4,465,000
Other funding of Empire Ave extension	\$1,000,000
Other funding of Cooley Rd interchange	\$5,000,000
= Net City share using current SDCs	\$30,341,000

Source: City of Bend. Transportation Improvements Five-Year Capital Program

Private funding is an important supplement to government sources. Bend's development code requires developers to build local streets serving their development. These streets must be built to City standards and donated to the City, which is responsible for ongoing maintenance. These local streets are not part of the regional system, and not relevant to the MTP. But developers and other private entities may also contribute funds or build improvements to collector and arterial streets, often to provide access to their property or to mitigate the impacts of their development. Depending on the nature and reason for privately-funded improvements, their cost may or may not be credited toward SDCs that may apply. The West Side Traffic Consortium, for example, used developer-provided improvements, in conjunction with LID assessments, to finance some transportation improvements in west Bend.

The City of Bend provided information on private contributions to road projects between June 1990 and June 2006. Contributions tracked by the City were those beyond the level of SDC and other fee reimbursements—that is, these private contributions were a net increase in the level of funding available for capital improvements. Analysis of these data show that private contributions for street projects totaled over \$4.2 million between 1990 and 2006, resulting in an average of \$600,000 per year (in constant 2006 dollars).

Summary of current road-related expenditures

Table 19-7 summarizes the annual average road-related expenditures in the Bend MPO by ODOT, Deschutes County, and the City of Bend. The annual averages in Table 19-7 are based on the analysis of current expenditures in this section for various years.

Table 19-7: Average Annual Road-Related Expenditures for Various Years

Agency/Jurisdiction	O&M	Capital
ODOT	unknown	\$1,600,000
Deschutes County	\$700,000	\$50,000
City of Bend	\$5,000,000	\$6,900,000
Total	\$5,700,000	\$8,550,000

Source: ECONorthwest.

Note, these figures were derived from data from various years and compiled into this summary from the analysis conducted in this section. To recap, ODOT will expend an average of \$1.6 million per year over 2006 through 2009. The County of Deschutes expends within the Bend MPO about \$50,000 per year (a conservative estimate) on capital projects per year and \$700,000 on O&M per year based on data from 2005/6 to 2009/10. The City of Bend, in 2003/04 showed O&M expenditures averaging just under \$5 million per year and 2004/05. Data from 2003/04 and 2004/05 showed that expenditures on the order of \$7 million per year.

Transit

The City of Bend has offered Dial-a-Ride service to provide transportation to the general public on a demand-response basis for many years. Beginning in September 2006, the City initiated a new fixed-route bus service, Bend Area Transit (BAT). The City continues to offer Dial-a-Ride service, but it is now focused on providing mobility services for low income seniors and people with disabilities.

Table 19-8 shows the City's Public Transit Fund budget for the current year, and actual or projected revenues and expenditures for the previous three years. The City's Public Transit Fund tracked revenues and expenditures for the Dial-a-Ride program only in the years shown in Table 19-8. Expenditures from the Public Transit Fund increased from \$1.7 million in FY 02/03 to \$2.3 million in FY 05/06. The bulk of these expenditures are for driver contracts, vehicle maintenance, and fuel.

Table 19-8: Public Transit Fund, City of Bend, FY02/03–FY05/06

	FY 02/03 Actual	FY 03/04 Actual	FY 04/05 Projected	FY 05/06 Budget
Working Capital Carryover	\$326,000	\$296,000	\$523,000	\$579,000
Receipts	\$1,686,000	\$2,170,000	\$1,995,000	\$1,731,000
Transient Room Tax	\$125,000	\$146,000	\$165,000	\$0
Intergovernmental Revenue	\$1,290,000	\$1,945,000	\$1,581,000	\$955,000
Charges for Service	\$64,000	\$76,000	\$245,000	\$248,000
Interest	-\$3,000	-\$1,000	\$4,000	\$8,000
Miscellaneous	\$10,000	\$4,000	\$0	\$0
Transfers from Other Funds	\$0	\$0	\$0	\$520,000
Borrowing Proceeds	\$200,000	\$0	\$0	\$0
Expenses	\$1,716,000	\$1,943,000	\$1,939,000	\$2,311,000
Personal Services	\$75,000	\$83,000	\$87,000	\$93,000
Materials and Services	\$754,000	\$1,033,000	\$1,413,000	\$1,481,000
Capital Outlay - Equipment	\$0	\$22,000	\$0	\$0
Capital Outlay - Vehicles	\$367,000	\$202,000	\$0	\$142,000
Debt Service	\$277,000	\$200,000	\$0	\$0
Transfers	\$243,000	\$403,000	\$439,000	\$518,000
Contingency	\$0	\$0	\$0	\$77,000
Ending Balance	\$296,000	\$523,000	\$579,000	-\$1,000

Source: City of Bend, Adopted Budget Fiscal Year 2005/06.

Table 19-8 shows that Intergovernmental Revenue is the largest revenue source for the Public Transit Fund. Table 19-9 shows the source of these transfers for FY 04/05 and FY 05/06, the only two years for which detailed information is available in the City's budget document. Table 19-9 shows that the largest Intergovernmental Revenue source in both years is a federal operating grant. Table 19-9 also shows that the City expects no revenue in FY 05/06 from two sources that provided substantial revenue in the previous year: Liquor Tax and State Revenue Sharing. Table 19-8 shows that this lost revenue will be partially replaced by increased Transfers from Other Funds. This may represent a change in accounting practices rather than an actual shift in funding by routing Liquor Tax and State Revenue Sharing revenues through the City's General Fund.

Table 19-9: Intergovernmental Transfers to the Public Transit Fund, City of Bend, FY 04/05–FY 05/06

Revenue Source	FY 04/05 Projected	FY 05/06 Budget
Federal Operating Grant	\$548,300	\$575,800
Miscellaneous Grant	\$20,700	\$0
Misc. Grants - Federal Passthru	\$16,800	\$250,100
State Revenue Sharing	\$218,000	\$0
Liquor Tax	\$640,200	\$0
STF Grant - State Passthru	\$136,000	\$129,500
Dial-a-Ride Program	\$600	\$0
Total	\$1,580,600	\$955,400

Source: City of Bend, Adopted Budget Fiscal Year 2005/06.

In addition, ODOT has provided funds to Bend's Dial-a-Ride program from its share of the federal Surface Transportation Program (State Revenue Sharing). Funds from the state's Special Transportation Fund (STF) are derived from state cigarette tax revenues and are distributed to programs that serve the transportation needs of the low income seniors and people with disabilities.

Table 19-10 shows Federal Transit Administration (FTA) grants included in the Bend MPO Metropolitan Transportation Improvement Program (MTIP) for 2004–2009. Table 19-10 shows that Bend's public transit system (BAT and Dial-a-Ride) is expected to receive grants from three FTA programs:

- **FTA Section 5307** provides formula-based grants for operation and capital support of local transit systems. This program is expected to provide an annual grant of roughly \$575,000 to \$667,000 between 2004 and 2007. This program requires a 50% local match for operating funds, and 20% for capital funds.
- **FTA Section 5309** provides discretionary grants for capital improvements by local transit systems. This program is expected to provide an annual grant of roughly \$190,000 to \$280,000 between 2006 and 2009. This program requires a 20% local match.
- **FTA Section 5310** provides discretionary grants to local transit systems for operations and capital improvements tied to services for seniors and people with disabilities. This program is expected to provide an operational grant of \$195,000 and a capital grant of roughly \$198,000 in 2006. This program requires a 20% local match for operations and a 10% match for capital.

Table 19-10: FTA grants included in the Bend MPO MTIP, 2004–2009

FTA Program	2004	2005	2006	2007	2008	2009	Total
Operations & Maintenance							
FTA 5307	\$1,149,218	\$1,164,008	\$1,269,590	\$1,333,068			\$4,915,884
Federal	\$574,609	\$582,004	\$634,795	\$666,534			\$2,457,942
Local	\$574,609	\$582,004	\$634,795	\$666,534			\$2,457,942
FTA 5310			\$243,750				\$243,750
Federal			\$195,000				\$195,000
Local			\$48,750				\$48,750
Total	\$1,149,218	\$1,164,008	\$1,513,340	\$1,333,068			\$5,159,634
Capital Improvements							
FTA 5309			\$237,946	\$248,293	\$336,229	\$349,161	\$1,171,629
Federal			\$190,357	\$198,634	\$268,983	\$279,329	\$937,303
Local			\$47,589	\$49,659	\$67,246	\$69,832	\$234,326
FTA 5310			\$221,000				\$221,000
Federal			\$198,303				\$198,303
Local			\$22,697				\$22,697
Total			\$458,946	\$248,293	\$336,229	\$349,161	\$1,392,629

Source: Bend Metropolitan Transportation Improvement Program 2004–2009.

Note: The city expects to receive an additional \$100,000 in 2007 and 2008 from FTA 5310 funds.

Table 19-11 shows the amount of state and federal funding included in the 2006–2009 Statewide Transportation Improvement Program (STIP). Table 19-11 shows that FTA Section 5307 grants are expected to continue at their current level, growing at an average rate of 5% between 2006 and 2009 (slightly faster than the rate of inflation

anticipated by ODOT, 3.1%). Table 19-11 also shows that transit services in the Bend MPO will receive one-time grants from the Job Access Reverse Commute program, FTA Section 5310 program, and the state STF.

Table 19-11: Federal and State Transit Funding in the 2006-2009 STIP

Funding Source	2006	2007	2008	2009	Local Match Requirement
Job Access Reverse Commute	\$175,000				50%
FTA 5307 Transit Operations	\$596,500	\$626,500	\$658,000	\$690,500	50%
FTA 5310 Transit Operations	\$195,200				20%
STF Capital Grant	\$198,303				10%

Source: Oregon Department of Transportation. Statewide Transportation Improvement Plan 2006-2009. Summarized by ECONorthwest.

