
DRAFT FUNDING FORECAST

Date: October 22, 2012 **Project #:** 11732

To: Public Advisory Committee

From: Project Management Team

Project: Clackamas County Transportation System Plan Update

Subject: Draft Funding Forecast

This memorandum outlines the anticipated funding that will be available for transportation projects in unincorporated Clackamas County between now and 2035. The projections take existing funding sources, historic trends and estimated revenue forecasts into consideration. The focus is on funding sources for unincorporated Clackamas County. However, it should be noted that some of the geographically specific revenue sources are expended in areas that include both unincorporated and incorporated areas.

Since 2001, more than \$321 million has been spent on transportation projects located primarily in unincorporated Clackamas County, as outlined in Attachment A: 2000-2011 Transportation Capital Projects (Completed | In Process) & Funding Sources. This total expenditure includes capital projects that are completed, currently underway or have funds programmed for completion and larger road paving projects. This total does not include general transportation system maintenance activities, such as vegetation control, traffic operations, road shoulder work, roadway treatments, and surface water management; however, the table does outline developer contributions to the capital projects.

Seven basic sources have been used to fund transportation programs and projects in unincorporated Clackamas County:

- Federal revenue
- County Road Fund (which receives funds from the Oregon State Highway Trust Fund)
- Special state revenue programs
- Local governments and other agencies
- Other Revenue Sources - County conditioned, Developer financed improvements
- Transportation System Development Charges (TSDC)
- Urban Renewal (Tax Increment Financing [TIF])

A more complete description of the seven basic funding sources follows on pages 3-12. Some funding sources are restricted to particular areas or types of projects. The estimated levels of funding available through 2035 for transportation system project and programs is lower, on an annual basis, than the funding that was available during the last 12 years because past revenue streams from special state programs, such as OTIA, may not be as readily available in the future.

The estimated total funds available, through 2035, for transportation projects and programs in Clackamas County is approximately \$444 million (See Table 1).

2035 Transportation Funding Forecast Summary

Table 1 summarizes anticipated near- and longer-term transportation funding through year 2035.

Table 1– Near- and Longer-Term Forecast Transportation Funding Estimates

Transportation System Operations & Maintenance Funding Estimates	2035 Forecasts			
	0-5 Years	5-15 Years	16-23 Years	Total 23-Year Forecast
County Road Fund (Oregon State Highway Trust Fund)	\$ 112,645,000	\$ 225,290,000	\$ 202,761,000	\$ 540,696,000
Program Engineering (Contracts, Fees, etc.)	\$ 3,675,000	\$ 7,350,000	\$ 6,615,000	\$ 17,640,000
Program Maintenance (Contracts, Grants, etc.)	\$ 5,860,000	\$ 11,720,000	\$ 10,548,000	\$ 28,128,000
Roadway Operations & Maintenance Programs	\$ (122,180,000)	\$ (244,360,000)	\$ (219,924,000)	\$ (586,464,000)
Program Revenue Less Estimated Operating Expenses* (County Road Fund Remaining for Programs Projects)	\$0.00	\$0.00	\$0.00	\$0.00

* The majority of the County Road Fund will be needed to preserve the existing transportation network over the next 25-years.

Transportation System Program & Project Funding Estimate	2035 Forecasts			
	0-5 Years	5-15 Years	16-23 Years	Total 23-Year Forecast
Countywide Revenue				
Federal Revenue	\$ 26,749,115	\$ 53,498,230	\$ 53,498,230	\$ 133,745,575
Special State Revenue Programs	\$ 25,778,073	\$ 51,556,145	\$ 46,400,531	\$ 123,734,748
Local Government and Other Agencies	\$ 1,705,380	\$ 3,410,760	\$ 3,410,760	\$ 8,526,900
Other Revenue Developer Constructed Improvements	\$ 3,561,845	\$ 7,123,690	\$ 7,123,690	\$ 17,809,225
Total Countywide Revenue, Estimated	\$ 57,794,413	\$ 115,588,825	\$ 110,433,211	\$ 283,816,448
Special District Revenue				
Countywide Area - System Development Charge	\$ 8,431,639	\$ 35,188,463	\$ 57,690,174	\$ 101,310,276
Happy Valley Joint Area - System Development Charge	\$ 314,416	\$ 8,039,774	\$ 15,795,434	\$ 24,149,624
Clackamas Regional Center - Urban Renewal	\$ 17,000,000	\$ 3,000,000	\$ -	\$ 20,000,000
N Clackamas Revitalization Area - Urban Renewal	\$ 2,000,000	\$ 10,000,000	\$ 3,000,000	\$ 15,000,000
Total Special District Revenue, Estimated	\$ 27,746,055	\$ 56,228,237	\$ 76,485,608	\$ 160,459,900
Estimated Total Transportation Project & Program Revenue Available* <i>All Sources</i>	\$ 85,540,467	\$ 171,817,062	\$ 186,918,819	\$ 444,276,348
*Gross Revenue minus Operations & Maintenance				

