

Chapter 5

Finance

This chapter of the Regional Transportation Plan (RTP) demonstrates that the RTP is financially constrained, in compliance with state and federal laws. It provides an overview of the long-range forecast parameters for both revenues and costs. Details of the long-range forecasts, including key forecast assumptions, follow the overview.

Financial Constraint

Legislation at both state and federal levels underscores that the RTP must be financially constrained. Financial constraint means that the RTP only includes projects that the region can afford to complete with existing revenues or with revenues that are reasonably expected to be available. The RTP must consider not only the cost of expanding the transportation system to meet future demand, but also the cost required to take care of the existing system. Costs must not exceed likely revenues. This requirement helps ensure that the RTP serves as a realistic regional blueprint for transportation policy and investment, and not an unrealistic wish list. Financial constraint forces the region's partners to think strategically about transportation priorities and to make difficult choices.

Forecast Levels of Detail

The RTP forecast guides long-term policy and investment decisions in a much more general way than an operations budget governs day-to-day decisions. The forecast doesn't duplicate the detailed budgeting and programming efforts at the local level, but rather serves as an aggregate check on regional reality. It provides a reasonable estimate of likely revenues and expenditures throughout the region, regardless of jurisdiction, transit provider, or mode of travel.

Timeframe

The RTP forecast serves as a long-range look at regional revenue and costs associated with transportation. As such, it covers a broad 25-year horizon, with two time-frames, 2015 to 2024, and 2025 to 2040. This forecast will be updated as needed to remain consistent with the RTP's planning horizon as it is extended beyond 2040.

Included in the Forecast

The RTP forecast considers the array of revenues and costs for local cities and towns, Thurston County, and transit providers to support the infrastructure and services they provide.

It does not include forecasts used by the Washington State Department of Transportation (WSDOT), the Port of Olympia, the tribes, or the school districts in meeting their own transportation needs. Funding issues for these other partners are very important and merit consideration, but they are outside the bounds of fiscal constraint requirements associated with the RTP.

Forecasting Revenues

The RTP revenue forecast considers the array of revenues used by local jurisdictions and transit providers to support the infrastructure and services they provide. It consolidates the various revenue sources into three basic categories.

- **Local revenue** refers to those funds generated locally. This includes a large assortment of sources ranging from various city and county taxes, sales tax, fees, and farebox revenues and sales tax generated by Intercity Transit. Local revenues also include impact fees that jurisdictions charge developers and revenues generated by local Transportation Benefit Districts (TBDs).
- **State revenue** refers to those funds generated by state taxes or fees and passed on to local governments or transit

by the state. Transportation functions generate these revenues – gas tax or various license or weight fees. Local agencies receive small parts of this revenue directly through distributions, but have to compete for most state revenue through grant programs.

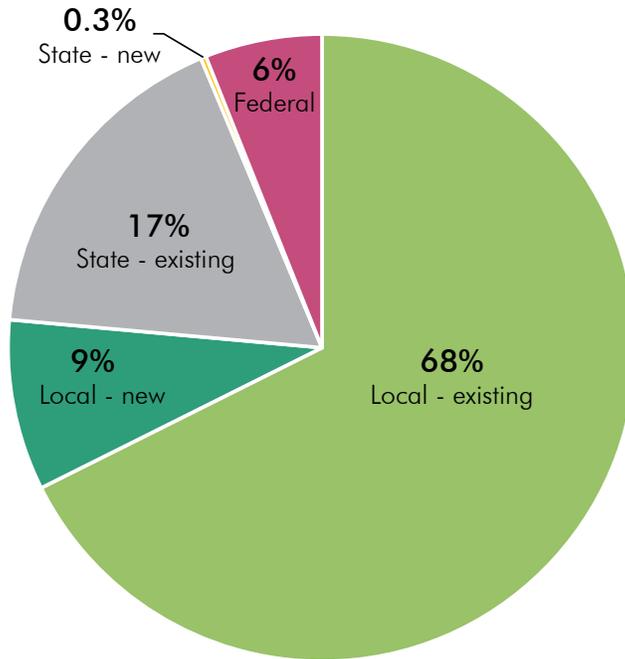
- **Federal revenue** refers to those funds generated by the federal motor fuel tax, other vehicle taxes, and some general fund sources and then passed on to local transportation projects, either through regional grants awarded by Thurston Regional Planning Council (TRPC), through legislative processes, or statewide competitions.

