

Funding Work Group Meeting #3 Meeting Packet

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Funding Work Group Meeting #3

MEETING DATE: Thursday, September 20, 2018

MEETING TIME: 2 pm – 4:30 pm

LOCATION: City Council Chambers, 710 NW Wall Street

Objectives

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

Agenda

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

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

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

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

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

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

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

- a. Initial reactions to the Funding Packages - likes and dislikes
- b. What are the refinements that should be included in V2 of the packages and documented in the IFA?
- c. What are the high level strategies that should be included in the IFA?

4. Public comment (10 minutes)

Three minutes per person at the discretion of the committee

5. Next steps and adjourn

Accessible Meeting Information

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

Evaluation of Short-Listed Funding Tools and Potential Funding Strategies

PREPARED FOR: Bend Transportation Plan Funding Work Group
COPY TO: Project Team
PREPARED BY: Lorelei Juntunen, Kate Macfarlane, Sadie DiNatale, and Korinne Breed (ECONorthwest)
DATE: September 13, 2018

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

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

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

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

Each package generates the same placeholder amount for 20-year capital (\$450 million) and annual operating and maintenance (\$10 million) needs. The packages vary in how the funding is generated, and what overall approach they take. For example, one package aims to fund transportation in a simple and straightforward way, using as few funding tools as possible. Another funding package includes several funding tools and is

designed so that all components of the community are contributing to transportation funding. Another package strives for resilience by using funding tools that are less subject to economic fluctuations and do not require public votes for renewal. The components of these packages will be revised based on the specific projects and priorities that CTAC develops. Our intent in the meantime is that the FWG can discuss different approaches to inform which strategy may be most suitable for Bend, regardless of what specific projects are selected.

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

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

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

When reviewing this packet, please consider the following questions:

- Funding packages:
 - What elements of these funding packages do you want to see as part of the IFA? Why?
 - What elements of these funding packages do you **not** want to see included in the IFA?
 - What elements of the funding packages seem politically practical?
 - What questions remain unanswered?
 - What is the maximum number of new funding tools and property tax increases for bonds that is politically practical?

- Revenue capacity of short-listed funding tools:
 - For each tool, is the rate used to estimate maximum feasible revenue capacity realistic and politically practical?
- Strategic direction
 - What are the high level funding strategies that should be included in the IFA?

Packet Contents

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

- (1) **Dimensions of short-listed funding tools.** Presents the funding tools that could be used to provide additional funding and describes a set of dimensions that limit the applicability of each tool. These funding tools were short-listed at the previous FWG meeting on July 24th.
- (2) **Funding packages.** Summarizes the four funding packages under consideration, considers their advantages and risks.
- (3) **Estimates of revenue capacity for short-listed funding tools.** Presents estimates of maximum revenue capacity of each funding tool and provides details of ECONorthwest's analysis. This material documents the analysis and forecasting that were completed. By establishing an upper bound for each funding source, this section will serve as a reference for how funding tools can be adjusted (increased, decreased, or substituted) depending on the funding strategy and packages under consideration.

Funding Tools: Dimensions Matrix

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

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

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

Figure 1. Dimensions of short-listed funding tools

Dimensions	TSDCs	LIDs	Urban renewal ¹	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Transportation utility fee (TUF)	Local option levy
Suitability for different project types									
Transit									
Operations & maintenance (O&M)	No	No	No	No	Yes	No	Yes	Yes	Yes
Capital	Yes ²	No	Yes	No	Yes	Yes	Yes	Yes	Yes
On-going programs	No	No	Yes	No	Yes	Yes	Yes	Yes	Yes
Roadways									
O&M	No	No	No	Yes	Yes	No	Yes	Yes	Yes
State highway (capital)	Yes	No	Yes	Maybe	Maybe	Yes	Maybe	Maybe	Maybe
City arterial (capital)	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
City collector (capital)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Infill retrofitting (capital)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
On-going programs	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Geographic extent in which the funds from each tool could be used									
Once collected, funds can be used across locations & projects (i.e. funds are not restricted to certain projects/geographies)	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes

¹ Urban renewal is difficult to classify because the funds are directly paid by property owners but they would normally have been directed towards the City and other taxing jurisdictions. For this reason, the matrix indicates that the financial burden is borne by taxing jurisdictions rather than existing businesses. This process is explained in more detail later in this document.