Note: The City of Bend expects to receive about \$80,000 per year of JARC funding in future years from the small urban area allocation.

The City of Bend initiated fixed-route bus transit service in September 2006. Bend Area Transit (BAT) operates buses on seven routes Monday–Friday and six routes on Saturday. Fares are \$1 per trip or \$2 for an unlimited day pass. Discounted fares are available for seniors, the disabled, and purchases of multi-day or monthly passes.

The City is currently funding BAT within its existing budget but hopes to develop a dedicated funding source for this service. Newspapers report that the City estimates that BAT will cost about \$1.5 million annually to operate at its current level of service.⁶ A recent supplemental budget approved by Bend’s City Council, however, added \$457,000 in revenue and expenses to the Public Transit Fund to reflect operation of BAT service. Table 19-12 shows that supplemental budget.

Table 19-12: Supplemental Budget for Bend Area Transit, FY 2006/07

Line Item	FY 06/07
Receipts	\$457,000
Federal Grant	\$226,000
Fare Box	\$151,000
Transfers from General Fund	\$80,000
Expenses	\$457,000
Paratransit Contract	\$175,300
Professional Services	\$22,800
Operating Supplies	\$84,000
Temporary Employees	\$35,800
Capital Purchases	\$27,000
Transfer Station / ROW Improvements	\$112,100

Source: City of Bend. Bend City Council Issue Summary. September 20, 2006 Council Meeting.

Table 19-12 shows that a federal grant will provide \$226,000 or almost 50% of supplemental operating revenue for BAT in fiscal year 2006/07. City documents do not identify the specific federal program that is providing this grant funding. Fare box revenues are expected to generate just over \$150,000. An \$80,000 transfer from the

⁶ Matthew Preusch. “Bend swoops into transit with BAT.” The Oregonian. September 27, 2006.

City's General Fund provides the rest of the funding needed to operate BAT at its initial level of service.

The City of Bend had a *Service Plan*⁷ developed for new fixed-route service in Bend. Since a new fixed-route service would affect the need for Dial-a-Ride services, the *Service Plan* considered the need and cost for both types of public transit services. This Plan estimated that fare revenue would be \$225,000 from fixed-route service available 12 hours per day, 6 days per week. This Plan also identified other funding sources for fixed-route service, including:

- **FTA Section 5307.** This program is expected to provide Bend with \$585,000 in FY06, increasing to \$705,000 in FY09.
- **FTA Section 5309.** This program is expected to provide Bend with about \$200,000 per year through FY09 for bus purchases.
- **Oregon Special Transportation Fund.** This program provides funds on a formula basis and as discretionary grants based on need and merit. These funds can be used for operating or capital expenses. Bend is expected to receive \$147,000 annually for transit operations.

Other funding sources identified in the Service Plan are primarily for services to senior and disabled residents that would be used for the City's Dial-a-Ride services. Table 19-13 shows the expected revenue sources and expenditure categories for public transit service in Bend, for both fixed-route and Dial-a-Ride service. Table 19-13 shows that the fixed-route and Dial-a-Ride service, together, are expected to cost \$2.6 million per year to operate excluding capital purchases in 2006. Just over half of annual revenues are expected to come from federal and state sources, with just under half from local sources. The primary funding sources are expected to be the City's General Fund, FTA funding programs, fares, and the Special Transportation Fund.

⁷ Nelson|Nygaard Consulting Associates. *Draft Service Plan*. Prepared for the City of Bend. May 2006.

Table 19-13: Annual Revenues & Expenditures for Public Transit Service in Bend, 2006

Line Item	Annual
City Working Capital	\$142,900
Federal & State Funding	\$1,592,064
FTA 5307 Operating	\$634,800
FTA 5310 Operating	\$195,000
FTA 5309 Capital (FR buses)	\$192,280
FTA 5310 Capital (DAR vehicles)	\$122,984
Job Access / Reverse Commute Grant	\$300,000
Special Transportation Fund	\$147,000
Local Funding	\$1,395,000
City General Fund	\$1,138,000
Fares	\$250,000
Interest	\$7,000
Total Revenue	\$2,987,064
Personnel	\$96,438
Contracted Services	\$1,249,700
Materials & Other Services	\$171,300
Capital Purchases	\$375,100
Debt Service	\$0
Transfers to City (Overhead & Support)	\$669,800
Total Expenses	\$2,562,338
Contingency & Carryover	\$577,626

Source: Nelson|Nygaard Consulting Associates. *Draft Service Plan*. Prepared for the City of Bend. May 2006. Page 31.

Reasonably Available Funding for Capital Improvements

This section estimates the funding that will be available for transportation capital projects and public transportation operations in the Bend MPO area over the planning period for the MTP. Most of the funding sources considered in this section already exist. For many, the revenues they generate are likely to increase even without changes in rates because of growth: in population, registered vehicles, gasoline consumption, and other rate-base factors. In some cases additional revenue from increased taxes or fees is considered to be “reasonably available” based on historical trends or other clear and reasonable assumptions.

To estimate the amount of funding that is likely to be available for capital (construction) projects, future costs for operation and maintenance (O&M) of the transportation system must also be projected. The starting point for this analysis is an assumption that available funding will be used first to operate the existing transportation system and maintain it at an optimal level. This implies that flexible funding (that is, funds that can be used for either capital costs or O&M) will only be used for capital projects after O&M needs are met. Capital funding will therefore be the remainder of any flexible funds after O&M needs are met, plus any revenue that is restricted to capital projects only.

Roads

This section forecasts various major road-related funding sources at the federal, state, and local level from 2007 to 2030. These major funding sources, with the jurisdiction they supply funding for, include the following:

- ODOT capital spending through the STIP from federal and state revenue sources and programs
- Federal Surface Transportation Program (STP) allocation (Bend MPO and Deschutes County)
- Federal High Priority Projects Program (HPPP) (ODOT)
- State Highway Fund (SHF) (ODOT, Deschutes County, and City of Bend)
- National Forest Reserve Revenue (Deschutes County) [Note: The long-term status of this funding program is uncertain]
- System Development Charges (SDC) (City of Bend)
- Transfers from Other Funds (City of Bend)
- Special Area Assessments, including Local Improvement Districts (LIDs) (Deschutes County and City of Bend)
- Other Miscellaneous Revenue (Deschutes County and City of Bend)

The assessment of future funding from these federal and state sources for capital improvements in the Bend MPO is based primarily on ODOT's *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030* (which is referred to as ODOT's *Financial Assumptions*).⁸ This document provides information on trends in major federal and state funding sources, provides forecasts of statewide revenue from these sources and, in some cases, forecasts of potential distributions to specific MPOs in Oregon. While this document was developed before passage of the most recent federal legislation authorizing funding programs for transportation (SAFETEA-LU), the forecast tables that accompany this document were updated by ODOT in March 2006 to reflect the changes in the federal SAFETEA-LU legislation.

ODOT funding for capital improvements

For funding at the local level, this report forecasts total revenue and nets out costs for operation and maintenance of the existing system to determine funds available for capital improvements. At the state level, this analysis has already been completed. ODOT's *Financial Assumptions* includes a forecast of future revenue available to ODOT from the full range of major federal and state sources, and future costs for distributions to other jurisdictions, mandated set-asides, and priority needs such as preservation, safety, operations, and debt service. This forecast allows an estimate of ODOT's funding for modernization once distributions to other jurisdictions and priority needs for maintenance and other costs are taken out of total revenue. In theory, any revenue retained by ODOT that is not required for O&M or debt service is available for modernization. Modernization funds are used for improvements to the state highway system.

⁸ ODOT Financial Services, Policy and Economic Analysis Unit. December 2004 (tables updated March 2006).

For the next several years, however, the ODOT forecast shows that its O&M needs will be greater than available revenue, even with a gradual gas tax increase described below in the discussion of the State Highway Fund. While this would lead to no ODOT funding for modernization if all O&M needs were met, Oregon Revised Statute (ORS) 366.507 requires a minimum amount of spending by ODOT on modernization, and the revenue bonds of the Oregon Transportation Investment Act (OTIA) will provide additional modernization funds through 2012.

Table 19-14 shows the level of ODOT funding for modernization projects statewide under two scenarios: *Current Law* (assuming the equivalent of an increase of the fuel tax by \$0.01 per gallon every year to fund O&M) and *Above Current Law* (with the equivalent of a \$15 increase in the vehicle registration fee every eight years).

Under *Current Law*, ODOT's forecast is for its modernization funding to decline from its 2007 level of nearly \$127 million, to nearly \$92 million in 2012, and then drop to \$49.9 million in 2013 as the OTIA funding program concludes. From 2013 to 2030, ODOT expects its annual modernization funds to increase about 19% in constant 2006 dollars to \$59.4 million in 2030.

Under *Above Current Law*, statewide funding for modernization follows a similar pattern as that under *Current Law*, but the additional revenue from increased vehicle registration fees (or the equivalent) increases available funding by roughly \$5 million annually between 2010 and 2017, \$8 million annually between 2018 and 2025, and \$10 million annually between 2026 and 2030.

Table 19-14 shows potential allocations of modernization funds to Region 4 and Deschutes County based on their average percentage of Oregon's population, vehicle miles of travel, freight ton miles of travel, vehicle registrations, and their allocation of modernization funds between FY99 and FY01 (10.1% in Region 4, and 3.5% in Deschutes County).⁹

⁹ ODOT. *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030: Appendix. Regional Distribution of Modernization Funds.* Page 15.

