

City of Portland
Bureau of Transportation



Transportation Operating Fund
Financial Forecast

(Includes General Transportation Revenue, Grants, Fees, Interagency and Other Cash Transfers
and General Fund)

2014-2019

Executive Summary

This financial forecast presents the status of the City of Portland Bureau of Transportation's (PBOT) strategy to balance program objectives against limited revenues for the next five years.

The Bureau of Transportation operates in a highly dynamic funding environment. With the evolving aspirations of its grantors, changing needs of other City agencies for Bureau services, the unpredictable nature of discretionary funding levels, and continued Federal disinvestment in transportation, the availability of funding to fulfill PBOT's mission changes year to year.

PBOT has achieved marked success in increasing transportation choices for Portland residents. PBOT's work to provide transportation alternatives reflects City-wide policy directives, which establish ambitious goals for reducing reliance on and use of motor vehicles. The Portland Plan calls on residents to reduce the number of miles they drive daily by over 30 percent by 2035. By 2035, the City also aspires to increase the percent of commuters walking, biking, taking transit, carpooling or telecommuting to 70 percent.

These directives are critical to reducing City greenhouse gas emissions, improving community health, and strengthening the local economy. At the same time, they have the potential to dramatically impact PBOT's primary sources of discretionary revenue. Nearly all of the Bureau's discretionary funding sources – the State Highway Fund (comprised of motor fuels tax, vehicle titling and registration fees, and weight-mile tax imposed on trucks) and City parking revenues -- rely on Portland's continued affinity for and reliance on automobile travel.

This paradox creates a great challenge for the Bureau as it seeks to promote active transportation and use of transit while also maintaining sustainable levels of funding to ensure the continued viability of Portland's transportation system.

Portland is not alone in this situation; Transportation funding is in a state of crisis nationwide. Once-plentiful Federal transportation dollars have become increasingly scarce. Much like the anticipated decline of the Federal Highway Trust Fund, the Oregon Department of Transportation forecasts a dramatic reduction in State Highway Fund revenues over the long-term. As a result, PBOT is forecasting reductions in State and Federal funding.

Appropriately managing and responding to community expectations in light of the increasing inadequacy of revenue streams to meet even basic maintenance obligations remains a notable challenge.

There are major challenges the PBOT must address in accomplishing its mission of planning, building, managing and maintaining an effective and safe transportation system that provides access and mobility.

- Major changes from the FY 2013-18 Financial Forecast:
 1. Projected parking revenue growth based on current trends and change to the Disabled Parking policy is \$5.0 million (annualized over the forecast)

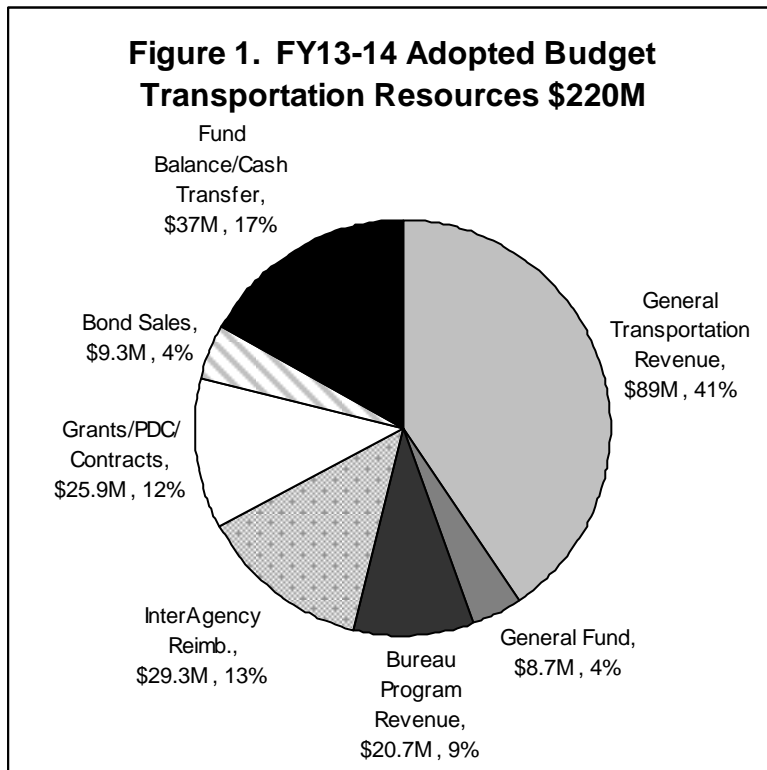
2. Addition of NW Parking District meters and citations revenues is \$3.0 million offset by both one-time and ongoing operations and enforcements costs (annualized over the forecast)
3. Fund level requirements increasing as interest rates for financing escalating. Reflected in Sellwood debt service increase of \$10 million
4. An additional fund level requirement for paystation sinking fund, including the NW Parking District paystations, of \$6.9 million