Forecasting Expenditures

The RTP expenditure forecast considers a variety of expenditures that both maintain and expand the existing transportation system. They can be broken out into the following basic categories:

- **Local construction** refers to projects that expand the existing transportation network, but are not considered regional in nature. Project-level details for these types of projects are generally located in local planning documents, including annual budget processes, Capital Facilities Plans, six-year Transportation Improvement Programs (TIPs), and the 10- or 20-year transportation elements of comprehensive plans, sub-area plans, or other studies.

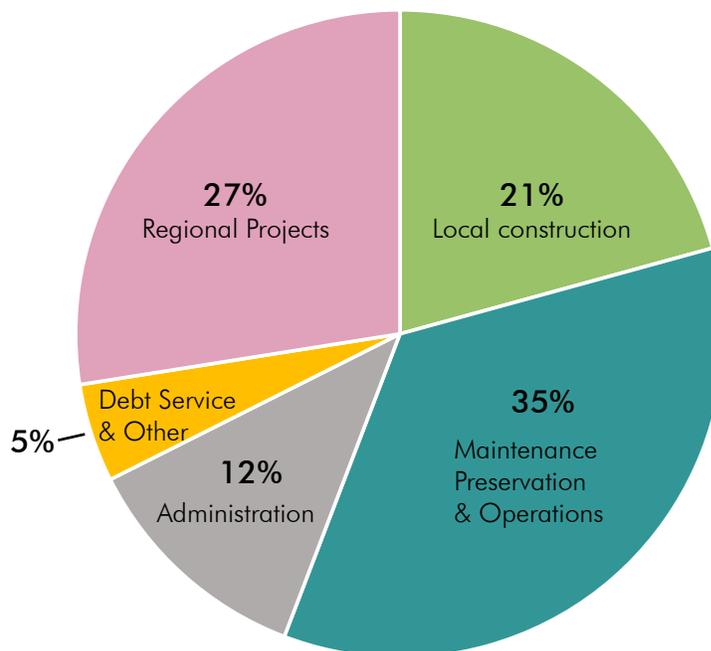
Figure 5-1: Streets, Roads, and Bridges Revenue Forecast, 2015-2040



Source: Table 5-1.

Note: See text for explanation of categories.

Figure 5-2: Streets, Roads, and Bridges Expenditure Forecast, 2015-2040



Source: Table 5-2.

Note: See text for explanation of categories.

- **Maintenance, preservation, and operations** includes general maintenance of the transportation system.
- **Administration** includes general administration of the transportation network and transportation planning.
- **Debt service and other** takes into account other costs related to repaying interest and principle related to transportation debt, including loans and other costs.
- **Regional Projects** are those transportation projects that have a significant impact on traffic patterns throughout a large area. Project-level detail (including cost estimates) for these projects is found in Chapter 2, Recommendations.

Least Cost Planning

The state requires that the RTP consider least cost planning in developing its recommendations. Least cost planning means that the region should factor all transportation costs and benefits into the evaluation process to ensure that a project or recommendation generates the greatest benefit to the greatest number of people for the longest time at the lowest ultimate cost.

Washington State is also embracing Practical Design, emphasizing cost-effective solutions that provide maximum benefits to the system, rather than to the project.

The Thurston region supports least cost solutions, taking incremental steps to:

- Keep life cycle costs of infrastructure lower by investing in optimal pavement management programs and restricting destructive utility cuts into above-average pavement.
- Improve safety performance by being proactive and investing in safety improvements, including low-cost improvements to existing facilities such as adding pedestrian crossings and lighting, and adding new facilities such as sidewalks, bike lanes, and transit facilities.
- Improve the overall operating efficiency of the transportation system before considering a widening project, including innovative intersection treatments that reduce delay and maintenance costs.
- Increase roadway capacity by supporting transportation demand management efforts.
- Coordinate technology investments to ensure emergency response vehicles have unhindered access across all jurisdictions. Improve coordination to minimize traveler delays and keep traffic moving both on local streets and I-5 when major incidents close the freeway.
- Increase transit productivity by improving service frequency on high use corridors and promoting transit use through Commute Trip Reduction programs.

