

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)

2017-2022

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.

Safety has taken on important significance in our transportation system after 28 fatalities on city streets in 2014. In 2015, City Council adopted a Vision Zero resolution, signifying the City's commitment to zero traffic fatalities in the next 10 years. This program will focus on those projects and services to make the transportation system as safe and efficient as possible in an equitable framework.

These directives are critical to reducing City greenhouse gas emissions, improving community health, safety, 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 (ODOT) forecasts a flattening in State Highway Fund revenues over the long-term.

In PBOT's TSP Finance chapter, it identifies that finding new local revenue streams are needed to alleviate the growing backlog of maintenance and safety needs. To address the lack of sufficient resources, the Portland Street Fund initiative was started in 2014 to generate funds for much needed maintenance and safety needs. This has culminated in a temporary four year ten-cent per gallon motor fuels tax that was approved by Portland voters in May 2016. This program, called the Fixing Our Streets Program, would be expected to generate \$16 million per year or

\$64 million in funding over the next 4 years. In the same month, the Portland City Council also passed the Heavy Vehicle Use Tax, a measure that will generate an estimated \$10 million over four years. Additionally, over the next several years, the State is expected to consider a Statewide Transportation package in the 2017 State Legislative session. At this time, any of the projected state or local revenues are not currently reflected in this financial forecast.

While continuing to proactively address its funding challenges, PBOT has initiated and updated Portland Progress, a 2-Year Work Plan that reflects the need to aggressively preserve past investments and build safety improvements, while concurrently planning for the future in an effective manner. 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.

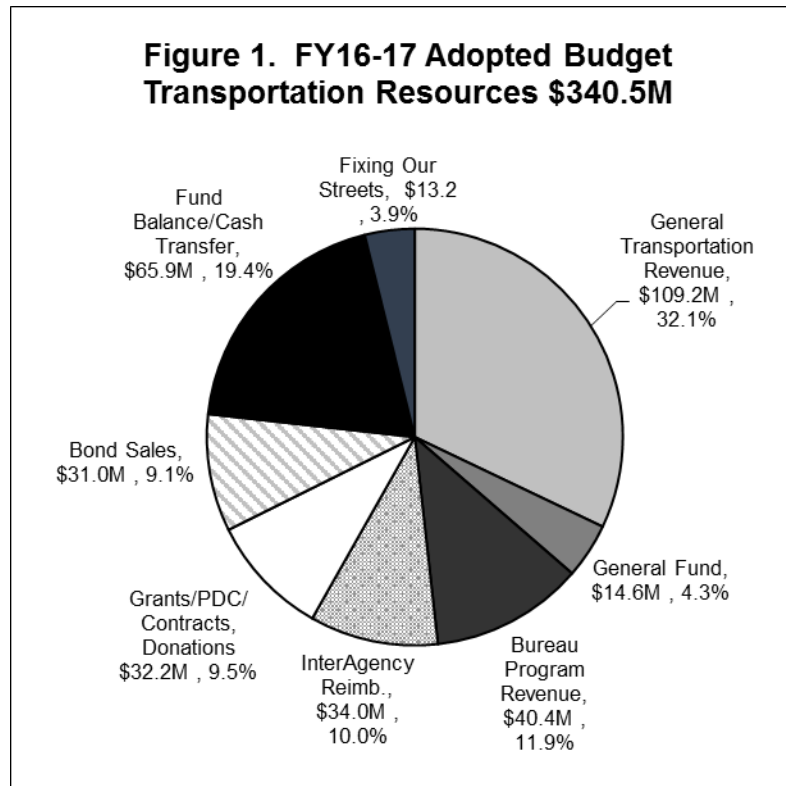
- Major changes from the FY 2016-21 Financial Forecast include but are not limited to:
 1. Parking permit revenue increases by \$8.5 million to the forecast. There has been an increase in the number of permits sold due to adding two permit zones and expanding five.
 2. FY 15-16 ending fund balance was \$8.0 million higher than budgeted. This was primarily due to parking revenues being higher than budgeted and a payment from Multnomah County reimbursing PBOT for Sellwood Bridge services for prior year services.
 3. FY 21-22 was not balanced and had a funding deficit of \$13.5 million.
 4. Higher inflation factors increased costs by \$3.0 million over the forecast.