Attachment A contains detailed information about planned transportation projects completed or in-process with committed funding from 2000 to 2011 and provides the specific funding sources and amounts for each project.

Federal Revenue

There are several forms of federal revenue that have emerged and then diminished over the years. The key programs are described below.

The **Federal Surface Transportation Program (STP)** annually invests more than half a billion dollars in Oregon highway and transit projects. In Clackamas County, Federal STP revenue accounted for 16.7% of the funding for Clackamas County transportation projects since 2001. Examples of this type of federal funding include: grants received through the Metropolitan Transportation Improvement Program (MTIP), Transportation Enhancement Program (TE) the Highway Bridge Program (HBP), and the Hazard Elimination Program (HEP).

Since 2001, the **Secure Rural Schools Act** has provided money to rural communities in national forest areas to compensate for revenue lost because of restrictions on timber harvesting. This has been an important factor in funding transportation improvements. Clackamas County includes these funds in the County Road Fund, and uses them for both capital and maintenance activities. This program was set to terminate in 2012, but Congress passed the Moving Ahead for Progress in the 21st Century Act (MAP 21), a National Transportation Bill, that included a one-time extension. When this act sunsets in FY2015, the program will revert back to the payments from the National Forest Service – based on 25% of the gross receipts generated from the National Forest in Clackamas County, substantially minimizing any future revenues.

Federal gas tax revenue is distributed to local agencies through the State, through Oregon State Highway Fund revenues. Clackamas County includes this revenue in the County Road Fund, and the funds are used for both capital and maintenance. The Federal gas tax of 18.4¢ per gallon of gasoline (24.4¢ per gallon of diesel) has not increased since 1993.

Federal funding has been a significant source for rural and urban transportation projects in the County. Federal funding accounted for 23.1% of the monies spent on transportation projects in the urban portion of Clackamas County since 2001. These funds helped complete projects like the Sunrise Corridor Environmental Impact Statement, sidewalks and bike lanes along Fuller Road, and weather stations that provide information for the Intelligent Transportation System programs. In the rural area 14.8% of the funding for transportation projects came from federal sources. Many bridge and culvert projects were funded through the Federal Highway Bridge Program or Hazard Elimination Program.

Estimated Federal revenue for programs and projects over the next 23 years: \$133.7 million.

COUNTY ROAD FUND (OREGON STATE HIGHWAY TRUST FUND)

