

Chapter 6

Finance

This chapter of the Regional Transportation Plan (RTP) details the financial constraints placed on the RTP. It provides an overview of the long-range forecast parameters and assumptions for both revenues and costs.

Financial Constraint

Legislation at both state and federal levels requires that the RTP 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 of maintaining the existing system. Costs must not exceed likely revenues. This requirement helps ensure the RTP serves as a grounded regional blueprint for transportation policy and investment rather than an unrealistic wish list. Financial constraint necessitates that the region's partners think strategically about transportation priorities.

Forecast Levels of Detail

The RTP forecast guides long-term policy and investment decisions in a much more general way than an operating budget governs day-to-day decisions. The forecast does not detail the budgeting and programming efforts at the local level, but rather serves as an aggregate check on likely revenues and expenditures throughout the region.

COVID-19 Pandemic and the RTP

In response to the outbreak of the COVID-19 pandemic, Governor Inslee issued a series of proclamations and declarations aimed at reducing the spread of the virus in Washington State, including requiring all non-essential workers stay home and stay healthy. As a result, significant changes in how/whether people travel in the Thurston Region occurred. This also has impacted transportation funding. The data and statistics used in this plan were developed prior to the outbreak, and the transportation model and financial forecast do not take into account the radical changes in transportation choices that continues to occur in the region as of the drafting and adoption of this Plan.

Timeframe

The RTP forecast serves as a long-range look at regional revenue and costs. It covers a 25-year horizon broken into two time-frames: 2020 to 2029 and 2030 to 2045.

Included in the Forecast

The RTP forecast considers an array of revenues and costs generated by cities, towns, and transit providers operating within Thurston County.

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 outside the bounds of the fiscal constraint requirements associated with the RTP.

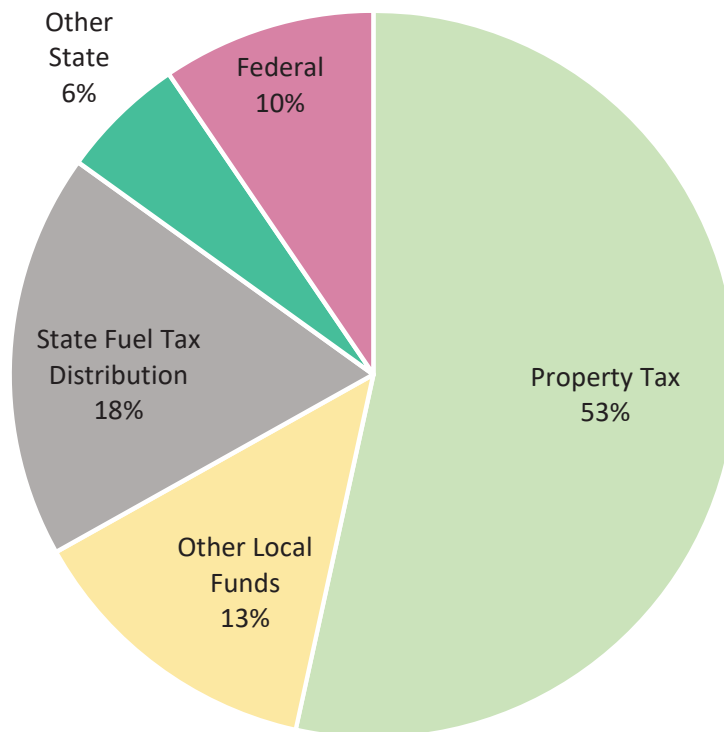
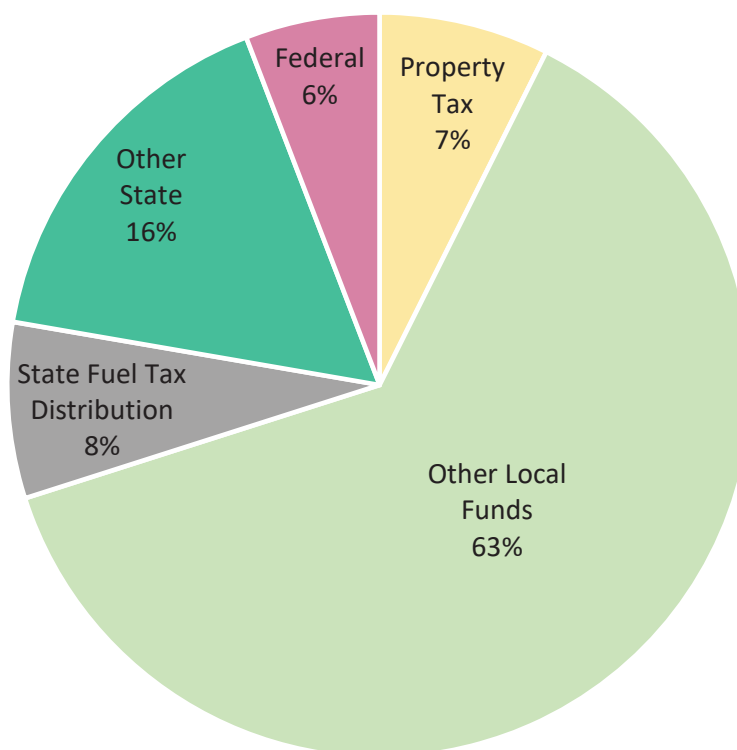
Least Cost Planning