The Portland Bureau of Transportation FY 2017-22 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. The General Fund Capital Set-Aside of 50% of any one-time General Fund surplus has provided funding for critical maintenance projects and is a step in the right direction but additional funding is required to prevent the transportation system from deteriorating any further.
- 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 2016-17 resources are summarized in Figure 1.



Gas taxes, parking revenue, and citations provide the largest segment, about 32% 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 \$2.7 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 2017-2018 is \$419.1 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 slowly grow in coming years despite the recent economic recovery.

PBOT's other source of discretionary revenue is parking revenue which accounts for over 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
- Portland Building remodel and the related Data Center move

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

PBOT FINANCIAL FORECAST 2017-2022

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
- 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 leveling out starting in the third year of the forecast.
- Inflation rates are a weighted average for PBOT of the inflation factors distributed by the City Economist: FY 2017/18 – 4.8%, FY 2018/19 – 3.6%, FY 2019/20 – 5.0%, FY 2020-2021 – 3.5% and FY 2021-22 – 5.3%.

PBOT has been able to sustain its current level of services the past three years by efficiently managing its existing resources and prioritizations. By effectively managing bureau resources, there were no cuts required from the financial forecast.

However, it is important to recall past history and emphasize that PBOT is still not a full service provider. From FY 01-02 to FY 14-15, 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.

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 \$11 billion in transportation facilities and \$13.5 billion in sewer and storm water infrastructure.
- Operations – manages and operates 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 the City remaining economically competitive. The work to update the twentieth-century system to the international standards required of a twenty-first century city is expensive and complex. Voters in Portland approved a temporary Fixing Our Streets Program in May of 2016 to finance street repair and safety improvements. The funding will provide for pavement repair, signal modernization, more crosswalks and safety beacons, better and safer access to school, and transit and community services for Portland's kids, senior and families. It is dedicated to specific projects. The program is funded by a temporary .10 cent gas tax approved by the voters and a heavy vehicle use fee passed by Council ordinance.

The Capital Improvement Program (CIP) is a five-year spending plan to modernize Portland's transportation system through strategic construction projects. It is updated annually as part of the overall budget process. At the core, the CIP is a list of projects, estimated costs and revenue sources. The five-year FY 2017-18 to 2021-22 Requested CIP includes 99 projects at a total cost of \$318 million.

CIP Highlights

The five-year FY 2017-18 to 2021-22 Requested CIP strives to achieve the goals of City Council and to provide a diversity of transportation modes and alternatives for citizens. Funding from Fixing Our Street (voter's approved .10 cents gas tax), grants, contracts, developer fees and other external sources will provide the majority of funding, approximately 97% in FY 2016-17. PBOT's discretionary General Transportation (GTR) funding makes up the remaining 3%. Some of the improvements laid out in the CIP will provide new facilities in areas without complete infrastructure, such as sidewalks and other crossing improvements in East Portland through East Portland Access to Transit and East Portland Access to Employment and SW Capital Hwy. Some projects and programs will re-build and improve obsolete infrastructure for continued, safe use, such as traffic signal replacements city-wide and pavement restoration. A number of new projects in this CIP are targeted at improving safety to support Portland's Vision Zero goal including investments on streets identified as high crash corridors such as 122nd Avenue, 82nd Avenue, West Burnside and SW Beaverton Hillsdale Hwy.

This CIP also includes investment in a number of new cycling facilities including the 20's Greenway, the 70's Greenway, the 4M Greenway. The Central City Multi-Modal Project will provide improved cycling, walking and transit access to the central city. These investments will be complemented by two new bridges; the NW Flanders Bridge over I-405 and the Sullivan's Crossing Bridge over I-84.

