



MEETING AGENDA

Funding Work Group Meeting #7

MEETING DATE: Wednesday, October 30, 2019
MEETING TIME: 1:30 p.m. – 4:30 p.m.
LOCATION: Bend City Hall Council Chambers

Objectives

Discuss and gather feedback on a preliminary draft of the Funding Chapter of the Bend Transportation Plan (BTP), including a preliminary Near-Term Funding Action Plan

Agenda

- 1. Welcome, approval of previous minutes, where we are in the process, opportunity for public comment (20 minutes)**

- 2. CTAC Debrief (15 minutes)**

This agenda item will be an overview of CTAC direction from CTAC Meeting 13, focusing on updates to the project and program lists.

- 3. Context for the Funding Chapter of the BTP (15 minutes)**

The FWG's recommendations will be documented in a draft Funding Chapter of the BTP (the preliminary draft is in this meeting packet). This agenda item will describe that chapter and provide context for how it fits into the BTP as a whole.

- 4. Funding Chapter Review (50 minutes)**

ECONorthwest will present the key content of the preliminary draft Funding Chapter. FWG members will provide comments / feedback - notes will be recorded on potential refinements and issues that warrant continued discussion at FWG #8.

- 5. Break (10 minutes)**

- 6. Near-Term Funding Action Plan Review (60 minutes)**

ECONorthwest will present the Near-Term Funding Action Plan. This Action Plan describes and illustrates options for how the City could use new and expanded funding tools over the next ten years. See Appendix A of the preliminary draft Funding Chapter. Illustrative diagrams for the Action Plan will be presented at the meeting. FWG members will provide comments / feedback - notes will be recorded on potential refinements and issues that warrant continued discussion at FWG #8.

- 7. Public comment (10 minutes)**

- 8. 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 Jenny Umbarger no later than October 28th at jeumbarger@bendoregon.gov or 541-323-8509. Providing at least 3 days' notice prior to the event will help ensure availability.

Agenda Item No. 1:
Minutes from FWG #6,
September 17, 2019

Minutes

Funding Work Group Meeting #6

Bend's Transportation Plan

September 17, 2019

Trinity Episcopal Church, Brooks Hall
469 NW Wall Street, Bend, Oregon



CITY OF BEND

Funding Work Group Members

Karna Gustafson, *Co-Chair*

Steve Hultberg, *Co-Chair*

Mike Riley, *Co-Chair*

Ruth Williamson, *Co-Chair (absent)*

Katy Brooks, *Member*

Nicole Mardell, *Member (absent)*

Suzanne Johannsen, *Member*

Richard Ross, *Member*

Dale Van Valkenburg, *Member (absent)*

City Staff

David Abbas, *Transportation Services Director*

Nick Arnis, *Growth Management Director*

Melissa Bradley, *Chief Budget & Financial Analyst*

Tyler Deke, *MPO Manager*

Deedee Fraley, *Project Engineer*

Susanna Julber, *Senior Policy Analyst*

Robin Lewis, *Transportation Engineer*

Elizabeth Oshel, *Associate City Attorney*

Ryan Oster, *City Engineer*

Allison Platt, *Senior Planner*

Joshua Romero, *Community Relations Manager*

Jon Skidmore, *Chief Operating Officer*

Matt Stuart, *Urban Renewal Project Manager*

Karen Swirsky, *Senior Planner*

Damian Syrnyk, *Senior Planner*

Jenny Umbarger, *Administrative Support Specialist*

Mary Winters, *City Attorney*

Sharon Wojda, *Chief Financial Officer*

Consultants

Joe Dills, *Angelo Planning Group*

Lorelei Juntunen, *ECONorthwest*

Matt Kittelson, *Kittelson & Associates*

1. Welcome, agenda overview, where we are in the process, opportunity for public comment

Mr. Dills called the meeting to order at 1:32pm.

Mr. Dills reviewed the transportation system plan (TSP) process, as outlined in the presentation.

Scott Nunns, resident, encouraged the committee to consider funding for safety in all projects.

Ken Atwell, Southeast Bend Neighborhood Association, spoke about the need for on and off ramps on Hwy 97, the Powers interchange with regard to Chase Road, and concern about costs to property owners in SE Bend.

Mr. Dills called for a motion to approve the previous meeting's minutes. Motion made by Member Johannsen and seconded by Member Gustafson. Minutes approved unanimously.

Member Ross recommended the committee consider funding for high-capacity transit, as well as projects in the Portland / Vancouver area.

Ms. Juntunen reviewed comments received in recent months by Steve and Michelle Porter.

2. Update from Funding Strategy Process

Ms. Julber reviewed the results of the September 7th focus group meeting, indicating there was general support for the project list and related costs. Attendees were generally willing to support a property tax increase, and expressed support for exploring diversified project funding. City Council will discuss focus group results and the project list on September 30th at Council Chambers from 3pm-5pm. There may be a phone survey in December to test the project list before moving forward with ballot measure in May.

Additionally, all neighborhood associations will be holding general membership meetings in October and November. City staff will be presenting updates on the TSP and the work the Citywide Transportation Advisory Committee (CTAC) has been doing.

3. Update on CTAC Recommendations

Mr. Kittelson provided an update on CTAC recommendations, as outlined in the presentation.

Member Ross recommended adjusting transit funding to instigate opportunities for leveraging federal funding.

4. BTP Funding Plan – Tools and Scenarios for Near-Term Priorities

Ms. Juntunen reviewed the Bend Transportation Funding Plan, as outlined in the presentation.

Member Riley recommended supplemental system development charges (SDCs) be identified separately from other forms of funding.

Member Ross recommended being specific about funding for Hwy 97 projects. The committee agreed to leave the existing language as-is.

Staff confirmed that a countywide vote is required to implement a vehicle registration fee (VRF).

Member Johannsen recommended staff look into a seasonal food and beverage tax. Ms. Julber will inquire with the City of Ashland to learn more about how they implemented their food and beverage tax.