The state requires that the RTP consider least cost planning in developing its recommendations. Least cost planning means a project or recommendation should provide the greatest benefit to the greatest number of people for the longest time at the lowest ultimate cost.

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

- Keep life cycle costs of infrastructure low 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, 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 and Transportation Demand Management 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.

Figure 6-1: County Transportation Revenues, 2010-2017**Figure 6-2: City and Town Transportation Revenues, 2010-2017**

As an agency, Thurston Regional Planning Council (TRPC) supports concepts inherent in least cost planning by investing discretionary Surface Transportation Program funds in 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. As needs and opportunities arise, more will be done incrementally. 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 are 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.

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 (TIB), WSDOT, the County Road Administration Board (CRAB), 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.

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 into constant 2019 dollars¹, and projects both revenues and expenditures in constant 2019 dollars. Those wishing to understand what a particular project might cost in the future would need to inflate the project cost from constant 2019 dollars to the desired future year. Likewise, you would need to inflate revenues to achieve an

¹The RTP converts historic data to current dollars based on the Implicit Price Deflator for Personal Consumption data provided by the Washington State Office of the Forecast Council. Both revenues and expenditures are forecast at constant 2019 dollars.

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.

Forecasting City and County Revenues

Revenue for the County and cities comes from a variety of revenue sources with significant differences between the jurisdictions' revenue streams. Of note, more than 50 percent of transportation revenue for the County comes from property taxes. In comparison, over 60 percent of transportation revenue from Thurston County cities and towns comes from Other Local Funds, including 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.

The forecast 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 – fuel tax or various license or weight fees. Local agencies receive small parts of this revenue directly through distributions but must 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 TRPC, through legislative processes, or statewide competitions.

While most revenue sources are held constant (keep up with inflation) for the forecast, three revenue sources are forecast to increase:

- State Fuel Tax distributions
- Transportation Benefit District (TBD) revenue
- An additional \$100 million in State revenue approved through the legislative process for major infrastructure projects, some on the State system.

The State Fuel Tax distributions are based on revenue from the state fuel tax charged at the gas pump. As fuel usage increases, the rate distributed to cities and Thurston County increases. For cities, fuel tax distributions

are based on a formula of overall state fuel tax collections. Counties receive two direct distributions (Regular and County Arterial Road Preservation funds) and are eligible for competitive funds from the Rural Arterial Program. The competitive funds account for the variability in the historic period (2014-2018).

The Transportation Revenue Forecast Council provides detailed forecasts of transportation revenue. The forecast available for the RTP extends to 2029 and projects a steady increase in fuel tax revenue. It is assumed that Thurston County jurisdictions will continue to receive the same share of the state fuel tax revenue. For the period between 2030 and 2045, it is assumed that state revenue will increase at 50 percent of the previous rate, to offset decreasing revenues with increased fuel efficiency.