Other improvement projects support economic development by improving freight movement including large bridge projects such as the Rivergate Overcrossing and targeted street improvements on freight corridors such as at NE Columbia and MLK Jr. Blvd, and Time Oil Rd/Burgard Rd. Streetscape projects in the CIP help support small businesses on key commercial corridors such as SE Foster Avenue project and the Halsey/Weidler project which will provide improved sidewalks, bike lanes and pedestrian crossings.

The most recent TSP created ten citywide programs that are a group of similar small-scale investments, generally under \$500,000 each including: smaller active transportation investments through pedestrian and bikeway network completion; targeted safety investments on high crash

corridors and through safe routes to school; transit and freight priority; transportation system management and demand management; and alternative street design. These program categories are now incorporated into the CIP with varying levels of initial funding with the aim to increase investment in these categories as resources allow.

Major Issues

PBOT still lacks an ongoing source of discretionary funding relying on 97% grants and restricted funding sources for its CIP. 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 and lower-than-projected revenues. Future federal and state grant dollars have been in decline. In December 2015 Congress reauthorized the Surface Transportation Act. While the new program provides new opportunities to fund certain types of projects the amount of federal funds available for general transportation project remained at roughly the same level as previous acts.

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 maintenance.

GTR projections show little sign of improvement and PBOT estimates that \$9 million in annual debt service will be committed to Sellwood Bridge and Portland-Milwaukie Light Rail financing bonds over the terms of the debt.

The declining discretionary GTR has also reduced PBOT's ability to build smaller pedestrian and bike improvements and safety projects (active transportation improvements). It is probable that in the out years the majority of the available discretionary funding will be needed to match grant funds.

Changes from Prior Year

The five-year FY 2017-18 to 2021-22 Requested CIP includes 55 new projects. The majority of the projects come from the Fixing Our Streets funding. These projects are wide-ranging, from sidewalk, pedestrian, and bike safety improvements to structural and paving rehabilitation and preservation that support business development and employment opportunities and access to businesses.

Council Goals and Priorities

The Portland Plan, adopted by Council in April 2012, includes strategies for developing a prosperous, educated, healthy and equitable city over the next 25 years. PBOT has implementation responsibilities as outlined in the five-year action plan and continues to align its investments with that adopted direction.

C. In December 2016, City Council adopted Portland's Vision Zero Action Plan with the vision of "Working together, we will take equitable and data-driven actions that will eliminate deaths and serious injuries for all who share Portland streets by 2025". This plan provides clear direction to the bureau and partner agencies to prioritize investments in safety

improvements that are reflected in this CIP and in grant request priorities for upcoming funding cycles.

Criteria

Most of the programs and projects within the FY 2017-18 Requested CIP continue existing projects or bring projects to completion. Most of the new projects added to the CIP are from the new Fixing Our Street funding.

The PBOT CIP includes sidewalks and greenways for safer and better access for walking, biking, and public transit, street improvements for main streets, local streets and freight routes, as well as regional transit projects. The goal is to provide transportation choices for residents, employees, visitors, and firms doing business in Portland, while making it more convenient to walk, bicycle, take transit, therefore avoiding the need to drive to meet daily needs.

Capital Planning Process

Transportation capital project requests come from a variety of sources. The bureau receives requests for capital improvements from neighborhoods, businesses and individuals, and partner agencies. Projects are identified and developed through neighborhood plans and studies adopted by City Council, such as the East Portland In Motion Implementation Strategy. The bureau works with other public agencies and private organizations to develop projects that have shared transportation goals. All of these projects are compiled into the Transportation System Plan (TSP) and are evaluated based on their ability to improve the following outcomes: Safety, Neighborhood Access, Economic Benefit, Opportunity Access; Economic Benefit, Health , Equity, Climate, Cost Effectiveness, Community Support or Opposition. In addition to the TSP, capital maintenance projects arise from PBOT's Asset Management programs, which derive spending priorities among asset classes based on a variety of criteria including the risk of failure and safety needs.

