

DRAFT FINANCIAL ASSESSMENT MEMORANDUM

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|-----------------|--|--------------------|
| Date: | November 13, 2020 | Project #: 23514.0 |
| To: | David Hope, Coos County Area Transit Jennifer Boardman and Virginia Elandt, Oregon Department of Transportation | |
| From: | Susan Wright, PE, Krista Purser, PE and Bincy Koshy, Kittelson & Associates, Inc. | |
| Project: | Coos County Transit Master Plan | |
| Subject: | Draft Memorandum #6: Draft Financial Assessment Memorandum (Subtask 4.1) | |

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INTRODUCTION

This memorandum serves to describe and identify funding and costs for service opportunities developed in *Memo #5: Future Service Opportunities* to address potential service gaps and needs which were identified in *Memo #4: Unmet Transportation Needs*. These were based on:

- Vision, goals, and objectives developed, which are used to guide the process in identifying needs,
- Analysis of deficiencies and needs of the existing system,
- Results of the online surveys, onboard surveys and driver surveys conducted, and
- Additional stakeholder and public input for this project.

This memo's content includes:

- Background – Summary of the service alternatives and assumed future conditions documented in previous memos.
- Funding Analysis – Evaluation of existing funding sources and revenues, STIF projections and overall existing and future revenue projections

- Service Alternatives Funding Scenarios and Assumptions – Calculation and evaluation of short-term, mid-term and long-term costs of the future service opportunities developed for existing and new Coos County Area Transit (CCAT) transit lines
- Potential Future Local Funding Sources – Calculation and projection of growth of the property tax (0.02%) and employer-based payroll tax (0.1%) for the 20-year plan horizon and assessment of future funding scenarios which involves inclusion of property tax only (scenario 1), inclusion of employer-based payroll tax only (scenario 2) and inclusion of both property tax and employer-based payroll tax (scenario 3)
- Attachment A - CCATD Existing and Potential Funding Sources – Existing funding sources including federal grants, state funding and local funding sources and potential additional local funding sources such as local taxes and fees (property tax, payroll tax) to aid with Coos County Area Transit (CCAT) funding for service alternatives and fleet.

BACKGROUND

This section summarizes findings from *Memo #5: Future Service Opportunities* that affect the evaluation of costs and funding of alternatives.

SHORT-TERM AND LONG-TERM SERVICE ALTERNATIVES

Figure 1 illustrates the recommended and new routes (short-term) in Coos County as recommended in *Memo #5: Future Service Opportunities*. As shown, all routes will be operated as a deviated fixed-route service open to the general public, as opposed to restricted to people with disabilities and/or older adults.

In the long-term, CCAT will assess performance and determine if any changes to the service model or route should be implemented. Planned long-term changes include:

- Service increases on the Highway 42 route, which would improve service for trips from Bay Area communities to Coquille and Myrtle Point. A Roseburg-based second bus on the Highway 42 route serving same-day round-trips from Roseburg, but also serving same-day round trips from Myrtle Point and Coquille to the Bay Area.
- Expand days of operation of Florence Route to provide service every weekday between Lakeside and the Bay area for employment and education purposes (early morning south bound). This trip extended north will benefit Reedsport residents who work or study Bay area or wish to travel to Roseburg.
- Additional service coverage in the Bay Area.
- Increased hours of service and frequencies in the Bay Area.

Specific long-term changes are proposed for each route as detailed in *Memorandum #5: Future Service Opportunities*.

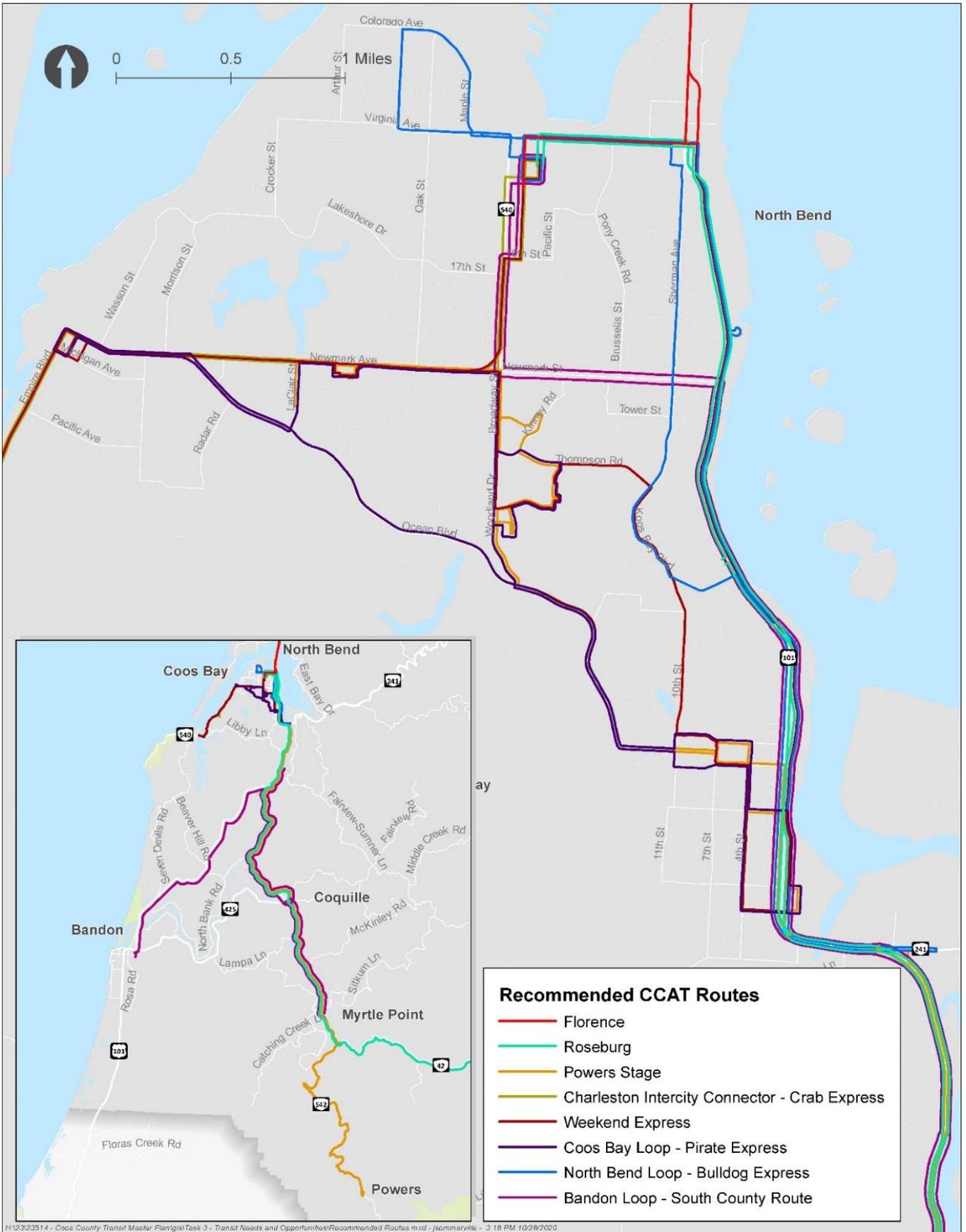
CAPITAL ALTERNATIVES AND TECHNOLOGY

Fleet findings are as follows:

- CCAT has a fleet of 21 vehicles
- Three vehicles were acquired in 2019 and have logged approximately 5,500 miles or fewer
- 13 buses have exceeded their Expected Useful Life (EUL) and are eligible for replacement in FY 20/21; 2 are eligible for replacement in FY 23/24. No buses will exceed their EUL in FY 21/22, FY 22/23 or FY 24/25.

