Initial Funding Assessment

An interim report to inform Bend’s Transportation Plan

Approved by the Bend Transportation Plan Steering Committee - January 30, 2019

Includes revisions from the Funding Work Group, CTAC, and the Steering Committee
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Initial Funding Assessment

Purpose

The City of Bend is updating its transportation plan (the Bend Transportation Plan, or BTP) to identify and prioritize needed transportation system investments. The BTP will define capital projects, programs and policies that add system capacity, improve pedestrian and bicycle mobility and safety, and support new growth. The Plan will also determine operating and maintenance needs. The BTP will include a Funding Plan that describes how the prioritized projects and associated operating and maintenance costs are funded.

Developing a robust funding plan is essential for the success of Bend’s Transportation Plan. Across the country, communities have found that declining federal and state funding sources do not meet growing transportation needs. Federal and state funding, generated primarily by fuel taxes, continue to decline as vehicles become more efficient (or electric). This leaves cities and regional governments seeking local revenue sources to fill growing gaps. The funding picture is particularly challenging in Bend. Bend has a relatively low permanent property tax rate, meaning that general fund revenues are very limited, and other funding tools must be used to generate sufficient funding for new capital, transit, and operations and maintenance needs. In order to ensure that priority needs can be funded, the BTP must closely consider funding approaches and develop an appropriate Funding Plan.

This Initial Funding Assessment (IFA) is an interim step in the development of the Funding Plan for the BTP. It documents what the Funding Work Group (FWG)¹ learned and supported through a series of meetings in which they reviewed technical information about existing funding dynamics and new funding tools that could be used to generate additional revenue for Bend’s transportation needs. The FWG’s draft recommendations were then further refined through input from the Citywide Technical Advisory Committee (CTAC), with subsequent finalization and approval by the Steering Committee. This document is the final, approved IFA that includes the refinements added by the Steering Committee on January 30, 2019.

The IFA informs Bend’s ongoing discussion about project prioritization and Funding Plan development. The IFA identifies and evaluates a menu of potential funding and financing tools. It presents initial recommendations about what funding tools and funding strategies are appropriate to include the Funding Plan for the BTP, in addition to the existing funding tools. The purpose of the IFA is to:

- Document FWG discussions and decisions
- Present a preliminary comparison between funding needs² and funding capacity from existing funding tools
- Evaluate potential funding strategies for the BTP

¹ The Funding Work Group (FWG) advises the Citywide Transportation Advisory Group (CTAC) on transportation funding in Bend. The FWG works collaboratively with and provides guidance to City of Bend staff and the consultant project team as they prepare the Bend Transportation Funding Plan. The ultimate purpose of the FWG is to review, provide input on, and recommend a draft Funding Plan to CTAC.

² This initial comparison uses placeholder amounts for funding needs since the BTP process has not yet identified priority projects and programs.
• Identify foundational funding principles and tools, which are intended as the strategic direction for the Funding Plan

• Set the stage for further analysis; the strategic direction will be refined and used in 2019 after BTP priority projects and programs are identified and project costs are updated.

The IFA is “initial” because the project team developed this product during the first year of the two-year BTP process. It focuses on preliminary and foundational funding strategies in the form of funding principles and tools. The FWG and project team will revisit and update the findings and recommendations in 2019.

Overview of Analysis

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

Existing Funding Tools and Need

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

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

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

Existing funding tools are forecast to generate approximately $582M over the planning period, with approximately $189M (or 33% of the total, see Figure 1 in Appendix D) available for capital costs and approximately $392M (or 67% of the total, see Figure 2 in Appendix D) for operating/maintenance (O&M) costs.