Table 19-14: Funds available to ODOT for modernization statewide, and allocation of funding to Region 4 and Deschutes County based on historical distribution, 2007–2030 (millions of 2006 dollars)

Year	Statewide		Region 4: 10.1%		Deschutes Co: 3.5%	
	Current Law	Above Current Law	Current Law	Above Current Law	Current Law	Above Current Law
2007	\$126.9	\$126.9	\$12.8	\$12.8	\$4.4	\$4.4
2008	\$107.3	\$107.3	\$10.8	\$10.8	\$3.8	\$3.8
2009	\$104.6	\$104.6	\$10.6	\$10.6	\$3.7	\$3.7
2010	\$91.7	\$97.3	\$9.3	\$9.8	\$3.2	\$3.4
2011	\$90.3	\$95.8	\$9.1	\$9.7	\$3.2	\$3.4
2012	\$91.7	\$97.0	\$9.3	\$9.8	\$3.2	\$3.4
2013	\$49.9	\$55.2	\$5.0	\$5.6	\$1.7	\$1.9
2014	\$49.8	\$54.9	\$5.0	\$5.5	\$1.7	\$1.9
2015	\$49.7	\$54.6	\$5.0	\$5.5	\$1.7	\$1.9
2016	\$49.5	\$54.4	\$5.0	\$5.5	\$1.7	\$1.9
2017	\$49.4	\$54.1	\$5.0	\$5.5	\$1.7	\$1.9
2018	\$49.3	\$58.4	\$5.0	\$5.9	\$1.7	\$2.0
2019	\$49.1	\$58.0	\$5.0	\$5.9	\$1.7	\$2.0
2020	\$49.0	\$57.6	\$4.9	\$5.8	\$1.7	\$2.0
2021	\$48.8	\$57.2	\$4.9	\$5.8	\$1.7	\$2.0
2022	\$48.7	\$56.9	\$4.9	\$5.7	\$1.7	\$2.0
2023	\$48.5	\$56.5	\$4.9	\$5.7	\$1.7	\$2.0
2024	\$48.3	\$56.1	\$4.9	\$5.7	\$1.7	\$2.0
2025	\$48.2	\$55.7	\$4.9	\$5.6	\$1.7	\$2.0
2026	\$48.0	\$59.0	\$4.8	\$6.0	\$1.7	\$2.1
2027	\$54.5	\$65.2	\$5.5	\$6.6	\$1.9	\$2.3
2028	\$54.1	\$64.6	\$5.5	\$6.5	\$1.9	\$2.3
2029	\$53.7	\$63.9	\$5.4	\$6.5	\$1.9	\$2.2
2030	\$59.4	\$69.3	\$6.0	\$7.0	\$2.1	\$2.4
Total	\$1,520.4	\$1,680.5	\$153.5	\$169.8	\$53.1	\$58.9

Source: ODOT. *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030: Appendix*. Updated March 2006. Allocation to Region 4 and Deschutes County, and conversion to 2006 dollars, by ECONorthwest.

The 2006–2009 STIP shows that ODOT expenditures for modernization using federal and state funds in the Bend MPO area totals \$21.5 million over those four years. This level of funding, however, includes \$15 million from the Oregon Transportation Investment Act III (OTIA III), which is a one-time funding that will not reoccur. Excluding OTIA III funding, ODOT expenditures on modernization in the Bend MPO totals almost \$6.5 million or \$1.6 million per year between 2006 and 2009. This level of funding is roughly 1/3 of the 2007 allocation of modernization funds to Deschutes County shown in Table 19-14 for either scenario.

It is important to note that if the state gas tax is not increased, as assumed in both the Current Law and Above Current Laws scenarios in Table 19-14, some of the funds otherwise used by ODOT for modernization would probably have to be diverted to O&M. Without these additional funds, ODOT’s revenue would be below the level of its O&M

needs, so that any modernization at all would require deferred maintenance on the state highway system.¹⁰

Federal discretionary funds

ODOT receives federal funds that are distributed at the discretion of the Oregon Transportation Commission (OTC). Among these funds is the federal High-Priority Project Program (HPPP) for capital projects that is included in the revenue forecasts in ODOT's *Financial Assumptions*. ODOT's forecast uses two approaches to bound the range of future HPPP funding potentially available to the Bend MPO.¹¹ The low end of this range is based on the Bend MPO having received no HPPP or other federal discretionary funds in the past 18 years.¹² Based on this trend, the Bend MPO might expect to similarly receive no HPPP or other federal discretionary funds between 2005 and 2030. For the high end of the range, ODOT assumed that HPPP and other discretionary funds will be distributed on the basis of population. Under this assumption, the Bend MPO would receive an annual allocation averaging \$856,000 in constant 2006 dollars. The lack of growth in federal discretionary funding in constant dollars results from ODOT's assumption that this funding will increase only at the rate of inflation after 2010. Table 19-15 summarizes federal Surface Transportation Program (STP) and discretionary funds allocated to Deschutes County and the Bend MPO based on ODOT's *Financial Assumptions*.

The assumptions behind each of the forecasts for federal discretionary funding shown in Table 19-15 are too unlikely for this revenue to be considered as reasonably available funding for the Bend MPO. That is, it is unlikely that the Bend MPO will receive no discretionary funding, and it is unlikely that the Bend MPO will receive discretionary funding proportionate to its share of Oregon's population.

Discretionary funds are distributed by the Oregon Transportation Commission to critical projects in Oregon. Given the concentration of population and aging transportation infrastructure in urban areas of the Willamette Valley, and the relatively newer infrastructure in the Bend area, most of the critical projects receiving HPPP funds have been in regions other than Bend. But there is evidence that other areas of Central Oregon will receive federal discretionary funds for projects. SAFETEA-LU includes earmarked funds requested by the Oregon Transportation Commission for projects in Redmond (re-route of Highway 97, \$14 million) and Klamath County (improvements to Highway 97, \$5.1 million).¹³

¹⁰ ODOT is required by statute to spend a specific (at least some) of its flexible funds on modernization.

¹¹ *Ibid.*, p. 5. "...these approaches [to distribution of HPPP funds] will be used to establish reasonable bounds of funds distribution."

¹² It is not clear if this historical trend is because the Bend MPO did not exist before recently, and therefore could not have received funds as an MPO, or if the Bend area has really not received any federal discretionary funds for transportation projects in the last eighteen years.

¹³ Oregon Department of Transportation. *SAFETEA-LU: A Reference Guide*. January 2006. Table 5. <http://www.oregon.gov/ODOT/docs/SAFETEA-LUReferenceGuide.pdf>

Table 19-15: Federal STP and Discretionary funds allocated to Deschutes County and the Bend MPO, FY2007–FY2030 (2006 dollars)

Fiscal Year	Deschutes Co	Bend MPO		
	STP	STP	HPPP (historic)	HPPP (share of population)
2007	\$367,471	\$524,552	\$0	\$893,235
2008	\$368,041	\$525,366	\$0	\$866,377
2009	\$368,612	\$526,182	\$0	\$840,327
2010	\$369,184	\$526,998	\$0	\$841,631
2011	\$369,757	\$527,816	\$0	\$842,937
2012	\$370,331	\$528,635	\$0	\$844,245
2013	\$370,906	\$529,456	\$0	\$845,556
2014	\$371,481	\$530,277	\$0	\$846,868
2015	\$372,058	\$531,100	\$0	\$848,182
2016	\$372,635	\$531,924	\$0	\$849,498
2017	\$373,213	\$532,750	\$0	\$850,817
2018	\$373,793	\$533,577	\$0	\$852,137
2019	\$374,373	\$534,405	\$0	\$853,459
2020	\$374,954	\$535,234	\$0	\$854,784
2021	\$375,535	\$536,065	\$0	\$856,110
2022	\$376,118	\$536,897	\$0	\$857,439
2023	\$376,702	\$537,730	\$0	\$858,770
2024	\$377,287	\$538,564	\$0	\$860,102
2025	\$377,872	\$539,400	\$0	\$861,437
2026	\$378,458	\$540,237	\$0	\$862,774
2027	\$379,046	\$541,076	\$0	\$864,113
2028	\$379,634	\$541,915	\$0	\$865,454
2029	\$380,223	\$542,756	\$0	\$866,797
2030	\$380,813	\$543,599	\$0	\$868,142

Source: ODOT, *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030*.
 Note: Converted to constant dollars by ECONorthwest.

Earmarked funding in SAFETEA-LU suggests that the Bend area has a chance to receive some HPPP funding in the future. In addition, growth in the Bend MPO will create strong demand for improvement projects, its infrastructure will age, and its growing population makes Bend an area of increasing economic and political power that is more likely to get its “fair share” of discretionary funds.

For the purposes of forecasting “reasonably available” funding for this MTP, it is assumed that the Bend MPO will receive no discretionary funding, based on historical data.

ODOT’s *Financial Assumptions* state that MPOs may choose to address HPPP funding by including high-priority projects that cannot be built without substantial federal funding in the “illustrative” set of projects that will be included in the MTP if discretionary funding becomes available.

Federal Surface Transportation Program (STP)

ODOT's *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030*¹⁴ includes an estimate of the STP apportionment to the Bend MPO and to Deschutes County. The STP is a flexible multi-modal formula grant, providing funds for a broad range transportation uses. ODOT's forecasts assume that the STP funds allocated to both the Bend MPO and Deschutes County increase at approximately the rate of inflation (3.1% annually).

Since STP funds are expected to increase at approximately the same rate as inflation, the allocation to the Bend MPO and Deschutes County remains fairly constant in 2006 dollars, roughly \$534,000 per year to the Bend MPO and \$374,000 per year to Deschutes County through the forecast period.

It is notable that the same annual increase in STP funding was assumed for all MPOs and counties, regardless of expected population growth. It is possible that the Bend MPO's and Deschutes County's STP funding might increase more than these ODOT assumptions suggest if Bend and Deschutes County continue growing faster than the rest of the state and therefore increase their population-based share of STP funding. STP funding for the Bend MPO formerly went to the City of Bend; it was shifted to the MPO after the MPO was formed. The MPO board has transferred this funding to the City for road maintenance but MPO staff report that in the future this funding may be reserved for funding capital projects at the Board's discretion.