Washington State law permits local governments to establish a Transportation Benefit District and accompanying funding sources for the preservation, maintenance, and construction of local public roadways. The primary methods of collecting revenue for TBDs are through a sales and use tax (0.2 percent), or through a license tab fee (\$20-\$100). Over the last ten years TBDs have become a stable funding source for the north county cities in Thurston County. Olympia established a TBD in 2008 and began to collect revenue in the latter part of 2009 (\$20 license tab fee), and increased revenue in 2017 (\$40 license tab fee). Tumwater established a TBD in 2015 and began to collect revenue through the sales and use tax in 2016. Lacey established a TBD in 2017 and began to

collect revenue through the sales and use tax in 2018. Thurston County established a TBD in late 2014 but has not collected revenue.

The Future of Fuel Taxes

As vehicle fuel efficiency increases and/or electric vehicles gain a greater market share, fuel tax revenues (based on a per gallon tax at the gas pump) may slow or begin to decline. Washington has been actively exploring potential fuel tax replacements to fund transportation, including road user fee charges. This forecast assumes that fuel tax revenues or a comparable source of revenue will be available in the future to fund transportation projects.

In 2019, the passage of Initiative 976 removed the ability of cities to collect under the license tab fee. The forecast assumes Olympia will not continue to collect revenue under the license tab fee (affecting 2020), but will implement the sales and use tax method in 2021, and that Yelm will establish a TBD and begin to collect revenue using the sales and use tax method by 2025. The previous RTP assumed Thurston County would begin to collect revenue under the license tab fee, but with the passage of the initiative, it is now assumed that Thurston County will not collect revenue under the existing TBD. Figure 6-4 shows the projected increase in TBD revenue for the region for the forecast period (2020-2045). Actual data is show for 2009 to 2018; 2019 is estimated.