The following members disclosed their conflicts of interest:

- Member Hultberg is a real estate developer attorney and represents clients within the City
- Member Brooks is employed by the Chamber of Commerce and represents business interests
- Member Gustafson is an attorney and is employed by Central Oregon Builders Association

The committee expressed consensus for the following action items regarding Table 2 in the meeting packet:

- Explore possibility of a seasonal food and beverage tax
- Insert individual line item for area-specific supplemental SDCs
- Identify urban renewal figures by districts

Member Riley recommended amounts for all three near-term funding scenarios be increased to \$225m - \$250m to account for implementation costs, programs and allowing for additional projects. Member Ross recommended increasing spending on transit projects.

The committee expressed consensus for the following:

- Increase the capital amount
 - If projects can be delivered
 - If total load on households seems reasonable based on research
- Identifying a funding strategy as described in the meeting memo, and getting to estimated amounts for revenue potential for each funding tool
- Core funding
 - VRF for regional projects
 - Transportation SDC increase beginning later
 - Seasonal tax
- Supplemental funding
 - Supplemental SDCs and local improvement districts (LID) for expansion areas
 - Urban renewal

The committee recommended forwarding to CTAC:

- Increase the capital amount
 - If projects can be delivered

- If total load on households seems reasonable based on research
- Scenarios A and B, both including a transportation utility fee (TUF) to cover program costs (estimates to be determined)
- Scenario B will include a small, delayed transportation SDC increase, a VRF, and a seasonal retail tax

Member Gustafson moved to approve the above recommendation, seconded by Member Johannsen. Motion approved unanimously.

The committee agreed by consensus to include the Recommended Addition to Conclusions paragraph in the next CTAC meeting packet. Member Hultberg recommended it be more specific, i.e. range of percentages. Member Ross requested additional transit number work be done by staff.

5. Public comment

Greg Bryant recommended inflation be considered in cost estimates.

Sid Snyder expressed concern about a lack of funding sources that alter people's mode choices.

6. Next steps and adjourn

Meeting adjourned at 4:29pm

Respectfully submitted,

Jenny Umbarger
Growth Management Department

Accessible Meeting/Alternate Format Notification



This meeting/event location is accessible. Sign and other language interpreter service, assistive listening devices, materials in alternate format such as Braille, large print, electronic formats, language translations or any other accommodations are available upon advance request at no cost. Please contact Jenny Umbarger no later than 24 hours in advance of the meeting at jeumbarger@bendoregon.gov, 541-323-8509, or fax 541-385-6676. Providing at least 3 days' notice prior to the event will help ensure availability.

Agenda Item No. 3:
Introduction to Draft
Funding Chapter



Introduction to Draft Funding Chapter

PREPARED FOR: Funding Work Group (FWG)
PREPARED BY: Lorelei Juntunen, Becky Hewitt, and Sadie DiNatale, ECONorthwest
DATE: October 23, 2019

Introduction

The City of Bend is updating its transportation system plan (the Bend Transportation Plan, or BTP) to identify and prioritize needed transportation system investments over the next 20 years. Based on preliminary outlines prepared by the project team, the chapters of the BTP are anticipated to include:

- Chapter 1: legal and planning context, and process used to develop the plan
- Chapter 2: goals, policies and actions (including those related to funding)
- Chapter 3: summary of the analysis done to identify and prioritize needed system improvements
- Chapter 4: list and descriptions of the specific projects and programs, their estimated costs, the recommended timing (i.e. near-term vs. mid-term and long-term), and how they have been categorized
- Chapter 5: transportation funding strategy
- Chapter 6: performance monitoring approach

The purpose of this memorandum is to introduce a preliminary draft of chapter 5 of the BTP, which will capture key outcomes of the work done by the project team and FWG related to revenue projections and funding strategies. This chapter will include an estimate of the level of transportation-related funding that the City of Bend might reasonably expect to have available over the planning period (2020–2040), from existing and potential new or expanded funding sources.

The version of the funding chapter that follows is a preliminary draft for review and comment by the FWG. In addition to areas where the project team is requesting input from FWG, the project list is still being refined by the Citywide Transportation Advisory Committee (CTAC) and the project team, including project timing, project cost estimates, and the categories used to summarize and group the projects. Further, before the draft funding chapter goes to CTAC, ECONorthwest will make changes to the existing sources revenue projections which will reduce the estimates for the long-term but will not affect the conclusion the of the chapter (see Appendix B for more information).

Policy Objectives and Funding Plan Principles

This section serves as a reminder of the principles developed for the Initial Funding Assessment. The funding principles were used to guide the draft funding chapter and inform the funding policies (which will be included in Chapter 2 of the BTP; the draft policies are available at <https://www.bendoregon.gov/home/showdocument?id=42481>). CTAC will have their final review of the funding policies on November 20.

- **Intentional Diversification.** Use a range of tools to achieve balance and resilience. The tools that comprise the Funding Plan will be diverse enough to generate revenues that are stable and flexible over the planning period, generate revenue across economic market cycles, and fund the full range of project types and programs.
- **Fairness.** Ensure visitors and commuters, new development, existing residents, and businesses (including property tax exempt businesses) pay their fair share for the transportation system that everyone uses.
- **Equity.** The Funding Plan must consider and respond to the impacts that funding packages may have on historically vulnerable socioeconomic groups, including low-income populations and underrepresented minorities.
- **Full Funding for Priority Projects and Associated Operations, Maintenance, and Programs (OM&P).** The funding strategy in the BTP must generate sufficient revenue to cover the full life-cycle costs (from initial capital construction to on-going OM&P) of priority projects, programs, and needed staffing.
- **Community Ownership.** The funding strategy, like the BTP as a whole, must be community driven. Attaining community support for many of the new funding tools, especially those that require a public vote, will require public and stakeholder outreach, polling, an educational campaign, and a balanced approach to crafting the plan. In this context, “community” refers to Bend residents as well as other partners, like Deschutes County, the Oregon Department of Transportation, and the local business community.
- **Support Phased Implementation.** The projects described in the BTP will be implemented over a long term (20 years). As such, it will not require all of the funding to be available up front. The funding strategy in the BTP should provide revenue to match the expected sequence of projects, with an explicit focus on near-term and priority projects and programs.
- **Be flexible and adapt to the future.** Where possible and appropriate, the Funding Plan in the BTP should identify alternate tools (a “Plan B”) for those that require public votes or that Bend does not fully control. The Funding Plan should recognize the technologies will change in ways that affect costs and the City’s ability to monitor use and collect revenues. The Funding Plan should consider funding for innovation and adaptation/inclusion of new technologies that may become available over time.