² TSDCs can be used for transit capital expenses if those projects are part of the TSDC project list and conform to the adopted TSDC methodology. Bend does not currently have any projects of this nature on its TSDC project list.

Dimensions	TSDCs	LIDs	Urban renewal ¹	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Transportation utility fee (TUF)	Local option levy
Who pays? (Who bears the financial burden of this tool?)									
Existing residents (regardless of whether they own property)	No	No	No	Yes	Yes	No	Yes	Yes	No
Property owners (residential or other types, regardless of whether they live in Bend)	No	Yes	No	No	No	Yes	No	No	Yes
Existing organizations who are exempt from property taxes (e.g. hospitals)	No	Yes	No	Yes	No	No	Yes	Yes	No
Exclusively by new growth (i.e. does not include existing residents, etc.)	Yes	No	No	No	No	No	No	No	No
Other taxing jurisdictions (through foregone revenue) ³	No	No	Yes	No	No	No	No	No	No
Existing businesses (regardless of whether they own property)	No	No	No	Yes	No ⁴	No	Yes	Yes	No
Fees are based on trip generation, system usage, or benefits from the system	Yes	Yes	No	Yes	No	No	Yes	Maybe	No
Tourists and other visitors	No	No	No	Yes	Yes	No	No	No	No
“Commuters” ⁵	No	No	No	Yes	Yes	No	No	No	No

³ Urban renewal is difficult to classify because the funds are directly paid by property owners but they would normally have been directed towards the City and other taxing jurisdictions. For this reason, the matrix indicates that the financial burden is borne by taxing jurisdictions rather than existing businesses. This process is explained in more detail later in this document.

⁴ Businesses who purchase prepared food and non-alcoholic beverages would pay this tax, but it is likely not a significant budget item for many businesses in Bend.

⁵ “Commuters” are residents of surrounding areas who work in Bend or travel here for services but do not live within the city

Dimensions	TSDCs	LIDs	Urban renewal ¹	Fuel tax (possibly seasonal)	Targeted sales tax	GO bond	County vehicle registration fee	Transportation utility fee (TUF)	Local option levy
Logistics									
Public vote required	No	No	No	Yes	Yes	Yes	No	No	Yes
Regular renewal needed	No	No	No	No	Yes	No	No	No	Yes
Impacts to other taxing districts	No	No	Yes	No	No	No	Yes	No	Yes
Opt-in	No	Yes	No	No	No	No	No	No	No
Council action only	Yes	No	No	No	No	No	No	Yes	No
Magnitude of Funding									
Magnitude	\$\$\$	\$	\$\$\$	\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$	\$\$\$

2. Developing the Funding Packages

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

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

Background assumptions: Placeholders used for funding needs

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

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

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

expansion areas would require approximately **\$149.4 million in additional capital funding** (\$123.8 million for new roadway projects and \$25.6 million for modernization projects).