Figure 6-3: State Fuel Tax Forecast

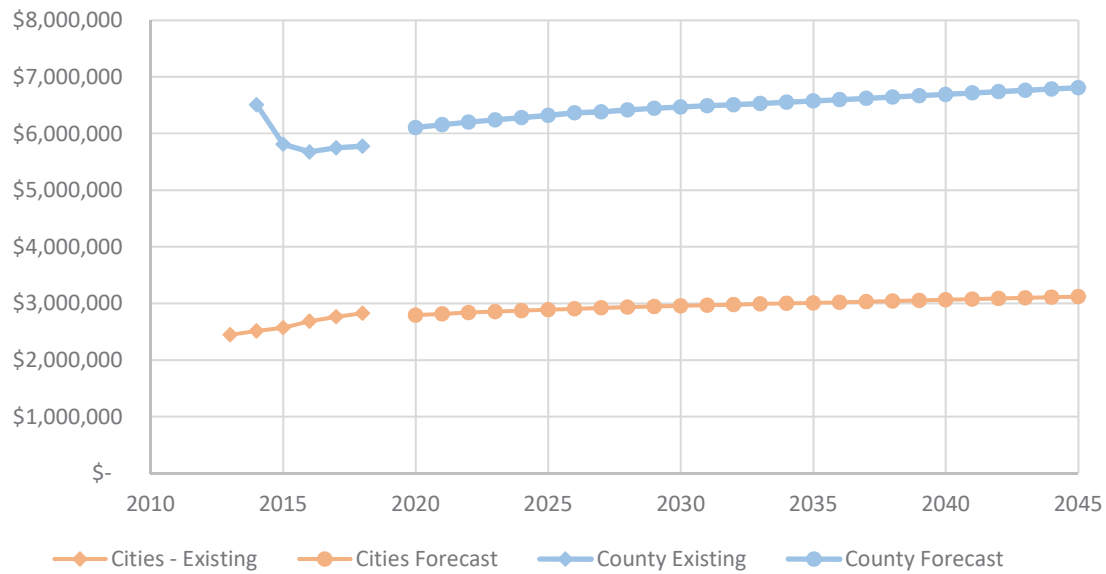


Figure 6-4: Transportation Benefit District Revenue Forecast

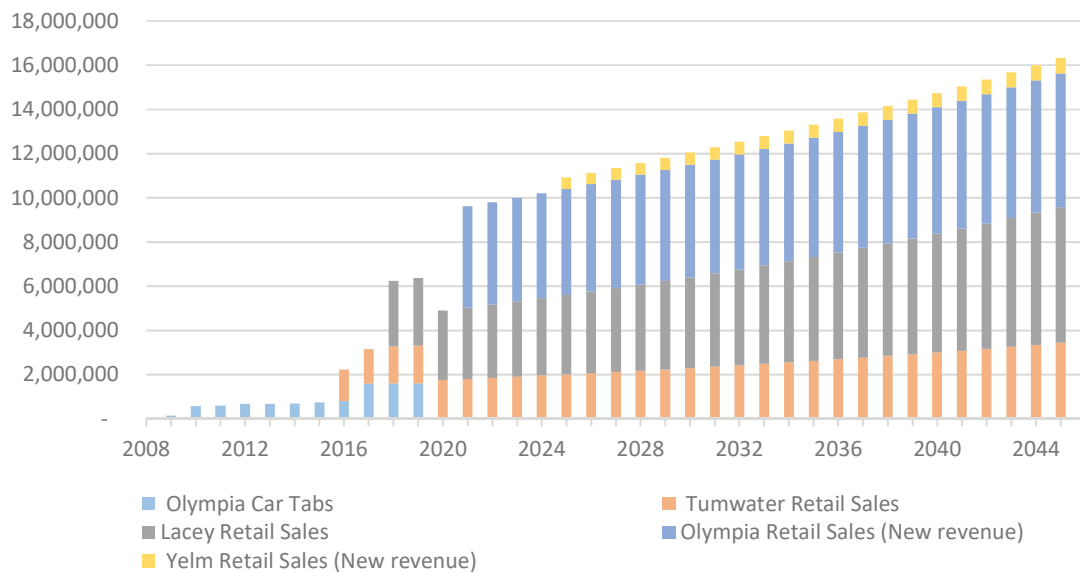
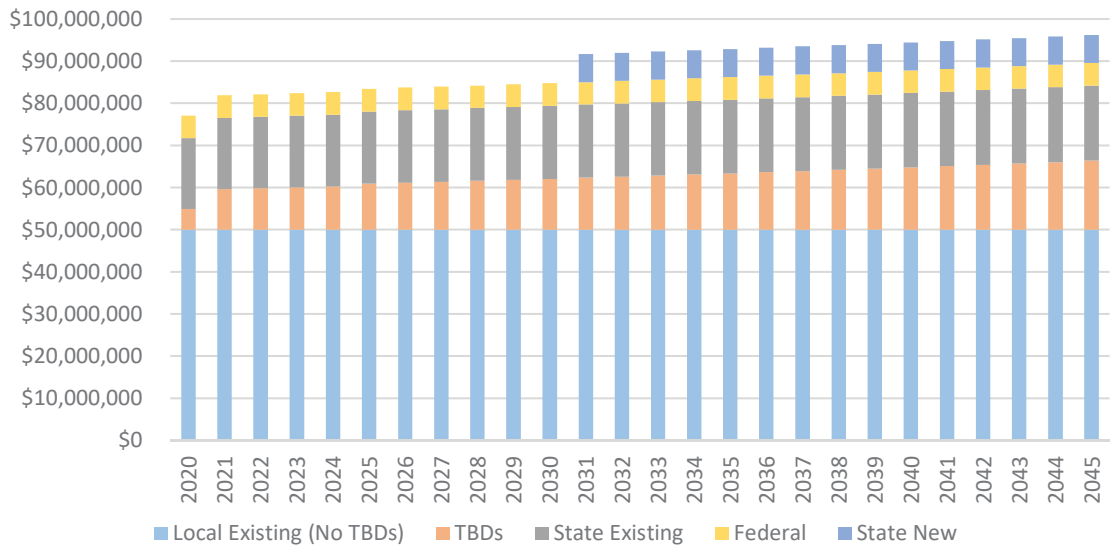