To inform the BTP process with a preliminary understanding of how much additional revenue may be needed, City of Bend staff developed an initial estimate of funding needs for both capital and operating/maintenance expenses. These initial estimates have limitations that will be addressed as the BTP process continues but serve as a starting place for understanding needs. Capital needs are based on cost estimates of unbuilt projects on current adopted plans and lists, such as the fiscally-constrained Transportation System Development Charge (TSDC).
project list, the fiscally-constrained Metropolitan Transportation Plan (MTP) project list, and the current Transportation System Plan (TSP), as well as other needs such as deferred maintenance that have become capital needs. In keeping with the existing TSP, this list does not include City funding for needs in Urban Growth Boundary (UGB) expansion areas. However, the FWG will consider this over the winter and spring 2019 (see Appendix C for more details). Maintenance needs were based on the previous funding levels for O&M, with consideration of historic underfunding, the maintenance of new capital projects, and other existing needs. Capital and O&M estimates amounts will be refined in the spring of 2019 as staff and consultants gather additional information and perform additional analysis.

Transit needs, potential revenues, and potential funding tools are not specifically included in the current analysis. The project team noted which funding tools could be used for transit (capital, operations, and/or maintenance) and has kept abreast of potential funding tools, such as revenues from House Bill 2017 and the possibility of special taxing districts included as part of House Bill 2745. Cascades East Transit (CET) is about to begin its regional transit plan, with a specific section focusing on transit in Bend. Needs and funding analysis will be a part of CET’s planning process that will take place in winter and spring of 2019. The City and MPO will closely coordinate with CET to ensure that planning efforts are coordinated and that Bend’s Transportation Plan and its Funding Plan are comprehensive of public transit.

While the needs (project costs) remain a placeholder, as a starting place, we anticipate that they may be approximately $412 million\(^3\) for capital uses over the entire planning period. Accordingly, the estimated need for new funding tools is approximately $223M for capital uses (see Exhibit 1). Again, this does not currently include funding needs for UGB expansion areas.

The project team is still refining the gap analysis for operating/maintenance uses, and is using a working estimate of $17-19 million\(^4\) (annual) as a starting place for O&M funding needs. This estimate does not include any additional O&M due to new capital projects and will be revised in winter/spring 2019. There will be a need for new tools to generate revenue for O&M as the project team gains information about needs as identified by the Streets Department at the City of Bend. Moreover, a sizable portion of O&M revenues (approximately 37%) come from General Fund. If new funding tools were available, these subsidies could be redirected towards other needs, such as public safety. As such, while we have a reasonable starting place estimate for revenue from existing tools that could be available for O&M, it is too early in the process to estimate a funding gap for O&M needs.

\(^{3}\) We based capital costs on information from the City of Bend. In the FWG #3 packet (see Appendix C), we used $450 million as a placeholder for capital funding need. The City of Bend provided this estimate preliminarily for FWG #3, they based on project costs over a FY2018 to FY2040 analysis period. Subsequently, to provide a better starting place for the FY2020 to FY2040 analysis period, the City of Bend updated this analysis by calculating what the capital costs are in FY2018 and FY2019 so that these costs could be subtracted from the total funding need (because they are already funded and should not be included in a gap estimate). Capital costs in these two fiscal years totaled about $37,887,814. So, we subtracted about $37.9 million from the original capital cost estimate of $450 million. This gives us a new estimate for funding need for capital uses (about $412 million) over the FY2020 to FY2040 analysis period. For reference, the capital costs in FY2018 and FY2019 are for the following projects: Murphy, Empire, Neff and Purcell design, Galveston, 14th St, intersection safety improvements in various locations, and bicycle greenways.

\(^{4}\) We based operating/maintenance costs on information from the City of Bend. In the FWG #3 packet (see Appendix C), we used $10 million (annual) as a placeholder for operating/maintenance need. After FWG #3, the City realized that $10 million did not hit the target of need. The annual O&M over the past 4 years is $15.6 million and the annual O&M over the past 2 years is $17.75 million. A bridge maintenance program and traffic signal program would cost an additional ~$1.3 million per year, putting the total anticipated need at $17-19 million per year (depending whether the 2- or 4-year period is used as a base). Figures depend, in part, on the target for the Pavement Condition Index (PCI). The City will continue to refine this estimate.
Exhibit 1. Analysis of Potential Capital Needs Funding “Gap”