The Portland Bureau of Transportation FY 2014-19 financial forecast is balanced and does not require reductions.

- However, the current level of service is not sufficient to prevent Transportation infrastructure from further deterioration – the City needs to invest more in maintaining the infrastructure.
- By managing the system well and focusing on Portland residents’ highest priorities, PBOT reduced costs while attempting to create a more livable city. PBOT is maintaining a multi-modal approach to providing transportation services. PBOT continues to respond to citizens’ demand for improved traffic safety with innovative funding and programs.

Summary of Financial Picture

PBOT’s FY 2013-14 resources are summarized in Figure 1.



Gas taxes, parking revenue, and citations provide the largest segment, about 41% of the total, and together represent the General Transportation Revenue (GTR) available for maintenance and operation of the transportation system (with a small portion, about 2.5 million, set-aside for capital). The remaining funding is provided by a variety of customers that purchase Bureau of Transportation services, such as other City bureaus, or is obtained by the Bureau of Transportation, often in the form of grants, for specific projects and purposes. The projected budget request, excluding decision packages, for the Bureau of Transportation in FY 2014-2015 is \$286.2 million.

Resources – Discretionary Revenue

PBOT's primary source of discretionary operating revenue or GTR is the State Highway Trust Fund ("gas tax"). The main components of Highway Trust Fund revenue are motor fuels tax, weight-mile tax, and vehicle registration and titling fees. Since none of these sources are indexed to inflation and with vehicles becoming more fuel efficient and the lingering effects of the 2008 recession, discretionary revenues are projected to be relatively flat in coming years.

PBOT's other source of discretionary revenue is parking revenue which accounts for one-third of the total discretionary revenue. The primary source is revenue from on-street parking fees. Parking citation and parking permit revenue also contribute. The forecast assumes the continuation of parking revenues growth through the first three years of the Forecast with a flattening of revenues occurring in the last two years.

Requirements

Infrastructure maintenance costs are increasing due to the age, complexity, and growth of the assets in the City's transportation system. Furthermore, new and ongoing commitments increase PBOT's funding requirements, such as:

- Operations and maintenance impacts of new development
- Health benefit growing at 7.6% which is significantly higher than the 1.6% revenue growth rate

After years of funding shortages, PBOT is investing far below the sustainable level in infrastructure maintenance (see Appendix A).

PBOT FINANCIAL FORECAST 2014-2019

Forecast Assumptions

Revenue and expenditure projections in this forecast are based on the following:

- Expected interagency funding levels for specific services, including those from other City Bureaus
- Reduced patterns of expenditures for ongoing programs
- Prioritizing operations and maintenance of “Streets of City-Wide Significance” as the backbone of urban mobility, above all other spending priorities
- Support of operating and capital programs that leverage external resources, while maximizing cost recovery of direct and overhead costs of all services and projects
- Status quo economy for the current fiscal year and continuing through the forecast.
- Health care costs are rising at an average annual rate of 7.5% for the forecast, more than double the overall annual inflation rates of 3.3% for the next five years
- PERS rates decreased beginning 2013/14 to 2014/15 as a result of a favorable rate adjustment determined by the PERS Board on a biennial basis. The favorable rate adjustment continues through 2014/15 and then will adjust to normalized rates for the remainder of the forecast as projected by the City Economist.
- Inflation rates are a weighted average for PBOT of the inflation factors distributed by the City Economist: FY 2014/15 – 1.2%, FY 2015/16 – 4.3%, FY 2016/17 – 3.1%, FY 2017-18 – 4.2% and FY 2018-19 – 3.4%.
- June 2013 ODOT Gas Tax Forecast, discounted by 3%