- It is recommended that CCAT maintain an average fleet age that is less than half the vehicles' average life span of the vehicles.
- Capital costs are expected to be \$125,000 per 22-foot bus, based on the American Public Transportation Association (APTA)'s *2020 Public Transportation Vehicle Database*.
- It is recommended that CCAT purchase low-floor buses for all deviated and fixed routes that are able to accommodate low-floor buses as routes with steep grades and stops, where it is difficult to maintain an ADA-compliant slope on the ramp, are best served by buses with lift systems to accommodate passengers with disabilities.
- Approximately 80-90% of these costs may be funded by state and federal grants; however, 10-20% of the costs should be budgeted for grant match funds. Based on these cost calculations, approximately \$375,000 should be budgeted over the next five years for local match for replacing buses, or \$75,000 per year from FY 20/21 to FY 24/25.

Figure 1. Recommended Short-Term Routes



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FUNDING ANALYSIS

This section describes existing funding sources, potential future funding sources and projections of annual revenues. CCAT's fiscal year 2020-2021 approved revenue budget for total operations is \$2.7 million including \$737,000 from the new Statewide Transportation Improvement Fund (STIF).

EXISTING FUNDING SOURCE ASSUMPTIONS

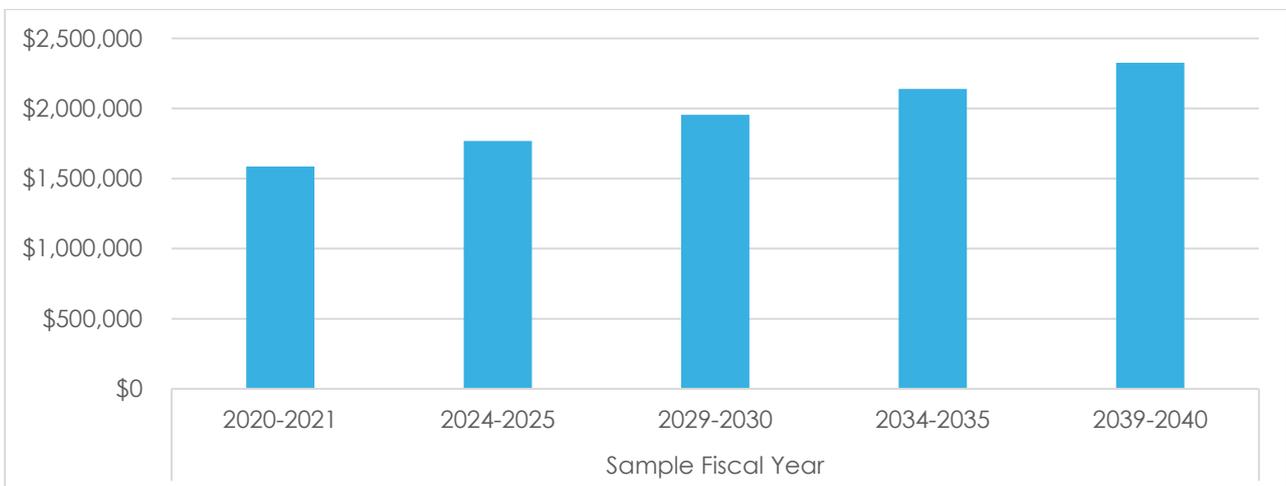
As discussed in *Memo #1: Existing Conditions*, CCAT currently has a mix of revenue sources including federal, service contracts, state, local, fares, local funds, and advertising. Though these funding sources fluctuate slightly year-by-year, generally consistent funding is provided through federal and state grants, service contracts, and fare revenue. Table 1 and Figure 2 show the existing funding sources, projected using the following assumptions:

- **Grant Revenue:** State and federal grants are allocated by ODOT to CCAT. Based on CCAT's historical grant revenue, as reported to the National Transit Database (NTD) between 2013 and 2018 and as reported by CCAT in 2020, the grant revenue projections are expected to be steady in the future. These grant revenues do not include one-time grants such as the CARES Act or irregular grants such as capital grants. Capital grants are identified later in this memorandum.
- **STIF Formula:** New funding through the Statewide Transportation Improvement Fund (STIF) employment tax will be distributed through the state to CCAT. Funding is projected to be \$737,000 in FY20. ODOT has provided estimated funding for the next several years, including COVID-19 estimated impacts. The future funding analysis assumes the STIF formula funds to grow at 4% beyond those years.
- **Fare Revenue:** Fare revenues are assumed to grow at 2% annually.
- **Contracts:** Contracts, referring to fare passes and program agreements with other organizations, are assumed to grow at 2% annually.
- **Local Funding:** Local funding is anticipated to be stagnant due to the new STIF funding, as local agencies lower their funding based on the availability of STIF.

Table 1: Projected Annual Revenues - Existing Funding Sources

| Funding Scenario | Sample Fiscal Year | | | | |
|--------------------------|--------------------|-------------|-------------|-------------|-------------|
| | 2020 | 2025 | 2030 | 2035 | 2040 |
| Existing Funding Sources | \$1,586,000 | \$1,805,000 | \$1,991,000 | \$2,177,000 | \$2,363,000 |

Figure 2: Projected Annual Revenues - Existing Funding Sources



SERVICE ALTERNATIVES FUNDING SCENARIOS AND ASSUMPTIONS

This section discusses cost assumptions and projected costs for short-term recommendations and long-term opportunities for CCAT services.

SERVICE ALTERNATIVE COST PROJECTIONS AND ASSUMPTIONS

The cost assumptions for services include short-term (2020-2024), mid-term (2025 – 2030) and long-term (2031 to 2040) recommendation cost estimates. Short-term recommendation costs were estimated using current operating costs of \$60 per hour. Long-term funding availability and potential service provisions are discussed later in this memorandum. Table 2 shows short-term, mid-term and long-term service alternative annual vehicle hours and annual operating costs.