<table>
<thead>
<tr>
<th>Capital (FY2020 - FY2040)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preliminary Estimated Total Funding Need (project costs)</td>
</tr>
<tr>
<td>$412,113,000</td>
</tr>
<tr>
<td>Forecast of Existing Tools</td>
</tr>
<tr>
<td>$189,286,000</td>
</tr>
<tr>
<td>Est. need for new revenue tools for capital</td>
</tr>
<tr>
<td>$222,827,000</td>
</tr>
</tbody>
</table>

* Capital needs include projects on the SDC list, the financially-constrained MTP project list, the Deschutes County ITS plan, and the City of Bend five-year (2018-2023) Capital Improvement Program (CIP). Capital needs do not currently include any projects in the UGB expansion areas, in keeping with the current TSP. This will be considered in more detail in winter/spring 2019.

Source: ECONorthwest. See Appendix D for assumptions and methods.

Notes: Values round all values to the nearest thousand. Forecast of existing tools is in nominal dollars.

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

Analysis of New Funding Tools

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

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

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

Updated Data

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

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

All other estimates of revenue from new funding tools are unchanged from the information contained in Appendix C.
In summary and considering maximum potential revenue capacities over the 20-year analysis period, new funding tools could theoretically generate up to $672.9 million for capital uses and $23.8 million for operating/maintenance uses (see Exhibit 2).

Based on Exhibit 1, the estimated need for new capital revenue produced is $189.2 million and the estimated need for new O&M revenue produced is still being determined (as mentioned previously, there will very likely be a need for new O&M funding tools).

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

Exhibit 2. Maximum Revenue Capacity in 2018 dollars, New Capital Funding Tools (FY2020 to FY2040)

Source: Calculated by ECONorthwest.

Exhibit 3. Maximum Potential Revenue Capacity in 2018 dollars, New O&M Funding Tools (annual)

Source: Calculated by ECONorthwest.

**Maximum Potential: Defined**

“Maximum potential” means the upper limit of revenue that Bend can generate off a single funding tool. The upper limit is either legally or politically constrained in ways that may make it impractical to achieve, but it does provide useful ‘sideboards’ for the funding conversation.
The City already has existing funding tools to fund about 46% of Bend’s capital transportation needs and to meet Bend’s operating/maintenance transportation needs based on currently known O&M costs and assumptions about continued general fund availability for O&M needs. This means that while the City will need some new funding tools to cover the projects in the BTP, the City may not need to use all new tools to their maximum theoretical capacity. Further, this analysis shows that the City of Bend does not need to use all nine of the new funding tools under consideration; the City could limit the use of new tools levied or imposed. As such, because maximum revenue capacity for new tools is in excess of the BTP funding need, the City has some flexibility in determining which funding tools are ultimately selected for the Funding Plan.

Recommendations

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

The FWG began by considering detailed information about 17 potential funding tools and reviewing them according to how well each of the tools performed on four dimensions: legality, equity, efficiency, and political acceptability. Based on these criteria, the FWG developed a shortlist of nine funding tools that seemed most suitable for Bend (these tools are described later in this document and also in detail in Appendix B). These funding tools were targeted for further analysis and discussion.

There are a variety of ways that potential funding tools could be combined to address Bend’s transportation funding needs. To provide a sense of how the funding tools could work in practice, and how tools could complement one another, the project team used the nine short-listed (most suitable) funding tools to develop four potential funding “packages”. The packages were intended as examples of different approaches to meeting funding needs. Each of the funding packages uses different combinations of funding tools; the composition of each package was determined according to the package’s theme: “Users Pay”, “Simplicity”, “Resilience”, and “Balance”. These packages are detailed in Appendix C, which includes a description of the advantages and risks of each package and its component tools.