From FY 01-02 to FY 13-14, PBOT has cut \$118.8 million and 148 staff positions funded by GTR. These reductions have impacted service delivery and organizational capacity. Even with the additional revenue from the Jobs and Transportation Act, HB2001, PBOT does not have the capacity to address deferred maintenance. Table 1 summarizes the service reductions resulting from budget cuts from FY 01-02.

Table 1. Transportation programs impacted by budget cuts

- Street preservation and reconstruction
- Traffic calming
- Local street improvement (LID) assistance
- Street landscape maintenance
- Street furniture maintenance
- New street lights
- Graffiti removal
- Pole painting
- Traffic investigations
- Signal operations
- Transportation planning
- Street light maintenance

- Residential street cleaning
- Curb replacement
- Administration
- Residential sidewalk inspection
- Active Transportation

Operating Requirements

Service reductions in the past several years have severely impacted service delivery and organizational capacity. PBOT is no longer a full-service transportation services organization. Disinvestment in infrastructure maintenance due to lack of funding is increasing future liability.

There are three primary programs that comprise the Operating Requirements:

- Maintenance – preserves the public investment of over \$8 billion in transportation facilities and \$12.5 billion in sewer and storm water infrastructure.
- Operations – manages and operated the transportation system of the City of Portland.
- Administration & Support – provides support for the Maintenance, Operations and Capital Improvement programs

Capital Improvement Program (CIP)

Investing in Portland’s transportation system is critical to keeping people and goods moving and our city remaining economically competitive. The work to update our twentieth-century system to the international standards required of a twenty-first century city is expensive and complex. PBOT strives to make the most strategic, fiscally-responsible decisions - the result of which is our Capital Improvement Program (CIP).

The CIP is a five-year spending plan (budget) to modernize Portland’s transportation system through strategic construction projects. It is updated annually as part of PBOT’s overall budget process. At its core, the CIP is a list of projects, estimated costs and the revenue sources that will pay those costs. The CIP for FY 2014-15 to 2018-19 includes 52 projects at a total cost of \$227 million.

Some of the improvements laid out in the CIP will provide new, needed facilities, such as sidewalks in East Portland (136th Ave, Safe Routes to School, and East Portland Access Transit) and the 20’s and 50s Bikeways. Some projects and programs will re-build and improve obsolete infrastructure for continued, safe use, such as traffic signal replacements citywide and pavement preservation. Other improvement projects support economic development by improving freight movement at NE Columbia and MLK, Jr. Blvd, and access and crossing improvements in Old Town/Chinatown and the Pearl. Additionally, PBOT is a funding partner on regional projects designed to expand public transit with Portland-Milwaukie Light Rail and rebuild the Sellwood Bridge.

PBOT's proposed CIP budget for FY 2014-15 to 2018-2019 strives to achieve the goals of City Council and provide a diversity of transportation modes and alternatives for Portlanders. The total funding request for the five-year CIP is \$126 million (This figure does not include \$1M of Add Decision packages for FY 2014-15). Of that amount, \$8.6 million of GTR budget is scheduled to be spent in FY 2014-15. As with past years, funding from grants, contracts, developer fees, bonds and other external sources will provide the majority of funding, approximately 90 percent in FY 2014-15. PBOT's discretionary GTR funding makes up the remaining 10 percent.