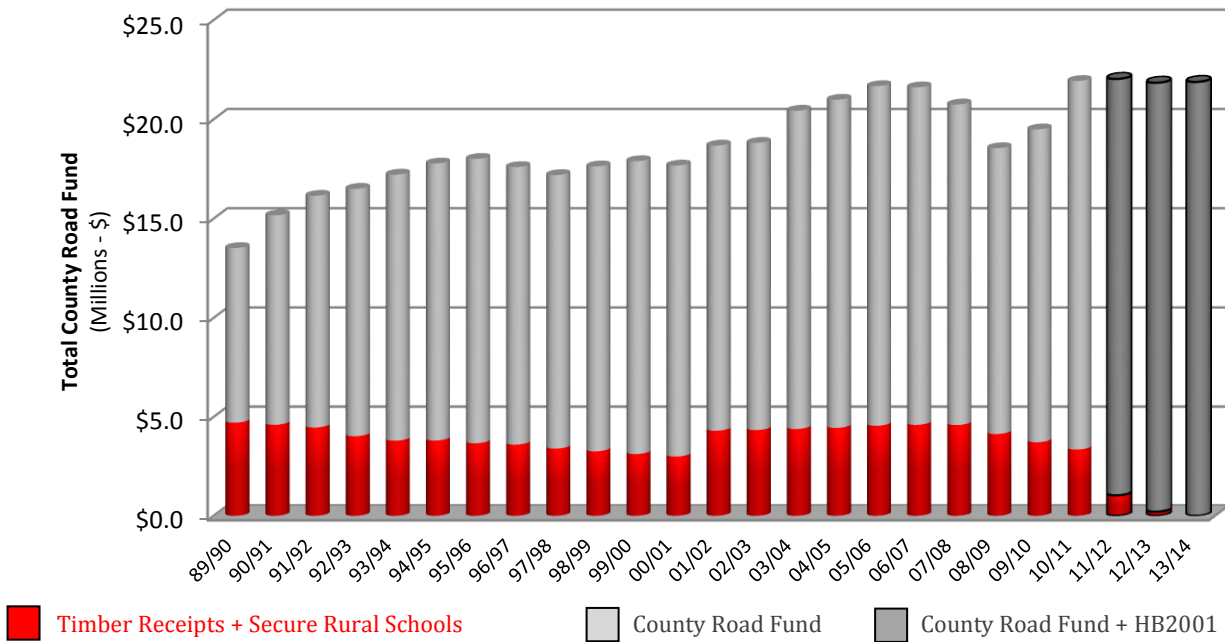
The County Road Fund is made up of funds received through the Oregon State Highway Trust Fund from state and federal gas taxes, weight-mile tax, vehicle registration fees (VRF) and vehicle titling fees. The Oregon Constitution and Oregon Revised Statutes (ORS) require that the Oregon State Highway Trust Fund revenue be used "... for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets..." (including the mandatory minimum 1% annual expenditure on bicycle and pedestrian facilities).

The County Road Fund also includes money received from the Secure Rural Schools program. Since 2001, approximately 17.6% of funding for transportation projects in the rural area and 3.4% of funding for transportation projects in the urban areas came from the Road Fund. Road Fund money is often used as the local contribution (match) for projects funded by federal, state and other local funding programs.

The 2009 State Legislature adopted House Bill 2001, which increased state gas and weight-mile taxes for the first time since 1993. The Road Fund has stabilized due to these increases, but the cost of maintaining and building roadways is also increasing. This means that the purchasing power of the Road Fund will not provide the same level of maintenance or fund as many capital projects in the future. The effectiveness of the Road Fund is further reduced when combined with an increase in fuel efficiency and rising construction costs, without a reduction in the vehicles on the roadway through changing travel behavior (e.g., less driving and increasing use of other travel modes).

Figure 1 illustrates the fluctuations in Road Fund revenues and demonstrates how the projected increase in revenue from House Bill 2001 fills the gap created from the elimination of the Secure Rural Schools program. The majority of the County Road Fund will be needed to preserve the existing transportation network over the next 25-years.

Figure 1 – County Road Fund (Oregon State Highway Trust Fund) Historic Funding and Near-Term Forecast
Note: The increases from HB2001 partially replace the loss of federal timber receipts



No County Road Funds are estimated to be available for transportation programs and projects over next 23 years (these funds will be used exclusively for maintenance activities).

SPECIAL STATE REVENUE PROGRAMS

Special state revenue programs have been a significant funding source for county projects, including bridges, pedestrian ways and bikeways and significant improvements to Sunnyside Road.

These programs, which provide funds for specific projects for limited periods of time, include the Oregon Transportation Investment Act (OTIA) and the Oregon Jobs and Transportation Act (JTA) from ODOT’s State Highway Fund allocation. The American Recovery and Reinvestment Act (ARRA) provided stimulus funding and the ConnectOR program invested in air, rail, marine, and transit infrastructure.