Table 2. Short-Term, Mid-Term and Long-Term Annual Vehicle Hours and Costs for Service Alternatives

| Route | Annual Vehicle Hours | | | | Annual Cost (\$1,000) in Today's Dollars | | | | | | |
|---|----------------------|---------------------|---|--------------------|--|---------------------|----------------------------|---|--------------|----------------|-----|
| | Pre-COVID | Timeline | Change | Service Hours | Pre-COVID | Timeline | Change | Annual Cost (\$1,000) | | | |
| Bay Area Local (Pirate, Bulldog, Crab, Weekend) | 5,338 | Short | Deviated Fixed Route Model | 8,295 ¹ | \$320 | Short | Deviated Fixed Route Model | \$498 | | | |
| | | Mid | Short-term | | | 8,295 | Mid | Short-term | | \$498 | |
| | | | Increase Service Span for Pirate Express, Bulldog Express and Weekend Express | | | +620 | | Increase Service Span for Pirate Express, Bulldog Express and Weekend Express | | +\$37 | |
| | | | Saturday Service | | | +1,320 | | Saturday Service | | +\$79 | |
| | | | Increase Frequency for Crab Express | | | +2,550 | | Increase Frequency for Crab Express | | +\$153 | |
| | | | Additional Bay Area Route | | | +2,550 | | Additional Bay Area Route | | +\$153 | |
| | | | Mid-Term Total | | | 15,335 | | Mid-Term Total | | \$920 | |
| | | Long | Mid-Term | | | 15,335 | Long | Mid-Term | | \$920 | |
| | | | Increase Service Span for all Bay Area routes | | | +2,775 | | Increase Service Span for all Bay Area routes | | +\$166 | |
| | | | Increase Service Frequency for Pirate Express, Bulldog Express and Crab Express | | | +9,270 | | Increase Service Frequency for Pirate Express, Bulldog Express and Crab Express | | +\$556 | |
| | | | Long-term Total | | | 27,360 | | Long-term Total | | \$1,642 | |
| | | Timber Express | 917 | N/A | | Elimination | N/A | \$55 | N/A | Elimination | N/A |
| | | Cranberry Express | 975 | N/A | | Elimination | N/A | \$59 | N/A | Elimination | N/A |
| Powers Stage | 536 | Short, Medium, Long | N/A | 536 | \$32 | Short, Medium, Long | N/A | \$32 | | | |
| South County | N/A | Short | Two trips/day | 1,530 | N/A | Short | Two trips/day | \$92 | | | |
| | | Medium, Long | Short-term | | | 1,530 | Short-term | | \$92 | | |
| | | | Four trips/day | | | +3,060 | Four trips/day | | +\$183 | | |
| | | | Mid-term Total | | | 4,590 | Mid-term Total | | \$275 | | |

¹ This increase is offset by reductions in paratransit.

| | | | | | | | | | | | |
|-----------------------------------|------------------------|-----------------------|---|----------------------------------|----------------------|---|---|--------------|----------------------------------|---|--------------|
| ADA Paratransit (Bay Area) | 4,547 | N/A | Removed | - | \$273 | N/A | Removed | - | | | |
| Dial-a-Ride (Bandon) | 975 | N/A | Removed | - | \$59 | N/A | Removed | - | | | |
| Dial-a-Ride (Other) | 4,300 | N/A | Removed | - | \$258 | N/A | Removed | - | | | |
| Dial-a-Ride | N/A | Short, Medium | Deviated Fixed Route Model (2 vehicles) | 4,080 | N/A | Short, Medium | Deviated Fixed Route Model (2 vehicles) | \$245 | | | |
| | | Long | Mid-term | 4,080 | | Long | Mid-term | \$245 | | | |
| | | | Deviated Fixed Route Model (3 vehicles) | +2,040 | | | Deviated Fixed Route Model (3 vehicles) | +\$122 | | | |
| | | | Long-term Total | 6,120 | | | Long-term Total | \$367 | | | |
| Roseburg | N/A | Short | Service on Tuesday and Wednesday | 660 | N/A | Short | Service on Tuesday and Wednesday | \$40 | | | |
| | | | Medium | Short-term | | | 660 | Medium | Short-term | \$40 | |
| | | | | Service on Thursday and Saturday | | | +660 | | Service on Thursday and Saturday | +\$39 | |
| | | Mid-term Total | 1,320 | Mid-term Total | | \$79 | | | | | |
| | | Long | Mid-term | 1,320 | | Long | Mid-term | \$79 | | | |
| | | | Service on Friday, Sunday and Monday | +990 | | | Service on Friday, Sunday and Monday | \$60 | | | |
| | | | Long-term Total | 2,310 | | | Long-term Total | \$139 | | | |
| | | Florence | N/A | Short | | Service on Monday, Tuesday, Thursday and Friday | 2,640 | N/A | Short | Service on Monday, Tuesday, Thursday and Friday | \$158 |
| | | | | | | Medium | Short-term | | | 2,640 | Medium |
| Service on Wednesday | +660 | | | | Service on Wednesday | | \$40 | | | | |
| Mid-term Total | 3,300 | | | Mid-term Total | \$198 | | | | | | |
| Long | Mid-term | | | 3,300 | Long | Mid-term | \$198 | | | | |
| | Weekend Service | | | +1,320 | | Weekend Service | +\$79 | | | | |
| | Long-term Total | 4,620 | Long-term Total | \$277 | | | | | | | |
| Total | 17,588 | Short-Term | 17,741 | | \$1,055 | Short-Term | \$1,064 | | | | |
| | | Mid-Term | 29,161 | | | Mid-Term | \$1,750 | | | | |
| | | Long-Term | 45,536 | | | Long-Term | \$2,732 | | | | |

CAPITAL AND FLEET COSTS

As discussed in Memo #5: *Future Service Opportunities*, approximately \$375,000 is recommended to be budgeted over the next five years for local match to state and federal grants for fleet replacement; \$75,000 per year from FY 20/21 to FY 24/25. The fleet replacement costs are assumed to grow by 6% annually throughout the entire plan horizon. Table 3 shows the recommended annual local match for capital improvements and fleet replacement that should be budgeted annually in the future.

Table 3. Future Fleet Replacement Costs

| Costs | Sample Fiscal Year | | | | |
|-------------------------|--------------------|-----------|-----------|-----------|-----------|
| | 2020 | 2025 | 2030 | 2035 | 2040 |
| Fleet Replacement Costs | \$75,000 | \$106,000 | \$142,000 | \$191,000 | \$255,000 |