The first two years of the proposed CIP reflects committed projects funded with external and internal resources. The last three years of the CIP lists a very limited number of projects, as most grant programs and other external stakeholders have not finalized funding agreements for out-year projects. It is anticipated that funding for future projects will be shown in future CIP's as funding agreements are executed.

Out-year GTR funding for the CIP is projected to decline to \$2.5 million per year, or 13 percent of the total five-year CIP, limiting the bureau's discretion in funding local projects.

CIP Major Issues

PBOT's CIP has been developed to align with existing resources and honor funding commitments on key regional projects. The bureau will likely continue to operate in a fiscally-constrained environment due to higher-than-projected expenditures, lower-than-projected revenues, and bond repayment/debt service. Future federal and state grant dollars have been in decline.

Over-reliance on grant dollars has created the perception of inequitable service distribution. Unlike discretionary GTR funding, grant dollars cannot be re-allocated to a different need or project location that may be a higher priority for PBOT, including capital maintenance.

GTR projections show little sign of improvement and PBOT estimates that on average \$9.0 million annually will be committed to Portland-Milwaukie Light Rail and new Sellwood Bridge debt service payment over the life of the debt.

CIP Financial Forecast Overview

The CIP is supported by several funds, including bonds, federal, state and local grants, and regional partnership agreements. The CIP is also supported by the State Highway Fund (motor fuels, weight mile and vehicle titling/registrations) and parking revenues, which together represent General Transportation Revenues (GTR).

GTR is PBOT's primary discretionary funding source. Over the years, the ongoing GTR in the CIP program has been cut significantly from \$8 million in past years to \$2.5 million in FY 2014-15. The cut in discretionary funding has significantly reduced PBOT's ability to

fund road rehabilitation projects as well as safety projects such as sidewalks improvements, pedestrian safety improvements, bicycle projects, and signals and streetlight reconstruction.

The remaining GTR in the CIP is used primarily to match federal and state grants and fund local capital maintenance projects.

The primary funding source for the PBOT CIP is federal and state grants; however, federal and state agencies are facing funding challenges such as falling State Highway Fund revenue and debt service for Oregon Transportation Investment Act.

As federal and state grant opportunities arise, PBOT staff review the grant criteria with partnering bureaus and consider potentially eligible projects from the TSP, modal plans and other implementation plans or strategies adopted by Council. These potential projects are then reviewed with bicycle, pedestrian and freight advisory committees, senior management and the larger community, when warranted. Final selection of the projects for application is also contingent upon identifying local matching funds.

Asset Management and Replacement Plans

Asset Management is a system used to determine the proper fixes at the proper times for PBOT's infrastructure. Certain assets have reserve funds that are used for major maintenance and capital replacement. Other infrastructure does not have reserve funds, but prioritization and strategic maintenance is applied to maximize the life of the asset.

Condition monitoring is conducted on a number of assets. Knowing the condition of an asset allows PBOT to apply the right fix at the right time and to appropriately plan maintenance and operations dollar needs.

Fund Revenues

Forecasted revenues are based on analysis of each separate source considering historical trends and planned management or operational changes.

Grants and Contracts

These include State and Federal grants as well as contracts with other local jurisdictions such as the Portland Development Commission (PDC), Port of Portland and TriMet.

The Regional Flexible Funds, formerly known as the Metro Transportation Improvement Program (MTIP), is the regional process for identifying which transportation projects and programs will receive federal funds. Municipalities in the Portland metropolitan area are allocated these funds based on criteria established by the Joint Policy Advisory Committee on Transportation (JPACT) and the Metro Council.

PDC, through tax-increment financing, has been a partner in developing transportation-related projects in PBOT's CIP.

Interagency and Other Cash Transfers

These include funding from the General Fund and other City bureaus and funds.

Local Improvement Districts (LID)

Property owners can join together to form a Local Improvement District (LID) as a means of sharing in the cost of building needed transportation infrastructure. LIDs make local street improvements possible that promote public safety, community livability, and enhance property values.