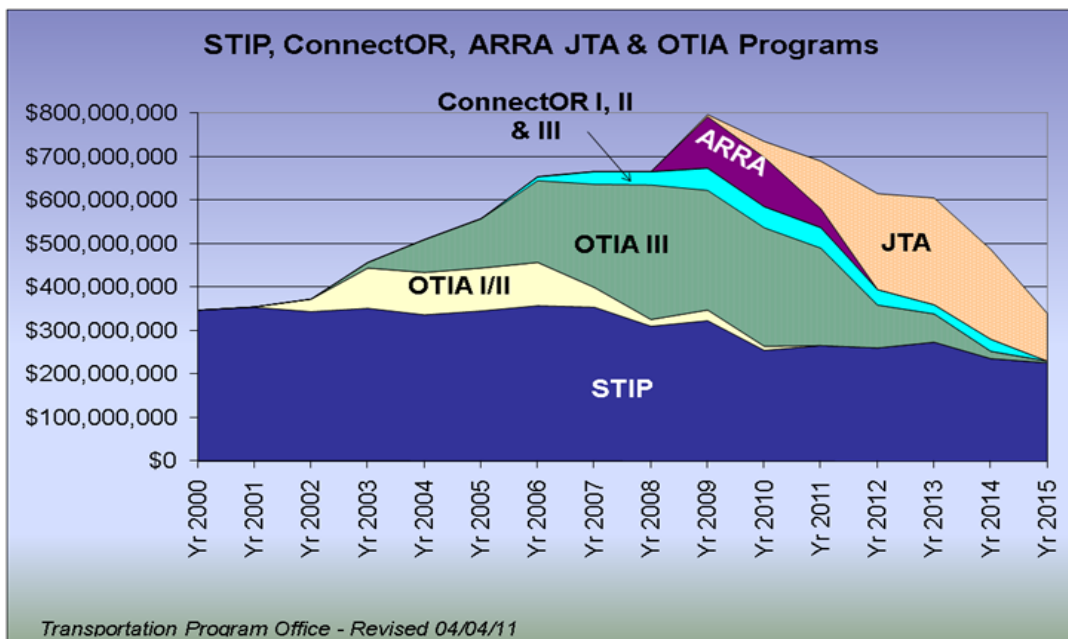
The first **OTIA** legislation focused on improving state, county and city roads and bridges. OTIA II focused on replacing and repairing bridges, and modernizing and preserving local roadways. OTIA III was dedicated to modernization programs. Many bridge projects in Clackamas County benefitted from this program, such as the Mulino Road Bridge, the Stafford Road Bridge, and the Feyrer Park Road Bridge. While there are no active OTIA programs at this time, there is one remaining project

under construction in Clackamas County with OTIA revenue programmed- the Clackamas River Bridge at Carver.

The 2009 State Legislature adopted the **Oregon Jobs and Transportation Act** (House Bill 2001 [JTA]). JTA implements revenue in steps and focuses on three primary elements:

- (1) Accountability, innovation and environmental stewardship;
- (2) Highway, road and street funding, and
- (3) Multi-modal funding.

Much of the revenue from the JTA is dedicated to specific projects and programs. The first phase of improvements in the Sunrise Corridor, currently under design, will be funded by JTA. The funding amounts shown below are statewide transportation funds and only a portion is spent in Clackamas County. Overall state revenues are decreasing because each of the current special state revenue programs are phasing out over the next several years. This means that future state special revenue programs may be minimal because ODOT’s State Highway Fund allocation is committed to debt service for OTIA and JTA bonds, and for highway maintenance. As a result, there is limited state funding for new capital projects through the Statewide Transportation Improvement Program (STIP) which is funded through the Oregon State Highway Trust Fund.



Estimated Special State program and project revenue over the next 23 years: \$123.7 million

LOCAL GOVERNMENTS AND OTHER AGENCIES

Typically, local governments and other agencies (e.g., sanitary districts, incorporated cities) will share in the costs of specific projects or studies that provide transportation benefits to both the County and the other agency (e.g., Holcomb Blvd., Trolley Trail, storm culvert replacement). These revenue sources vary significantly over time because they are based on specific projects and geographic areas. Revenue forecasts are based on the average annual historical funds used for capital transportation projects from 2001 to present (see Attachment A for details).

Estimated program and project revenue over the next 25 years: \$8.5 million

OTHER REVENUE SOURCES - DEVELOPER COUNTY CONDITIONED / DEVELOPER FINANCED IMPROVEMENTS

The final source of transportation funding is related specifically to development projects and associated off-site transportation improvements. This revenue source is tied to two County ordinances:

- Zoning and Development Ordinance (ZDO), which requires frontage improvements; and
- Concurrency Ordinance, which requires private developers to construct transportation capacity and/or safety improvements for the surrounding transportation facilities to function at or above the identified performance standard.
- Developers build more than \$700,000 in transportation improvements each year in Clackamas County;

It is estimated that developers will contribute \$17.8 million in improvements to the transportation system over the next 25-years.