Figure 6-5: City and County Transportation Revenue Forecast, 2020-2045



Forecasting City and County Transportation 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:

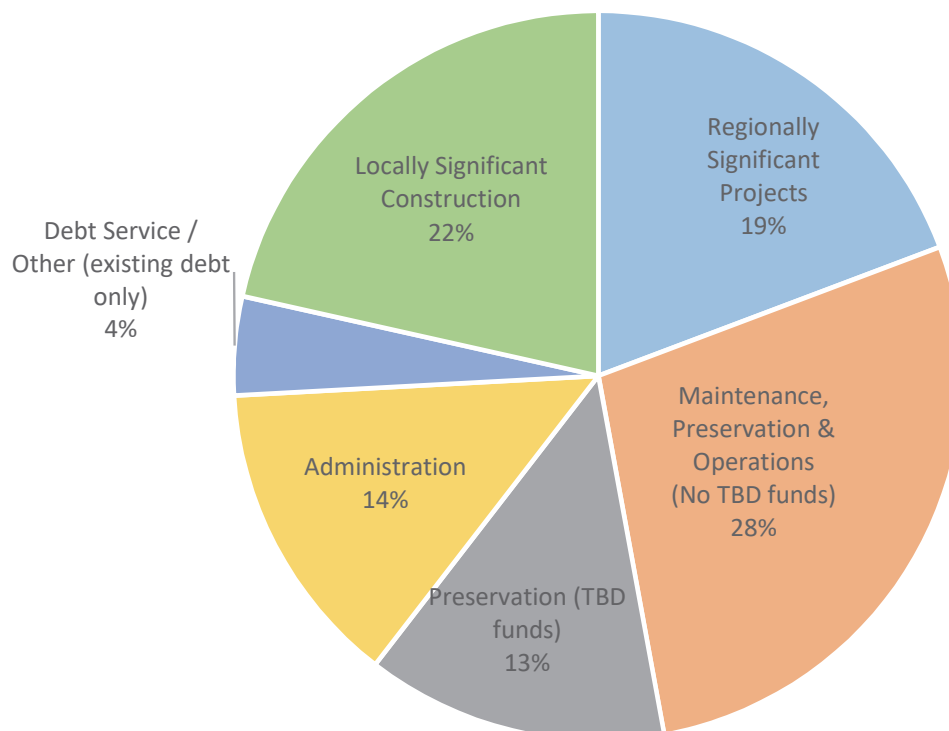
- **Local construction** refers to projects that expand the existing transportation network but are not considered regional in nature. Project-level details for these types of projects are generally located in local planning documents, including annual budget processes, Capital Facilities Plans (CFPs), six-

year Transportation Improvement Programs (TIPs), and the 10- or 20-year transportation elements of comprehensive plans, sub-area plans, or other studies.

- **Maintenance, preservation, and operations** includes 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.
- **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.

Figure 6-6: City and County Expenditure Forecast, 2020-2045



City and County Transportation Forecast Summary

The City and County Transportation revenue forecast (Table 6-1) estimates sufficient revenue to cover expected expenditures, including the Regional Projects identified in the RTP (Table 6-2). Table 6-3 shows remaining revenue.

Table 6-1: City and County Transportation Revenue Forecast

(In millions of constant 2019 dollars)

Revenue Type	2020 - 2029	2030 – 2045	Total
Local Revenues			
Existing Revenues (No TBDs)	\$500	\$801	\$1,301
Transportation Benefit District Revenues	\$101	\$225	\$327
State Revenues			
Existing Revenues	\$177	\$281	\$458
New Revenue		\$100	\$100
Federal Revenues	\$54	\$86	\$139
Total Forecasted Revenues	\$832	\$1,493	\$2,325

Note: Numbers may not add due to rounding.