LID projects often rely on public subsidies - sometimes a majority of the costs - to make the project affordable for the benefiting property owners. However, there is no funding available to subsidize new LIDs. Without a new funding source, the LID program for local streets will likely be very limited to commercial or developer requested LIDs. LID funding for FY 2014-15 is \$1.2 million and \$4.0 million over five years.

Fees

This is revenue from permits, service charges and System Development Charges. PBOT performs an annual review of Transportation Service Charges and Fees. Council reviews and approves these charges and fees each year; most recently by Ordinance 185351 adopted in May 2012.

System Development Charges (SDC)

Developers pay fees to defray the cost of system improvements required for new development. SDC funds are collected annually but accounted separately from other Bureau Program Revenues and allocated to the budget as qualifying projects are initiated.

Revenue History and Forecast

Table 2 shows the five-year history and Table 3 provides a five-year forecast of revenue sources. No new revenues are assumed. Tables 2 and 3 demonstrate the fluctuations in overall revenue that result from varying levels of work performed for others on a reimbursable basis in different years, particularly in Contracts and Grants & Donations.

Table 2. History of Transportation Revenue (\$M)

Revenue Source						Estimated
	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	FY13-14
General Transportation Revenue	\$ 62.2	\$ 73.9	\$ 83.6	\$ 91.9	\$ 93.2	100.4
Grants	\$ 18.6	\$ 64.5	\$ 82.4	\$ 70.9	\$ 32.0	25.9
Fees	\$ 15.8	\$ 14.0	\$ 13.9	\$ 18.6	\$ 15.4	20.7
Interagency and Other Cash Transfers	\$ 26.9	\$ 52.1	\$ 34.6	\$ 35.7	\$ 31.0	29.3
General Fund Cash Transfer without ULF	\$ 11.2	\$ 12.7	\$ 9.5	\$ 9.1	\$ 7.6	6.5
Revenue Total	\$ 134.7	\$ 217.2	\$ 224.1	\$ 226.1	\$ 179.2	182.8
GTR Contingency & Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 6.0	4.8
Total Revenues	\$ 134.7	\$ 217.2	\$ 230.1	\$ 230.9	\$ 185.1	187.6

Table 3. Forecast Transportation Revenue (\$K)

Revenue Source	Adopted Budget					
	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
General Transportation Revenue	\$ 100.4	\$ 103.4	\$ 108.4	\$ 108.2	\$ 111.3	111.6
Grants	\$ 25.9	\$ 22.0	\$ 11.8	\$ 4.2	\$ -	-
Fees	\$ 20.7	\$ 25.5	\$ 26.6	\$ 27.4	\$ 28.6	29.5
Interagency and Other Cash Transfers	\$ 29.3	\$ 30.2	\$ 31.5	\$ 32.5	\$ 33.8	35.0
General Fund Cash Transfer without ULF	\$ 6.5	\$ 6.6	\$ 6.9	\$ 7.1	\$ 7.4	7.6
Revenue Total	\$ 182.8	\$ 187.7	\$ 185.2	\$ 179.4	\$ 181.1	183.8
GTR Contingency & Fund Balance	\$ 4.8	\$ 10.8	\$ 5.1	\$ 1.3	\$ 1.1	2.2
Total Revenues	\$ 187.6	\$ 198.5	\$ 190.3	\$ 180.7	\$ 182.2	186.0

Discretionary Revenues vs. Expenses

General Transportation Revenue (GTR)

General Transportation Revenue (GTR) is PBOT's source of discretionary revenue. There are four sources as identified in Tables 4 & 5. The two major sources are gas tax revenue and On-street parking revenues. Gas tax comes from the City's allocation from the State Highway Trust Fund (motor fuel taxes, weight-mile taxes on heavy trucks and vehicle registrations and titling fees) and from a gas tax intergovernmental agreement with Multnomah County. Parking revenues are those collected from on-street pay stations and meters, parking citations and parking permits. State Highway Trust Fund monies are constitutionally restricted for use on "construction of roads, streets, and roadside rest areas."