City Comprehensive Plan

The FY 2017-18 Requested CIP for capital programs and projects are consistent with the priorities identified in the TSP, a 20-year planning document mandated by the State Transportation Planning Rule. The TSP meets State and regional planning requirements and addresses local transportation goals for cost-effective street, transit, freight, bicycle, and pedestrian improvements. The Transportation Element of the TSP is a part of the City's Comprehensive Plan.

The TSP contains nearly 300 City-led major transportation projects, which address capital improvements for all modes of transportation and are consistent with Metro's 2040 Growth Concept, the long term vision for the region. The TSP is the primary document for guiding transportation CIP investments. The TSP identifies major improvements and includes a list of significant projects. Many projects identified though plans may not be defined as "significant" or major projects, but are still important. For these projects the TSP also contains a set of nine Citywide Programs:

- Pedestrian Network Completion

- Bikeway Network Completion
- Neighborhood Greenways
- High Crash Corridors
- Safe Routes to School
- Transit Priority
- Freight Priority
- Transportation System Management
- Transportation & Parking Demand Management
- Alternative Street Design Program

Financial Forecast Overview

The FY 2017-18 to 2021-22 Requested CIP is supported by several funding sources, including Fixing Our Streets, bond proceeds, federal, state and local grants, and regional partnership agreements. The CIP is also supported by the State Highway Fund (motor fuels tax, vehicle titling and registration fees, and weight-mile tax imposed on trucks) 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 reduced significantly from \$9.4 million per year in FY 2011-12 to \$2.5 million. In FY 2017-18, ongoing GTR in the CIP was increased to \$2.7 million. The reduction 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. The State Highway Trust Fund faces declining income from the Gas Tax and debt service payments for the Oregon Transportation Investment Act. The Federal Highway Trust Fund is close to insolvency, which could affect future revenues if Congress does not identify a long term solution through reauthorization of the Federal Transportation 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 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 Plan

Asset Management is a system used to determine the proper repairs at the proper time for 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 are applied to maximize the life of the asset. Condition monitoring is conducted on

a number of assets. Knowing the condition of an asset allows the bureau to apply the right fix at the right time and to appropriately plan maintenance and operations dollar needs.

Public Facilities Plan Overview

The TSP serves as the Public Facilities Plan for transportation. This is noted in Goal 11.6 of the City's Comprehensive Plan. The TSP provides a framework for providing urban public facilities and services within Portland's Urban Services Boundary.

Capital Programs and Projects

Capital Program Descriptions

The PBOT CIP is organized and guided by the following five goals:

- Improve transportation safety
- Maintain transportation assets
- Enhance public health and community livability
- Support economic vitality
- Operate efficiently and effectively

The FY 2017-18 Requested CIP projects are described in detail in the Capital Improvement Plan Summaries in the appendix of this budget document.

Funding Sources

The PBOT CIP has a variety of funding sources outlined below:

Fixing Our Streets

Voters in Portland approved a temporary Fixing Our Streets Program in May of 2016 to finance street repair and safety improvements. The funding provides for much needed pavement repair, signal modernization, more crosswalks and safety beacons, better and safer access to school, and transit and community services for Portland's kids, senior and families. The program is funded by a temporary 10 cents gas tax approved by the voters and a heavy vehicle use fee passed by Council ordinance. Some of the projects funded by the new revenue sources, include sidewalk improvements in East Portland and SW Capitol Hwy.

Grants and Contracts

This category includes 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, 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 and the Metro Council. PDC, through tax-increment financing, has been a partner in developing transportation-related projects in PBOT's CIP. Projects supported in part by PDC funds include construction of

SW Bond: Gibbs to River Pkwy in South Waterfront and NE Halsey/Weidler streetscape improvements in the Gateway district.

Interagency Funding

These projects are funded by the City's General Fund and other City bureaus.

Local Improvement Districts (LID)

Property owners can join together to form an 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 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 2017-18 is \$7.1 million, and \$7.1 million over the next five years.

System Development Charges (SDC)

Developers pay fees to defray the cost of system improvements required for growth associated with new development. SDC funds are collected annually and accounted separately from other bureau program revenues. The funds are allocated to the CIP budget as qualifying projects are initiated.