Input Needed from the FWG

The desired outcome of the October 30th meeting is to collect FWG members’ input on key components of the funding chapter. This is part one of a two-meeting review by the FWG. FWG #7 (October 30) and FWG #8 (November 7) are one just week apart, so the draft funding chapter will not be redistributed between meetings.

The project team is seeking FWG feedback on the draft chapter so that by the end of FWG #8, the FWG is comfortable forwarding the funding chapter to CTAC for review.

Agenda Item No. 4:
Draft Funding Chapter

5 – Transportation Funding Strategy

This chapter provides direction about how to fund the projects identified in the BTP, using a range of existing and new sources. This chapter includes the following:

- Existing transportation funding sources, including estimated revenue expectations and revenue commitments.
- Summary of rough cost estimates for the transportation facilities and major improvements, organized by general estimate of the timing for planned facilities, and a summary of the estimated costs associated with operations, maintenance, and on-going programs (collectively referred to as OM&P).
- A discussion of the City's existing funding mechanisms and the ability of these and possible new mechanisms to fund the development of each transportation facility and major improvement, and the estimated funding gap based on expected revenue from existing sources.
- A preferred set of new and expandable funding tools to address the funding gap.

Legal Framework

This chapter addresses requirements for the Transportation Financing Plan, OAR 660-012-0040, under the Transportation Planning Rule. Specifically, it responds to the requirement for transportation system plans to identify the City's existing funding mechanisms and describe how these, along with possible new funding sources, can fund the projects identified in the plan.

In addition to the legal requirements that guide this chapter, this chapter is supported by the lists of transportation improvements planned through 2040, the estimate of costs and timing of those projects (chapter 4) and funding policies (Chapter 2).

Funding Analysis

Existing Funding

Summary of Existing Funding Mechanisms

The City of Bend currently collects revenue for transportation from federal, state, and local funding sources, including:

- **Surface Transportation Block Grant Program (STBG).** A major federal transportation program that provides flexible funds for transportation projects at the state and local level. Funds may be used to preserve and improve the conditions and performance of any Federal-aid highway, bridge, and tunnel projects; on any public road, pedestrian, and bicycle infrastructure; and on transit capital projects (including intercity bus terminals). The City of Bend has historically allocated all STBG revenue to bringing the Pavement Condition Index

to an acceptable level. As the City reaches its goal of improving pavement conditions, a portion of STBG revenue is expected to be allocated to capital projects (local street reconstruction).

- **State Highway Fund (SHF).** A state funding program, composed of several major funding sources: State Motor Vehicle Registration and Title Fees, Driver License Fees, State Motor Vehicle Fuel Taxes, and Weight-Mile Tax. SHF funds are apportioned to three jurisdictional levels in the following amounts: State (50%), Counties (30%), and Cities (20%). Funds must be spent on roads, including bikeways and walkways within the State-owned highway right-of-way. State funds can be used for both capital expenditures and OM&P of state roads. The City of Bend historically allocated all SHF funds to OM&P.
- **General Fund Subsidy.** Revenues that come from the City of Bend's discretionary General Fund resources. The allocation of these revenues to transportation and to specific transportation expenditures is determined by City Council each biennium through the budget process. Funding amounts can fluctuate over time based on Council priorities and available revenues.
- **Water and Sewer Franchise Fees.** A charge on revenue generated by water and sewer franchises. The majority of revenues are currently used for transportation capital expenditures, but this funding allocation is determined by City Council through the biennial budget process.
- **Garbage Franchise Fees.** A charge on revenue generated by garbage waste franchises. The City of Bend has historically used these revenues for OM&P, but funding allocation is determined by an ordinance adopted by the City Council.
- **Transportation System Development Charges (TSDCs).** Fees collected when new development and some redevelopment occurs within the City. Revenues are used to fund growth-related capital improvements that are on the City's adopted TSDC project list, as prioritized by Council.
- **Urban Renewal.** A tool that diverts property tax revenues from growth in assessed value inside an urban renewal area (URA) for investment in eligible capital projects. Eligible projects must be located within the URA boundary, be identified in the URA plan, and contribute to the alleviation of blight within the URA. The City has two existing URAs, both of which have funding for transportation projects included in their project lists. However, revenues have been slow to accumulate, making the actual timing and amount of available funding uncertain.
- **Grants:** The City of Bend applies for and receives grants for specific transportation capital projects. Grants are not included in the funding forecasts in this chapter because they are too project-specific and uncertain to predict. However, project costs listed in this plan are the City's share of total costs; some projects (such as those on state highways) are assumed to receive state funding.
- **Other, or Miscellaneous, Tools.** Miscellaneous revenues allocated to capital expenditures and OM&P.

Existing Funding Revenue Projections and Commitments

The City’s existing funding sources for capital projects are estimated to generate roughly \$139.2m in years 1-10 and approximately \$156.5 million in years 11-20. However, some revenues from existing sources are already committed to paying debt obligations on transportation projects that have already been built and to projects in the City’s existing, five-year Capital Improvements Program (2020-2024 CIP). All Water/Sewer Franchise Fee revenues are fully committed over the 20-year planning horizon to paying debt service on transportation projects. In the near-term (first 10 years), TSDC revenues are fully committed to debt service and the 2020-2024 CIP project list. In the mid- and long-term, a portion of TSDC revenue is committed to on-going debt payments.¹

Table 1 summarizes the projected revenue and estimated existing commitments to show the approximate amount of funding from existing sources available to pay for new transportation facility and major improvements (capital projects).