Discretionary Revenue History and Forecast

Table 4 shows the five-year history and Table 5 provides a five-year forecast of discretionary revenue sources.

Table 4. History of Transportation Discretionary Revenue (\$M)

Revenue Source	FY08-09	FY09-10	FY10-11	FY11-12	FY12-13	Estimated FY13-14
State Highway Trust Fund Allocation	\$ 22.0	\$ 24.1	\$ 28.5	\$ 31.9	\$ 32.1	\$ 32.5
Gas Tax IGA with Multnomah County	\$ 18.1	\$ 18.8	\$ 22.2	\$ 24.1	\$ 23.9	\$ 25.2
Total - Gas Tax	\$ 40.2	\$ 42.9	\$ 50.7	\$ 55.9	\$ 56.0	\$ 57.8
Parking Meters	\$ 14.3	\$ 18.6	\$ 19.2	\$ 20.1	\$ 21.2	\$ 22.8
Parking Citations	\$ 3.7	\$ 4.4	\$ 5.1	\$ 5.6	\$ 6.7	\$ 8.0
Parking Permits	\$ 2.3	\$ 2.5	\$ 3.0	\$ 2.8	\$ 4.2	\$ 4.6
Total - On-Street Parking	\$ 20.4	\$ 25.5	\$ 27.3	\$ 28.5	\$ 32.0	\$ 35.4
Parking Garages Transfer	\$ 1.7	\$ 3.1	\$ 3.7	\$ 5.3	\$ 4.9	\$ 5.0
ULF in Excess of Gen Fund Forecast	\$ -	\$ 2.4	\$ 1.8	\$ 2.2	\$ 2.2	\$ 2.2
Revenue Total	\$ 62.2	\$ 73.9	\$ 83.6	\$ 91.9	\$ 95.1	\$ 100.4
GTR Contingency & Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ 6.0	\$ 4.8
Total Revenues	\$ 62.2	\$ 73.9	\$ 88.4	\$ 97.9	\$ 99.8	\$ 105.2

Table 5. Forecast Transportation Discretionary Revenue (\$M)

Revenue Source	Estimated FY13-14	FY14-15	FY15-16	FY16-17	FY17-18	FY18-19
State Highway Trust Fund Allocation	\$ 32.5	\$ 33.7	\$ 34.8	\$ 35.2	\$ 35.7	\$ 36.1
Gas Tax IGA with Multnomah County	\$ 25.2	\$ 26.1	\$ 26.8	\$ 27.1	\$ 27.3	\$ 27.6
Total - Gas Tax	\$ 57.8	\$ 59.7	\$ 61.6	\$ 62.3	\$ 63.0	\$ 63.7
Parking Meters	\$ 22.8	\$ 25.4	\$ 27.5	\$ 27.6	\$ 27.7	\$ 27.8
Parking Citations	\$ 8.0	\$ 8.1	\$ 8.5	\$ 8.6	\$ 8.7	\$ 8.8
Parking Permits	\$ 4.6	\$ 4.7	\$ 4.9	\$ 5.0	\$ 5.3	\$ 5.4
Total - On-Street Parking	\$ 35.4	\$ 38.2	\$ 40.9	\$ 41.3	\$ 41.7	\$ 42.1
Parking Garages Transfer	\$ 5.0	\$ 3.2	\$ 3.7	\$ 2.4	\$ 4.4	\$ 3.6
ULF in Excess of Gen Fund Forecast	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2
Revenue Total	\$ 100.4	\$ 103.4	\$ 108.4	\$ 108.2	\$ 111.3	\$ 111.6
GTR Contingency & Fund Balance	\$ 4.8	\$ 10.8	\$ 5.1	\$ 1.3	\$ 1.1	\$ 2.2
Total Revenues	\$ 105.2	\$ 114.2	\$ 113.5	\$ 109.5	\$ 112.4	\$ 113.8

Table 6 shows PBOT's five-year forecast of expected revenue and expenses supported by General Transportation Revenue (GTR).