The SDC program was adopted by City Council in 1997 and renewed in 2007. Strict criteria govern the projects that may use SDC funds. About \$45 million of SDC funds will be spent on projects in this five-year CIP. SDC funds in particular are used as seed and match dollars to obtain much larger amounts in the form of grants, particularly from State and Federal sources. PBOT keeps abreast of Federal, State, and local grant funding opportunities that can fund PBOT's capital funding objectives. PBOT has also used SDC to partner with the Parks Bureau and BES to fund projects locally such as the NE 47th Ave project.

PBOT is currently working on renewing the SDC program for the next 10 years to include new projects identified in the most recent Transportation System Plan update and longstanding projects that had not previously been prioritized for SDC funding. This new program will be adopted in 2017 and incorporated into the CIP as projects are funded.

General Transportation Revenue (GTR)

GTR is comprised of two sources: State Highway Fund (comprised of motor fuels tax, vehicle titling and registration fees, and weight-mile tax imposed on trucks) and the City's parking revenues. State Highway Trust Fund monies are constitutionally restricted for use on "construction of roads, streets, and roadside rest areas." The majority of GTR in the CIP is expected to be committed to match Federal, State and other grants and contracts in the out years. The FY 2017-18 Requested CIP has \$3.7 million of discretionary GTR funding, including \$1 million carryover from FY 2016-17 to complete construction of current projects. The remaining

\$2.7 million is used for capital maintenance projects such as signals and street lighting replacements, and to leverage state and federal grants.

General Fund Support

The FY 2017-18 Requested CIP includes \$464k of ongoing General Fund support for transportation projects. This includes safety improvements on High Crash Corridors, Major Maintenance and Infrastructure Replacement Projects, and Improving Unpaved Streets.

Other Local Funding

Other local funds such as permit fees, bond and miscellaneous service charges and fees comprise about \$17 million of the five-year CIP.

The Portland Development Commission (PDC), through tax-increment financing, has been a major partner in developing and funding transportation-related projects in PBOT's CIP. PDC funding is difficult to predict beyond the specific commitments already made to PBOT. As a result, PDC funding appears to be reduced significantly after FY 2017-18. PBOT is working with the PDC to improve forecasts of PDC funding for future projects.

Net Operating and Maintenance Costs

Some capital improvements in the FY 2016-17 Requested CIP, particularly the preservation and rehabilitation programs, reduce long-term maintenance liabilities, as the assets being developed replace old, high-maintenance assets that will no longer require maintenance for several years. Other investments expand the system in response to the demands of growth. As the system expands, operating costs increase, further intensifying fiscal pressures on discretionary revenue. Existing resources are not adequate to maintain and operate the system in a sustainable manner. Capital maintenance backlogs grow annually under current funding levels.

Revenue History and Forecast

Table 1 shows the five-year history and Table 2 provides a five-year forecast of revenue sources. No new revenues are assumed. Tables 1 and 2 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 1. History of Transportation Revenue (\$M)

Revenue Source	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	Estimated FY16-17
General Transportation Revenue	\$ 91.9	\$ 94.9	\$ 99.3	\$ 101.8	\$ 112.1	\$ 116.9
Grants	\$ 70.9	\$ 14.4	\$ 18.1	\$ 12.5	\$ 12.4	\$ 32.2
Fees	\$ 18.6	\$ 36.5	\$ 28.9	\$ 35.8	\$ 43.4	\$ 40.4
Interagency and Other Cash Transfers	\$ 35.7	\$ 29.6	\$ 36.1	\$ 29.3	\$ 28.2	\$ 34.0
Fixing Our Streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13.2
General Fund Cash Transfer without ULF	\$ 6.9	\$ 5.3	\$ 7.2	\$ 10.1	\$ 27.2	\$ 12.6
Revenue Total	\$ 224.0	\$ 180.7	\$ 189.6	\$ 189.5	\$ 223.3	\$ 249.3
Fund Balance	\$ -	\$ 6.0	\$ 11.6	\$ 11.7	\$ 9.9	\$ 23.8
Total Revenues*	\$ 224.0	\$ 186.6	\$ 201.2	\$ 201.2	\$ 233.2	\$ 273.1