State Highway Fund

State Highway Fund revenue is generated primarily by statewide fuel taxes and vehicle registration fees. State Highway Fund revenue is allocated to counties based on their share of statewide vehicle registrations, and to cities based on their share of statewide population. These funds must be used for roadway-related expenses, but they can be used for capital or O&M costs. The forecasts of State Highway Fund revenues for Deschutes County and the City of Bend are based on four scenarios for statewide revenue developed by ODOT:

- Continuation of existing trends (no change to the state gas tax or vehicle registration fee).
- A \$0.01 per gallon increase in the state gas tax every year from 2006 through 2030.
- A \$15 increase in the biennial vehicle registration fee every eight years.
- The combined effect of both the state gas tax increase and the vehicle registration fee increase.

The result of each of these scenarios for the amount of State Highway Fund revenue allocated to Deschutes County and Bend is shown in Table 19-16. The assumptions behind estimates for each of these scenarios are described in the following sections.

¹⁴ ODOT Financial Services, Policy and Economic Analysis Unit. December 2004.

Table 19-16: Annual allocation of State Highway Fund revenue to Deschutes County and Bend under various scenarios (millions of 2006 dollars)

Fiscal Year	Deschutes County				City of Bend			
	Baseline	Increased Gas Tax	Increased Reg Fee	Combined Increases	Baseline	Increased Gas Tax	Increased Reg Fee	Combined Increases
2007	\$7.9	\$8.2	\$7.9	\$8.2	\$3.3	\$3.4	\$3.3	\$3.4
2008	\$7.8	\$8.4	\$7.8	\$8.4	\$3.3	\$3.5	\$3.3	\$3.5
2009	\$7.8	\$8.7	\$7.8	\$8.7	\$3.3	\$3.7	\$3.3	\$3.7
2010	\$7.7	\$9.0	\$8.1	\$9.4	\$3.3	\$3.8	\$3.4	\$3.9
2011	\$7.6	\$9.2	\$8.0	\$9.6	\$3.2	\$3.9	\$3.4	\$4.1
2012	\$7.5	\$9.4	\$7.9	\$9.8	\$3.2	\$4.0	\$3.4	\$4.2
2013	\$7.5	\$9.6	\$7.9	\$10.0	\$3.2	\$4.1	\$3.4	\$4.3
2014	\$7.4	\$9.9	\$7.8	\$10.3	\$3.2	\$4.2	\$3.3	\$4.3
2015	\$7.3	\$10.1	\$7.7	\$10.5	\$3.1	\$4.3	\$3.3	\$4.5
2016	\$7.2	\$10.3	\$7.6	\$10.7	\$3.1	\$4.4	\$3.3	\$4.6
2017	\$7.1	\$10.5	\$7.5	\$10.9	\$3.1	\$4.5	\$3.2	\$4.6
2018	\$7.0	\$10.7	\$7.8	\$11.5	\$3.0	\$4.5	\$3.3	\$4.8
2019	\$6.9	\$10.9	\$7.7	\$11.7	\$3.0	\$4.6	\$3.3	\$4.9
2020	\$6.9	\$11.0	\$7.6	\$11.7	\$3.0	\$4.7	\$3.3	\$5.0
2021	\$6.7	\$11.2	\$7.4	\$11.9	\$2.9	\$4.8	\$3.2	\$5.1
2022	\$6.6	\$11.4	\$7.3	\$12.1	\$2.9	\$4.9	\$3.2	\$5.2
2023	\$6.5	\$11.5	\$7.2	\$12.2	\$2.8	\$4.9	\$3.1	\$5.2
2024	\$6.4	\$11.6	\$7.1	\$12.3	\$2.8	\$5.0	\$3.1	\$5.3
2025	\$6.3	\$11.8	\$7.0	\$12.5	\$2.8	\$5.0	\$3.0	\$5.2
2026	\$6.2	\$11.9	\$7.2	\$12.9	\$2.7	\$5.1	\$3.1	\$5.5
2027	\$6.1	\$12.0	\$7.0	\$12.9	\$2.7	\$5.1	\$3.0	\$5.4
2028	\$6.0	\$12.1	\$6.9	\$13.0	\$2.6	\$5.2	\$3.0	\$5.6
2029	\$5.9	\$12.2	\$6.8	\$13.1	\$2.6	\$5.2	\$2.9	\$5.5
2030	\$5.8	\$12.3	\$6.6	\$13.1	\$2.5	\$5.3	\$2.9	\$5.7
Totals	\$166.1	\$253.9	\$179.6	\$267.4	\$71.6	\$108.1	\$77.0	\$113.5

Source: Based on source data in ODOT's *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030*. Calculations and conversion of figures to constant 2006 dollars by ECONorthwest.

Scenario One: no change to gas tax or vehicle registration fees

ODOT's *Financial Assumptions* show that assuming no change in the gas tax or vehicle registration fees would result in only modest revenue increases well below the expected level inflation. As a result, the constant dollar value of the State Highway Fund would decline over time. ODOT finds that this would result in a sharp decline in the condition of pavement and bridges in the state system, and therefore rejects this scenario in its *Financial Assumptions*.

Despite being rejected in ODOT's *Financial Assumptions*, this scenario is modeled in ODOT's *Summary of Transportation Economic and Revenue Forecasts*¹⁵. This scenario results in total State Highway Fund apportionments to cities and counties increasing at about 1% per year FY05 to FY11. With expected increases in overall inflation at 3.1% per year, a 1% annual increase in State Highway Fund apportionments would result in declining annual revenue for most cities and counties in constant dollars.

¹⁵ ODOT Financial Services. *Summary of Transportation Economic and Revenue Forecasts*. December 2005.

Allocations of the State Highway Fund to counties are based on vehicle registrations, and allocations to cities are based on population. While total State Highway Fund apportionments to counties and cities would decline in constant dollars under this scenario, the apportionment for Deschutes County and Bend will also be affected by their share of Oregon's population. Both Deschutes County and Bend are growing much faster than other counties and cities in Oregon, and official forecasts predict this to continue. According to the Oregon Office of Economic Analysis (April 2004), Deschutes County is expected to grow faster than the state average for the next 30 years, though by a gradually decreasing margin. Deschutes County's population growth slows from around 3% per year in 2006 to a more modest 1% per year by 2030. The same trend is predicted for both Deschutes County and the City of Bend in the Deschutes County Coordinated Population Forecast (November 2004).

Because the City of Bend's allocation of SHF revenue is based on population, and Deschutes County's allocation is based on vehicle registrations (which is correlated with population change), these population trends mean that both Bend and Deschutes County can expect an increased share of SHF revenue over time. Initially this increasing share and the expected 1% annual increase in total State Highway Fund revenue will approximately compensate for cost inflation, maintaining a constant purchasing power. As population growth rates in Bend and Deschutes County approach the state's growth rate, however, their share of SHF revenues will increase at a rate below highway maintenance costs and overall inflation. The effect will be a gradual decline in annual SHF revenue to Deschutes County and Bend in constant dollars.

Deschutes County's annual SHF revenue in constant 2006 dollars is expected to decrease from \$7.9 million in FY07 to \$5.8 million in FY30. The City of Bend's SHF revenue is expected to decline from \$3.3 million in FY07 to \$2.5 million by FY30 in constant 2006 dollars.

Scenario Two: \$0.01 per gallon annual increase in state gas tax

Based on ODOT's estimates of the statewide revenues expected from this gas tax increase, and the expected increase in Bend's and Deschutes County's share of State Highway Fund revenue, this scenario would result in increasing annual revenue to both the County and City in constant dollars. In this scenario, Deschutes County's annual SHF revenue would increase from \$8.2 million in FY07 to \$12.3 million in FY30 in constant 2006 dollars. Bend's annual SHF revenue would increase from \$3.4 million in FY07 to \$5.3 million in FY30 in constant 2006 dollars.

Scenario Three: \$15 increase in biennial vehicle registration fee every 8 years

Based on ODOT's estimates of the statewide revenues expected from an \$15 increase in vehicle registration fees (an increase would only occur 2 or 3 times during the course of the planning horizon), and the expected increase in Bend's and Deschutes County's share of State Highway Fund revenue, this scenario would result in relatively stable annual revenue to both the County and City over the next ten years (in constant 2006 dollars). After 2018, however, this scenario results in a declining stream of annual revenue to the County and City in constant dollars. This scenario also results in less

annual revenue to the County and City compared to revenue under Scenario Two (increased gas tax).

In this scenario, Deschutes County's annual SHF revenue would roughly remain at the current level of \$7.9 million through FY18, and then decline slowly to \$6.6 million in FY30 in constant 2006 dollars. Bend's annual SHF revenue would follow a similar pattern, remaining at about \$3.3 million through FY18, and then declining slowly to \$2.9 million in FY30 in constant 2006 dollars.

Scenario Four: combined effect based on ODOT assumptions

Based on ODOT's estimates of the statewide revenues expected from both a gas tax increase and an increase in vehicle registration fees, plus an increasing share of State Highway Fund revenue for both Deschutes County and the City of Bend due to high population growth, this scenario results in an increasing stream of annual revenue to both the County and City in constant 2006 dollars.

In this scenario, Deschutes County's annual SHF revenue would increase from \$8.2 million in FY07 to \$13.2 million in FY30 in constant 2006 dollars. (Note, the numbers are not additive across the table; the combined total, column D, extracts out the baseline figure included in the gas tax and fee increase scenarios.) Bend's annual SHF revenue would increase from \$3.4 million in FY07 to \$5.6 million in FY30 in constant 2006 dollars.