Table 6
5-Year General Transportation Revenue Budget (\$M)

	Estimated					
	13-14	14-15	15-16	16-17	17-18	18-19
Requirements						
Bureau Operating	\$ 81.7	\$ 83.6	\$ 85.9	\$ 89.1	\$ 92.8	\$ 95.9
CIP - annual allotment	\$ 2.5	\$ 2.6	\$ 2.7	\$ 2.8	\$ 2.9	\$ 3.0
CIP - one-time	\$ 2.4	\$ 5.2	\$ 6.0	\$ -	\$ -	\$ -
Fund Requirements	\$ 21.9	\$ 29.2	\$ 28.5	\$ 27.7	\$ 26.2	\$ 27.0
Overhead Recovery	\$ (14.1)	\$ (11.3)	\$ (10.9)	\$ (11.2)	\$ (11.7)	\$ (12.0)
Total Requirements	\$ 94.3	\$ 109.1	\$ 112.2	\$ 108.4	\$ 110.2	\$ 113.8
Cuts taken to balance						
Total Adjusted Requirements	94.3	109.1	112.2	108.4	110.2	113.8
Revenues						
Gas Tax	\$ 57.8	\$ 59.7	\$ 61.6	\$ 62.3	\$ 63.0	\$ 63.7
Parking	\$ 35.4	\$ 38.2	\$ 40.9	\$ 41.3	\$ 41.7	\$ 42.1
Parking Facilities Fund transfer	\$ 5.0	\$ 3.2	\$ 3.7	\$ 2.4	\$ 4.4	\$ 3.6
ULF - General Fund transfer	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2	\$ 2.2
Total Revenues	\$ 100.4	\$ 103.4	\$ 108.4	\$ 108.2	\$ 111.3	\$ 111.6
Annual +/-	\$ 6.1	\$ (5.8)	\$ (3.8)	\$ (0.2)	\$ 1.1	\$ (2.2)
Beginning Balance	\$ 4.8	\$ 10.8	\$ 5.1	\$ 1.3	\$ 1.1	\$ 2.2
Ending Balance	\$ 10.8	\$ 5.1	\$ 1.3	\$ 1.1	\$ 2.2	\$ 0.0
Reserves & Contingency						
Operating Contingency	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5
Emergency Reserve Fund	\$ 4.0	\$ 4.7	\$ 5.4	\$ 6.1	\$ 6.8	\$ 7.5
	\$ 6.5	\$ 7.2	\$ 7.9	\$ 8.6	\$ 9.3	\$ 10.0

Fiscal issues/risks

A number of fiscal issues present risks to this forecast:

Revenue Issues – Revenues do not keep pace

Highway Trust Fund revenues (motor fuels, weight-mile and vehicle registration and titling fees) are not indexed to inflation. Furthermore, due to the steady increase in fuel efficiency, drivers pay less in gas taxes per vehicle mile traveled (VMT) than they did 10 years ago. In stable healthy economic times, the variance in the growth of GTR compared to requirements creates an approximate annual deficit of \$1.0 million. This presents an ongoing problem where costs outpace revenue growth. As a result, PBOT is not able to deliver the same level of services compared to prior years as reductions were required to balance the budget.

In addition, with the recession and high gas prices, PBOT has seen a flattening in the gas tax revenues it receives (see Table 4). During these times, PBOT has had to make additional reductions to its GTR budget. This resulted in cuts of \$18 million over the past 2 years to mitigate the challenges of responding to revenue shortfalls and provide the flexibility to support PBOT discretionary programs.

This past year, gas tax revenues are tracking closer to forecast and while a one year sample is not enough to drop the discount factor completely, a conservative approach to the forecast is a partial reduction. This forecast for gas tax is using the June 2013 ODOT Forecast discounted by 3%, down from 7% last year.

On-street parking revenue is expected to grow with the addition of the NW Parking District and the changes to the Disabled Parking Policy. The forecast increases over the first three years of the Forecast and begin to flatten over the remaining two years.