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

- The “Simplicity” package relies almost entirely on a large General Obligation (GO) bond for capital expenses and a local option levy for operating and maintenance funds. The FWG eliminated this package because they found it too reliant on one payer (Bend’s property owners are the ultimate payers of any bonds or levies) and too risky (both tools require a public vote so if one or both tools failed, the City would struggle to implement the BTP).
- The “Users Pay” package was also eliminated. The package intends to have system users, beneficiaries, and new growth as the primary funders; it relies heavily on increases to Transportation System Development Charges (TSDCs), the creation of Local Improvement Districts (LIDs), and the adoption of a Transportation Utility Fee (TUF) to fund new

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5 Currently the preliminary analysis of existing funding tools shows a surplus of O&M revenue to cover expenditures. However, the City identified additional O&M needs that do not yet have cost estimates. Once the City allocates these costs, the analysis will likely show a deficit of existing O&M funds. Further, about 37% of O&M revenues derive from General Fund subsidies. The availability of new funding tools could redirect this subsidy towards other needs, such as public safety.
transportation infrastructure. The package does not include a GO bond. While FWG members agreed that Bend’s many visitors, commuters, and system users should contribute to funding transportation infrastructure, FWG members were concerned that this package generates insufficient total revenue to cover the initial target project costs. They were also concerned it relies heavily on funding tools that are contingent on new development occurring and on the concurrence of property owners to form LIDs. They pointed out that the timing of availability of revenue from these funding tools could create implementation challenges for early projects.

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

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

**Funding Plan Principles**

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

- **Intentional Diversification.** Use a range of tools to achieve balance and resilience. The tools that comprise the Funding Plan will be diverse enough to generate revenues that are stable and flexible over the planning period, that generate revenue across economic market cycles, and that fund the full range of project types and programs.

- **Fairness.** Ensure visitors and commuters, new development, existing residents, and businesses (including property tax exempt businesses) pay their fair share for the transportation system that everyone uses.

- **Equity.** The Funding Plan must consider and respond to the impacts that funding packages may have on historically vulnerable socioeconomic groups, including low-income populations and underrepresented minorities.

- **Full Funding for Priority Projects and Associated Operations & Maintenance (O&M).** The Funding Plan in the BTP must generate sufficient capital and operations/maintenance revenue to cover the full life-cycle costs (from initial construction to on-going maintenance) of priority projects (including depreciation), programs, and needed staffing to manage and promote change.

- **Community Ownership.** The Funding Plan, like Bend’s Transportation Plan as a whole, must be a community-driven strategy. Attaining community support for many of the new funding tools, especially those that require a public vote, will require public and stakeholder outreach, polling, an educational campaign, and a balanced approach to crafting the plan. In this context, “community” refers to Bend residents as well as other partners, like Deschutes County, the Oregon Department of Transportation, and the local business community.

- **Support Phased Implementation.** The projects described in the BTP will be implemented over a long term (20 years). As such, it will not require all of the funding to be available up front. The Funding Plan in the BTP should provide revenue to match the expected sequence of projects, with an explicit focus on near-term and priority projects.
• **Be flexible and adapt to the future.** Where possible and appropriate, the Funding Plan in the BTP should identify alternate tools (a “Plan B”) for those that require public votes or that Bend does not fully control. The Funding Plan should recognize the technologies will change in ways that affect costs and also change the City’s ability to monitor use and collect revenues. The Funding Plan should considering funding for innovation and adaptation/inclusion of new technologies that may become available over time.

**Recommended Tools**

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

**Core Tools**

The FWG recommends that the following tools be included as core components of the eventual BTP Funding Plan. These tools provide sufficient funds that can flexibly meet City-wide needs, such that they can reasonably serve as a foundation for the Funding Plan. The FWG recognizes that future discussions about rates and timing of implementation are necessary.

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

• **Transportation Utility Fee (TUF).** The FWG broadly supports the inclusion of a TUF in the Funding Plan. These fees are used to cover transportation costs in many communities in Oregon, can be used flexibly for O&M or capital costs, and can be structured so that even property-tax exempt system users contribute to funding key transportation infrastructure. A public vote is not required to introduce a TUF, although the City could choose to put the TUF to a public vote. More work is needed to determine the recommended rate for a TUF. Some FWG members suggested that the initial estimates of revenue capacity were too low, because higher rates and / or a different mix of payers (households and employees) would be practical.8

• **Fuel Tax, with Seasonal Variation.** The FWG agreed that levying a fuel tax (either a seasonal fuel tax or a year-round fuel tax with seasonal variation) is a reasonable tool that should be included in the Funding Plan. Its revenue capacity is relatively high, and a fuel tax

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6 For a house with an assessed value of $400,000, annual payments in the first year for a $100M bond would be between $255 and $314, depending on loan terms. See Figure 27 on page 77 of Appendix C for details.