TRANSPORTATION SYSTEM DEVELOPMENT CHARGES (TSDC)

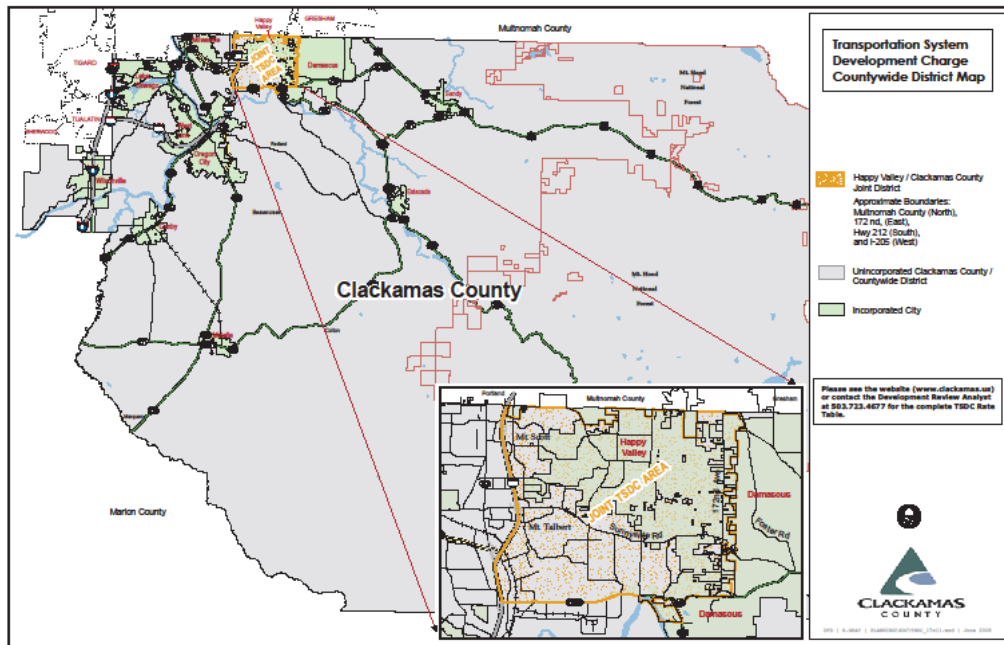
TSDCs are one-time assessments on new development based on the number of vehicle trips the developments are forecast to generate. This equitably spreads the cost of increased capacity road projects to new development because new and expanding existing developments rely on improvements to the road network provided through the County's capital improvement program. These funds are dedicated to projects that increase capacity, may not be used for maintenance, and are restricted to projects on an adopted list within a geographic area.

TSDC money is used to fund capacity improvements, which can include operational efficiencies (e.g., signalization) that increase the number of vehicles accommodated by the system or added lane miles. Currently, TSDC revenue may not be used for multi-modal improvements.

The County has two TSDC districts, one with the City of Happy Valley (Joint Area TSDC) and the other for unincorporated areas of the county (Countywide TSDC). Because the majority of the revenue in both districts is dedicated to debt service in the near-term, the available revenue for future projects is limited. This debt service is in the form of Oregon Transportation Infrastructure Bank (OTIB) loans, which enabled the construction of SE Sunnyside Road (from SE 92nd east to SE 172nd) and SE 172nd Avenue (from Highway 212 north to Sunnyside Road).