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

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

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

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

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

The Funding Packages

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

Figure 2: Funding packages and the tools they include

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

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

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

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

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

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

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

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

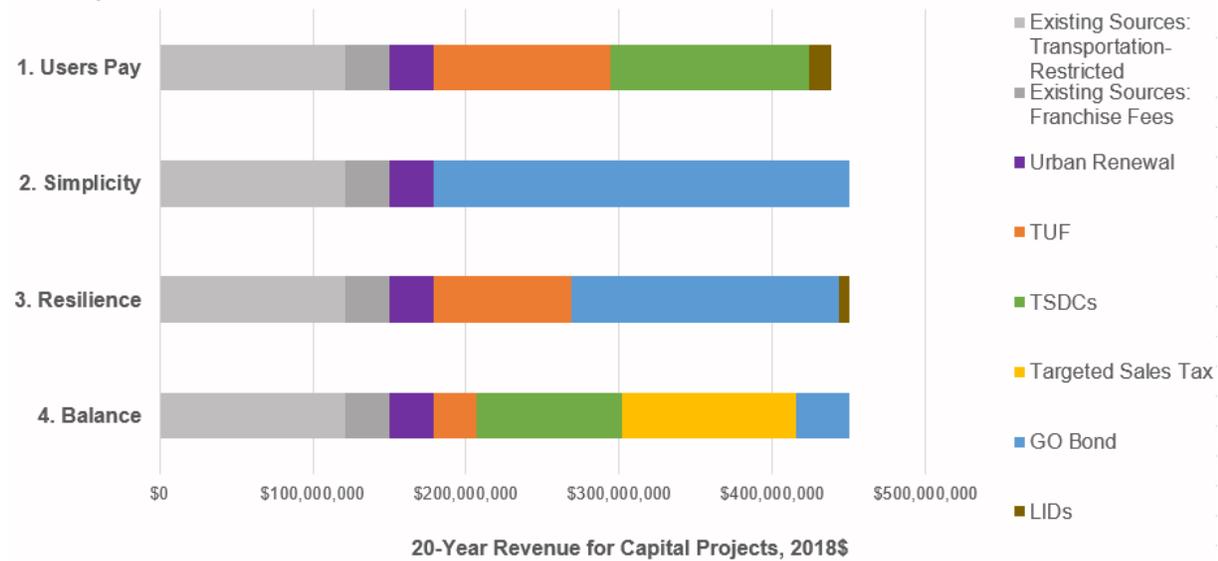
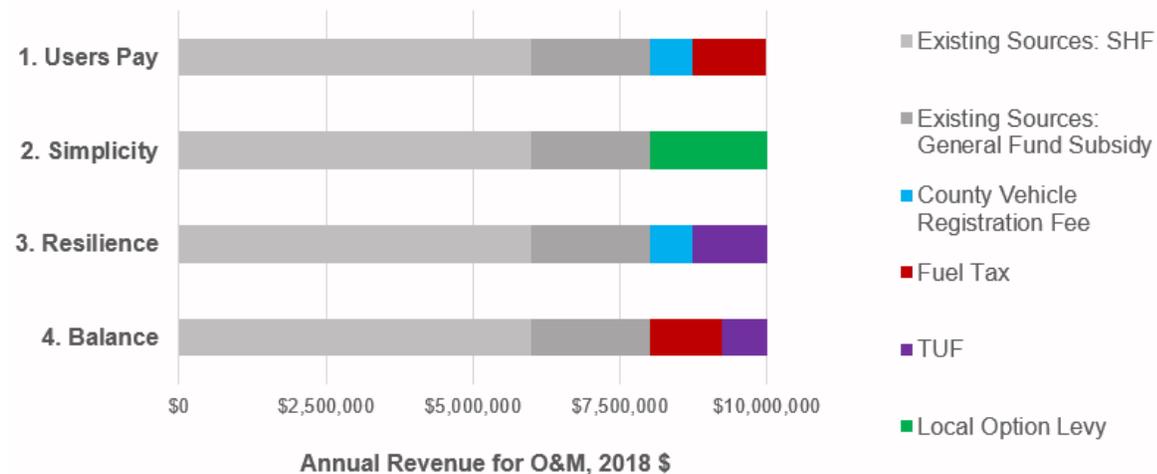


Figure 4. Overview of funding tools used for operations and maintenance in each funding package (2018 dollars)

(Note the difference in scale between Figure 3 and Figure 4)



1. Users Pay

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

- Fuel tax (seasonal): a new fuel tax imposed only during peak road usage times. This corresponds to increased transportation demands from existing residents, commuters, and visitors/tourists.

- Local improvement districts: an assessment of property owners to pay for infrastructure projects needed to support new development of their properties, as new development will generate additional trips.
- Increased transportation system development charges: an additional fee on new development, charged per trip generated, to account for the development's impact on the system.
- County vehicle registration fee: a fee levied per vehicle registered, to capture the impact of each car on the transportation system.
- Transportation utility fee: a fee on households and employers to pay for use of transportation system.
- Urban renewal: included in all packages.