Table 1. Summary of Revenue from Existing Sources by Phasing Bucket, Available for Capital Expenditures after accounting for Funding Commitments, (2018 dollars), 2020–2040

	Near-Term (Years 1–10)	Mid- and Long-Term (Years 11–20)
Total Revenue	\$139,200,000	\$156,500,000
Committed Revenue	(\$122,500,000)	(\$49,500,000)
Total Available for New Projects	\$16,700,000	\$107,000,000

Source: Calculations by ECONorthwest.

Note: Values are in 2018 dollars and rounded to the hundred thousand.

On average, the City’s existing funding sources will generate approximately \$12.9 million per year to fund OM&P. Existing OM&P obligations are largely on-going needs that will continue throughout the planning horizon, including pavement and right-of-way maintenance on the existing road system, street sweeping, and snow removal and winter operations, etc. This means that existing funding for OM&P is fully committed to continuing the current OM&P activities.

¹ Debt service obligations are estimated at a total of \$4.5m per year. TSDC revenue is assumed to pay the portion of this obligation that is not paid by Water/Sewer Franchise Fees.

Funding Gap: Project and Program Costs and Existing Sources

As shown in Table 2, the projected available revenue from existing funding sources will not be adequate to fund the capital projects identified in this plan. The total funding gap is approximately \$494.8m over the 20-year planning horizon.

Table 2. Estimated Funding Gap for Capital Projects by Estimated Project Timing, (2018 dollars), 2020–2040

	Near-Term (Years 1–10)	Mid- and Long-Term (Years 11–20)	Expansion Areas (Development Driven)
Existing Revenue Available for New Projects	\$16,700,000	\$107,000,000	N/A
Total New Project Costs (including administration/overhead)	(\$241,000,000)	(\$377,800,000)	(\$90,500,000)
Estimated Funding Gap	(\$224,300,000)	(\$270,800,000)	(\$90,500,000)

Source: Calculations by ECONorthwest.

Note: Values are in 2018 dollars and rounded to the hundred thousand.

In addition, the new programs recommended for implementation in this plan along with the new OM&P costs attributable to planned new transportation facilities are estimated to cost a total of \$5.8-6.3m per year. The annual OM&P costs do not, however, include existing roadway reconstruction projects (i.e. a City program to reconstruct roads in a state of disrepair), which is estimated at roughly \$56m over the 20-year planning period. As with the capital project needs noted above, the new OM&P costs are based on significant new capital projects identified in this plan.

The OM&P expenditures identified in this plan will all require funding beyond what has historically be available for OM&P, since all existing revenue will continue to be needed for existing OM&P activities. This means the City has a gap of approximately \$5.8-6.3m per year to fund the desired new and increased OM&P identified in the plan.

Potential New Funding

Preferred New and Expanded Tools

To address the funding gap and fund the transportation facilities identified to meet the City’s transportation needs through the year 2040, seventeen funding mechanisms were evaluated, including new tools and expansion of existing tools. The evaluation covered a range of criteria to gauge the tools’ ability to close the funding gap, including the impact new or expanded tools would have on payers. The analysis identified the preferred new or expanded tools described below. Tools are organized by project eligibility as some tools may only be used to fund capital projects and others may be flexibly used for capital projects or OM&P.

Funding Sources for Capital Projects Only

- **General Obligation (GO) Bonds.** GO Bonds are debt issued for infrastructure improvements. The GO bond, which requires a public vote, is paid for by increased property taxes over the life of the bond, which typically last for 20 to 30 years for transportation projects. Funds must be used for capital projects, and because the tool requires a public vote, projects are often selected that will resonate with voters city-wide. The City of Bend

has used GO bonds for transportation in the past, and currently has outstanding GO bond debt; however, the City could issue additional GO bonds, on top of the current GO bond or after the current GO bond debt is retired. Oregon Revised Statutes 287A.050(2) states that "Unless the city charter provides a lesser limitation, a city may not issue or have outstanding at the time of issuance general obligation bonds in a principal amount that exceeds three percent of the real market value of the taxable property within its boundaries..." Based on the City of Bend's real market value included in the Deschutes County 2019-20 certified tax assessment roll, the three percent limit exceeds \$670m, and that limit will continue to increase as the real market value grows.

- City-wide Transportation System Development Charges (TSDCs): rate increase.** TSDCs are charges on new development, set by City Council, and established based on a list of projects to be funded with the revenues and a methodology for uniformly assessing costs. The City of Bend currently imposes a TSDC (see *Existing Sources*); however, the rate the City charges is not the maximum possible under the current methodology, and an update to the methodology and project list could result in a higher rate and additional funding. The City is planning an update to the TSDC project list and methodology to reflect eligible components identified in this TSP.
- Supplemental Area-Specific TSDCs.** Supplemental TSDCs are additional one-time fees (layered on top of the City-wide TSDCs). These fees are paid by new development within a defined geographic area. Funds can only be used for TSDC-eligible capital projects that increase capacity and benefit/serve the defined area. The City's Expansion Areas or other places with concentrated transportation needs and substantial growth expected could be appropriate locations to implement these fees.
- New Urban Renewal Areas.** Urban Renewal Areas (URAs) divert property tax revenues from growth in assessed value inside a defined area. The City currently has two URAs (see *Existing Sources*) but is considering a third URA in the Core Area, which would expand the urban renewal funding available for transportation projects in that area. Revenue must be spent on capital projects located within the URA (projects must also be identified in the URA plan and contribute to the alleviation of blight within the URA). Projects that make the URA more desirable for development or that alleviate conditions that were a barrier to development are the best candidates for URA revenues.
- Local Improvement Districts (LIDs).** LIDs are a type of special assessment district where nearby property owners are assessed a fee to pay for capital improvements within the LID boundary. Local street infrastructure improvements that benefit specific properties in a defined area may be funded by LID assessments. For example, LIDs may be appropriate for use in the City's Expansion Areas, or in other areas to support infrastructure with a localized benefit to surrounding properties. The City already has regulations that allow LIDs, but they have not been widely used for transportation infrastructure. To generate additional revenue from this tool, a more robust program would need to be developed and implemented.