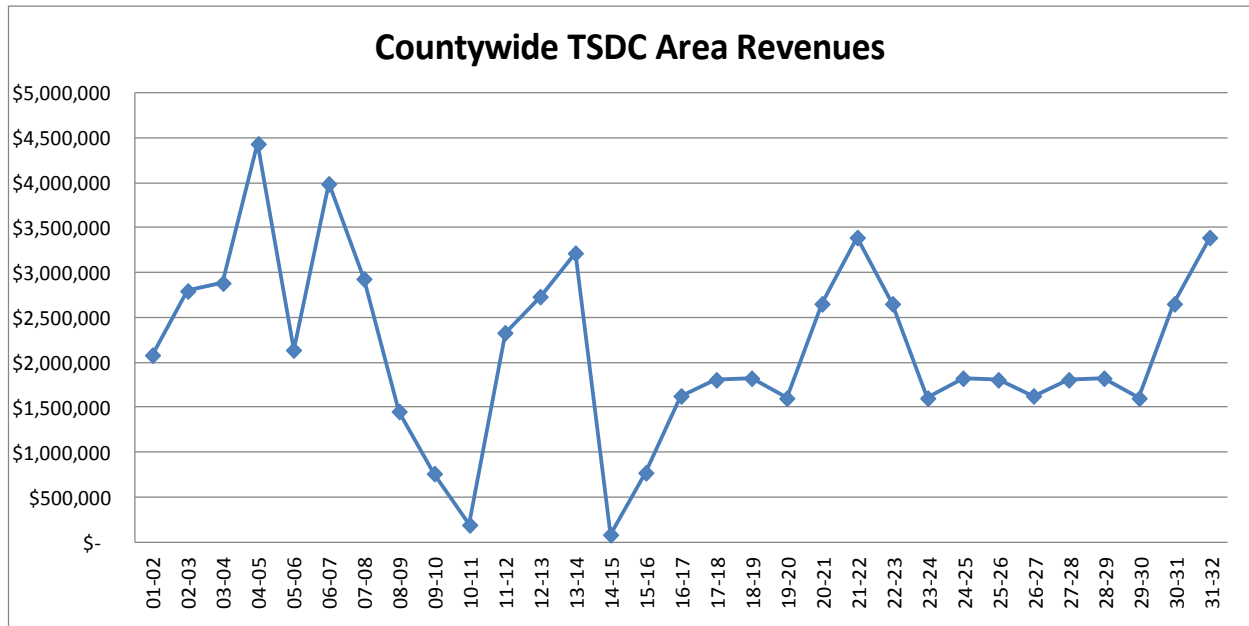
The primary challenge currently facing this funding source is the dramatically slowed rate of development recently. TSDC revenues generally reflect the rate of development and the additional demand placed on the transportation system by new facilities; however, TSDCs are currently estimated to cover an average of only 30% of total capacity-related improvements on the County road network. This can be attributed to the fact that not all added demand comes from new development and the fact that TSDC revenue focuses on funding projects that provide the largest benefit for the revenue, so not every capacity-increasing project makes the eligibility list. Exhibit 1A shows a TSDC Area map showing where the revenues can be spent.

Exhibit 1A – Transportation SDC Area Map (Countywide and Joint Area Locations)



Exhibits 1B and 1C summarize the historical collections and revenue forecasts for TSDC funds, set the baseline for the debt service, and demonstrate revenue that may be available in each fund area.

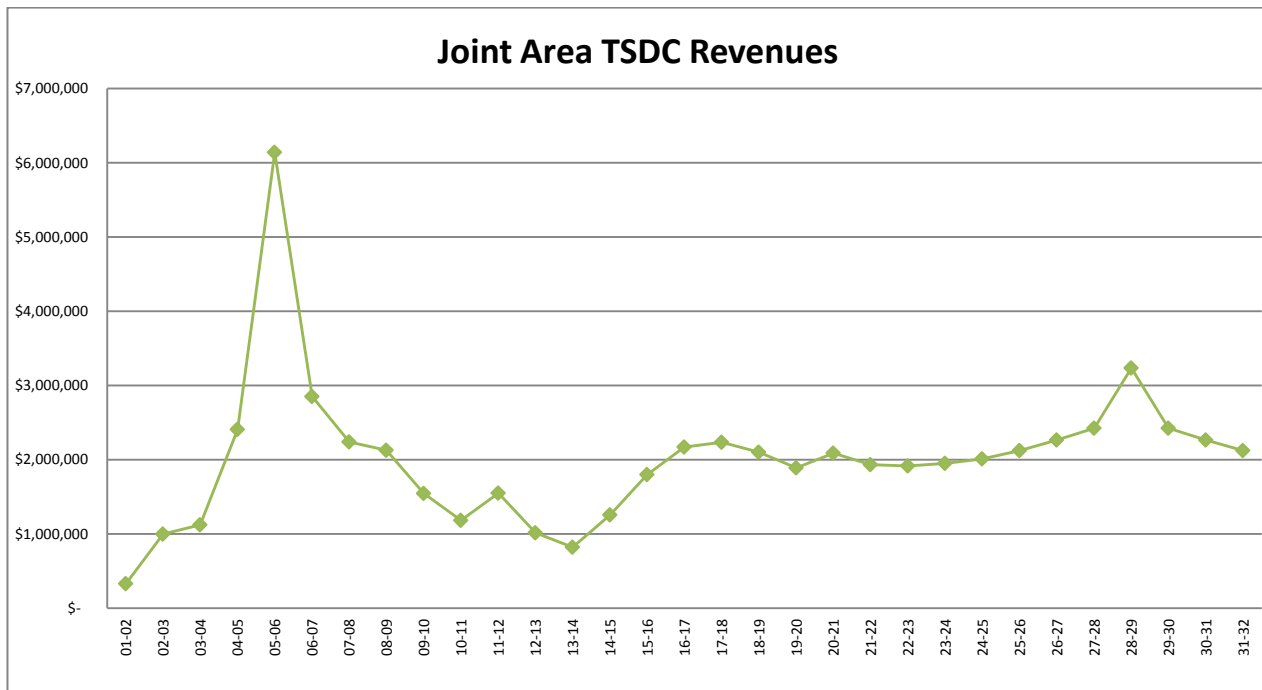
Exhibit 1B – Countywide Transportation SDC Forecast through Fiscal Year 2031-2032