National Forest Reserve revenue

Deschutes County receives National Forest Reserve revenue from the federal government.¹⁶ Receipts from this source increased at an average annual rate of 1.3% between FY03 and FY05. Applying this growth rate to current receipts would cause Deschutes County's allocation of this revenue to decrease from \$3 million in 2007 to just under \$2 million in 2030 in constant 2006 dollars. While this revenue is presumably used by Deschutes County to maintain rural roads outside the MPO area, this revenue affects total revenue available to the County for road maintenance and improvement projects throughout the County. [Note: the long-term status of this funding program is not known. The revenue will be updated as additional information becomes available.]

System Development Charges

The City of Bend charges System Development Charges (SDCs) to new development to pay for infrastructure needed to serve demand generated by that new development. Revenues from the City's transportation SDC are used for capital costs of transportation infrastructure including sidewalks, landscaping, engineering, staff expenses, paving, and certain right-of-way acquisitions. SDC funds are frequently combined with funds from other sources to pay for transportation improvements.

¹⁶ National forest reserve revenue – the current bill under which the counties receive forest payments expired in September of 2006. The bill has not been reauthorized. Deschutes County is facing the potential loss of \$3 million per year if the federal government does not reauthorize the forest payments bill (long-term reauthorization of this program is uncertain).

Bend received \$6.5 million from transportation SDCs in FY05, up from \$5.4 million in FY04 and \$4.2 million in FY03. According to the City of Bend's adopted FY06 budget, SDC rates were at 80% of their maximum potential in FY05, at \$3,145 for a single-family home.

For FY07, the City of Bend has set SDC rates at 100% of the maximum allowable level. The fee for a single-family home is now \$4,217, up 34% from the FY05 level. This increase reflects the increased percentage charged by the City as well as increasing construction costs for transportation projects on which the SDC is based.¹⁷ Assuming that transportation SDC rates for other land uses have also increased by this amount, and that the level of development in Bend is similar to that in FY05, the FY07 SDC revenues can be estimated at 34% more than FY05 revenues or \$8.7 million. Future revenue generated by the City's transportation SDC will depend on any increases in SDC rates to reflect inflation as well as the level of development activity in Bend.

SDC rates are based on the cost of improvements needed to serve demand created by new development. Only the portion of a project that is needed to serve new development is used to set SDC rates—SDCs cannot fund improvements that are needed to address deficiencies that are not related to growth and development. Given this relationship between project costs and SDC rates, in theory SDCs should produce revenue sufficient to fully cover the costs of needed improvements if a jurisdiction experiences the level of growth that the improvements are intended to serve. In Bend, projects that form the basis for SDC rates had growth-related costs of \$202.4 million in 2006 (excluding property acquisition). Thus, in theory, SDCs in Bend should generate revenue sufficient to build projects that would cost \$202.4 million to construct in 2006.

SDC revenue in Bend grew at an average rate of 25% per year between 2003 and 2005. Population in Bend grew at an average rate of 5.7% per year between 2003 and 2005, a rate that is more than twice the rate forecast for Bend in the County's 2000–2025 Coordinated Population Forecast.¹⁸ Thus, the growth in SDC revenue resulted from a rate of population growth that is not expected to be sustained over the MTP planning period. To forecast SDC revenues in Bend, the following adjustments and assumptions were made:

- To establish a baseline level of SDC revenue to forecast, the FY05 SDC revenue was adjusted to reflect the fact that a) the revenue is based on rates set at 80% of cost rather than 100%, and b) the revenue resulted from growth more than twice as high as the expected long-run average. These adjustments resulted in lowering actual FY05 SDC revenue of \$6.5 million to a baseline of \$3.2 million for the purposes of this forecast.
- It is assumed that future SDC revenue would grow at the same rate as expected population growth, 2.3% per year, with adjustments for annual increases in road construction costs at the current rate of 4.3% per year.

¹⁷ Construction costs are currently growing at a rate of 4.3% annually.

¹⁸ Deschutes County Comprehensive Plan, Chapter 23.16.

The results of the forecast based on these assumptions is shown in Table 19-17. This table shows that annual SDC revenue to the City would increase from the baseline of \$3.2 million in 2005 to \$16.2 million in 2030, in constant 2006 dollars. The revenues shown in Table 19-17 are annual averages; actual revenue in any one year may be more or less depending on the level of development and SDC rates. Over the twenty-five years shown in Table 19-17, SDC revenue would total \$209.7 million, close to the \$202.4 million of growth-related project costs used as the basis for SDC rates. This result is reasonable considering that SDC rates can be adjusted for increases in construction costs, which are currently increasing at rates higher than overall inflation.

Table 19-17: Forecast of SDC revenue based on assumptions and adjustments to baseline, City of Bend, 2005–2030 (millions of 2006 dollars)

<u>Year</u>	<u>SDC Revenue</u>
2005	\$3.2
2006	\$3.4
2007	\$3.6
2008	\$3.9
2009	\$4.1
2010	\$4.4
2011	\$4.7
2012	\$5.0
2013	\$5.4
2014	\$5.7
2015	\$6.1
2016	\$6.5
2017	\$7.0
2018	\$7.4
2019	\$7.9
2020	\$8.5
2021	\$9.0
2022	\$9.6
2023	\$10.3
2024	\$11.0
2025	\$11.7
2026	\$12.5
2027	\$13.3
2028	\$14.2
2029	\$15.2
2030	\$16.2

Source: ECONorthwest, using assumptions described in report.

Transfers from the General Fund

The City of Bend receives revenue from Franchise Fees charged to utilities and the Transient Room Tax on overnight rooms. Revenue, or a portion of revenue, from these sources was formally dedicated to funding road maintenance and improvements in Bend. For FY06 City of Bend decided to deposit Franchise Fee and Transient Room Tax into the General Fund and then transfer revenue from the General Fund to the Transportation Operations Fund and other funds for public expenditures.

Examination of the City's Adopted Budget for 2005/06 shows that Franchise Fees, Transient Room Taxes, and Transfers from Other Funds together contributed \$2.3 million to the Transportation Operations Fund in FY 2002/03. Revenue from these sources increased to \$2.5 million in FY 2003/04 and \$2.6 million in 2004/05. Revenue from these sources (now primarily Transfers from Other Funds) is budgeted at \$2.3 million in FY 2005/06.

This brief history shows that revenue from these sources was relatively stable but declined slightly in FY 2005/06. The General Fund receives revenue from a variety of funding sources, including property taxes in addition to franchise fees and transient room tax revenue. Thus, the future level of the General Fund is not tied to any specific funding sources. For purposes of forecasting reasonably available funding for road-related needs from Transfers from the General Fund, it is assumed that these transfers will keep pace with inflation over the forecast period for this MTP, averaging \$2.4 million per year over the forecast period.

Special area assessments

Special area assessments can be used for capital projects (in the case of Local Improvement Districts (LIDs)) or maintenance (in the case of road maintenance districts). The City of Bend received \$12,400 from LIDs in FY05 and \$12,800 the year before that.

The City of Bend has a special levy for urban renewal of the downtown area. This levy was used to fund some transportation-related improvements to sidewalks and streets in the downtown area, and revenue from this source is currently being used to pay for improvements that are already completed.

Deschutes County received \$629,407 from LIDs in FY05 and \$715,535 the year before that. It is believed that only one of these County Road Districts is within the MPO Area. However, the County receives no funds from the Special Road District tax assessment. These dollars go directly back to the taxing districts for maintenance of the non-county roads within the district.

The County currently has a policy of not accepting any new roads into the county-maintained system. This includes a moratorium on LID's and a moratorium on the acceptance of any new roads constructed within developments. Residents are still allowed to form Special Road Districts for the maintenance of non-county roads.

For the purposes of this evaluation, it is assumed that special area assessments will continue to make important but relatively small contributions for construction and maintenance of regional road projects over the planning period for this MTP.

Other miscellaneous sources

Table 19-4 shows other sources of road-related revenue in Bend, including:

- Interest Income (\$383,200 in FY05)

- Land Sales & Rentals (\$8,800 in FY05)
- Private Contributions (\$17,100 in FY05 but more in years before)
- “Unspecified Other” (\$98,900 in FY05)
- State “Unspecified Other” (\$327,200 in FY05)

Together these funds contribute about 5% to 10% of the City’s road-related revenue. While this funding is important, *new* future funding from these sources was not explicitly estimated because these sources contribute a small share of total road-related revenue. An estimate is provided that assumes private contributions remain at current levels and other local sources conservatively grow over the planning horizon.

Summary: reasonably available funding for roads

This section described the amount of revenue at the state, county, and local level that can be reasonably expected by 2030 to be available for road-related expenses in the Bend MPO area. For the purposes of this financial analysis, it is assumed that ODOT will continue to fund operation and maintenance of state highways in the MPO area.

Deschutes County also funds roadway operation, maintenance, and capital improvements. The bulk of County expenditures, however, are outside of the Bend MPO area. The County primarily maintains and improves roadways in unincorporated areas, which has included some areas outside of the City of Bend but inside the MPO boundary. Funding for County improvement projects inside the MPO has primarily come from special assessments. It is assumed that Deschutes County will continue to contribute funding for improvements to roads in unincorporated areas near Bend that are in the MPO boundary, and that this funding will remain at roughly the current level of \$50,000 per year. While this funding will be important for maintaining transportation services in the region, it will be a small share of the total cost for improvements identified in the MPO.

Table 19-18 summarizes the road-related revenue *available to the City of Bend* from major funding sources addressed in this section. This table shows a Low and High estimate to reflect the impact of the various scenarios for State Highway Fund revenue. Table 19-18 shows that Bend’s total road-related revenue is expected to be between \$10.3 and \$10.4 million in fiscal year 2007, and to increase to between \$23.2 to \$26.3 million in fiscal year 2030. Total revenue in Table 19-18 increases at an average rate of 3.1% to 3.3% per year in constant, 2006 dollars. This level of growth is unlikely to keep up with increases in the cost of road maintenance and construction, which are currently growing at a rate of 1% to 2% per year over inflation.¹⁹

¹⁹ While the cost for some components of construction, such as steel and concrete, have increased rapidly in the last few years, overall highway construction costs are growing at about 4% to 6% per year.