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

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

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

Figure 6 provides an overview of how this package performs on each dimension.

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

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

Advantages

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

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

Risks

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

The County vehicle registration fee presents another risk with respect to political acceptability. This fee would require approval through a county-wide public vote initiated by Deschutes County. The Board of County Commissioners may be unwilling to introduce new fees, and their support is needed to introduce a ballot measure. Introducing this funding tool may require considerable effort from the City to persuade the County commissioners to consider introducing the tool, and then to promote the tool and educate County residents about it to help them make an informed decision.

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

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

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

2. Simplicity

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

- General obligation bond: Debt limitations are high; the city has legal authority to issue \$500 million in additional GO bonds. This amount is significantly higher than previous GO (and non-GO) bonds for transportation projects; the last GO bond was passed by voters in 2011 for the amount of \$30 million.

- Local option levy: Local option levies can be used for a wide range of capital and operation services. This requires renewal every five years for an operations and maintenance levy.
- Urban renewal: Included in all packages.

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

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

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

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

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

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

Advantages

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

Risks

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

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

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

In addition, local option levies for operations cannot exceed five years, and are subject to compression⁶, which may reduce their capacity. This package would require the public to renew the local option levy every five years in order to fund O&M.

3. Resilience

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

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

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

⁶ See this document for more information about compression: <http://www.orcities.org/Portals/17/Toolkit/CompressionFAQ.pdf>

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

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

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

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

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

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

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

Risks

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

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

4. Balance

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

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

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

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

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

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

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

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

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

Advantages

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

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

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

Risks

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

The package assumes that TSDCs are increased substantially from the current level of \$6,800, up to \$9,800 per peak hour trip (equivalent to one single-family detached

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

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

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

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

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

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

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

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

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

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

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

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

Increased Transportation System Development Charge

Description

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

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

Acknowledging these cost increases, in June 2018, City Council increased TSDCs to \$6,800 per peak-hour trip. This increases revenue generation but will not fund all projects on the TSDC project list. A methodology update will be undertaken for TSDCs, and this process will consider the fees and project list comprehensively.

Applicability

TSDCs can fund capital costs for both transit⁷ and roadway projects that provide capacity needed by future growth. These fees are imposed at the city level or in a geographically constrained area (in the case of a supplemental TSDC, which is sometimes used for areas of new growth that have disproportionately high infrastructure needs compared to the rest of a city). System users/beneficiaries and new growth pay these fees.

Revenue Capacity

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

Figure 15. Transportation System Development Charges assumptions and revenue potential

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

Note: Revenue capacity is rounded to the nearest thousand.

Methods

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

In June 2018, City Council adopted a 29% TSDC rate increase, resulting in a TSDC of \$6,800 per peak-hour trip. Analysis by the City of Bend found that this rate would fund approximate \$100 million in project costs over the FYE 2020-2040 period, in 2018 dollars (as shown in Figure 15.) This is a rough analysis and the actual number could

⁷ The City of Bend does not currently use TSDCs for transit projects since it does not operate the transit system.

vary considerably. This analysis assumed that projects were cash-funded by the City rather than debt-financed. The analysis also assumed that funded projects were 80% improvement eligible on average (this depends on the improvement eligibility of the projects that are funded, and also on how improvement eligibility is calculated. Current improvement eligibility for each project is based on trip modeling performed for the current adopted TSDC methodology, which is due for an update).

Based on these two data points, we calculated the incremental amount of project funding that results from each dollar of TSDC rate increase. Figure 15 shows estimates of revenue capacity for hypothetical rate increases of less than the maximum allowed amount. These estimates are preliminary and assume that any TSDC rate increases would go into effect in 2018.

Local Improvement District

Description

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

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

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

Applicability

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

geographically constrained by nature – its boundary is determined by the properties that are specially benefitted by the improvement.

Revenue Capacity

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

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

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

Note: Revenue capacity is rounded to the nearest thousand.