Table 6-2: City and County Transportation Expenditure Forecast

(In millions of constant 2019 dollars)

Expenditure Type	2020 - 2029	2030 – 2045	Total
Locally Significant Construction	\$192	\$307	\$499
Regionally Significant Projects	\$116	\$324	\$439
Maintenance, Preservation & Operations (No TBD funds)	\$249	\$398	\$647
Preservation (TBD funds)	\$96	\$214	\$310
Administration	\$122	\$195	\$317
Debt Service / Other (existing debt only)	\$56	\$45	\$101
Total Forecast Expenditures	\$831	\$1,483	\$2,314

Note: It is estimated that the cities and county spent \$95 million (2019 dollars) on regionally significant projects between 2000 and 2017, not including the 4th Avenue Bridge; assumes 95 percent of revenue from TBDs will be used for pavement maintenance. Numbers may not add due to rounding.

Table 6-3: City and County Transportation Forecast Summary

(In millions of constant 2019 dollars)

	2020 - 2029	2030 – 2045	Total
Total Revenues	\$832	\$1,493	\$2,325
Total Expenditures	(\$831)	(\$1,493)	(\$2,322)
Balance	\$1	\$1	\$1

Note: Numbers may not add due to rounding.

Public Transportation Forecast

The Public Transportation Forecast is developed by Intercity Transit (IT) for its service area, and TRPC for ruralTRANSIT(rT). The IT forecast is consistent with its long-range plan. The rT forecast is based on existing funding levels.

The public transit revenue forecast (Table 6-4) is sufficient to fund expenditures (Table 6-5), 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 (2020-2029), 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 6-4: Public Transportation Revenue Forecast

(In millions of constant 2019 dollars)

Revenue Type	2020 - 2029	2030 – 2045	Total
IT Operating Revenue	\$829	\$1,927	\$2,756
IT Capital Revenue	\$128	\$94	\$222
rT Operating Revenue	\$6	\$11	\$17
Total Estimated	\$963	\$2,032	\$2,995

Note: IT refers to Intercity Transit, and rT refers to rural Transportation. Numbers may not add due to rounding.

Table 6-5: Public Transportation Expenditure Forecast

(In millions of constant 2019 dollars)

Expenditure Type	2020 - 2029	2030 – 2045	Total
IT Operations – Existing and Expanded Service	\$729	\$1,854	\$2,583
IT Capital – Existing Strategic Plan	\$224	\$165	\$389
rT Operations	\$6	\$11	\$17
Total Estimated	\$959	\$2,030	\$2,989

Table 6-6: Public Transportation Forecast Summary

(In millions of constant 2019 dollars)

	2020 - 2029	2030 – 2045	Total
Total Revenues	\$963	\$2,032	\$2,995
Total Costs	\$959	\$2,030	\$2,989
Balance	\$4	\$2	\$6

Note: Numbers may not add due to rounding.

Forecast Assumptions

City and County Transportation Forecast

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 WSDOT. The period of historical analysis used for this forecast was 2000 through 2017.
- “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 time of this forecast, the cities of Lacey, Olympia, and Tumwater collect 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 the camper excise tax.