Table 19-18: City of Bend Road-Related Revenue, 2007–2030 (millions of 2006 dollars)

Fiscal Year	State Highway Fund Scenarios				Local Sources				Total Revenue	
	A	B	C	D	E	F	G	H	I	J
	Baseline	Increased Gas Tax (Including Baseline)	Increased Reg Fee (Including Baseline)	Baseline + Combined Increases*	SDCs	General Fund	Private Funds	Other	Low	High
2007	\$3.3	\$3.4	\$3.3	\$3.4	\$3.6	\$2.4	\$0.3	\$0.8	\$10.3	\$10.4
2008	\$3.3	\$3.5	\$3.3	\$3.5	\$3.9	\$2.4	\$0.3	\$0.8	\$10.6	\$10.8
2009	\$3.3	\$3.7	\$3.3	\$3.7	\$4.1	\$2.4	\$0.3	\$0.8	\$10.9	\$11.3
2010	\$3.3	\$3.8	\$3.4	\$4.0	\$4.4	\$2.4	\$0.3	\$0.8	\$11.2	\$11.9
2011	\$3.2	\$3.9	\$3.4	\$4.1	\$4.7	\$2.4	\$0.3	\$0.9	\$11.5	\$12.3
2012	\$3.2	\$4.0	\$3.4	\$4.2	\$5.0	\$2.4	\$0.3	\$0.9	\$11.8	\$12.7
2013	\$3.2	\$4.1	\$3.4	\$4.2	\$5.4	\$2.4	\$0.3	\$0.9	\$12.2	\$13.3
2014	\$3.2	\$4.2	\$3.3	\$4.3	\$5.7	\$2.4	\$0.3	\$1.0	\$12.5	\$13.7
2015	\$3.1	\$4.3	\$3.3	\$4.4	\$6.1	\$2.4	\$0.3	\$1.0	\$12.9	\$14.2
2016	\$3.1	\$4.4	\$3.3	\$4.5	\$6.5	\$2.4	\$0.3	\$1.1	\$13.3	\$14.7
2017	\$3.1	\$4.5	\$3.2	\$4.6	\$7.0	\$2.4	\$0.3	\$1.1	\$13.8	\$15.4
2018	\$3.0	\$4.5	\$3.3	\$4.8	\$7.4	\$2.4	\$0.3	\$1.1	\$14.2	\$16.1
2019	\$3.0	\$4.6	\$3.3	\$4.9	\$7.9	\$2.4	\$0.3	\$1.2	\$14.7	\$16.7
2020	\$3.0	\$4.7	\$3.3	\$5.0	\$8.5	\$2.4	\$0.3	\$1.2	\$15.4	\$17.4
2021	\$2.9	\$4.8	\$3.2	\$5.1	\$9.0	\$2.4	\$0.3	\$1.3	\$15.9	\$18.0
2022	\$2.9	\$4.9	\$3.2	\$5.1	\$9.6	\$2.4	\$0.3	\$1.3	\$16.5	\$18.7
2023	\$2.8	\$4.9	\$3.1	\$5.2	\$10.3	\$2.4	\$0.3	\$1.4	\$17.2	\$19.5
2024	\$2.8	\$5.0	\$3.1	\$5.2	\$11.0	\$2.4	\$0.3	\$1.4	\$17.9	\$20.4
2025	\$2.8	\$5.0	\$3.0	\$5.3	\$11.7	\$2.4	\$0.3	\$1.5	\$18.6	\$21.2
2026	\$2.7	\$5.1	\$3.1	\$5.5	\$12.5	\$2.4	\$0.3	\$1.6	\$19.4	\$22.2
2027	\$2.7	\$5.1	\$3.0	\$5.5	\$13.3	\$2.4	\$0.3	\$1.6	\$20.3	\$23.1
2028	\$2.6	\$5.2	\$3.0	\$5.5	\$14.2	\$2.4	\$0.3	\$1.7	\$21.2	\$24.1
2029	\$2.6	\$5.2	\$2.9	\$5.6	\$15.2	\$2.4	\$0.3	\$1.8	\$22.2	\$25.2
2030	\$2.5	\$5.3	\$2.9	\$5.6	\$16.2	\$2.4	\$0.3	\$1.9	\$23.2	\$26.3
Totals	\$71.5	\$107.9	\$76.9	\$113.4	\$203.1	\$57.6	\$6.4	\$29.0	\$367.6	\$409.5

Source: State Highway fund scenarios based on source data from ODOT's *Financial Assumptions for the Development of Metropolitan Transportation Plans 2005–2030*. Local sources based on available data from City of Bend and ECONorthwest assumptions described in this report. Final calculations and conversion of figures to constant 2006 dollars by ECONorthwest.

* The combined total in column D of Table 19-18 is the total of the baseline figure plus the incremental change of gas tax and registration fee increases. Note, columns B and C each separately include the baseline figure. They reflect the change *plus* the baseline figure. For example, in 2007, the incremental change generated by increased gas tax is \$0.1 million and no change under the registration fee.

Some of the revenue in Table 19-18 is restricted for certain uses. Specifically, funds from SDC revenue must be used for capital projects. Table 19-19 shows the level of future revenue available to Bend split by funds that are restricted to capital projects only and unrestricted funds. The unrestricted funds have a high and low range to reflect different scenarios for State Highway Fund revenue.

The level of available revenue is compared against future costs for operation and maintenance (O&M) of the built transportation system. To estimate future O&M costs, the average level of O&M expenditures by the City of Bend during the last three years is used (as reported in Table 19-4 [\$4.7 million]). It is also assumed that these expenditures would grow to keep pace with the increased costs of operation and maintenance and with population growth. Costs for operation and maintenance are currently growing rapidly, about 4% per year, in current dollars. To calculate the growth of these costs in constant dollars, the assumption for future inflation (3.1%) is subtracted from this growth factor. In addition to growth in costs, the extent of the built transportation system maintained by the City will grow over time. It is assumed that this

growth would equal population growth in the City, which is currently forecasted at 2.2% per year between 2005 and 2030. Note, too, a backlog of road maintenance exists that would require funding above and beyond current funding.

To estimate the level of funding available for O&M and capital costs, the estimate of future revenue is compared by type to future O&M costs. It is assumed that O&M costs would be fully funded to the extent possible with unrestricted revenue. If excess funds are available from unrestricted revenue (that is, unrestricted revenue exceeds O&M costs), it is assumed that the excess would be used for capital expenses. Funds restricted to use for capital projects—SDC and private funds—must be used for capital expenditures. Table 19-19 shows the result of this analysis.

Table 19-19: City of Bend Road-Related Revenue by Restriction, O&M Costs, and Funding available for O&M and Capital Expenditures, 2007–2030 (millions of 2006 dollars)

Fiscal Year	Revenue by Restriction			Local O&M Costs	Funds Available for Expenses			
	Capital SDC + Priv	Unrestricted Low	Unrestricted High		O&M Low	O&M High	Capital Low	Capital High
2007	\$3.9	\$6.4	\$6.6	\$4.9	\$4.9	\$4.9	\$5.5	\$5.6
2008	\$4.2	\$6.4	\$6.6	\$5.0	\$5.0	\$5.0	\$5.6	\$5.8
2009	\$4.4	\$6.5	\$6.9	\$5.2	\$5.2	\$5.2	\$5.7	\$6.1
2010	\$4.7	\$6.5	\$7.2	\$5.4	\$5.4	\$5.4	\$5.8	\$6.5
2011	\$5.0	\$6.5	\$7.3	\$5.6	\$5.6	\$5.6	\$5.9	\$6.7
2012	\$5.3	\$6.5	\$7.4	\$5.7	\$5.7	\$5.7	\$6.0	\$6.9
2013	\$5.6	\$6.5	\$7.5	\$5.9	\$5.9	\$5.9	\$6.1	\$7.2
2014	\$5.9	\$6.5	\$7.7	\$6.1	\$6.1	\$6.1	\$6.3	\$7.5
2015	\$6.3	\$6.5	\$7.8	\$6.4	\$6.4	\$6.4	\$6.5	\$7.8
2016	\$6.7	\$6.5	\$7.9	\$6.6	\$6.5	\$6.6	\$6.7	\$8.1
2017	\$7.1	\$6.5	\$8.1	\$6.8	\$6.5	\$6.8	\$7.1	\$8.4
2018	\$7.6	\$6.5	\$8.3	\$7.0	\$6.5	\$7.0	\$7.6	\$8.9
2019	\$8.0	\$6.6	\$8.5	\$7.3	\$6.6	\$7.3	\$8.0	\$9.3
2020	\$8.5	\$6.6	\$8.6	\$7.5	\$6.6	\$7.5	\$8.5	\$9.6
2021	\$9.1	\$6.5	\$8.7	\$7.8	\$6.5	\$7.8	\$9.1	\$10.0
2022	\$9.6	\$6.6	\$8.9	\$8.0	\$6.6	\$8.0	\$9.6	\$10.5
2023	\$10.3	\$6.5	\$8.9	\$8.3	\$6.5	\$8.3	\$10.3	\$10.9
2024	\$10.9	\$6.6	\$9.1	\$8.6	\$6.6	\$8.6	\$10.9	\$11.4
2025	\$11.6	\$6.6	\$9.2	\$8.9	\$6.6	\$8.9	\$11.6	\$11.9
2026	\$12.3	\$6.7	\$9.4	\$9.2	\$6.7	\$9.2	\$12.3	\$12.6
2027	\$13.1	\$6.7	\$9.5	\$9.5	\$6.7	\$9.5	\$13.1	\$13.1
2028	\$14.0	\$6.6	\$9.6	\$9.8	\$6.6	\$9.6	\$14.0	\$14.0
2029	\$14.9	\$6.7	\$9.7	\$10.1	\$6.7	\$9.7	\$14.9	\$14.9
2030	\$15.8	\$6.7	\$9.8	\$10.5	\$6.7	\$9.8	\$15.8	\$15.8
Totals	\$204.8	\$157.3	\$199.2	\$175.9	\$149.2	\$174.6	\$212.8	\$229.4

Source: ECONorthwest.