7 In FWG Packet #3, three approaches to calculate revenue capacity are displayed: (1) rates of $2, $5, and $10/month levied on households and businesses, (2) rates of 2, $5, and $10/month levied on households and employees, and (3) rates of $0.10, $0.25, $0.50, and $1 per month levied on daily trips generated. Rates to determine initial revenue capacity estimates are based on the second approach and two placeholder rates: $10 per household and $2 per employee.

8 Details of the TUF projections under various scenarios are included on page 79 of Appendix C. They range from about $400,000 up to almost $11M, depending on approach and rates used. FWG members’ comments suggest that that higher end of this range may be possible.
can be used broadly for O&M and capital expenses for projects around the city. While it does require a public vote to enact, the FWG felt that including a fuel tax in the package would ease some concerns about voting for a GO bond, because a seasonal fuel tax would be aimed at ensuring that visitors to Bend (and commuters who work in Bend but live outside the City) would contribute to funding improvements to the transportation network along with current residents and property owners. More work is needed to consider how to approach this tax and to evaluate potential rates. As one example, the FWG discussed a rate of $.03 per gallon in off-seasons and shoulder seasons, and $.05 per gallon in peak season.\(^9\) For the purposes of revenue forecasts, the analysis uses a maximum rate of $10 per household and $2 per employee. Additional scenarios that the FWG considered are included in Appendix C; higher rates could increase the potential revenue. Further analysis and refinement is needed once CTAC has developed a list of priority projects and needs.

**Other Core Funding Tools that Require Additional Exploration**

The FWG agreed that two other tools (an increase in TSDCs and a prepared food and beverage sales tax\(^10\)) should be further explored in the coming months as core tools. Some members of the FWG had concerns or questions not yet fully resolved. These concerns and questions will require further consideration. The concerns are described below.

- **Increased TSDCs.** Unlike other tools described in the recommendations, the City already has a TSDC, and it is included in the estimate of existing sources. Regarding increasing those existing TSDC, several FWG members supported increases in TSDCs, over time, as a straightforward, City-controlled tool with substantial revenue capacity that is intended explicitly to fund growth. At the same time, others noted that TSDC revenues are volatile because they are dependent on new development (and therefore are subject to development cycles), that TSDCs were recently increased by 34% and that further increases may affect development feasibility and housing costs. They also pointed out that increases in City-wide TSDC rates might reduce the ability of the City to consider supplemental TSDCs (i.e. higher TSDC rates) as a funding tool in the Urban Growth Boundary (UGB) expansion areas where there may be a clearer nexus to new development and greater support from developers.\(^11\) Further information and discussion are needed regarding supplemental TSDCs as a potential funding tool for expansion and/or opportunity areas.

CTAC also emphasized that potential increases to citywide TSDC would need more information and further discussion.

- **Prepared Food and Beverage (i.e. “Restaurant”) Sales Tax.** FWG members supported, in concept, the inclusion of a prepared food and beverage tax that generates revenue through the tourism economy. However, most members expressed concerns about describing and justifying the tool to voters who must approve it. Some felt that it would be challenging to communicate the logic or linkage between levying a sales tax on food/beverages and using that revenue for transportation projects. Some felt that a vehicle fuels tax was a more straightforward path toward getting voter approval for a tool that increases revenue generated by Bend’s many visitors.

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\(^9\) This would increase revenue projections from the $1.2M described in FWG packet #3 to $1.9M. See page 71 of Appendix C for details on the original analysis. Note that the project team has recently also received updated information regarding Bend’s fuel sales that will further increase revenue projections. This new data will be included along with updated revenue projections in the BTP Funding Plan.