Attachment A shows that the average amount of Countywide Area TSDC revenue used to fund projects within the County from 2000 to 2011 was \$7.2 million, which is significantly higher than the annual collections reflected on Exhibit 1B during this same period. This is because the County was able to identify matching sources for existing TSDC reserves for a variety of Federal, State and local revenue sources (e.g., urban renewal) to support new development. These estimates reflect the amount of revenue needed for debt service as well as the forecast decreasing rate of development.

Estimated \$101.3 million in Countywide SDC funding available for additional road capacity over the next 23 years in the SDC area.

Exhibit 1C– Joint Area Transportation SDC Forecast through Fiscal Year 2031-2032



Estimated \$24.1 million in Joint County / Happy Valley Area SDC funding available for additional road capacity over the next 23 years within the SDC area.

The TSDC methodology will need to be updated to reflect the revised TSP policies, strategies and projects. The County may want to explore policies and strategies that will:

- Encourage and facilitate balanced development;
- Help fund transportation projects and generate jobs, and
- Increase the revenue available for transportation improvements.

TSDC Funds are only available for capacity increasing projects in the individual collection areas.

URBAN RENEWAL (TAX INCREMENT FINANCING [TIF])

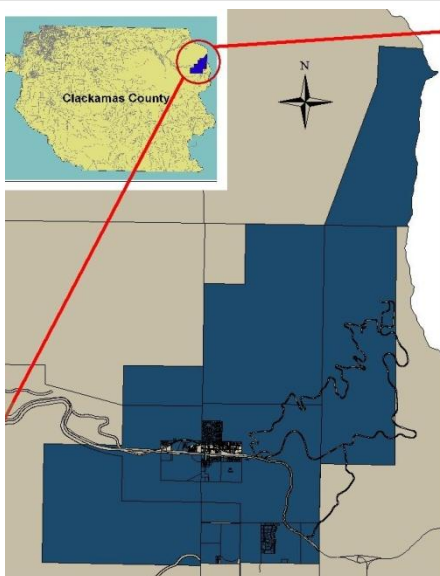
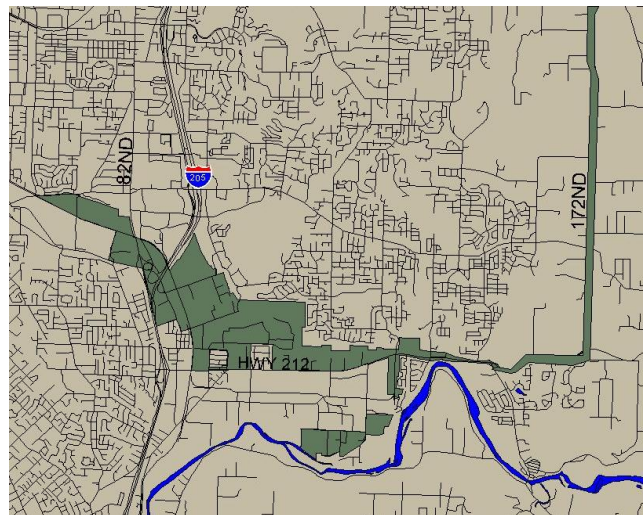
Urban renewal raises money for public improvements through Tax Increment Financing (TIF) in blighted areas. Local investments focus on creating jobs, helping businesses, improving communities and increasing the tax base to result in long-term financial stability for local service providers and property owners. Funding from urban renewal districts is customized to meet the needs of the urban renewal area.