Under the Low scenario for State Highway Fund revenue (no increase in gas tax or vehicle registration fees), Table 19-19 shows that the level of O&M costs exceed the level of unrestricted revenue beginning in fiscal year 2016. Before 2016, unrestricted funds would add to the funding available for capital projects. Beginning in 2016, the City would have to use all of its unrestricted funding for O&M expenses, and this revenue would not fully cover O&M costs. The only funding available for capital projects after

2016 would be those funds restricted to use for capital improvements (SDC revenue). The total amount of funding available for capital improvements in the low scenario is \$212.8 million between 2007 and 2030 (in 2006 dollars).

Under the High scenario for State Highway Fund revenue (in increase in both the gas tax and vehicle registration fees), Table 19-19 shows that the level of future O&M costs can be fully funded by unrestricted revenue available to the City, with a portion left over to contribute to revenue available for capital projects. The total amount of funding available for capital improvements in this scenario is \$229.4 million between 2007 and 2030 (in 2006 dollars).

The implication of this analysis is that the City of Bend will have funding available for capital roadway projects because it has implemented SDCs designed to fund the growth-related costs of transportation improvements needed to serve that growth. The City's unrestricted funding, however, may not keep pace with increasing costs, leading to a shortfall in funding for operation and maintenance of its roadway system. In addition, this shortfall in funding will restrict the City's ability to fund the non-growth related portions of project costs to address existing or future deficiencies. Table 19-20 shows the level of this shortfall under the Low and High scenarios for State Highway Fund revenue.

Table 19-20: Unfunded O&M costs by State Highway Fund scenario in the City of Bend, 2007–2030 (millions of 2006 dollars)

Fiscal Year	SHF Scenario	
	Low	High
2007	\$0.0	\$0.0
2008	\$0.0	\$0.0
2009	\$0.0	\$0.0
2010	\$0.0	\$0.0
2011	\$0.0	\$0.0
2012	\$0.0	\$0.0
2013	\$0.0	\$0.0
2014	\$0.0	\$0.0
2015	\$0.0	\$0.0
2016	-\$0.1	\$0.0
2017	-\$0.3	\$0.0
2018	-\$0.5	\$0.0
2019	-\$0.7	\$0.0
2020	-\$0.9	\$0.0
2021	-\$1.2	\$0.0
2022	-\$1.4	\$0.0
2023	-\$1.8	\$0.0
2024	-\$2.0	\$0.0
2025	-\$2.2	\$0.0
2026	-\$2.5	\$0.0
2027	-\$2.8	\$0.0
2028	-\$3.2	-\$0.2
2029	-\$3.5	-\$0.4
2030	-\$3.7	-\$0.7
Total	-\$26.7	-\$1.3

Source: ECONorthwest.

Table 19-21 summarizes the road-related capital funding that is estimated to be reasonably available in the Bend MPO from 2007 to 2030, including estimated ODOT expenditures in the Bend MPO.²⁰ Table 19-21 also shows the result of this of county and city expenditures in the MPO. Note, “unrestricted funds” also include general and other fund categories.

²⁰ Table 19-14 shows ODOT’s forecast of statewide funds available for modernization, and the potential distribution to Region 4 and Deschutes County. Comparison of the potential allocation to Deschutes County to current ODOT expenditures of federal and state funds on modernization projects in the Bend MPO shows that roughly 1/3 of modernization funds in the County are spent in the MPO. We assume that this ratio of expenditures will continue over the forecast period for this MTP, and apply this ratio to the funding shown in Table 19-14 to estimate future ODOT expenditures in the MPO.

Table 19-21: Road-related capital funding reasonably available in the Bend MPO, 2007–2030 (millions of 2006 dollars)

Jurisdiction	Low	High
ODOT	\$40.4	\$42.2
STIP	\$17.6	\$19.4
STP	\$12.8	\$12.8
Discretionary	\$10.0	\$10.0
Deschutes Co.	\$1.0	\$1.0
City of Bend	\$212.0	\$228.5
SDC	\$197.6	\$197.6
Private	\$6.4	\$6.4
Unrestricted	\$8.0	\$24.6
Total	\$253.3	\$271.7

Source: ECONorthwest

Transit

The City of Bend initiated fixed-route bus transit service in September 2006. Bend Area Transit (BAT) operates buses on seven routes Monday–Friday and six routes on Saturday. Fares are \$1 per trip or \$2 for an unlimited day pass. Discounted fares are available for seniors, the disabled, and purchases of multi-day or monthly passes.

This fixed-route system supplemented existing Dial-A-Ride service in Bend. That service was formerly available to the general public, but is now limited to residents with limited mobility. The City currently operates both the BAT and Dial-a-Ride service through its Public Transit Fund. While the City may seek formation of a transit district to operate BAT in the future, the assessment of reasonably available revenue in this section assumes that the City continues to operate BAT and Dial-a-Ride service using existing and current funding sources.

The assessment of future transit funding available in the Bend MPO in this section is drawn primarily from ODOT’s *Financial Assumptions*. That report was prepared before the City of Bend initiated fixed-route bus service, and it does not state whether it considered this for its forecasts of transit funding available to the Bend MPO. The ODOT forecasts used for this report, however, were updated in March 2006. Comparison of actual and expected funding for BAT to these updated forecasts suggests that ODOT’s forecasts do include consideration of fixed-route service in Bend.

Federal Transit Administration funds

ODOT’s *Financial Assumptions* provides forecasts of funding allocated to the Bend MPO from the two main Federal Transit Administration (FTA) programs, Section 5307 and Section 5309. FTA Section 5307 funds are distributed on a formula basis and can be used for capital, maintenance, and operating costs. ODOT assumes that Bend’s allocation will increase only at the rate of inflation, at around 3.1% annually. This assumption means that Bend’s Section 5307 revenue stays roughly constant at an average of roughly \$650,000 per year over the forecast period, in constant 2006 dollars. FTA Section 5309 funding is distributed on a discretionary basis and can be used for capital projects only. ODOT’s forecast of Section 5309 allocations to the Bend MPO shows spikes in funding in 2007-08, 2018-2020, and 2030. These spikes probably reflect funding for expected equipment replacement. ODOT’s forecast is for Bend to

receive a total of \$15.6 million from Section 5307 and \$13.8 million from Section 5309 between 2007 and 2030, in constant 2006 dollars. Annual funding from these programs is shown in Table 19-22 at the end of this section.

State transit funding

ODOT's *Financial Assumptions* document also forecasts transit support from the state's Special Transportation Fund (STF), which is used primarily for operation of transit systems for the elderly and disabled (including Americans with Disabilities Act compliance on general services). The STF is funded roughly half by a 2-cent per pack cigarette tax and roughly half by miscellaneous unrestricted state revenues. From 2007 to 2011, the cigarette tax fluctuates year by year, from a low of \$4.3 million to a high of \$4.5 million. ODOT assumes that cigarette tax revenue will remain constant after 2011, at about \$4.6 million, and that the rest of the STF revenue will continue to increase with inflation throughout the forecast period. This results in an average increase in STF revenue of around 1.7% annually, less than assumed inflation. In constant 2006 dollars, Bend's share of STF revenues are expected to decline from roughly \$230,000 in 2007 to \$173,000 in 2030, for a total of \$4.8 million over the 2007-2030 period.

ODOT's *Financial Assumptions* also include a forecast of state support of transit programs from revenue that is now being devoted to repayment of lottery-backed bonds that paid for the Portland area's light rail system in the 1990s. This funding is available for capital expenses only. In constant 2006 dollars, ODOT forecasts that Bend will receive over \$270,000 in 2011. This annual amount declines to \$152,000 in 2030, with total funding of \$4.3 million over the 2007-2030 period. Annual funding from these sources is shown in Table 19-22 at the end of this section.

Transfers from the General Fund

Table 19-8 shows that the City of Bend has budgeted for a transfer of \$520,000 from its General Fund in FY 2005/06. Table 19-12 shows an additional transfer of \$80,000 from the Transportation Fund to operate BAT. The *Draft Service Plan* developed for the fixed-route service estimated a much higher level of City support would be needed, with an annual General Fund transfer of \$1.1 million to operate transit services in Bend (both BAT and Dial-a-Ride).

The City's General Fund is expected to have current revenue of \$30.5 million in FY 2006/07, with total resources of \$37.1 million including funding carried over from previous years.²¹ Thus, transfers from the General Fund for transit service are currently about 2% of General Fund revenues, and would be almost 4% of General Fund revenues at the level anticipated in the *Draft Service Plan*. The City's General Fund revenues are primarily derived from property taxes, transient room taxes, and franchise fees. Rapid growth of population and property values in Bend should cause General Fund revenues to increase at a rate above general inflation. Given expected growth in the City's General Fund, and the small share transferred for transit service, the City should be able to maintain its current and anticipated level of support of transit services through transfers from the General Fund.

²¹ City of Bend. *Adopted Budget Fiscal Year 2006/07*. Page 69.

Summary

Table 19-22 summarizes the level of funding available for transit services in Bend over the 2007–2030 period, in constant 2006 dollars. Table 19-22 shows that transit capital and operations funding is expected to remain relatively stable at roughly \$2.5 million per year though the forecast period, with spikes in funding that correspond to expected federal and state grants for purchases and maintenance of capital equipment.