\(^10\) A prepared food and beverage tax is applied to prepared foods purchased in restaurants; it does not impact groceries. Furthermore, it is not applied to alcoholic beverages.

\(^11\) This kind of area-specific SDC is often called a ‘supplemental SDC’ and is used to fund the specific infrastructure needed to allow development to occur in that area. They are often negotiated with developers and property owners as part of master plan agreements for UGB expansion areas in Oregon.
Supplemental Tools

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

- **Urban Renewal.** The FWG broadly agreed that urban renewal should be used to fund appropriate transportation projects in a potential new Urban Renewal Area (URA) in Bend’s core area. In that geography, it will be among the most powerful tools available for funding infrastructure. However, because urban renewal dollars can only be spent inside a URA boundary, and only on projects that are identified in an adopted urban renewal plan, this tool is limited in application and better suited to supplement core tools in the Funding Plan.

- **Local Improvement District (LID).** The FWG agreed that LIDs should be part of the Funding Plan and recognized that they are best suited to funding infrastructure needs in UGB expansion areas, opportunity areas, and for neighborhood-focused walkability improvements. Because they require property owners to agree to them (and typically initiate them), broad geographic application of a LID is not likely to be successful. LIDs also carry an administrative burden and may require additional staff to support implementation.

- **County Vehicle Registration Fee.** Use of this tool is contingent on Deschutes County’s willingness to pursue and impose a vehicle registration fee that will ultimately need to be approved by voters by a county-wide vote, which adds substantial risk to the certainty of this tool. However, FWG members felt there was real merit to exploring the County’s willingness to use this fee, particularly as a regional tool to support projects on Highway 97 that have regional significance because they enhance services and/or fix problems for all residents in Deschutes County.

- **Local Option Levy.** The group identified a local option levy as a valuable tool to catch up on deferred street maintenance needs for all modes and viewed it as a valuable tool for one-time use (rather than for new capital or for ongoing O&M). Because it must be regularly renewed with a public vote, the FWG expressed concerns about using this tool as an ongoing revenue source throughout the 20-year implementation period. Clear messaging would be important for this tool to ensure that the public understands what it includes and how it is different from a GO bond.

- **Parking fees.** While the FWG broadly supported the use of parking fees to manage parking demand, the group did not recommend parking fees as a near-term funding source because its revenue generating capacity relative to other tools was less certain and smaller. The broader CTAC, however, was divided on this outcome, with a small majority (11 to 9) voting to keep parking fees as a potential supplemental funding tool. The CTAC’s vote means that additional analysis will be completed better understand the revenue generating potential and the role that parking fees could play in a funding strategy. CTAC also acknowledged that parking fees may be considered later as a potential policy tool for transportation demand management.

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

- A GO bond, perhaps paired with a phased City-wide TSDC increase or a TUF, would provide foundational revenue for City-wide capital costs, and are especially suited to large and highly visible projects that enhance system-wide service. These tools could then be paired with some combination of a TUF, seasonal fuel tax, and perhaps a prepared food and beverage tax to provide additional capital revenue and provide operating and maintenance funding.
For specific geographies that need targeted investments (such as UGB expansion areas\(^\text{12}\), opportunity areas, or parts of the City that need sidewalk investments), urban renewal, LIDs, and supplemental TSDCs are an option.

A county vehicle registration fee could serve regional needs and a local option levy could serve targeted O&M needs serving all modes, especially for catching up on deferred maintenance projects.

The analysis completed to date suggests that the new funding tools in such a funding package, if successfully passed by voters and/or the City Council and combined with existing funding tools, would likely have sufficient total revenue capacity to cover both capital and O&M costs (though some tools would have to be stretched to their maximum revenue potential)\(^\text{13}\). Such a package would also be responsive to the other foundational principles that FWG discussions highlighted.