- Build more transportation-efficient communities that reduce not only the public sector costs associated with providing transportation and other services, but also out-of-pocket and indirect costs to individuals.

As an agency, Thurston Regional Planning Council (TRPC) supports concepts inherent in least cost planning by investing discretionary Surface Transportation Program funds in those projects that make the system safer and more efficient instead of bigger. TRPC's annual *Unified Planning Work Program* includes elements that target tough issues like land use, low-cost rural mobility, and Intelligent Transportation System needs. More will be done incrementally, as needs and opportunities arise. Keeping public and private costs as low as possible is inherent in all the recommendations and policies in this plan.

Implications of Financial Constraint

By state and federal law, regional transportation projects cannot be included in local comprehensive plans and capital facilities plans unless they are also in the RTP. If those projects are not included in local plans, then the jurisdiction cannot apply development fees, federal grants, and most state grants toward them.

The RTP must be financially constrained. If the proposed projects or service costs more than the forecasted revenue, something must be cut. TRPC's top priority is to take care of the existing system. So any cuts come first from the Regional

Project List. Projects dropped from this list are unlikely to be funded.

Of course, inclusion on the list of RTP Regional Projects does not guarantee funding. Some projects in this RTP have been included since the early 1980s. Local agencies have very little discretion over most of the money they use to fund big projects. Rather, granting agencies such as the Transportation Improvement Board, WSDOT, the County Road Administration Board, and even TRPC make most funding decisions.

Over the next 25 years, the region will accomplish more than anticipated in some years and less in others. Revenue streams will also likely change. The longer the forecast horizon, the greater the likelihood for future shifting or refining of the assumptions. Periodically, we recalibrate base assumptions and revise forecasts. These are all factors to keep in mind when reviewing the long-range regional forecasts.

Planning Level Forecast

This is a long-range regional planning forecast only. It does not reflect the same operational or analytical detail that local agencies utilize to develop annual and short-range budgets, although those budgets inform this forecast. The underlying assumption behind the regional forecast is that the assumptions that follow are appropriate for the intended use in a long-range regional plan. Reliance on them for anything other than the long-range RTP is an inappropriate use.

Year of Expenditure Accounting

Current federal policy references Year of Expenditure accounting. This is to ensure long-range forecasts account for inflation. This forecast converts historical data used for analysis and all future forecast figures into constant 2015 dollars.¹ Those wishing to understand what a particular project might cost in the future would need to inflate the project cost from constant 2015 dollars to the desired future year. Likewise, you would need to inflate revenues to achieve an illustrative picture of what the expenditures and revenues might look like for some point in time. The farther this extends into the future, the more speculative it becomes.

RTP Forecast

The RTP forecast is divided into two elements:

- Multimodal Streets, Roads, and Bridges.
- Public Transportation.

¹The RTP converts historic data to current dollars based on inflation data provided by the Washington State Economic and Revenue Forecast Council. The RTP forecast converts future expenditures and revenues to constant 2015 dollars using inflation conversion factors developed by Oregon State University economics department for estimates through 2024; and using average annual rate of change to develop a straight-line projection of conversion factors for 2025-2040. Oregon State University relies on data from the Congressional Budget Office and the Office of Management and Budget to develop its conversion factors. TRPC has used these conversion factors for long-range forecasts since 1998.

The multimodal streets, roads, and bridges revenue forecast (Table 5-1) is sufficient to fund expected expenditures, including the Regional Projects identified in the RTP (Table 5-2). Table 5-3 shows remaining revenue. While there is funding remaining, it is important to note that:

- The remaining revenue represents less than 5 percent of the total budget.
- Many of the funding sources are competitive.
- The remaining revenue is much lower in the near term period (2015-2024) compared to the further in the forecast horizon (2025-2040). This is indicative of better planning level cost estimates for projects that have been designed or are closer to design, and are planned for the near term period. Planning level estimates become less accurate for projects that are in a more conceptual stage.
- Some of the studies identified in the RTP may lead to projects within the timeframe of the forecast.
- The remaining revenue could be used for unanticipated needs such as those occurring from natural disasters.