Methods

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

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

Another approach for estimating the revenue potential of LIDs is to review the magnitude and frequency of previous LIDs in Bend and extrapolate based on that. Since 2000, four LIDs have formed to fund sewer infrastructure projects. These four LIDs were used to fund a wide range of project costs, from \$88,500 to \$1.6 million, with a median LID contribution of \$387,000. Figure 17 uses this information to extrapolate potential LID revenue.

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

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

Urban Renewal

Description

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

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

Applicability

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

Revenue Capacity

To support decision-making about the potential for a new URA in the City's downtown core area, the consultant team completed preliminary analysis of the revenue potential for a new URA in 2017. The revenue capacity described here derives from that prior work. It will be updated and refined through a coming feasibility study process in 2019. The coming work could change the proposed boundary and will include more detailed

analysis of the market for new development to support revenue projections. The numbers presented in this section could therefore change substantially, but provide a starting place for discussion of an initial funding strategy.

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

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

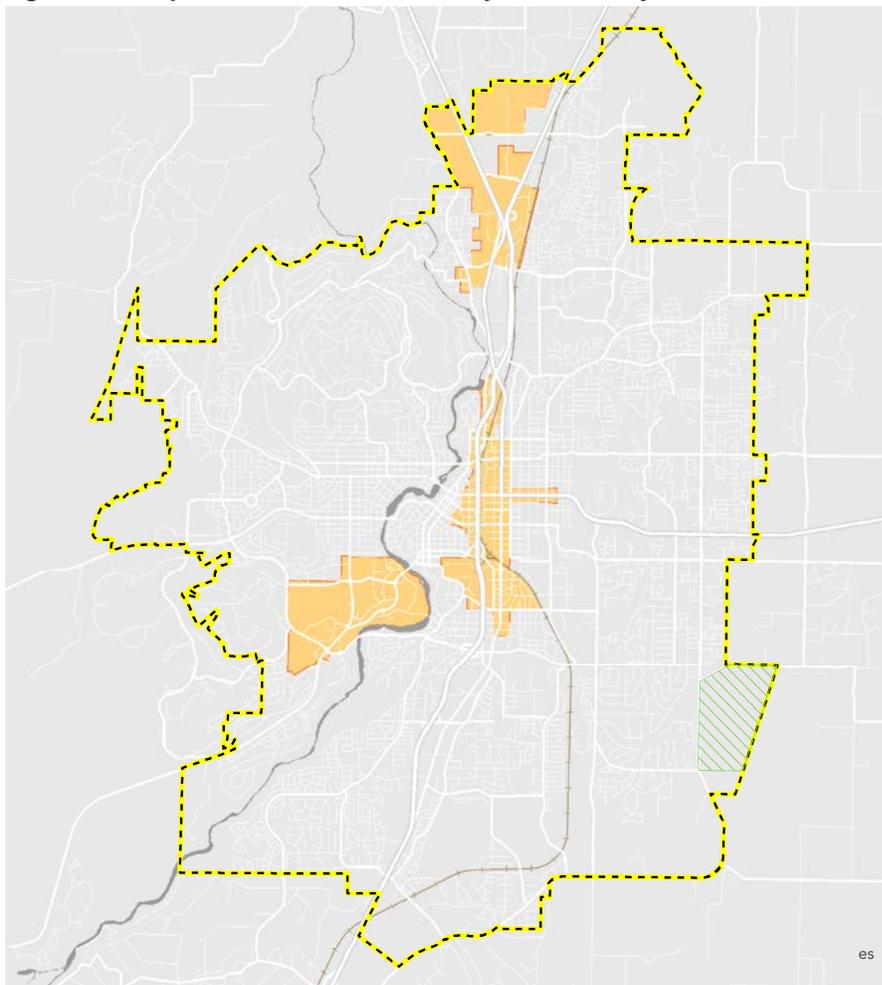


Figure 19. Urban renewal assumptions & revenue potential from March 2018 pre-feasibility study

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

Note: Revenue capacity is rounded to the nearest thousand.

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

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

Methods

Revenue generated by an urban renewal area is determined by the official boundary and the amount of assessed value growth that occurs within that boundary. For more information about the methods and assumptions used in the 2018 pre-feasibility study, please refer to that report⁸.