In addition to core and supplemental funding tools, the FWG affirms that the City and MPO should consider and pursue project-specific local and / or federal grants as applicable. This includes potential public and private funding that could fund capital, O&M, innovation, pilot projects, and other programs. CTAC affirmed this notion and emphasized that, if federal or other grants are pursued for specific projects, the City may need to have matching funding available. The FWG also recognizes that there may be other tools on the horizon that may not be feasible or practical now, such as vehicle-miles-traveled- (VMT) based fees.

In response to the funding principles regarding flexibility and adaptability of the funding packages, for tools that are on the horizon, CTAC and the Steering Committee have stressed the importance of beginning to understand and study how these tools (and enabling technology) could play a role in Bend. The groups have suggested near-term studies of tools like congestion or vehicle miles traveled pricing, as well as adaptive parking pricing, with a view to gain more understanding. The City will update the TSP approximately every five years. These updates provide an opportunity to revisit the funding plan and consider whether new tools might be suitable to introduce. Conducting a study regarding the applicability of emerging technologies in the near-term would prepare the City to consider new funding tools in future five-year updates.

**Arriving at the Recommendations**

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

**Funding Work Group Meeting #1**

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

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\(^{12}\) UGB expansion areas are not currently included as part of the funding needs, but this will be considered in winter/spring 2019 and may change.

\(^{13}\) Note that transit needs, and funding will be considered as part of CET’s regional planning process, which is currently set to take place in winter/spring of 2019. The Bend component of CET’s planning will be included in Bend’s Transportation Plan and funding needs and potential tools will be reflected in the Funding Plan.
Summary of Technical Content
The first meeting of the FWG included an overview about the landscape and challenges of transportation funding at the federal, state, and local levels (including transportation system development charges), as well as a review and discussion of Bend’s previous transportation funding plans. The FWG also reviewed information about a variety of potential funding tools and discussed potential evaluation methods and criteria for comparing funding tools. See Appendix A for details.

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

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

Summary of Technical Content
AT FWG #2, the project team discussed individual funding tools and evaluation criteria, provided direction on tools to focus on / eliminate, and provided input about packaging funding options.

First, the consultant team presented a menu of 17 funding tools for the FWG to consider as opportunities to pay for projects and programs identified in Bend’s Transportation Plan (see sidebar to the left). Appendix B, Funding Workgroup Packet #2, shows a matrix of these 17 funding tools with accompanying technical details.

The FWG reviewed an evaluation of these 17 funding tools to help them narrow to a short-list of funding tools for further consideration. The evaluation looked at each tool across several criteria: legality, efficiency, equity, political acceptability, and magnitude of additional funding. An initial and very preliminary indication of revenue capacity was also provided qualitatively.

Participating in their own ranking and evaluation exercise (see Exhibit 5), the FWG identified which funding tools they considered most suitable for funding Bend’s needed transportation projects and priorities. Eight funding tools emerged as most suitable. The FWG also asked staff and the consultant team to consider a local option levy for operations costs if paired with a general obligation (GO) bond for capital costs.

Menu of New Funding Tools
The original 17 funding tools under evaluation were: general fund allocations, room tax, transportation system development charges, utility franchise fees, business fee, parking fee, local improvement districts, general obligation bonds, local option levy, urban renewal, transportation utility fees, seasonal fuel tax, county vehicle registration fees, payroll tax, advertising/naming rights, tolls, and targeted sales tax.
Tools highlighted and bolded in green made it to the short-list.
Exhibit 4. Funding Tool Ranking Exercise

Output from FWG#2 ranking exercise. Each member was given ten gold circles to allocate to funding tools that they believed to be most suitable for Bend based on the meeting packet they reviewed and the group discussion about it. They were also given red circles to allocate to tools that they did not believe to be suitable for further consideration at this stage. Results and outcomes are discussed below.

Meeting Outcome

Evaluating the menu of funding tools became the foundation for the next step of work. Nine tools ended up on a short-list of tools earmarked for more analysis. These tools are:

- Increased Transportation System Development Charges
- Local improvement districts
- Urban renewal
- Seasonal fuel tax
- Targeted sales tax
- General obligation bond
- County vehicle registration fees
- Transportation utility fees
- Local options levy

Funding Work Group Meeting #3
Funding Work Group Meeting #3 took place on September 20, 2018. The following provides a summary of the technical content and meeting outcome.
Summary of Technical Content

At FWG #3, the project team reviewed funding packages and more detailed information on the funding tools that comprised the packages.