The public transit revenue forecast (Table 5-4) is sufficient to fund expenditures (Table 5-5), including an increase in operations and capital. The revenue/expenditure forecast is balanced for transit; it is assumed that capital and/or operations will be expanded commensurate with available funding. In the short term (2015-2025), any increase in revenue from additional sales tax will be necessary to fund existing service or needs identified in the strategic plan, prior to increasing capital investments and/or operations.

Table 5-1: Multimodal Streets, Roads, and Bridges Revenue Forecast

(In millions of constant 2015 dollars)

| Revenue Type | 2015 - 2024 | 2025 - 2040 | Total |
|--|--------------|----------------|----------------|
| Local Revenues | | | |
| Existing Revenues | \$524 | \$936 | \$1,460 |
| New Transportation Benefit District Revenues | \$50 | \$140 | \$190 |
| State Revenues | | | |
| Existing Revenues | \$142 | \$231 | \$373 |
| New Connecting Washington Revenues | \$6 | \$0 | \$6 |
| Federal Revenues | \$50 | \$80 | \$130 |
| Total Forecasted Revenues | \$772 | \$1,387 | \$2,159 |

Note: Numbers may not add due to rounding.

Table 5-2: Multimodal Streets, Roads, and Bridges Expenditure Forecast

(In millions of constant 2015 dollars)

| Expenditure Type | 2015 - 2024 | 2025 - 2040 | Total |
|--|--------------|----------------|----------------|
| Local Construction | \$164 | \$262 | \$426 |
| Maintenance, Preservation, & Operations Includes \$114 million for additional pavement maintenance budgets due to increased TBD revenue | \$263 | \$458 | \$721 |
| Administration | \$93 | \$149 | \$242 |
| Debt Service / Other (existing debt only) | \$51 | \$50 | \$101 |
| Regional Projects | \$180 | \$374 | \$554 |
| Total Estimated Costs | \$751 | \$1,294 | \$2,045 |

Note: Street and road costs include bike lanes, sidewalks, planter strips, and other multimodal features. These facilities account for anywhere from 30 percent to 60 percent of total costs for typical street and road projects. Numbers may not add due to rounding.

Table 5-3: Multimodal Streets, Roads, and Bridges Forecast Summary

(In millions of constant 2015 dollars)

| | 2015 - 2024 | 2025 - 2040 | Total |
|--------------------|-------------|-------------|--------------|
| Total Revenues | \$772 | \$1,387 | \$2,159 |
| Total Expenditures | (\$751) | (\$1,294) | (\$2,045) |
| Balance | \$21 | \$94 | \$114 |

Note: Numbers may not add due to rounding.

Table 5-4: Public Transportation Revenue Forecast

(In millions of constant 2015 dollars)

| Revenue Type | 2015 - 2024 | 2025 - 2040 | Total |
|--|--------------|----------------|----------------|
| IT Operating Revenue – Existing tax rate | \$391 | \$801 | \$1,192 |
| IT Capital Revenue – Existing tax rate | \$99 | \$202 | \$300 |
| IT Revenue from additional 1/10% sales tax | \$41 | \$107 | \$148 |
| RT Operating Revenue | \$6 | \$8 | \$14 |
| Total Estimated | \$536 | \$1,118 | \$1,654 |

Note: IT refers to Intercity Transit, and RT refers to Rural & Tribal Transportation. Numbers may not add due to rounding.

Table 5-5: Public Transportation Expenditure Forecast

(In millions of constant 2015 dollars)

| Expenditure Type | 2015 - 2024 | 2025 - 2040 | Total |
|--------------------------------------|--------------|----------------|----------------|
| IT Operations – Existing Service | \$388 | \$786 | \$1,174 |
| IT Capital – Existing Strategic Plan | \$131 | \$180 | \$311 |
| IT Expanded Operations and Capital* | \$11 | \$143 | \$155 |
| RT Operations | \$6 | \$28 | \$14 |
| Total Estimated | \$536 | \$1,137 | \$1,654 |

*Note: Expanded operations and capital costs reflect potential capacity afforded by the additional 1/10 of 1 percent retail sales tax allowed under current state law, and are illustrative only. Near term expenditures would likely favor capital expenditures over increases in operations. The Intercity Transit Authority, with community input, would determine actual type of service expansion. Numbers may not add due to rounding.