Flexible Funding Sources for Capital or OM&P

- Transportation Utility Fee (TUF).** TUFs are fees assessed to all businesses and households in the jurisdiction. While jurisdictions typically use TUF revenue for OM&P (because of the on-going nature of the funding), there are no restrictions on use of funds and revenues may be used for capital projects as well. The fee may be assessed by the City Council.

- **Vehicle Registration Fee (VRF).** VRFs are recurring charges to businesses and individuals that own cars, trucks, and other vehicles. VRFs are assessed and collected at the county level and revenue is allocated to the county, and cities within the county, 60% to the county and 40 % to the cities. Revenue allocated to each city is based on the share of registered vehicles located in each city. The current maximum allowed rate is set in statute (\$56 per vehicle per year).² Funds may be flexibly used for capital projects or OM&P related to the roads. The fee may be assessed by the County, following approval at a county-wide vote. It may be appropriate to target the use of the City's portion of VRF revenue to projects with regional or county-wide benefits, so that County officials and voters county-wide see more value in implementing the fee.
- **Fuel Tax with Seasonal Variation.** The seasonal fuel tax is a tax on the sale of fuel with levy rates that fluctuate based on the month. Funds may be used flexibly for capital projects or OM&P. The tax may be assessed by the City Council, following approval at a city-wide vote, pursuant to the Bend Charter.
- **Prepared Food and Beverage Sales Tax with Seasonal Variation.** A tax on the sale of prepared food and beverages is typically added to the price at the point of sale. The recommended version is a seasonal, targeted tax with a levy rate that would fluctuate based on the time of the year (such as peak tourist seasons).³ The tax may be assessed by the City Council, following approval at a city-wide vote, pursuant to the Bend Charter. Funds may be used flexibly for capital projects and OM&P.

Estimated Revenue Potential of New Sources

Table 3 summarizes the estimated revenue potential of the possible new mechanisms (the preferred new funding sources) to fund the development of the transportation facilities and improvements identified in this plan.

² The \$56 per year VRF rate is legal, but no Oregon county currently imposes a rate this high (yet).

³ This reflects the input of the FWG and a preference for a tax that would vary seasonally; however, the practical implications of varying the rate seasonally merit additional evaluation to determine whether this is a reasonable approach.

Table 3. Potential New and Expanded Funding Tools and Reasonably Likely Revenue (2018 dollars)

Funding Tool	Overall Revenue Assumptions	Projected Revenue Potential Years 1-10	Projected Revenue Potential Years 11-20	Applicability to Expansion Area Projects
GO Bond	Approximately \$200m per bond is assumed, which was based on FWG conversations and tested in focus groups.	One bond of up to about \$200m is reasonably likely in the near-term, depending on Council and community support. The amount and potential projects would be determined through public opinion research.	A second bond, of up to about \$200m, is reasonably likely for the “mid-term” projects.	Potentially applicable, depending on timing of need relative to timing of bond, but not assumed.
City-wide TSDC increase	With a rate increase from \$8,000 per Peak Hour Trip (the rate as of Jan. 1, 2020) to \$10,000 per Peak Hour Trip, TSDC revenue could generate approximately \$2.7m of additional revenue per year above the revenue from the current rate.	As part of a methodology update, a rate increase is reasonably likely about mid-way through the first 10 years of the plan. If implemented in year 5, this expanded tool could generate approximately \$13.6m.	With the assumed rate increase, this expanded tool could generate approximately \$29.8m in additional revenue over the mid- and long-term.	Potentially applicable.
Supplemental Area-Specific TSDCs	The revenue potential of this tool would depend on the amount of development expected to occur in areas selected for the additional charge, and how much developers already pay toward the citywide TSDC.	Revenue potential would be dependent on the timing of implementation, the rate, and the timing of development.	Revenue potential would be dependent on the timing of implementation, the rate, and the timing of development.	Assumed as a likely funding source for Expansion Area projects.
Urban Renewal (Proposed Core Area)	Transportation funding from the proposed Core Area URA is estimated at roughly \$20-30m for projects in the BTP, plus additional funding for streetscape enhancements that are outside the BTP project list. The amounts, timing, and project allocations will be determined through the urban renewal plan process and through subsequent implementation of the urban renewal plan.	Implementation of an additional URA in the Core Area is reasonably likely in the near-term, with the area collecting initial revenues in 2022. Based on preliminary analysis of a new URA, roughly \$5m-10m could be available for transportation projects in the BTP in the near-term.	Based on preliminary analysis of a new URA, roughly \$10-20m could be available for transportation projects in the BTP in years 11-20.	Not applicable given current proposed new URA boundaries. Forming a new URA to fund expansion area transportation (or other infrastructure) projects may not be feasible or desirable and is not assumed as a possible new funding mechanism in this plan.