TOTAL PROJECTED REVENUES AND COSTS

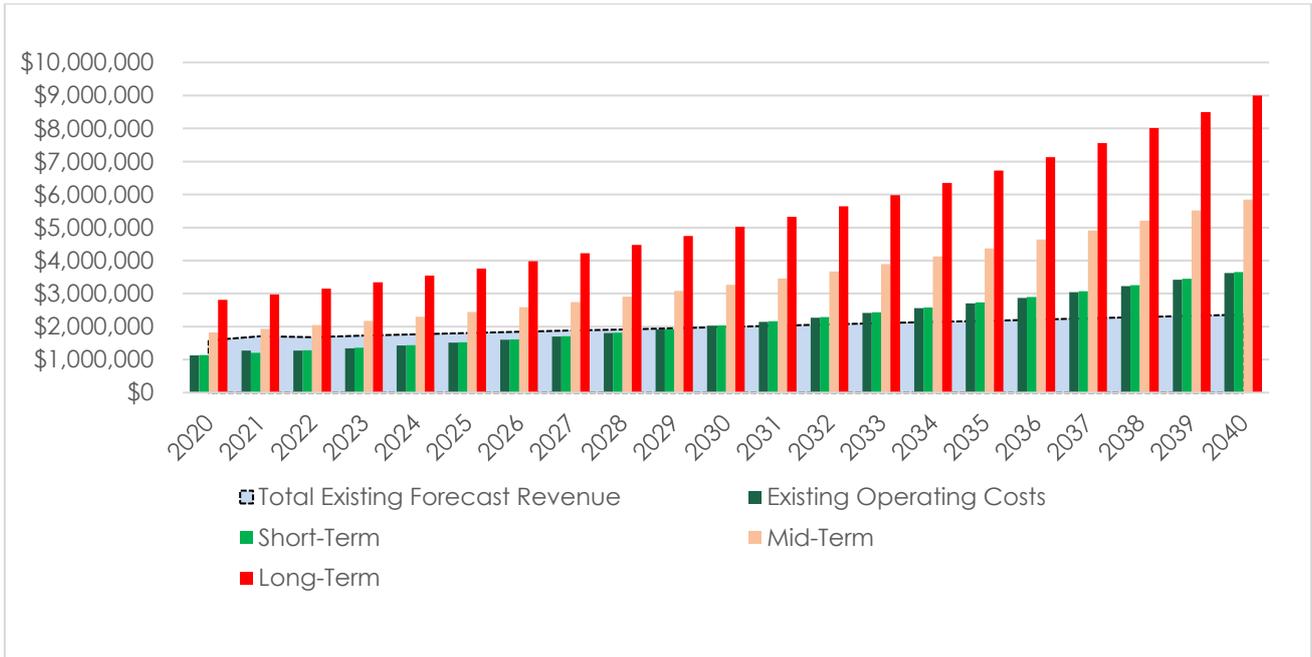
CCAT's existing funding sources (including the STIF funding) provide a base for continuing to provide existing transit services in the region and to enhance those services into the future. Table 4 shows the summary of the short, mid, and long-term annual vehicle hours and costs of the recommendations, based on Table 2.

Table 4. Summary of Short-Term, Mid-Term and Long-Term Annual Vehicle Hours and Costs

| Route | Annual Vehicle Hours | | | | Annual Cost (\$1,000, in Today's Dollars) | | | |
|--|----------------------|------------|----------|-----------|---|------------|----------|-----------|
| | Existing | Short-term | Mid-term | Long-term | Existing | Short-term | Mid-term | Long-term |
| Bay Area Local (Pirate, Bulldog, Crab, Weekend) | 5,338 | 8,295 | 15,335 | 27,360 | \$320 | \$498 | \$920 | \$1,642 |
| Timber Express | 917 | N/A | N/A | N/A | \$55 | N/A | N/A | N/A |
| Cranberry Express | 975 | N/A | N/A | N/A | \$59 | N/A | N/A | N/A |
| Powers Stage | 536 | 536 | 536 | 536 | \$32 | \$32 | \$32 | \$32 |
| South County | N/A | 1530 | 4590 | 4590 | N/A | \$92 | \$275 | \$275 |
| ADA Paratransit (Bay Area) | 4,547 | N/A | N/A | N/A | \$273 | N/A | N/A | N/A |
| Dial-a-Ride (Bandon) | 975 | 4,080 | 4,080 | 6,120 | \$59 | \$245 | \$245 | \$367 |
| Dial-a-Ride (Other) | 4,300 | | | | \$258 | | | |
| Roseburg | N/A | 660 | 1,320 | 2,310 | N/A | \$40 | \$79 | \$139 |
| Florence | N/A | 2,640 | 3,300 | 4,620 | N/A | \$158 | \$198 | \$277 |
| Total | 17,588 | 17,741 | 29,161 | 45,536 | \$1,055 | \$1,064 | \$1,750 | \$2,732 |

Figure 3 shows the projections of existing revenues along with short-term, mid-term and long-term costs. As shown, existing revenues are sufficient to fund short-term costs in the near future (up to 2029) but are not sufficient to fund short-term costs after the year 2029, mid-term or long-term costs. To ensure sustainability beyond 2030 or to implement mid-term or long-term improvements, CCAT will need to identify additional funding sources.

Figure 3. Projections of Total Existing Revenue Sources Compared to Short-Term, Mid-Term and Long-Term Service Alternatives Costs



POTENTIAL FUTURE LOCAL FUNDING SOURCES

There are several additional funding sources that CCAT could pursue if additional funding is desired to provide sustainability for the short-term service recommendations or to increase service based on the mid-term and long-term alternatives. Examples include a local property tax, employer-based payroll tax, or transit utility fee. The property tax and employer-based payroll tax are discussed below as examples of the range of funding that could be generated by these approaches. Table 5 summarizes the projected growth for these potential funding sources for the 20-year planning horizon.

PROPERTY TAX

As a transit district, CCAT could pursue property tax similar to other transit providers in the state such as Lincoln County Transportation District and the Rogue Valley Transportation District. A property tax would provide a determined percentage per \$1,000 of assessed property value, such as two hundredths of one percent. Table 5 shows three tax rates explored to estimate revenue that CCAT could see with a property tax. Variations in this revenue source is based on the example tax rates (0.05 percent, 0.03 percent, or 0.02 percent) with three tax rates examined in Table 5. For all projections, an annual growth rate of 5.0 percent was assumed for future years which includes the allowed 3% annual increase in the assessed property values and assumes a 2% annual increase for new household construction and growth.

EMPLOYER-BASED PAYROLL TAX

Another potential future funding source is an employer-borne payroll tax equal to one tenth of one percent. A tax of that amount would be equivalent to the existing employee-borne tax funding the STIF. This potential funding source is assumed to grow at the same pace as STIF funding (4%) in the examples below.

Table 5: Projected Revenues - Potential Future Local Funding Sources

| Potential Future Funding Source | Variation | Fiscal Year | | | | |
|---------------------------------|---|-------------|-------------|-------------|-------------|-------------|
| | | 2020 | 2025 | 2030 | 2035 | 2040 |
| Property Tax | 0.05% within Coos County | \$2,900,000 | \$3,625,000 | \$4,350,000 | \$5,075,000 | \$5,801,000 |
| | 0.03% within Coos County | \$1,740,000 | \$2,175,000 | \$2,610,000 | \$3,045,000 | \$3,480,000 |
| | 0.02% within Coos County | \$1,160,000 | \$1,450,000 | \$1,740,000 | \$2,030,000 | \$2,320,000 |
| Employer-based Payroll Tax | 0.1% (equivalent to employee-based payroll tax used for the STIF) | \$737,000 | \$955,000 | \$1,132,000 | \$1,308,000 | \$1,485,000 |

FUTURE FUNDING SCENARIOS

Several future funding scenarios are presented in Table 6. Each scenario uses the existing funding source projections as a base, then adds potential additional funding sources to estimate projected funding. The scenarios include the following:

- Excluding STIF funding (illustrative only to see the impact of STIF on CCAT's budget)
- Existing funding sources including STIF funding
- Existing funding sources including STIF with a payroll tax of two tenths of a percent for all areas
- Existing funding sources including STIF with an employer-based payroll tax
- Existing funding sources with STIF funding, a payroll tax of two tenths of a percent for all areas, and an employer-based payroll tax