Table 5-6: Public Transportation Forecast Summary

(In millions of constant 2015 dollars)

| | 2015 - 2024 | 2025 - 2040 | Total |
|----------------|--------------|-------------|-------------|
| Total Revenues | \$536 | \$1,118 | \$1,654 |
| Total Costs | (\$536) | (\$1,118) | (\$1,654) |
| Balance | (\$0) | \$ 0 | \$ 0 |

Note: Numbers may not add due to rounding.

Forecast Assumptions

Multimodal Streets, Roads, and Bridges

Revenues

Following are the key assumptions and factors underlying this regional revenue forecast for multimodal streets, roads, and bridges:

- The forecast assesses historical trends using Budget and Accounting Reporting System (BARS) data from the Washington State Auditor’s Office, as compiled by the Economics Branch of the WSDOT. The period of historical analysis used for this forecast was 2000 through 2013.
- “Local revenues” include property taxes, special assessments, general fund appropriations, and other local receipts like development fees, permits, sales and use tax, business and occupation tax, real estate excise tax, service fees, parking and traffic fines, and intergovernmental services for transportation work. As of

The Financial Forecast in the RTP for Intercity Transit reflects collecting 9/10th of 1 percent of sales tax, the amount allowed under state law. Currently, voters have authorized 8/10th of 1 percent in taxing authority. With the downturn of the economy and changes in federal funding, Intercity Transit’s long range financial forecast does not indicate that transit funding is adequate to cover current transit costs, let alone expanded service. Many of the transit projects in the RTP are predicated on voter approval for additional sales tax. The RTP recognizes that the remaining 1/10th of 1 percent available under state law might not be adequate to serve the need and expectation for public transportation in our region.

the time of this forecast, only the City of Olympia collects revenue through a Transportation Benefit District; that revenue is included as existing local revenue.

- “State revenues” include state fuel tax distributed directly to cities, towns, and counties, state grants, and miscellaneous state funds like camper excise tax and Capron refunds.
- “Federal revenues” include direct and indirect grants, block grants, Federal Emergency Management Agency revenues, and various revenues from the Surface Transportation Program fund.
- “Traffic policing” is not included in this revenue forecast, although the State Auditor considers this as a specific transportation function.
- Rate of growth in local revenues reflects differences between the role of property tax collections for unincorporated versus incorporated jurisdictions. Property taxes account for a much higher share of transportation revenues for unincorporated county than for cities. That said, this forecast assumes a relatively low rate of growth of 2.06 percent, reflecting the average annual rate of change in Thurston County road tax from 2000-2013. A conservative growth rate in this tax is warranted, given the on-going restrictions associated with Initiative 601 property tax limits. The forecast uses a flat property tax rate for incorporated jurisdictions, reflecting the increasing pressure on local budgets to pay for basic services. It is unlikely that transportation will suddenly garner a larger share of available property tax revenues at the city level. The forecast assumes other existing local revenue receipts will remain fairly static, similar to the share of revenues associated with the 2000-2013 time period.
- The notable growth in local revenues is associated with Transportation Benefit District (TBD) revenues. This forecast assumes that Tumwater’s approved TBD will begin generating transportation revenue in 2016. This forecast assumes that Lacey and Thurston County will implement a TBD and begin collecting revenues by 2020. This forecast also includes the Legislature’s action to approve an additional \$20 license fee and that jurisdictions implementing the license fee, including Olympia, will adopt this additional rate before 2025. The forecast assumes that Yelm will pursue a voter-approved 2/10 of 1 percent retail sales tax TBD fee in 2020. Because Yelm serves as a retail powerhouse for southeast Thurston and Pierce Counties, the retail sales tax would generate significantly more for the city than would a license fee. All TBD fees are identified as “New Revenues.”
- State revenue forecasts were developed for direct gas tax distributions, and all other state revenues, typically competitive grants. Direct gas tax distribution assumes that the share of taxes received by the county and cities remains the same throughout the forecast period. Given that the share of statewide population is a major factor in these distributions, this is reasonable forecasting assumption. Forecasts of net county and city gas tax revenues derive from the Transportation Revenue Forecast

Council's November 2014 *Transportation Economic and Revenue Forecasts, Vol II: Detailed Forecast Tables*. Actual gas tax distributions received by jurisdictions are reported by the WSDOT Economic Analysis Office.