* Bond sales are excluded, generally one-time

Table 2. Forecast Transportation Revenue (\$M)

Revenue Source	FY16-17	FY17-18	FY18-19	FY19-20	FY20-21	FY21-22
General Transportation Revenue	\$ 116.9	\$ 114.3	\$ 116.1	\$ 119.1	\$ 119.7	\$ 121.7
Grants	\$ 32.2	\$ 37.1	\$ 32.3	\$ 17.7	\$ -	\$ -
Fees	\$ 40.4	\$ 42.3	\$ 43.9	\$ 46.1	\$ 47.7	\$ 50.2
Interagency and Other Cash Transfers	\$ 34.0	\$ 35.6	\$ 36.9	\$ 38.8	\$ 40.1	\$ 42.2
Fixing Our Streets	\$ 13.2	\$ 18.5	\$ 18.5	\$ 18.5	\$ 5.3	\$ -
General Fund Cash Transfer without ULF	\$ 12.6	\$ 13.2	\$ 13.7	\$ 14.4	\$ 14.9	\$ 15.7
Revenue Total	\$ 249.3	\$ 261.1	\$ 261.4	\$ 254.4	\$ 227.7	\$ 229.8
Fund Balance	\$ 23.8	\$ 29.5	\$ 27.9	\$ 24.7	\$ 20.5	\$ 12.3
Total Revenues*	\$ 273.1	\$ 290.6	\$ 289.3	\$ 279.2	\$ 248.2	\$ 242.2

* Bond sales are excluded, generally one-time

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 3 & 4. 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 3 shows the five-year history and Table 4 provides a five-year forecast of discretionary revenue sources.

Table 3. History of Transportation Discretionary Revenue (\$M)

Revenue Source	FY 11-12	FY 12-13	FY 13-14	FY 14-15	FY 15-16	Estimated FY 16-17
State Highway Trust Fund Allocation	\$ 31.9	\$ 32.1	\$ 33.7	\$ 34.5	\$ 36.0	\$ 36.7
Gas Tax IGA with Multnomah County	\$ 24.1	\$ 23.9	\$ 25.3	\$ 25.4	\$ 26.8	\$ 27.2
Total - Gas Tax	\$ 55.9	\$ 56.0	\$ 59.0	\$ 60.0	\$ 62.7	\$ 63.9
Parking Meters	\$ 20.1	\$ 21.2	\$ 22.2	\$ 24.6	\$ 28.8	\$ 34.8
Parking Citations	\$ 5.6	\$ 6.7	\$ 6.6	\$ 6.4	\$ 8.0	\$ 7.0
Parking Permits	\$ 2.8	\$ 4.0	\$ 4.6	\$ 5.6	\$ 7.6	\$ 6.9
Total - On-Street Parking	\$ 28.5	\$ 31.8	\$ 33.4	\$ 36.7	\$ 44.4	\$ 48.7
Parking Garages Transfer	\$ 5.3	\$ 4.9	\$ 5.0	\$ 3.2	\$ 3.0	\$ 2.2
ULF	\$ 2.2	\$ 2.2	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
Revenue Total	\$ 91.9	\$ 94.9	\$ 99.3	\$ 101.8	\$ 112.1	\$ 116.9
Fund Balance	\$ -	\$ 6.0	\$ 4.8	\$ 11.7	\$ 9.9	\$ 23.8
Total Revenues	\$ 91.9	\$ 100.9	\$ 104.1	\$ 113.5	\$ 122.0	\$ 140.7

Table 4. Forecast Transportation Discretionary Revenue (\$M)