Table 6: Potential Future Funding Scenarios

| Funding Scenario | Fiscal Year | | | | |
|--|-------------|-------------|-------------|-------------|-------------|
| | 2020 | 2025 | 2030 | 2035 | 2040 |
| Existing Revenue Sources (excluding STIF) | \$849,000 | \$850,000 | \$869,000 | \$867,000 | \$878,000 |
| Existing Revenue Sources (including STIF) | \$1,586,000 | \$1,805,000 | \$1,954,000 | \$2,177,000 | \$2,363,000 |
| Existing + STIF + 0.02% Property Tax | \$2,746,000 | \$3,255,000 | \$3,636,000 | \$4,207,000 | \$4,683,000 |
| Existing + STIF + Employer-based Payroll Tax | \$2,323,000 | \$2,760,000 | \$3,050,000 | \$3,485,000 | \$3,848,000 |
| Existing + STIF + 0.02% Property Tax + Payroll Tax | \$3,484,000 | \$4,210,000 | \$4,732,000 | \$5,516,000 | \$6,168,000 |

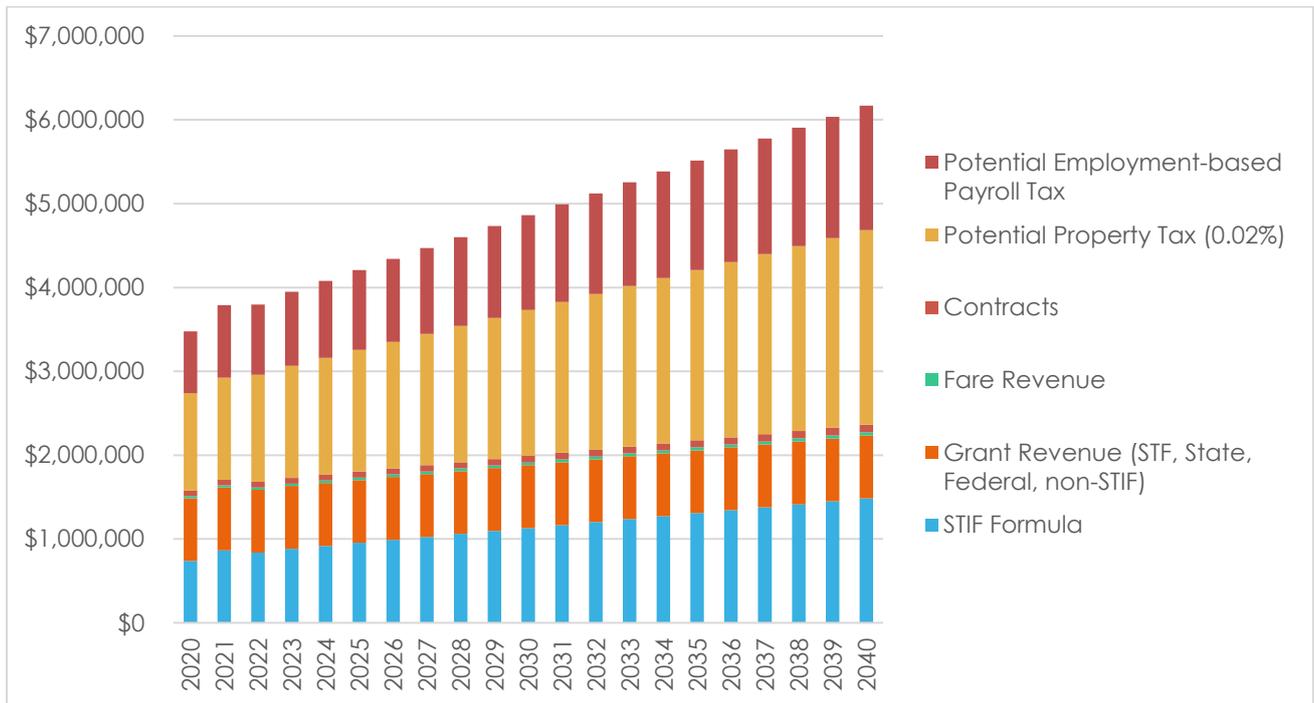
Table 7 and Figure 4 shows the projections of the existing and potential additional local funding sources. As shown, CCAT's fiscal year 2020 projected revenue of existing funding sources is approximately \$1.6 million and \$3.5 million with additional local funding sources (although these would take several years to get into place). The 2040 projections for these two scenarios are \$2.4 million and \$6.1 million, respectively.

As with all funding forecasts, estimates can change quickly given the uncertainty of federal and state funding levels, and CCAT should continue to continually monitor the funding environment and update the revenue forecast regularly.

Table 7: Breakdown and Projections of Existing and Potential Future Local Funding Sources

| Revenue Sources | 2020 | 2025 | 2030 | 2035 | 2040 |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Grant Revenue | \$749,000 | \$749,000 | \$749,000 | \$749,000 | \$749,000 |
| STIF Formula | \$737,000 | \$955,000 | \$1,132,000 | \$1,308,000 | \$1,485,000 |
| Fare Revenue | \$27,000 | \$30,000 | \$32,000 | \$35,000 | \$38,000 |
| Contracts | \$65,000 | \$71,000 | \$78,000 | \$84,000 | \$91,000 |
| Total Existing Revenue | \$1,578,000 | \$1,805,000 | \$1,991,000 | \$2,176,000 | \$2,363,000 |
| Potential Employer-based Payroll Tax (0.1%) | \$737,000 | \$955,000 | \$1,132,000 | \$1,308,000 | \$1,485,000 |
| Potential Property Tax (0.02%) | \$1,160,000 | \$1,450,000 | \$1,740,000 | \$2,030,000 | \$2,320,000 |
| Potential Forecast Revenue | \$3,475,000 | \$4,210,000 | \$4,863,000 | \$5,514,000 | \$6,168,000 |

Figure 4. Breakdown and Projections of Existing and Potential Local Funding Sources