- Assumptions for state revenues include the new "Connecting Washington" revenues passed by the State Legislature in 2015. These revenues consist of \$5.8 million for Tumwater's Deschutes Valley Trail. Funding for the Marvin Road Interchange in Lacey (\$72 million) and the SR510 Loop Phase 2 in Yelm (\$58.5 million) is not included in this forecast because those projects are identified as WSDOT projects, rather than local projects. Assumptions for all other state revenues rely on average annual receipts rather than growth rates, reflecting the competitive nature of these revenues.
- Federal revenue forecasts assume that some equivalent of the ISTEA legislation (Intermodal Surface Transportation Efficiency Act of 1991 and its successors, most currently Fixing America's Surface Transportation (FAST)) will continue throughout the life of this forecast period. This forecast assumes that Congress will address the insolvency of the Highway Trust Fund.

Expenditures

Following are the key assumptions and factors underlying this regional expenditure forecast for multimodal streets, roads, and bridges:

- Costs of streets and roads include their associated multimodal facilities – sidewalks, bike lanes, planter strips, etc. Previous analysis demonstrated that these types of facilities account for 30-60 percent of typical street and roadway costs (right-of-way acquisition, stormwater management associated with additional impervious surfaces, and construction are the primary expenses). The nature of project construction costs makes it infeasible to break these costs out separately for a regional forecast such as this, therefore this forecast reflects the aggregate costs of multimodal streets and roads.
- Historical trends are assessed using Budget and Accounting Reporting System (BARS) data from the Washington State Auditor's Office, as compiled by the Economics Branch of the WSDOT. The period of historical analysis was 2000 through 2013, adjusted for inflation to reflect constant 2015 dollars.
- "Construction" costs include engineering, right-of-way, roadway, storm drainage, structures, traffic and pedestrian services, sidewalks, special purpose paths, street lighting, traffic control devices, parking facilities, roadside development, ancillary operations, debt service, and construction administration and overhead as reported to the State Auditor by each agency. These are the general costs for local-level projects and programs only. Analysis of these costs do not include regional project costs, which are deducted from the BARS totals and analyzed separately.

Regional project costs are included as a separate expenditure line item.

- “Maintenance, Preservation, and Operations” costs include all maintenance functions associated with the construction elements, as well as snow and ice control, street cleaning, plant maintenance and construction, and extraordinary operations. Pavement management programs fall within this category of expenditures.
- The forecast includes an additional \$114 million set aside for pavement preservation. The forecast assumes 60 percent of the new revenue from Transportation Benefit Districts will be used for preservation. This estimate is based on the need to restore existing pavements to lowest-cost life-cycle conditions region-wide, with pavement preservation being under-funded at existing levels.
- “Administration” costs include general administration. Project-specific administration and management costs are considered a construction cost.
- “Debt Service/Other” costs include existing debt service as well as a myriad of small, non-recurring “other” project costs reported by local jurisdictions.
- “Traffic policing” is not included in this expenditure forecast, although the State Auditor considers it a specific transportation function.
- “Construction” costs reflect the adjusted 2000-2013 average annual cost, inflated to constant 2015 dollars and projected over the term of the forecast. There is no discernible trend, from 2000 through 2013 in growth in these costs.
- “Maintenance, Preservation, and Operations” costs reflect the adjusted 2000-2013 average annual cost, inflated to constant 2015 dollars and projected over the term of the forecast. There is no discernible growth from 2000 through 2013 in these costs.
- “Administration” costs assume a steady annual expenditure based on the 2000-2013 average annual cost, inflated to constant 2015 dollars.
- “Debt Service/Other” costs recognize existing debt service through 2029 and an average annual “other” cost based on the 2000-2013 average, inflated to constant 2015 dollars.
- “Regional Projects” costs reflect those project, program, and service recommendations included in the list of recommendations. As it pertains to the streets, roads, and bridges forecast, regional projects may be street and road projects, dedicated bicycle and pedestrian or Class I trail facilities, or large-scale investments in transportation technologies. It does not include WSDOT projects. Cost estimates are planning level estimates and will be refined as projects are designed.
- Historical investment in regional projects identified in the 2025 Regional Transportation Plan was evaluated using data from the WSDOT and the Transportation Improvement Board. The forecast identifies those project costs as part of the historical expenditures

analysis, and deducts them prior to developing forecast assumptions for local level construction costs.