Funding Tool	Overall Revenue Assumptions	Projected Revenue Potential Years 1-10	Projected Revenue Potential Years 11-20	Applicability to Expansion Area Projects
Local Improvement Districts (LIDs)	Assumed to be used for smaller, local projects, of about \$350,000 in project costs per LID. The City is unlikely to establish more than two per year.	Dependent on projects selected and number of LIDs formed.	Dependent on projects selected and number of LIDs formed.	Assumed as a likely funding source for Expansion Area projects.
Transportation Utility Fee (TUF)	A fee rate of \$10 per month per household and a charge to businesses of \$2 per month per employee could generate approximately \$5m per year.	Implementation of this source is reasonably likely within the first 5 years. If implemented in year 5, this fee could generate approximately \$26m in total.	Over 10 years, this fee could generate approximately \$56m.	Potentially applicable, but not assumed.
Vehicle Registration Fee (VRF)	A \$56 per year (\$112 per biennium) rate – the maximum allowed under statute – could generate approximately \$3.6m per year for the City of Bend.	Implementation of this source is reasonably likely roughly mid-way through the first 10 years of the plan. If implemented in year 5 at \$56 per year per vehicle, this fee could generate approximately \$19m for the City of Bend.	Over 10 years, at \$56 per year per vehicle, this fee could generate approximately \$37m for the City of Bend.	Potentially applicable, but not assumed.
Seasonal Fuel Tax	A fuel tax of 1-5 cents per gallon with fluctuating rates by season could generate approximately \$1.3m per year.	Implementation of this source may be possible, if needed, roughly mid-way through the first 10 years of the plan. If implemented in year 5, the tax could generate approximately \$7m.	Over 10 years, this tax could generate approximately \$12m.	Potentially applicable, but not assumed.
Seasonal Food and Beverage Sales Tax	A 5% seasonal, prepared food and beverage sale tax could generate approximately \$2.6m per year.	This option was identified as less promising in the near-term by the FWG. If implemented in year 5, the tax could generate approximately \$12m.	If implemented mid-term, over 10 years, this tax could generate approximately \$31.6m.	Potentially applicable, but not assumed.

Conclusion

The combined revenue potential of new or expanded tools, described above as “reasonably likely” and primarily intended for capital projects, is approximately \$577m-592m over the 20-year planning horizon (based on the assumptions described in Table 3). This exceeds the total funding gap of approximately \$495.1m for capital projects over the 20-year planning horizon based on estimated available revenue from existing sources.

This demonstrates that the City’s existing funding mechanisms, with some combination of the potential new and expanded funding tools, are likely to be sufficient to fund the development of the transportation facilities and major capital improvements identified in this plan. In addition, existing funding combined with one or more potential new sources can reasonably provide sufficient funding to continue and expand the City's transportation operations, maintenance, and programs as described in this plan.

Appendix A provides a Near-Term Funding Action Plan that illustrates options for how the City could implement the potential new and expanded funding tools over the next 10 years to fund the projects identified as prioritized for 2020-2030.

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Appendix A. Near-term Funding Action Plan

The City wants to ensure that there is a realistic plan in place to fund the near-term project and program list within the first 10 years. To support this goal, the City will need to implement new or expanded funding sources to address the capital project funding gap of approximately \$224.3 million in the near-term (see Chapter 5, Table 2).

This section outlines two potential approaches to fund the near-term capital projects and programs. The intent here is to provide clear guidance on what will be needed to fund Bend's near-term transportation needs, recognizing that these approaches are not binding; the City Council will have discretion about which new / expanded funding tools to implement. Additionally, and with the exception of the TUF and TSDC rate increase, the implementation of any of the proposed funding tools will rely on a successful public vote. Given that uncertainty, Figure 1 and Figure 2 are presented as *illustrative examples* of alternative ways to fund the vision of the BTP, between 2020–2030.

- Plan A (illustrated in Figure 1) assumes a large GO bond is successfully implemented at the beginning of the planning period to cover nearly all of the costs of the near-term project list, and that a TUF is implemented to fund new and increased OM&P costs
- Plan B (illustrated in Figure 2) assumes that a GO bond is successful at the beginning of the planning period, but that the amount funded through the bond is insufficient to cover the full cost of the near-term project list, with the balance funded through other preferred new or expanded funding tools. New or expanded funding tools could include a vehicle registration fee, a targeted seasonal sales tax (e.g. fuel tax or prepared food and beverage tax), an increase to TSDCs, and/or greater reliance on urban renewal funding to pay for transportation. Like Plan A, it assumes that a TUF is implemented to fund new and increased OM&P costs, though other new flexible sources may contribute to these as well.

Either Plan A or Plan B could fully fund the near-term project list and the expanded OM&P recommendations; however, Plan B would require more separate actions and public votes to implement a larger number of new or expanded funding sources.

In the diagrams below, the left column shows recommended funding tools. Each tool is connected to a project category (right column). The magnitude of funding potential (left column) matches the cost of priority projects (right column) as rates are assumed to achieve the correct dollar amount. Note that the figures show the portion of existing funding sources that is allocated towards existing debt obligations and the 2020-2024 CIP as well as the portions that are available to fund new projects.

Figure 1. Diagram of Near-term Funding Plan (Plan A), 2020–2030

Note to Reviewer: Sankey diagrams are pending updates to reflect feedback from staff and updates to the project categories. We will bring the diagrams as handouts to the meeting.

[SANKEY FOR PLAN A GOES HERE]

Source: Calculations by ECONorthwest.

Figure 2. Diagram of Near-term Funding Plan (Plan B), 2020–2030

[SANKEY FOR PLAN B GOES HERE]

Source: Calculations by ECONorthwest.

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Appendix B. Funding Strategy Analysis and Methods

This appendix presents additional details of the assumptions and methodology used to develop the funding strategy presented in Chapter 5 of Bend's Transportation Plan.

Summary of Analysis

The approach to developing the funding strategy included:

- Worked with consulting teams and staff from relevant State, regional, and local agencies to discuss financials, transportation services, and funding plans and policies.
- Reviewed existing data and previous studies, such as: City of Bend Adopted Biennial Budgets and financial summaries, the City of Bend's existing Transportation System Plan (TSP), and the City of Bend's existing Capital Improvement Plans (CIP).
- Developed an Initial Funding Assessment (IFA) with a preliminary analysis of funding needs and funding capacity from existing funding tools and potential new / expanded tools. The IFA presented the evaluation of potential new / expanded tools and preliminary funding packages to fund transportation needs.
- Using recommendations outlined in the IFA, refined a funding strategy to (1) consider the costs of needed projects and programs as identified by CTAC, and (2) identify suitable new / expanded funding tools to cover funding needs that exceed the City's current funding capacity.