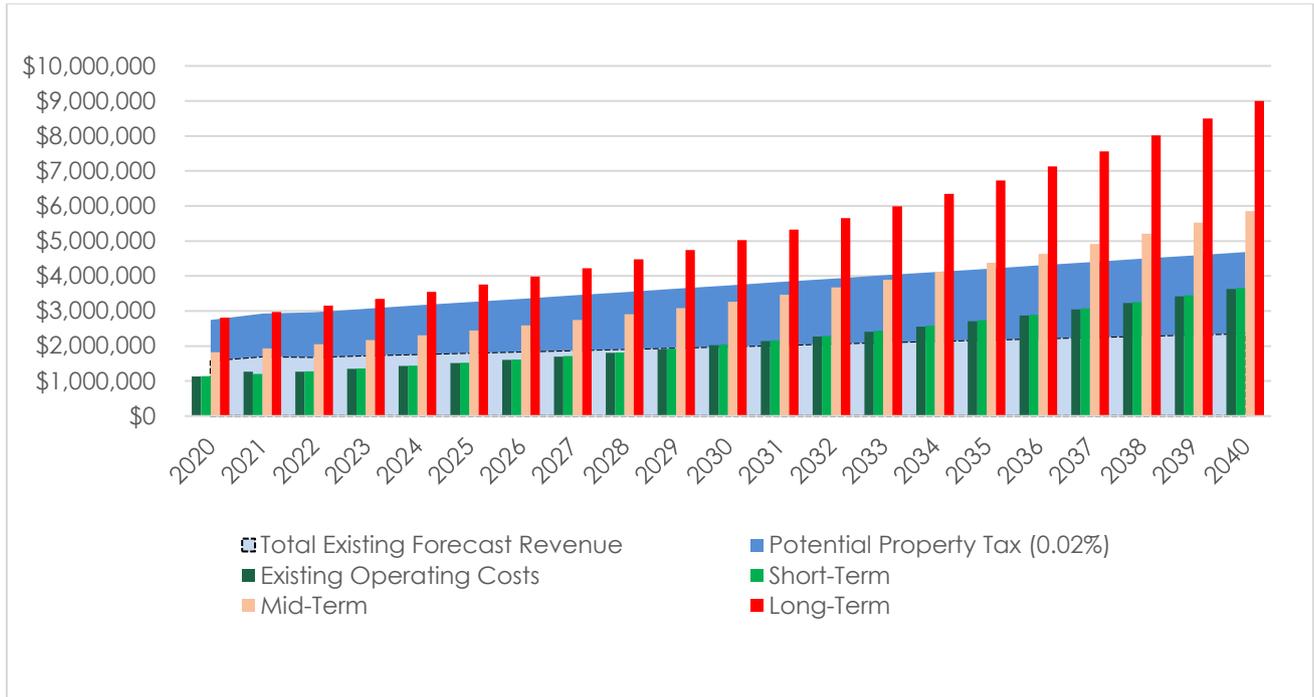


Three scenarios depicting funding options using potential future sources are described below:

SCENARIO 1 – INCLUSION OF POTENTIAL PROPERTY TAX (0.02%) ONLY

Figure 5 shows the projection of existing revenues plus the addition of a local property tax at the 0.02% rate. As shown, the total potential projected revenue including existing revenue (\$1.5 million) in the year 2020 would be approximately \$2.7 million. CCATD could implement the short-term improvements (\$1.13 million), mid-term improvements (\$1.8 million) and 96% of the long-term improvements (\$2.8 million) under this funding scenario. The mid-term costs could be completely covered in this scenario up to the year 2034. All short-term improvement costs could be covered throughout the plan horizon and allow for additional improvements. The full mid-term improvements would not be sustainable throughout 2040 based on the cost and revenue growth projections.

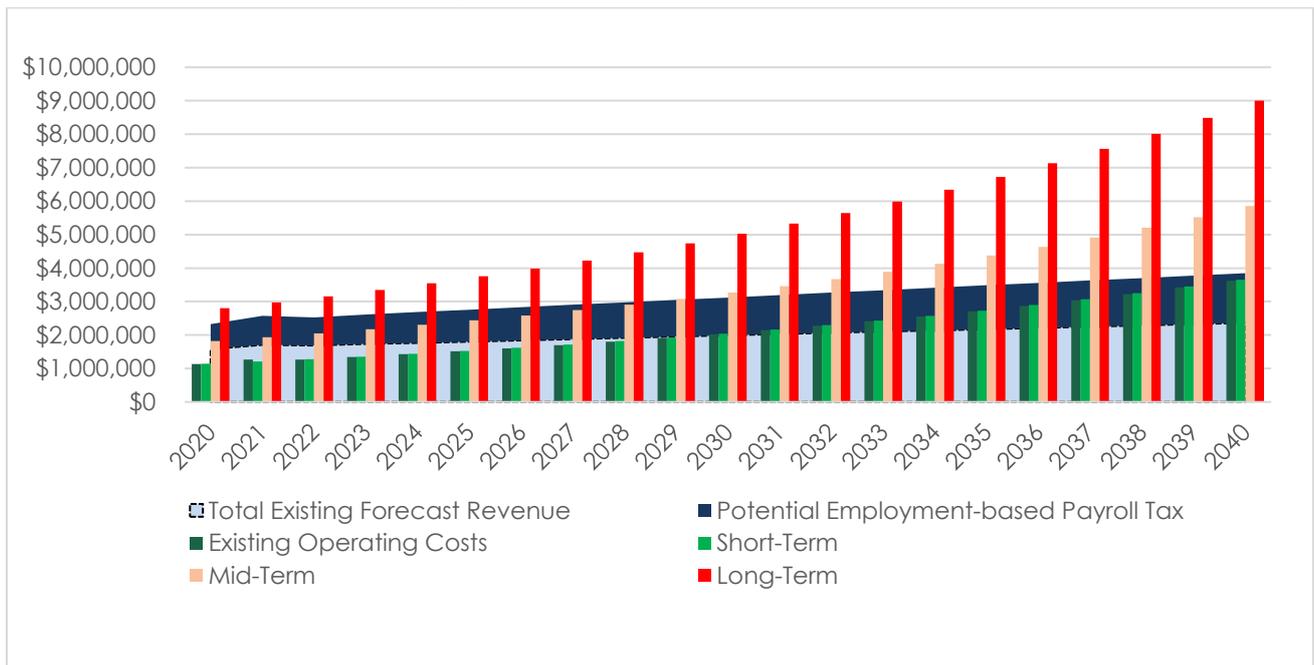
Figure 5. Scenario 1 Projection - Existing Revenues Plus Potential Property Tax Revenue (0.02%)



SCENARIO 2 – INCLUSION OF POTENTIAL EMPLOYER-BASED PAYROLL TAX ONLY

Figure 6 shows the projection of existing revenues plus the addition of a potential employer-based payroll tax. As shown, the total projected revenue including existing revenue (\$1.5 million) in the year 2020 would be approximately \$2.3 million. CCATD could implement the short-term improvements (\$1.13 million), mid-term improvements (\$1.8 million) and 82% of the long-term improvements (\$2.8 million) under this funding scenario. The mid-term costs could be completely covered in this scenario up to the year 2029. All short-term improvement costs could be covered throughout the plan horizon and allow for additional improvements. The full mid-term improvements would not be sustainable throughout 2040 based on the cost and revenue growth projections.

Figure 6. Scenario 2 Projection - Existing Revenues Plus Potential Employer-Based Payroll Tax (0.1%)



SCENARIO 3 – INCLUSION OF POTENTIAL PROPERTY TAX (0.02%) AND EMPLOYER-BASED PAYROLL TAX (0.1%)

Figure 7 shows the projected of existing revenues plus the addition of both a local property tax and employer-based payroll tax. The revenues are divided into three categories, existing revenue sources, potential property tax added to that amount, and potential employer-based payroll tax added above that. All short-term and mid-term improvement costs could be covered throughout the plan horizon and allow for additional improvements. The full long-term improvements would not be sustainable throughout 2040 based on the cost and revenue growth projections.