Seasonal Fuel Tax

Description

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

⁸ http://bend.granicus.com/MetaViewer.php?view_id=9&clip_id=424&meta_id=23134

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

Applicability

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

Revenue Capacity

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

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

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

Note: Revenue capacity is rounded to the nearest thousand.

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

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

Note: Revenue capacity is rounded to the nearest thousand.

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

Methods

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

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

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

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

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

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

Source: 2017 fuel sales from ODOT Taxable Distribution Reports: <https://www.oregon.gov/ODOT/FTG/Pages/TaxableDistributionReports.aspx>. 2017 Population from Portland State

2. Analyze Fuel Sales Data from 2012 Economic Census

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

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

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

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

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

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

Figure 24. Estimated Gallons of Fuel, Bend, 2017

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

Note: Revenue capacity is rounded to the nearest thousand.

4. Estimate potential seasonal fuel tax revenues

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

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

Figure 25. Oregon fuel sales in 2017 by month

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

Source: ODOT Taxable Distribution Reports

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

Targeted Sales Tax

Description

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

Applicability

Revenue from a targeted sales taxes could be used to fund operations, maintenance and / or capital expenditures. This tax may be levied at the city or county-level. The tax

is paid by everyone who purchases the taxed item, regardless of place of residence. Thus, a targeted sales tax is one mechanism by which tourists, visitors, and commuters could contribute to Bend’s transportation funding. In Oregon, all sales taxes must be approved by a public vote.

Revenue Capacity

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

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

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

Note: Revenue capacity is rounded to the nearest thousand.

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

Methods

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

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

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

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

General Obligation Bond

⁹ U.S. Census Bureau, 2012 Economic Census, NAICS code 72, Product and Service Code 21100, 21210, and 21220, Oregon.

Description

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

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

Applicability

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

Revenue Capacity

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

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

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

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

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

Methods

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

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

County Vehicle Registration Fee

Description

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

Applicability

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

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

Revenue Capacity

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

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

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

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

The maximum county vehicle registration fee is set in state statute and does not automatically raise with inflation. Without changes at the state level, inflation-adjusted annual revenue from a vehicle registration fee will likely decline over time. This is because the estimated inflation rate (3.1%) is higher than Deschutes County’s projected annual population growth (1.9% from through 2035, 1.2% after 2035).¹⁰

Methods

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

Next, ECONorthwest estimated annual revenue capacity for Deschutes County using both fee rates. Per 2017 DMV records, Deschutes County had 244,282 registered vehicles.¹¹ Per state statute (ORS 801.041), counties must split vehicle registration fees 60/40 between the county (60%) and cities within the county (40%), unless a different distribution is agreed upon by the county and the cities in the county. Therefore, ECONorthwest multiplied annual revenue capacity for Deschutes by 40% to determine annual revenue capacity for all of the cities within Deschutes County.

Finally, ECONorthwest estimated annual revenue capacity for Bend specifically. We used U.S. Census Bureau data to determine the number of vehicles in each of

¹⁰ Inflation rate of 3.1% comes from ODOT’s guidance on long-range revenue forecasts. “Financial Assumptions for the Development of Metropolitan Transportation Plans SFY 2018-2047.” Published December 2016

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

¹¹ Oregon Department of Transportation. (2017). Oregon Motor Vehicle Registrations by County, Driver and Motor Vehicle Services Division, as of December 31, 2017. https://www.oregon.gov/ODOT/DMV/docs/2017_Vehicle_County_Registration.pdf

Deschutes County's cities.¹² The number of vehicles in Bend accounts for roughly 74% total vehicles in Deschutes County's cities (Bend, La Pine, Redmond, and Sisters). We used this share to estimate Bend's portion of vehicle registration fee revenue. This is our assumption about how revenue would be shared between cities; it is possible that a different revenue split could be used. Ultimately, the revenue split would be determined through an intergovernmental agreement between the cities.

To project out to 2040, ECONorthwest multiplied the number of registered vehicles in Deschutes County by the forecasted annual population growth rate for the county.¹³ This relies on the assumption that vehicle registrations will scale proportionately with population.