Analysis of Existing Sources⁴

ECONorthwest worked with City staff to project transportation revenues that could be available from existing funding sources over the 2020–2040 planning horizon. The two forecasts, on subsequent pages, display revenue projections of existing revenue sources. One way of thinking about these projections is that they estimate the amount of revenue available for implementation *if nothing changes in the future* (e.g. no new funding tools, rates of existing tools remain unchanged, etc.). Combined with the estimated capital and OM&P costs, the existing tools inform a funding gap to determine the amount of additional revenue that is needed to implement Bend's transportation system needs over the planning horizon.

⁴ Before the preliminary, draft funding chapter goes to CTAC, ECONorthwest will make some changes to the existing sources revenue projections which will reduce the revenue estimates for the long-term but will not affect the conclusion of the funding chapter. The changes include:

- (1) Reduce revenue potential of the Surface Transportation Block Grant (STBG) source, displayed in the existing sources forecast. The current estimates are showing the full federal amounts, however, the City of Bend only receives \$0.94 for every dollar. Estimates will reduce by 6%.
- (2) Convert the existing sources revenue forecast into 2018 dollars. Currently some of the 2020 and 2021 estimates are presented as budget numbers.
- (3) Update revenue projections to show 20-years' worth of revenue rather than 21 years. Current forecasts start in FY 2019-2020. ECONorthwest will revise the forecasts to begin in FY 2020-2021.

Existing funding tools are forecast to generate approximately \$566.3 million over the planning period, with approximately \$295.7 million (or 52% of the total) available for capital costs and approximately \$270.6 million (or 48% of the total) for OM&P costs.

Table 4 the revenue projections for capital expenditures and Table 5 presents the revenue projections for operations, maintenance, and programs (OM&P). In summary, ECONorthwest estimates that on average, existing revenue sources will generate approximately \$13.2 million per year for capital needs (not inclusive of existing Urban Renewal estimates) and approximately \$12.9 million per year for OM&P.

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Table 4. Forecast of Existing Revenues for Capital Projects (excluding Urban Renewal revenue from Murphy Crossing and Juniper Ridge URAs), 2020–2040

Fiscal Year	Water/Sewer Franchise Fees ⁵	TSDC Revenues Collected ⁶	Surface Transportation Block Grant ⁷	Other ⁸	Total
2020	\$1,618,500	\$9,138,450	\$0	\$470,700	\$11,227,650
2021	\$1,699,400	\$9,138,450	\$0	\$511,600	\$11,349,450
2022	\$1,738,486	\$9,138,450	\$0	\$20,000	\$10,896,936
2023	\$1,778,471	\$9,138,450	\$0	\$20,000	\$10,936,921
2024	\$1,819,376	\$9,138,450	\$257,629	\$20,000	\$11,235,456
2025	\$1,861,222	\$11,685,485	\$255,388	\$20,000	\$13,822,095
2026	\$1,904,030	\$11,685,485	\$253,156	\$20,000	\$13,862,671
2027	\$1,947,823	\$11,685,485	\$250,942	\$20,000	\$13,904,250
2028	\$1,992,623	\$11,685,485	\$248,752	\$20,000	\$13,946,860
2029	\$2,038,453	\$11,685,485	\$246,575	\$20,000	\$13,990,514
2030	\$2,085,337	\$12,323,436	\$244,419	\$20,000	\$14,673,191
2031	\$2,133,300	\$12,323,436	\$242,288	\$20,000	\$14,719,024
2032	\$2,182,366	\$12,323,436	\$240,174	\$20,000	\$14,765,976
2033	\$2,232,560	\$12,323,436	\$278,883	\$20,000	\$14,854,879
2034	\$2,283,909	\$12,323,436	\$276,450	\$20,000	\$14,903,795
2035	\$2,336,439	\$10,335,044	\$274,041	\$20,000	\$12,965,524
2036	\$2,390,177	\$10,335,044	\$271,648	\$20,000	\$13,016,869
2037	\$2,445,151	\$10,335,044	\$269,278	\$20,000	\$13,069,473
2038	\$2,501,390	\$10,335,044	\$266,923	\$20,000	\$13,123,357
2039	\$2,558,922	\$10,335,044	\$264,592	\$20,000	\$13,178,557
2040	\$2,617,777	\$10,335,044	\$262,276	\$20,000	\$13,235,097
Total	\$44,165,714	\$227,747,117	\$4,403,414	\$1,362,300	\$277,678,544
Average	\$2,103,129	\$10,845,101	\$209,686	\$64,871	\$13,222,788

Source: ECONorthwest.

Note: Values are in 2018 dollars, with the exception of 2020 and 2021 values for Water/Sewer Franchise Fees and Other, which are based on the City of Bend's budget.

In addition to the revenues described in Table 4 above, the City has two urban renewal areas (URA), Juniper Ridge and Murphy Crossing. Each of these plans identifies transportation projects in the TSP that will be funded with URA dollars. These expenditures total \$18M over

⁵ The projection is based on budgeted amounts for 2020-21 and assumes a 2.3% annual increase in subsequent years to account for population growth. Because water and sewer rates increase over time with inflation, these projections are not discounted for inflation.

⁶ Based on total trip generation over the 2020-2040 period, allocated to 5-year period based on projected population growth in each 5-year period, at \$8,000 per Peak Hour Trip. Annual estimated revenue is total estimate revenue averaged over the 20-year period. The projection is not discounted for inflation because the TSDC rate (\$8,000 per Peak Hour Trip) is annually adjusted based on an established cost index to account for inflation.

⁷ The projection is based on ODOT's Long Range Revenue Tables. It assumes the full allocation (100%) of Bend's STBG revenue is directed to operations, maintenance, and programs (OM&P) expenses until 2023. In 2024 and onwards, 25% of STBG dollars are allocated to capital expenditures and 75% to OM&P. Values are discounted for inflation.