- “Federal revenues” include direct and indirect grants, block grants, Federal Emergency Management Agency revenues, and various revenues from the Surface Transportation Program Block Grant (STBG) fund.
- “Traffic policing” is not included in this revenue forecast, although the State Auditor considers this as a specific transportation function.
- The forecast uses a flat property tax rate for both incorporated and unincorporated 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. The forecast assumes other existing local revenue receipts will remain fairly static, similar to the share of revenues associated with the 2000-2017 time period.
- The notable growth in local revenues is associated with Transportation Benefit District (TBD) revenues. Lacey, Olympia, and Tumwater have TBDs. This forecast assumes that Olympia will switch to collecting TBD revenue from retail sales by 2021, rather than car tabs and that Yelm will implement a TBD and begin collecting revenues by 2025. All TBD fees are identified as “New Revenues.”
- State revenue forecasts were developed for motor fuel tax distributions, and all other state revenues, typically competitive grants. Direct fuel 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 fuel tax revenues derive from the Transportation Revenue Forecast Council’s November 2019 Transportation Economic and Revenue Forecasts, Vol II: Detailed Forecast Tables (2019 through 2029). This assumes fuel tax revenues grow at half the rate of increase between 2019 and 2029 for the 2030 to 2045 period, to account for increase in fuel efficiency. Actual fuel tax distributions received by jurisdictions are reported by the WSDOT Economic Analysis Office.
- New state revenue as a result of 2ESSB 5987 was included in the State Revenue forecast (Motor Vehicle Fuel Tax Additional Sharing and Multimodal Transportation Account Sharing).
- There is an assumption that there will be a new transportation package similar to “Connecting Washington” passed by the State Legislature, with 100 million in revenue for Thurston County 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) Act) 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 WSDOT. The period of historical analysis was 2000 through 2017, adjusted for inflation to reflect constant 2019 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, 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. "Construction" costs reflect the adjusted 2000-2017 average annual cost, inflated to constant 2019 dollars and projected over the term of the forecast. There is no discernible trend, from 2000 through 2017, in growth in these costs.
- "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. "Maintenance, Preservation, and Operations" costs reflect the adjusted 2000-2017 average annual cost, inflated to constant 2019 dollars and projected over the term of the forecast. There is no discernible growth from 2000 through 2017 in these costs.

- The forecast includes additional funding (95 percent of the 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. “Administration” costs assume a steady annual expenditure based on the 2000-2017 average annual cost, inflated to constant 2019 dollars.
- “Debt Service/Other” costs include existing debt service as well as a myriad of small, non-recurring “other” project costs reported by local jurisdictions. “Debt Service/Other” costs recognize existing debt service through 2029 and an average annual “other” cost based on the 2000-2017 average, inflated to constant 2019 dollars.
- “Traffic policing” is not included in this expenditure forecast, although the State Auditor considers it a specific transportation function.
- “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 facilities, or large-scale investments in transportation technologies. It does not include WSDOT projects or Class I trails. Cost estimates are planning level estimates and will be refined as projects are designed.
- Historical investment in regional projects identified in the 2025 and 2040 Regional Transportation Plans were evaluated using data from WSDOT and the TIB. 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 expertise to develop the breakout between 2020-2029 and 2030-2045 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 2019 dollars.
- The forecast assumes the implementation of transit elements contained in the Intercity Transit Long-Range Plan (October 2018) including on-demand service available to recognized innovative service zones in less dense areas.
- With the implementation of the five-year Zero-Fare Demonstration Project beginning January 2020, all fixed route farebox revenues are removed from the revenue forecast in 2020 and not re-inserted. Vanpool fare revenue remains through 2045.
- State and federal operating grants will contribute between \$1.0-2.5 million per year toward special needs transportation, vanpool and other programs.
- State and federal capital grants will contribute approximately \$5 million per year toward vehicle replacement and facility enhancement.
- Implementation of a \$25 million revenue bond in 2020 for the design and construction of the Pattison Base site.

Intercity Transit Public Transportation Forecast

Revenue

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

- Local Option Sales Tax, which is the primary revenue source for Intercity Transit, is forecasted to grow year-over-year at three percent and at a collection rate of 1.2 percent without change.

Expenditures

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

- The forecast of operating and capital expenditures reflects increases in fixed route and ADA Paratransit (i.e. Dial-a-Lift) service represented in the Long Range Plan (as of October 2018) including the corresponding increases in staffing levels, fuel, facilities and insurance with regular year-over-year inflation.
- The forecast assumes additional fixed-route and Dial-a-Lift resources year-over-year intended to parallel population

growth as well as the corresponding schedule delays resulting from increased traffic congestion.

- The capital forecast assumes vehicle replacements at or beyond the federally accepted schedules in addition to regular and routine replacement of information technology and facility maintenance; the forecast of expenses does not include a direct change in fuel technology.
- The capital forecast assumes that the Intercity Transit Pattison base and maintenance facility will continue to be upgraded through 2025; debt service resulting from a \$25 million bond is assumed beginning in 2020.

ruralTRANSIT (rT) 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 years 2021-2023 funding.
- rT expenses will be equal to the available funding level.

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