Parking garage revenues, while increasing, are less than initially projected and the forecast is adjusted to reflect current trends. In addition, there is required maintenance to the garages that is further reducing the amount of funds transfer to GTR.

Cost issues

- **Employee benefit costs**
Health care costs are rising at an average annual rate of 9% for the forecast; more than double the overall annual inflation rates for the next five years, and much faster than the growth in GTR revenues. The cost of PERS is expected to grow dramatically even more than previously identified in the last forecast.
- **Health of the economy**
The assumption is that the recovery from the 2008 recession will continue to be flat to slow over the next five years.

Reserves and contingency

As of FY 13-14, the Transportation Reserve Fund will have a balance of \$3.0 million, 32% of target level, \$9.3 million. The target level is 10% of gas tax and parking revenue. The current funding level is inadequate given PBOT's fiscal condition. This amount of reserves provides little cash-flow shelter against a FY 14-15 requested budget, excluding decision packages, of \$286.2 million and over \$8 billion in assets.

The reserves provide a buffer to unusual snow and ice conditions. However, with the current level of reserves, PBOT cannot rely on reserves to fund major short-term budget gaps or support costs incurred due to emergencies such as landslides, flooding, or earthquakes.

This reserve balance presents a risk to the General Fund. The lack of a GTR reserve “safety net” could result in additional future calls on the General Fund in the event of a major emergency. Beginning in FY 13-14, PBOT began transferring \$500,000 to the Transportation Reserve Fund and in FY 14-15, PBOT is beginning to transfer \$700,000 annually to the Transportation Reserve Fund until the Fund reaches its policy levels of 10% of gas tax and parking revenues. This policy target should be reached by FY 2024-25.

Appendix A. Infrastructure Condition

The condition and trends in the City's transportation infrastructure have a direct bearing on the long-term condition of the Transportation Fund. Transportation manages different groups of assets worth a total of over \$8 billion. The five most critical elements of the infrastructure are streets, the street light system, traffic signals, bridges, and sidewalk system.

Funding Transportation Infrastructure

Current service level funding is not adequate to maintain the infrastructure at levels which would prevent further decline in the condition of the assets. Table A-1 summarizes the additional funding required to prevent transportation infrastructure from further deterioration. The table shows that additional investments of \$153-\$180 million per year are required to halt the decline in the system condition, improve the current condition of the assets and allow PBOT to spend less to keep them in that condition. \$92 million per year for a 10 year period is needed to meet PBOT's goal for the condition of the streets. This would make the streets significantly better than today and allow PBOT to spend less to keep them in that condition in the future.

Table A-1 Additional Annual Funding Required (in millions) To Prevent Further Deterioration (adjusted for inflation)							
	Confidence Level	FY13-14	forecast FY14-15	forecast FY15-16	forecast FY16-17	forecast FY17-18	forecast FY18-19
Arterial & Collector Streets	High	\$47.6	\$48.2	\$50.2	\$51.8	\$54.0	\$55.8
Local Streets	High	\$44.0	\$44.5	\$46.4	\$47.9	\$49.9	\$51.6
Sidewalks System:							
Sidewalks		n/a*	n/a*	n/a*	n/a*	n/a*	n/a*
Curbs	Moderate	\$15.7	\$15.9	\$16.6	\$17.1	\$17.8	\$18.4
Corners	High	\$7.1	\$7.2	\$7.5	\$7.7	\$8.1	\$8.3
Bridges	High	\$12.9	\$13.1	\$13.6	\$14.0	\$14.6	\$15.1
Signal Hardware	Moderate	\$17.5	\$17.7	\$18.5	\$19.0	\$19.8	\$20.5
Street Lights	Low	\$5.8	\$5.9	\$6.1	\$6.3	\$6.6	\$6.8
Other Transportation Assets	Low to Moderate	\$2.8	\$2.8	\$3.0	\$3.0	\$3.2	\$3.3
Total		\$153.4	\$155.2	\$161.9	\$166.9	\$173.9	\$179.9

* Adjacent property owners are financially responsible for repairing sidewalks.