⁸ Other sources of revenue include rental income, charges for service, loan repayments, investment income, and miscellaneous revenues. The projection is based on the City of Bend's budget for 2020 and 2021. In year 2022 and onward, \$20,000 is assumed to account for some investment income.

the 20-year planning horizon (\$14M in near-term and \$4M in Mid- Long-term), bringing the total amount of existing revenue available for transportation projects to \$139.2m in the near-term and \$156.5m in the mid- and long-term (see Table 1).

Table 5. Forecast of Existing Revenues for Operations/Maintenance and Programs, 2020–2040

Fiscal Year	State Highway Fund ⁹	Surface Transportation Block Grant ¹⁰	General Fund ¹¹	Garbage Franchise Fees ¹²	Other ¹³	Total
2020	\$7,311,000	\$690,900	\$7,573,900	\$872,700	\$61,800	\$16,510,300
2021	\$7,917,000	\$690,900	\$7,482,700	\$892,500	\$25,600	\$17,008,700
2022	\$6,926,661	\$786,531	\$5,436,834	\$807,989	\$10,000	\$13,968,015
2023	\$6,929,584	\$779,685	\$5,545,571	\$801,740	\$10,000	\$14,066,580
2024	\$6,849,913	\$515,259	\$4,723,270	\$795,529	\$10,000	\$12,893,970
2025	\$6,753,939	\$510,775	\$4,686,749	\$789,378	\$10,000	\$12,750,841
2026	\$6,529,922	\$506,311	\$4,650,336	\$783,245	\$10,000	\$12,479,814
2027	\$6,324,384	\$501,883	\$4,614,174	\$777,154	\$10,000	\$12,227,595
2028	\$6,349,822	\$497,504	\$4,578,388	\$771,127	\$10,000	\$12,206,840
2029	\$6,388,840	\$493,150	\$4,542,765	\$765,127	\$10,000	\$12,199,882
2030	\$6,427,217	\$488,837	\$4,507,438	\$759,177	\$10,000	\$12,192,669
2031	\$6,465,148	\$484,577	\$4,472,525	\$753,297	\$10,000	\$12,185,546
2032	\$6,502,388	\$480,348	\$4,437,839	\$747,454	\$10,000	\$12,178,030
2033	\$6,539,140	\$557,767	\$4,403,502	\$741,671	\$10,000	\$12,252,080
2034	\$6,575,188	\$552,900	\$4,369,354	\$735,920	\$10,000	\$12,243,363
2035	\$6,610,737	\$548,083	\$4,335,520	\$730,221	\$10,000	\$12,234,561
2036	\$6,645,595	\$543,296	\$4,301,860	\$724,552	\$10,000	\$12,225,302
2037	\$6,679,970	\$538,555	\$4,268,498	\$718,933	\$10,000	\$12,215,956
2038	\$6,713,693	\$533,846	\$4,235,313	\$713,343	\$10,000	\$12,206,195
2039	\$6,746,972	\$529,183	\$4,202,426	\$707,804	\$10,000	\$12,196,385
2040	\$6,779,655	\$524,553	\$4,169,731	\$702,298	\$10,000	\$12,186,237
Total	\$140,966,767	\$11,754,843	\$101,538,692	\$16,091,159	\$277,400	\$270,628,860
Average	\$6,712,703	\$559,754	\$4,835,176	\$766,246	\$13,210	\$12,887,089

Source: ECONorthwest.

Note: Values are in 2018 dollars, with the exception of 2020 and 2021 values, which are based on the City of Bend's budget.

⁹ The projection is based on ODOT's Long Range Revenue Tables, which allocates funds to ODOT, counties, and cities. Values are discounted for inflation.

¹⁰ The projection is based on ODOT's Long Range Revenue Tables. It assumes the full allocation (100%) of Bend's STBG revenue is directed to operations, maintenance, and programs (OM&P) expenses until 2023. In 2024 and onwards, 25% of future allocations goes to capital expenditures and 75% to OM&P. Values are discounted for inflation.

¹¹ The General Fund Subsidies for fiscal year 2020 and 2021 include one-time funding to support City Council's 2019-2021 goals to improve neighborhood safety and make investments in street infrastructure. The estimates for 2022 and beyond are based on a previous fiscal policy to dedicate 75% of all franchise fee revenue to Street Maintenance, but actuals will be determined by City Council as part of future goal setting and biennial budgeting processes. Values are discounted for inflation.

¹² The projection is based on historical revenues received in Bend from this source, increasing by 2.3% growth each year prior to being discounted for inflation. (Garbage service rates historically have not increased with inflation.)

¹³ Other sources of revenue include licenses and permits, charges for services, investment income, and other miscellaneous revenues. The projection is based on the City of Bend's budget for 2020 and 2021. In year 2022 and onward, \$10,000 is assumed to account for some investment income.

Analysis of New / Expanded Funding Tools

The analysis of new funding tools and potentially expandable existing funding tools provide the City with options to generate new revenue over the planning horizon. The preferred new / expanded tools do not include project-specific tools or potential grants; these types of tools are desirable when available and should be pursued, but they are too specific and uncertain to be factored into Bend's overall funding strategy.

The evaluation of new / expanded tools looked at the dimensions of equity, political acceptability, efficiency, legality, and magnitude of funding potential. It assessed funding potential using a range of levy rates, calibrated for reasonableness to address the BTP funding gap, after revenues of existing sources was factored into the equation.

Note to Reviewer: This section will focus methods and assumptions used to generate the current revenue projections for new tools, including the tables showing revenue by year. We could potentially include the whole IFA as an appendix (in addition to these tables presented), if desired.

Table 6. Forecast of New Revenues (2018 dollars) for Capital Projects, 2020–2040

[Forecast Table Inserted Here]

Source: ECONorthwest.

Note: Values are in 2018 dollars.

Table 7. Forecast of New Revenues (2018 dollars) for Operations/Maintenance and Programs, 2020–2040

[Forecast Table Inserted Here]

Source: ECONorthwest.

Note: Values are in 2018 dollars.