- The forecast uses local Transportation Improvement Programs (TIPs) in determining the breakout between 2015-2024 and 2025-2040 expenditures for regional projects. This distinction is for illustrative purposes only. Actual progress of regional projects will depend in large measure on agencies' success in securing grants and completing the necessary work preparatory to constructing regional projects.

Public Transportation Forecast

General

Following are the key assumptions and factors underlying this regional forecast:

- The Thurston County Public Transportation Benefit Area (PTBA) will continue in its present configuration, providing a limiting factor on both costs and revenues.
- All costs and revenues are in constant 2015 dollars.
- The forecast assumes no new modes of public transit.
- In the context of a 25-year regional forecast, Intercity Transit's vanpool program is very nearly a self-sufficient operation compared to fixed-route and Dial-a-Lift services. Therefore, the forecast does not include the vanpool

program, although the RTP recognizes it as a very important component of the region's public transportation program.

Intercity Transit Public Transportation Forecast

Revenue

Following are the key assumptions and factors underlying this regional Intercity Transit revenue forecast:

- Historical analysis of revenues expended on operations and capital are derived from the annual reports filed with the Federal Transit Administration and available from the National Transit Database. The historical period of analysis was from 2009 through 2013.
- The Transportation Revenue Forecast Council's November 2014 Transit System Forecast for the 2015-2027 Intercity Transit PTBA Sales Tax is an appropriate foundation from which to build the revenue forecast. The Transportation Revenue Forecast Council uses the Washington State Forecast Council forecast of taxable sales for 2015-2018, and Global Insight's Real Consumption forecast to grow the 2019-2027 forecast.
- The Transportation Revenue Forecast Council projects an average annual rate of growth in sales tax revenue of 3.05 percent from 2015-2027. This forecast assumes that rate of growth slows to 2 percent per year from 2028 through 2040. It is based on the existing 8/10 percent retail sales tax rate.

- The forecast assumes that the additional taxing authority of 1/10 percent available to Intercity Transit will be in place in 2017.
 - All farebox revenues are attributed to operating revenues.
 - The forecast assumes that 18 percent of available state revenues would go to operations and 82 percent to capital.
 - The forecast of federal revenues assumes that no more than 20 percent of available revenues will be for capital projects, reflecting the current ban on discretionary earmarks. If the status of federal earmarks changes with future transportation bills, it is likely that a greater share of these revenues will be available for major capital projects.
 - Overall, the forecast projects existing revenues to grow at an average annual rate of 2.1 percent over the forecast period.
- Dial-a-Lift service, as demands for paratransit service increase due to an aging population.
 - Baseline forecasts are derived from Intercity Transit's internal estimates; straight-line projections extended the original 2035 forecast to 2040.
 - The capital forecast assumes vehicle replacements on appropriate schedules.
 - The capital forecast assumes that the Intercity Transit base and maintenance facility upgrade and expansion occurs prior to 2025, as called for in the 2015-2020 Strategic Plan.
 - The forecast assumes that Intercity Transit will use sales tax revenue generated by an additional 1/10 percent rate for existing operations or capital needs prior to expanding operation or capital. This is for illustrative purposes only. Intercity Transit will program its revenues as appropriate to meet its needs.

Expenditures

Following are the key assumptions and factors underlying this regional Intercity Transit expenditure forecast:

- Intercity Transit's 2015-2035 internal forecast of costs is an appropriate foundation from which to build the expenditure forecast for existing services.
- The forecast of existing operating and capital expenditures is constrained by existing revenue sources. It reflects no increase in service levels, other than an additional 2,000 hours per year for

Rural & Tribal (RT) Public Transportation Forecast Assumptions

Following are the key assumptions and factors underlying this regional RT forecast:

- RT will continue to be funded through a competitive grant process at a funding level commensurate with state fiscal year 2015-2017 funding.
- RT expenses will be equal to the available funding level.