Prior to this meeting, the FWG members received a packet of information that included an evaluation of individual funding tools across a set of dimensions that could limit or encourage each tool's use in one of four funding packages. For context, each funding package served as a preliminary (hypothetical) proposal of what a potential funding strategy could look like. Therefore, the evaluation of individual funding tools, see Figure 1 in Appendix C, is key technical detail because each package should:

- Meet all target funding needs.
- Support all project types earmarked in the BTP (i.e. O&M vs. capital; transit vs. roadway).
- Provide sufficient funds available for use across the geographic region, of which some areas of Bend would require more or less funds contingent on project locations.
- (Ideally) spread the financial burden across different groups (e.g. residents, property owners, businesses, commuters, tourists, etc.).
- (Ideally) not be overly problematic to implement, of which some funding tool possesses different logistical needs (e.g. public vote, renewal, council action, etc.).

The overview of funding tool dimensions and other information provided in the FWG packet gave the FWG a better understanding of each funding tools’ nuances, advantages, and risks. Recognizing this was key to understanding the development and makeup of each package. In that, each tool played a different role; piecing tools together to form funding packages was demonstrative of an iterative process that took each of the tool’s dimensions into consideration.

In addition to an overview of funding tool dimensions, the consultant team provided context for each tool’s revenue capacity. This included information about (1) the legal, maximum revenue capacity generated from each tool and (2) revenue capacity given different imposed rates. Discussions about revenue projections stayed at a relatively high-level; the FWG did not go into detail discussing data sources, assumptions, or methods. That said, FWG members did receive this information in their packet, see Appendix C.

The compilation of these details allowed the FWG to have a robust discussion of the implications to using each tool and implications of each funding package. The FWG provided direction on how to refine the packages for inclusion in the IFA report and provided direction on the preliminary strategies for inclusion in the IFA report.

Meeting Outcome

Input given at FWG #3 centered on each of the funding tools individually, each of the funding packages individually, and general principles that the eventual Funding Plan should encompass. Regarding the funding tools, the group shared their thoughts about whether funding capacities seemed reasonable or overly burdensome. FWG members also discussed suitability of each of the tools from a messaging and optics standpoint, particularly for the tools that would require a public vote.

Based on the discussion during FWG meeting #3, the consultant team drafted recommendations for initial FWG review and approval. FWG members had the opportunity to review and provide comment on the draft recommendations, which the consultant team then revised and included as the key content in this IFA. These may be further revised after FWG #4.
Next Steps

This Initial Funding Assessment report was recommended by the FWG and CTAC, and approved by the Steering Committee. The initial recommendations capture high-level strategies but do not include a detailed funding package; this will be developed and refined in 2019, with further input from the FWG, CTAC and the Steering Committee.

Analysis, findings, and recommendations captured in this IFA will feed into the second and third phases of the BTP, see next Exhibit. According to the current timeline, in spring and summer of 2019, CTAC will develop a list of priority projects and programs for Bend’s Transportation Plan. Based on these projects and programs, the staff and consultant team will develop a more specific estimate of the full extent of project costs of Bend’s Transportation Plan over the 20-year analysis period. With input from the FWG and CTAC, the staff and consultant team will continue to fine-tune projections for new funding tools and revenues. The FWG will then consider a refined funding package, which will be based on the initial recommendations in this IFA, using the updated cost and revenue estimates. The funding package will be described as part of a funding plan. Once the FWG has reached agreement on the funding plan, it will be presented to CTAC for input, then to the Steering Committee for approval.

This process will lead us to a funding plan that (1) considers the costs of needed projects and programs as identified by CTAC, and (2) identifies suitable new funding tools to cover funding needs that exceed the City’s current funding capacity.

Exhibit 5. Phase 1 Work Plan, Leading to Phase 2