Revenue Source	Estimated FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
State Highway Trust Fund Allocation	\$ 36.7	\$ 36.5	\$ 36.8	\$ 37.5	\$ 37.7	\$ 37.9	\$ 37.9
Gas Tax IGA with Multnomah County	\$ 27.2	\$ 26.8	\$ 27.1	\$ 27.8	\$ 27.8	\$ 27.4	\$ 27.4
Total - Gas Tax	\$ 63.9	\$ 63.4	\$ 63.9	\$ 65.4	\$ 65.5	\$ 65.3	\$ 65.3
Parking Meters	\$ 34.8	\$ 33.9	\$ 34.2	\$ 34.2	\$ 34.2	\$ 34.2	\$ 34.2
Parking Citations	\$ 7.0	\$ 8.1	\$ 8.2	\$ 8.2	\$ 8.2	\$ 8.2	\$ 8.3
Parking Permits	\$ 6.9	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.0	\$ 7.1
Total - On-Street Parking	\$ 48.7	\$ 48.9	\$ 49.4	\$ 49.4	\$ 49.4	\$ 49.4	\$ 49.6
Parking Garages Transfer	\$ 2.2	\$ -	\$ 0.7	\$ 2.3	\$ 2.8	\$ 5.0	\$ 4.6
ULF in Excess of Gen Fund Forecast	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
Revenue Total	\$ 116.9	\$ 114.3	\$ 116.1	\$ 119.1	\$ 119.7	\$ 121.7	\$ 121.5
Fund Balance	\$ 23.8	\$ 29.5	\$ 27.9	\$ 24.7	\$ 20.5	\$ 12.3	\$ 23.2
Total Revenues	\$ 140.7	\$ 143.8	\$ 144.0	\$ 143.8	\$ 140.3	\$ 134.1	\$ 144.7

Table 5 shows PBOT’s five-year forecast of expected revenue and expenses supported by General Transportation Revenue (GTR).

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

	Estimated					
	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22
Requirements						
Bureau Operating	\$ 93.4	\$ 99.3	\$ 102.2	\$ 107.3	\$ 111.1	\$ 117.3
CIP - annual allotment	\$ 2.7	\$ 2.9	\$ 3.0	\$ 3.1	\$ 3.2	\$ 3.4
CIP - one-time	\$ 0.9	\$ 0.1	\$ -	\$ -	\$ -	\$ -
Fund Requirements	\$ 29.5	\$ 30.2	\$ 30.6	\$ 29.4	\$ 30.3	\$ 30.7
Overhead Recovery	\$ (15.2)	\$ (16.6)	\$ (16.5)	\$ (16.5)	\$ (16.8)	\$ (17.4)
Total Requirements	\$ 111.2	\$ 115.9	\$ 119.3	\$ 123.3	\$ 127.9	\$ 134.1
Cuts taken to balance						
Total Adjusted Requirements	111.2	115.9	119.3	123.3	127.9	134.1
Revenues						
Gas Tax	\$ 63.9	\$ 63.4	\$ 63.9	\$ 65.4	\$ 65.5	\$ 65.3
Parking	\$ 48.7	\$ 48.9	\$ 49.4	\$ 49.4	\$ 49.4	\$ 49.4
Parking Facilities Fund transfer	\$ 2.2	\$ -	\$ 0.7	\$ 2.3	\$ 2.8	\$ 5.0
ULF - General Fund transfer	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0	\$ 2.0
Total Revenues	\$ 116.9	\$ 114.3	\$ 116.1	\$ 119.1	\$ 119.7	\$ 121.7
Annual +/-	\$ 5.7	\$ (1.6)	\$ (3.2)	\$ (4.2)	\$ (8.2)	\$ (12.3)
Beginning Balance	\$ 23.8	\$ 29.5	\$ 27.9	\$ 24.7	\$ 20.5	\$ 12.3
Ending Balance	\$ 29.5	\$ 27.9	\$ 24.7	\$ 20.5	\$ 12.3	\$ 0.0
Reserves & Contingency						
Operating Contingency	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5	\$ 2.5
Emergency Reserve Fund	\$ 5.9	\$ 6.6	\$ 7.3	\$ 8.0	\$ 8.7	\$ 9.4
	\$ 8.4	\$ 9.1	\$ 9.8	\$ 10.5	\$ 11.2	\$ 11.9

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 almost \$2.0 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.