The City's Public Transit Fund currently has expenses of about \$2.2 million excluding capital purchases. The City's Supplemental Budget for fixed-route service adds about \$400,000 to this expense, for a total of \$2.6 million per year, again excluding capital expenses. Table 19-22 shows that total unrestricted revenue from federal and state sources, and transfers from the City's General Fund, is expected to be about \$1.7 million per year in constant 2006 dollars. While this level of revenue is below current operating costs, revenue in Table 19-22 does not include revenue from fares (which should generate \$150,000 to \$250,000 per year at current level of service) and other miscellaneous funding sources. In addition, some of the operating costs reported by the City are for maintenance of vehicles, other capital equipment, and transit stops, all of which can be funded with revenue restricted to capital expenses.

With future revenues roughly similar to current operating costs, and uncertainty about future transit operating costs in Bend, it appears that current revenue sources are sufficient to fund public transit operation in Bend at its current level of service. This is particularly true if the City can increase transfers from its General Fund to cover operating shortfalls from federal and state sources or fares.

**Table 19-22: Summary of transit funding available in the Bend MPO, 2007–2030
(in 2006 dollars)**

Year	Unrestricted			Capital Only		Total		
	FTA Section 5307	State STF	City General Fund	FTA Section 5309	State Capital Support	Unrestricted	Capital Only	Total
2007	\$592,000	\$229,590	\$850,000	\$1,287,000	\$0	\$1,671,590	\$1,287,000	\$2,958,590
2008	\$623,000	\$227,420	\$850,000	\$5,231,000	\$0	\$1,700,420	\$5,231,000	\$6,931,420
2009	\$643,000	\$225,330	\$850,000	\$88,000	\$0	\$1,718,330	\$88,000	\$1,806,330
2010	\$644,000	\$223,330	\$850,000	\$80,000	\$198,100	\$1,717,330	\$278,100	\$1,995,430
2011	\$645,000	\$221,360	\$850,000	\$88,000	\$270,630	\$1,716,360	\$358,630	\$2,074,990
2012	\$646,000	\$218,480	\$850,000	\$87,000	\$262,490	\$1,714,480	\$349,490	\$2,063,970
2013	\$647,000	\$215,640	\$850,000	\$175,000	\$254,600	\$1,712,640	\$429,600	\$2,142,240
2014	\$648,000	\$212,840	\$850,000	\$88,000	\$246,940	\$1,710,840	\$334,940	\$2,045,780
2015	\$649,000	\$210,070	\$850,000	\$77,000	\$239,520	\$1,709,070	\$316,520	\$2,025,590
2016	\$650,000	\$207,340	\$850,000	\$88,000	\$232,320	\$1,707,340	\$320,320	\$2,027,660
2017	\$651,000	\$204,640	\$850,000	\$87,000	\$225,330	\$1,705,640	\$312,330	\$2,017,970
2018	\$652,000	\$201,980	\$850,000	\$1,841,000	\$218,560	\$1,703,980	\$2,059,560	\$3,763,540
2019	\$653,000	\$199,360	\$850,000	\$1,234,000	\$211,990	\$1,702,360	\$1,445,990	\$3,148,350
2020	\$654,000	\$196,770	\$850,000	\$1,219,000	\$205,610	\$1,700,770	\$1,424,610	\$3,125,380
2021	\$655,000	\$194,210	\$850,000	\$87,000	\$199,430	\$1,699,210	\$286,430	\$1,985,640
2022	\$656,000	\$191,680	\$850,000	\$87,000	\$193,430	\$1,697,680	\$280,430	\$1,978,110
2023	\$657,000	\$189,190	\$850,000	\$174,000	\$187,620	\$1,696,190	\$361,620	\$2,057,810
2024	\$658,000	\$186,730	\$850,000	\$87,000	\$181,980	\$1,694,730	\$268,980	\$1,963,710
2025	\$659,000	\$184,300	\$850,000	\$87,000	\$176,500	\$1,693,300	\$263,500	\$1,956,800
2026	\$660,000	\$181,910	\$850,000	\$87,000	\$171,200	\$1,691,910	\$258,200	\$1,950,110
2027	\$661,000	\$179,540	\$850,000	\$87,000	\$166,050	\$1,690,540	\$253,050	\$1,943,590
2028	\$662,000	\$177,210	\$850,000	\$87,000	\$161,060	\$1,689,210	\$248,060	\$1,937,270
2029	\$663,000	\$174,910	\$850,000	\$87,000	\$156,210	\$1,687,910	\$243,210	\$1,931,120
2030	\$664,000	\$172,630	\$850,000	\$1,232,000	\$151,520	\$1,686,630	\$1,383,520	\$3,070,150
Total	\$15,592,000	\$4,826,460	\$20,400,000	\$13,772,000	\$4,311,090	\$40,818,460	\$18,083,090	\$58,901,550

Source: Base data from ODOT's Financial Assumptions document. Calculations and summary by ECONorthwest. Note, the State Special Transportation Fund (STF) includes General Funds, Transportation Operating Funds, ID card revenue, or other sources. It also includes a 2-cent cigarette gas tax.

Assuming that unrestricted revenue in Bend is used completely for transit O&M costs, Table 19-22 shows that revenue restricted to transit capital expenses totals \$18.1 million over the forecast period for the MTP.

Conclusions

Revenues, estimated costs, and funding gap

Transportation finance is complex. It is complex because funds for projects come from a number of sources. Often times these sources can only be spent on certain types of projects, some may even decline in the years ahead. In this analysis, there was an examination of the various funding sources, the projects they might pay for, and the gap between funds and costs of transportation costs. To that end, three main questions were asked:

- How much funding is available for planned future regional road and transit projects?
- What are the costs of the planned future regional transportation projects—including operations and maintenance?
- What is the funding gap between reasonably available revenues and estimated project costs?

In trying to answer these questions, the analysis was separated between road-related and transit-related projects.

Roads

For roads, “low” and “high” revenue scenarios were considered. It was assumed that unrestricted local funds would be spent first to fully fund operations and maintenance of roadways. The “low” funding scenario assumes no increase in gas tax or vehicle registration fees. The “high” funding scenario assumes an increase in gas tax and vehicle registration fees. In the early years (2007-2016), surplus unrestricted funds for O&M are transferred to revenue for capital expenditures. In the later years (2016-2030), there are shortfalls in O&M funding (see Tables 19-19 and 19-20).

After O&M expenditures and transfers of surplus unrestricted funds, the total available for capital expenditures, in 2006 constant dollars, ranges from about \$253 million (“low” scenario) to \$272 million (“high” scenario).

Table 19-23 summarizes the range of total available revenue after O&M expenditures and the total range of estimated costs.

Table 19-23. Range of Estimated Total Available Funding for Capital Expenditures and Total Estimated Capital Costs for Road-related Projects the Bend MPO, 2007–2030 (millions of 2006 dollars)

Categories of funds and costs	Range
Total available funds for capital expenditures	\$253-272
Total estimated project costs	\$258

Source: ECONorthwest.

Note: “Total available for capital expenditures” is the sum of transferred unrestricted funds and base capital funds. Base capital funds consist of estimated ODOT and local revenues earmarked for capital projects.

The difference between the range of available funding and projected costs is summarized in Table 19-24. Over the planning period 2007 to 2030 (24 years), assuming a “low” funding scenario, a funding gap of \$0.2 million per year is probable. Assuming a “high” funding scenario, a surplus of about \$0.6 million per year is probable.

Table 19-24. Estimated Annualized Funding Gap or Surplus of Road-related Capital Projects in the Bend MPO, 2007–2030 (millions of 2006 dollars)

Capital Costs	Funding Scenario	
	Low: \$253	High: \$272
\$258	-\$0.2	\$0.6

Source: ECONorthwest. Gap and surplus figures are calculated taking the difference between available funds and projected costs and spreading the difference per year over the planning period (24 years).

This gross comparison, however, misses the following key issues that may create a funding shortfall for roads in the Bend MPO:

- While the City of Bend will have Transportation SDC revenue that is restricted to capital expenses, the level of unrestricted funding will likely fall short of needed O&M expenses. Thus, even with sufficient capital funding the City will need additional sources of unrestricted revenue to fund adequately O&M costs.
- The bulk of the City's capital revenue is from its Transportation SDC, which can only be used for growth-related improvements. The City, however, is likely to face substantial costs to address existing or future road deficiencies, and these costs cannot be funded by SDC revenue. Thus, even if SDC revenue is sufficient to fund growth-related costs, the City will face non-growth related project costs for which it may not have funding.
- Additionally, other than an improvement to the US97/Cooley Road intersection, the plan does not include any projects to address existing and future congestion on US97 from the north study limits to approximately Reed Market Road. Congestion is forecast to increase significantly on this corridor. No projects or funding are currently identified to address those issues.

Transit

The Bend region's transit system is still in its infancy. A fixed route bus system was implemented in September 2006. To fund the operations and maintenance and growth of the evolving transit system, an estimated \$59 million in revenue (in constant 2006 dollars) would come from a mix of federal, state, and local sources.

The Bend region is expected to receive a steady flow of federal transit funds from 2007–2030. In constant 2006 dollars, unrestricted revenue (Section 5307 funds for capital and operations and maintenance) stays roughly constant at an average of \$650,000 annually, or \$15.6 million over the 24-year forecast period. Funds restricted to capital projects (Section 5309 funding) are forecast to be \$13.8 million over the planning period.

From the state's Special Transportation Fund, the Bend region is forecast to receive \$4.8 million (in constant 2006 dollars) in transit support over the planning period. An additional \$4.3 million is assumed for the region with revenue generated from repayment of lottery-backed bonds that paid for the Portland area's light rail system in the 1990s.

Local sources include transfers from the City's General Fund, currently \$600,000 per year, but an estimate of transit operating costs with Dial-a-Ride and BAT shows transfers of \$1.1 million per year. If City transfers continue through the planning period at about \$850,000 per year (between \$600,000 and \$1.1 million), it will generate about \$20 million in revenue for transit services in Bend.