Expenditures are restricted to making improvements within the geographic limits of the district and focus on funding infrastructure consistent with the adopted urban renewal plan. Urban renewal frequently provides matching funds for money from federal, state, regional and local sources.

There are four Clackamas County urban renewal districts; only two are forecasted to invest further revenue in transportation projects over the next 20-years. Levies in two of the districts have already terminated and a third levy is scheduled to terminate in 2013. Once a levy is terminated, no more money is collected in the district and any remaining funds are used for planned projects within the district. Maps and a brief description of the four districts are shown below.

Clackamas Industrial Area:

- Levy terminated in 2006
- Predominantly industrial (e.g., manufacturing, warehousing and distribution)
- Approximately \$25 million in property dedications will be transferred to ODOT in next 20-years for the Sunrise System JTA
- ***No funds remaining***

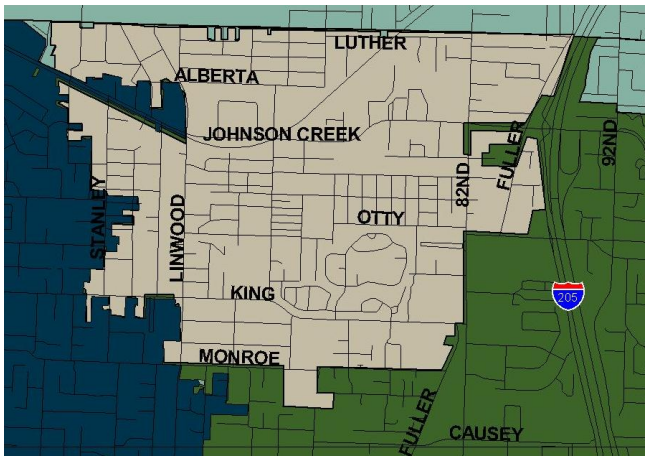
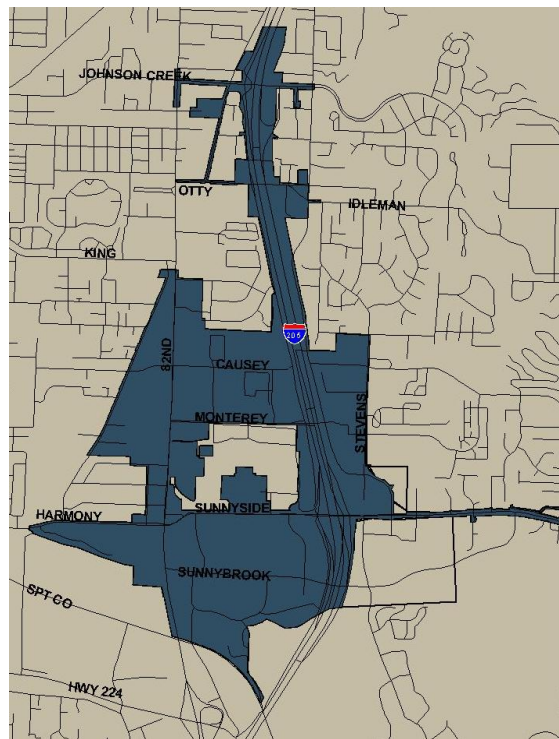


Government Camp Village Revitalization Area:

- Levy terminated in 2009
- Generally recreation and residential with some commercial uses
- ***No funds remaining***

Clackamas Town Center Area:

- Levy scheduled to terminate in June 2013
- Predominantly commercial with office and multifamily residential
- *Estimated \$20 million remaining will be spent on transportation, community and development improvements over the next 20 years*



North Clackamas Revitalization Area:

- Formed in 2006 with 15 to 20 years of funds collection remaining
- Primarily affordable residential neighborhoods bounded by industrial and commercial uses
- *An estimated \$15 million will be directed to transportation improvements over the next 20-years*

As noted, and depicted on the maps above, urban renewal funds must be used within the respective district. Each district has a plan that outlines projects, programs, funding sources, timelines and district boundaries. County Ballot Measure 3-386, approved by voters in November 2011, requires countywide voter approval to create an urban renewal district or make a "substantial change" to a current urban renewal district.

Estimated Urban Renewal program and project revenue over the next 23 years: \$35 million
These Funds are only available for projects in the individual Urban Renewal Areas.

ATTACHMENTS

Attachment A: 2000-2011 Transportation Capital Projects (Completed | In-Process) & Funding Sources