Figure 7. Scenario 3 Projection – Existing Revenues Plus Potential Property Tax and Employer-Based Payroll Tax

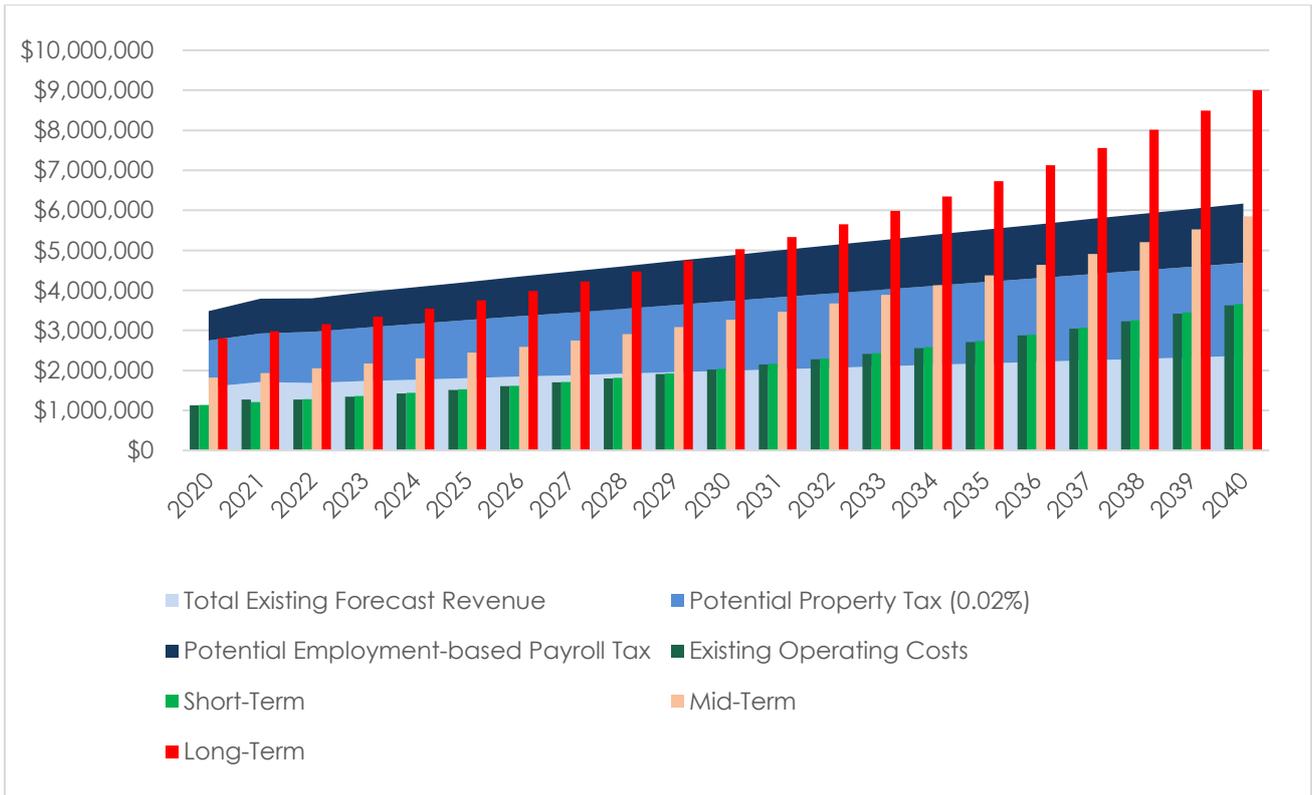


Table 8 shows the service hours beyond the short-term recommendations that could be funded from existing revenues, as well as from potential funding from an employer-based payroll tax and/or property tax. In the near-term, CCAT can fund the short-term recommendations with existing funding sources; however, with the anticipated increases in costs and revenues, the short-term improvements are only projected to be financially sustainable up to 2030. As shown in Table 8, in 2020, excess revenue of \$447,000 (remaining post funding of short-term improvements) could be used to fund a very small portion of mid-term (\$1.8 million) and long-term costs (\$2.8 million). In 2030 and in future years, the existing funds are projected to be lower than the projected short-term costs (shown in red in Table 8). These funds are not sufficient to cover future costs and therefore new funding sources will be needed to implement improvements in the mid-term and long-term alternatives.

Table 8. Fundable Service Hours Beyond Short-Term Improvements

| Excess Revenue | 2020 | 2025 | 2030 | 2035 | 2040 |
|--|-------------|-------------|-------------|-------------|---------------|
| Excess Revenue Beyond Short-term Improvements (Existing Funding Only) | \$447,000 | \$280,000 | (\$50,000) | (\$554,000) | (\$1,291,000) |
| With Employer-based Payroll Tax (0.1%) | \$737,000 | \$955,000 | \$1,132,000 | \$1,308,000 | \$1,485,000 |
| With Proposed Property Tax (0.02%) | \$1,160,000 | \$1,450,000 | \$1,740,000 | \$2,030,000 | \$2,320,000 |
| Annual Operating Hours Available | 2020 | 2025 | 2030 | 2035 | 2040 |
| Excess Hours Beyond Short-term Improvements (Existing Funding Only) | 7,400 | 3,400 | (400) | (3,800) | (6,700) |
| With Employer-based Payroll Tax (0.1%) | 12,200 | 11,800 | 10,500 | 9,000 | 7,700 |
| With Proposed Property Tax (0.02%) | 19,300 | 18,000 | 16,100 | 14,100 | 12,000 |

NEXT STEPS

Feedback on the financial assessment presented in this memorandum will be solicited from the Project Management Team and the project Advisory Committee. The feedback will help refine the recommendations in the mid-term and long-term plans and the plan financial element.

ATTACHMENT A – CCATD EXISTING AND POTENTIAL FUNDING SOURCES

EXISTING FUNDING SOURCES

FEDERAL GRANTS

SECTION 5303/5304/5305 – METROPOLITAN & STATEWIDE PLANNING AND NON-METROPOLITAN TRANSPORTATION PLANNING GRANT

The 5303/5304/5305 grant provides funding and procedural requirements for multimodal transportation planning in metropolitan areas and states. Planning needs to be cooperative, continuous, and comprehensive, resulting in long-range plans and short-range programs reflecting transportation investment priorities. Funds are apportioned to states based on a formula that includes urbanized area population in proportion to the total urbanized area population for the nation, as well as other factors, and funds are distributed to providers through ODOT.

SECTION 5310 – ENHANCED MOBILITY OF SENIORS & INDIVIDUALS WITH DISABILITIES FORMULA GRANT

The 5310 operating grant provides formula funding to states and metropolitan regions for the purpose of meeting the transportation needs of seniors and people with disabilities. Funds are apportioned based on each state's share of the population for these two groups and funds are distributed to providers through ODOT. The year 2020 end projected 5310 grant revenue for CCAT is \$366,000 and is expected to remain steady in the future. The purpose of the program is to improve mobility for seniors and people with disabilities by removing barriers to transportation service and expanding transportation mobility options. Eligible projects include both "traditional" capital investment and "nontraditional" investment beyond the requirements for Americans with Disabilities Act (ADA) complementary paratransit services. From the FTA, eligible activities include:

- "Traditional Section 5310 project examples include:
 - ◆ buses and vans
 - ◆ wheelchair lifts, ramps, and securement devices
 - ◆ transit-related information technology systems, including scheduling/routing/one-call systems
 - ◆ mobility management programs
 - ◆ acquisition of transportation services under a contract, lease, or other arrangement