Transportation Utility Fee

Description

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

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

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

Applicability

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

Revenue Capacity

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

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

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

¹³ PSU Coordinated Population Forecast, Deschutes County, https://www.pdx.edu/prc/sites/www.pdx.edu/prc/files/Deschutes_Forecast_Report_201506.pdf. The rate is 1.90% per year for 2015-2035, and 1.20% for 2035 to 2065.

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

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

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

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

Note: Revenue capacity is rounded to the nearest thousand.

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

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

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

Note: Revenue capacity is rounded to the nearest thousand.

Sources: Households from 2012-2016 ACS for the City of Bend. Employees from 2016 QCEW data.

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

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

Note: Revenue capacity is rounded to the nearest thousand.

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

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

St. Charles Medical Center is one of Bend’s largest employers, with about 4,200 employees regionwide.¹⁴ Assuming 3,000 employees in Bend, a \$10 monthly fee per employee would cost St. Charles \$360,000 per year. Bend could theoretically cap the maximum amount of transportation utility fee levied to any one business, which would reduce overall revenue generation.

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

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

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

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

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

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

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

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

Methods

¹⁴ EDCO report on largest employers in Central Oregon. <https://edcoinfo.com/wp-content/uploads/2018/05/2018-Central-Oregon-Largest-Employers.pdf>.

Option 1

Option 1 uses a flat rate imposed on every household and every business. As of 2016, Bend had 37,406 households¹⁵ and 5,206 businesses¹⁶. ECONorthwest estimated revenue based on three monthly, flat rates per household and per business. Rates are: \$2 per month, \$5 per month, and \$10 per month.

Option 2

Option 2 uses a flat rate imposed on every household and every employee. As of 2016, Bend had 37,406 households¹⁷ and 52,448 employees¹⁸. ECONorthwest estimated revenue base on three monthly, flat rates per household and per employee. Rates are: \$2 per month, \$5 per month, and \$10 per month.

Option 3

Option 3 uses daily trips within the Bend Metropolitan Planning Organization (BMPO) jurisdiction. DKS Associates provided daily trips for 2010 (base year) and 2040 (future year).¹⁹ To interpolate daily trips in 2018, ECONorthwest calculated the average annual growth rate between 2010 and 2040, to arrive at an estimated daily trips in BMPO is 324,953 (2018).

Local Option Levy

Description

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

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

Applicability

Local option levies fund operations and maintenance costs (up to five-year levy) or capital costs (up to 10-year levy). Revenue from local option levies is typically stable year to year but can be affected by property tax compression²⁰. When compression

¹⁵ U.S. Census Bureau, 2012-2016 ACS, Table B5024.

¹⁶ Bend MPO, QCEW data, 2016.

¹⁷ U.S. Census Bureau, 2012-2016 ACS, Table B5024.

¹⁸ Bend MPO, QCEW data, 2016

¹⁹ Provided via email from DKS on August 3, 2018.

²⁰ See this document for more information about compression: <http://www.orcities.org/Portals/17/Toolkit/CompressionFAQ.pdf>

occurs, the new local option levy can lower revenue raised by other local option levies. The cost of the levy is borne by property taxpayers.

Revenue Capacity

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

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

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

Note: Revenue capacity is rounded to the nearest thousand.

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

Methods

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

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

Funding Work Group Meeting #2

Draft Summary Notes

MEETING DATE: Tuesday, July 24, 2018
MEETING TIME: 10 a.m. – 12:30 p.m.
LOCATION: Council Chambers at Bend City Hall

Meeting Overview

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

Attendees

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

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

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

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

Agenda

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

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

FWG Meeting #1 Summary - Richard Ross requested a change on the bottom of page 2. The discussion was not about sales taxes, but about utility fees. He also clarified that there

was a moratorium on local gas taxes. Katy Brooks moved to approve the summary with Richard's changes. Karna Gustafson seconded the motion. The FWG approved the motion.

Public Comment - No one from the public commented.

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

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

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

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

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

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

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

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

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

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

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

Public comment (10 minutes)

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

5. Next steps and adjourn

DRAFT