At current gas prices, the lowest since 2008, it was anticipated that there would be a corresponding increase in gas consumption. As the overall population in the city grows, the number of vehicles has also grown. However, in the Portland area, this is offset with increasing density which is resulting a shift from vehicle travel towards transit, biking and walking. This shift is somewhat substantiated in ODOT's Vehicle Miles Traveled (VMT) report as it shows an actual decline in VMT from 2010 to 2012 before gradually increasing the past few years. Overall, there is growth, but at a much more muted pace and is reflected as part of PBOT's forecast.

FY 15-16 parking meter revenues came in higher than prior year and ahead of projections based on assumptions that were considered conservative. The FY 15-16 revenues were used as the baseline. Parking revenues are forecasted to grow through the first two years before leveling in the remaining forecast.

Parking permit revenues in FY 15-17 were higher than projected in part due to increased permit revenue activity by the adding of two permit parking zones and expanding five zones.

Parking garage revenues were slightly higher than projected for FY 15-16 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:

Vision Zero

The City of Portland's pledge to Vision Zero increases the need for additional funds to support the program. This includes funding for the TSP Citywide programs which contain projects that are not considered major or significant but are critical projects to complete.

Portland Building Remodel

The Portland Building Remodel projections now include the concept of blended rates meaning that the cost of the remodel will be spread across to all City properties, including leased. The previous model only had the Portland Building tenants bear the costs. The impact is two-fold. First, blended rates means that the Portland Building tenants, including PBOT, will see a likely permanent increase in rental rates. Second, blended rates may start before the remodel begins which means PBOT will be incurring costs earlier than projected. The projections are subject to change as the process moves along but the financial forecast needs to accommodate both the ongoing nature and the timing of the remodel.

Reserves and contingency

As of FY 16-17, the Transportation Reserve Fund will have a balance of \$5.9 million, 54% of target level, \$10.9 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 17-18 requested budget, excluding decision packages, of \$419.1 million and over \$11 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 16-17, PBOT will transfer \$700,000 to the Transportation Reserve Fund 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 2025-26.

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 \$11 billion. The five most expensive 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. For the 2015 Citywide Assets Report, PBOT reported an annual funding gap of \$197 million. The table shows that additional investments of \$197-\$213 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. \$131.5 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)							
		Citywide Assets Report	forecast FY17-18	forecast FY18-19	forecast FY19-20	forecast FY20-21	forecast FY21-22
	Confidence Level	2015					
Arterial & Collector Streets*	Moderate	\$73.8	\$73.8	\$73.8	\$73.8	\$73.8	\$73.8
Local Streets*	Moderate	\$57.7	\$57.7	\$57.7	\$57.7	\$57.7	\$57.7
Sidewalks System:							
Sidewalks		n/a**	n/a**	n/a**	n/a**	n/a**	n/a**
Curbs	Low	\$13.2	\$13.8	\$14.3	\$15.0	\$15.6	\$16.4
Comers	Low	\$9.1	\$9.5	\$9.9	\$10.4	\$10.7	\$11.3
Bridges	High	\$23.1	\$24.2	\$25.1	\$26.3	\$27.3	\$28.7
Signal Hardware	Low	\$12.9	\$13.5	\$14.0	\$14.7	\$15.2	\$16.0
Street Lights	Low	\$4.2	\$4.4	\$4.6	\$4.8	\$5.0	\$5.2
Support Facilities (for PBOT & BES)	Low	\$0.5	\$0.5	\$0.5	\$0.6	\$0.6	\$0.6
Other Transportation Assets	Low	\$2.9	\$3.0	\$3.1	\$3.3	\$3.4	\$3.6
Total		\$197.4	\$200.6	\$203.0	\$206.6	\$209.3	\$213.4

* *StreetSaver, pavement modeling system, assumes a fixed inflation rate, straight-line annually over a 10 year period.*

** *Adjacent property owners are financially responsible for repairing sidewalks.*