- *Nontraditional Section 5310 project examples include:*
 - ◆ travel training
 - ◆ volunteer driver programs
 - ◆ building an accessible path to a bus stop, including curb-cuts, sidewalks, accessible pedestrian signals or other accessible features
 - ◆ improving signage, or way-finding technology
 - ◆ incremental cost of providing same day service or door-to-door service
 - ◆ purchasing vehicles to support new accessible taxi, rides sharing and/or vanpooling programs
 - ◆ mobility management programs"

SECTION 5311 – RURAL AREA FORMULA GRANT

The 5311 operating grant provides funding to small cities and rural areas with populations of less than 50,000 for transit capital, planning, and operations, including job access and reverse commute projects. Funds are apportioned to states based on a formula that includes land area, population, revenue vehicle miles, and low-income individuals in rural areas and funds are distributed to providers through ODOT. Additionally, no less than 15 percent of funds must be spent on the development and support of intercity bus transportation, unless the intercity bus needs of the state are being adequately met. The year 2020 end projected 5311 grant revenue for CCAT is \$201,000 and is expected to remain steady in the future. Eligible activities include planning, capital, operating, job access and reverse commute projects, and the acquisition of public transportation services.

SECTION 5339 – BUS AND BUS FACILITIES

The 5339 grant provides funding through a competitive allocation process to states and transit agencies to replace, rehabilitate, and purchase buses and related equipment and to construct bus-related facilities and funds are distributed to providers through ODOT. The competitive allocation provides funding for major improvements to bus transit systems that would not be achievable through formula allocations. The year 2020 proposed 5339 grant revenue for CCAT is \$140,000. CCAT should include \$75,000 per year in the next several years to provide as a match to 5339 grants for the purchase of vehicles.

SURFACE TRANSPORTATION BLOCK GRANT (STBG)

The STBG program provides flexible federal funding to best address state and local transportation needs, including Federal-aid highways, bridge and tunnel projects on public roads, pedestrian and bicycle infrastructure, and transit capital projects. ODOT distributes these funds for fleet replacement.

OTHER FEDERAL FUNDING

The FTA periodically releases additional funding opportunities. In 2019, the FTA released the Integrated Mobility Innovation opportunity, providing \$15 million for demonstration projects focused on Mobility on Demand, Strategic Transit Automation Research, and Mobility Payment Integration. For FY20, the FTA also announced the Mobility for All Pilot Program to invest in mobility options for older adults, individuals with disabilities, and people with low incomes, aimed to enable connections to jobs, education, and health services. The FTA also provides Section 5314 – Technical Assistance and Workforce Development grants, which support technical assistance and educational activities that enable more effective and efficient delivery of transportation services, foster compliance with federal laws (including the ADA). These types of funding opportunities can help ODOT and providers invest in innovative and effective practices and partnerships.

STATE FUNDING

SPECIAL TRANSPORTATION FUND (STF)

The STF was created in 1985 by the Oregon Legislature. Funds are allocated to 42 jurisdictions around the state based on population. The STF is funded by cigarette tax revenue, excess revenue earned from sales of photo ID cards, and other funds from ODOT. The STF Program provides a flexible, coordinated, reliable, and continuing source of revenue to support transportation services for seniors and people with disabilities of any age. The Oregon Legislature intended that STF funds be used to provide transportation services needed to access health, education, work, and social/recreational opportunities so that seniors and people with disabilities may live as independently and productively as possible. The funds may be used for any purpose directly related to transportation services, including transit operations, capital equipment, planning, travel training, and other transit-related purposes. The Oregon Legislature will be considering ways to merge STF and STIF during the 2020 Session. Year 2020 proposed STF budget for CCAT is \$151,000.

STATEWIDE TRANSPORTATION IMPROVEMENT FUND (STIF)

Section 122 of Keep Oregon Moving (Oregon House Bill 2017) established the STIF, a new dedicated source of funding for expanding public transportation service through a 0.1 percent employee payroll tax in Oregon. Goals of HB 2017 include expanding access to jobs, improving mobility, relieving congestion, and reducing greenhouse gas emissions, while providing a special focus on low-income populations. STIF funds may be used for public transportation purposes that support the operations, planning, and administration of public transportation programs and may also be used as the local match for state and federal grants for public transportation service.

The Oregon Department of Revenue began collecting the tax on July 1, 2018 to first provide to transit agencies in May of 2019. 90% of STIF funds are distributed to Qualified Entities. Qualified Entities are required to coordinate with public transportation service providers in their area of responsibility to develop a sub-allocation method to distribute funding out-of-district. 5% of STIF funds are available via discretionary grants for flexible funding. 4% of funds are available via discretionary grants for projects enhancing intercommunity service and the statewide transit network. 1% of the funds are allocated for program administration and a technical resource center.

LOCAL FUNDING SOURCES

CHARGES FOR SERVICES (FARES)

The fares collected by transit providers is an important source of revenue. Farebox recovery refers to the proportion of fare revenue to operating budget. Farebox recovery rates are generally lower for rural, lower-density areas and higher for urban, higher-density areas.

OTHER TRANSIT PROVIDER REVENUE

Other, usually relatively minor, funding sources include advertising/sponsorships and investment income. Advertising typically provides a consistent, small stream of revenue. Some transit providers sell sponsorships for facility names, individual transit vehicles, etc. Many transit providers receive small amounts of investment income from the Local Government Investment Pool (LGIP) on some of their long-term savings.

POTENTIAL ADDITIONAL LOCAL FUNDING SOURCES

LOCAL TAXES AND FEES

Many operators, particularly districts providing transit service, generate local funding through dedicated taxes for transit service. Cities and counties can also support transit through dedicated fees and taxes, or through general fund revenue. The following is a list of typical funding sources used throughout the state of Oregon:

- **Property Taxes:** Most municipalities collect property taxes assessed on the value of an owned property, a portion of which may be used to fund transit. It is recommended that CCAT imposes a 2% property tax, as mentioned in the sections above.
- **Business Taxes:** These tax the net income of nearby businesses. Businesses benefit from their employees receiving consistent and reliable transportation and their customers receiving viable means to travel to the establishment.
- **Payroll Taxes:** Certain districts have the ability to levy a tax on employee and self-employment payrolls, separate from the payroll tax used to fund the STIF Program. An employer-based payroll tax (similar to STIF amounts) is recommended for CCAT.

- **Tax Increment Financing:** This method is used to capture additional property taxes generated in the vicinity of transit-specific improvements or areas. This type of funding can also be used to capture a portion of the increase in property value created by a particular transit investment.
- **Tax Incentive Zones:** Provide an indirect avenue for transit funding by potentially increasing fare revenue, sponsorship revenue, etc. by providing tax incentives for businesses and residents residing near transit oriented or transit friendly developments.
- **Multimodal Impact Fees:** These fees are similar to auto-focused Transportation Impact Fees (TIFs) but are dedicated to improvements to multimodal transportation options. Transit providers can also benefit from projects funded by auto-focused TIFs that improve roadway operations for all roadway users.
- **Parking Fees/Fines:** Provide incentives for users to use transit to reach desirable areas of the city, such as downtown areas. The implementation of a parking strategy can increase transit ridership and thus farebox recovery, as well as increase parking revenue.