

CHAPTER 4

TRANSPORTATION FINANCIAL ANALYSIS

COMPASS commissioned a financial analysis, finalized in 2012, to support the CIM 2040 update. The analysis, *Financial Forecast for the Funding of Transportation Facilities and Services 2012-2040*, estimates funds available for the operation, preservation, and expansion needs of transportation systems within the COMPASS region. The analysis applies inflation assumptions to agency revenues and expenditures that affect overall funds available for operations, maintenance, and expansion through year 2040. This analysis is summarized in this chapter. Chapter 6 discusses funding in current dollars.

Why Conduct an Analysis?

Assessing the financial capacity of CIM 2040 is important for several reasons. First, federal rules require that MPO plans and programs include only projects that have a reasonable chance of being funded. This is due, in part, to the fact that plans must demonstrate that the future transportation system will conform to federal air quality regulations, as discussed in Chapter 9.

Just as important, local and state officials and citizens need to understand the financial situation facing transportation over the next 25 years so they can plan, govern, and participate effectively.

Note: A glossary of terms is available at www.compassidaho.org/comm/glossary.htm. Acronyms in this document are defined in Appendix B.

Agencies Included in the Analysis

The financial analysis takes into consideration plans and operations of the 15 public agencies in Ada and Canyon Counties that provide transportation:

- [Idaho Transportation Department \(ITD\)](#)
- [Ada County Highway District \(ACHD\)/ACHD Commuteride](#)
- [Nampa Highway District No. 1](#)
- [Notus-Parma Highway District No. 2](#)
- [Golden Gate Highway District No. 3](#)
- [Canyon Highway District No. 4](#)
- [City of Caldwell](#)
- [City of Greenleaf](#)
- [City of Melba](#)
- [City of Middleton](#)
- [City of Nampa](#)
- [City of Notus](#)
- [City of Parma](#)
- [City of Wilder](#)
- [Valley Regional Transit \(VRT\)](#)

Idaho Transportation Department. ITD has jurisdiction over the state and federal roadways throughout the state and also has programs addressing rail and air transportation. ITD District 3 comprises 10 counties in southwest Idaho. These 10 counties contain 44% of the state's population.

Ada County Highway District. Ada County is unique in Idaho and the nation, in that it's had a single, county-wide highway district since 1972 with a separately elected board. ACHD maintains roadways and makes improvements throughout the county, except for public roads under ITD jurisdiction. No cities have roadway jurisdiction in Ada County.

Canyon County. Unlike Ada County, the cities in Canyon County have jurisdiction over their roadways. The cities of Nampa, Caldwell, Middleton, and Parma have their own road departments; the remaining smaller cities contract with highway districts to maintain roads within the city limits. The four highway districts that serve the smaller cities

and unincorporated areas are Nampa Highway District #1, Notus-Parma Highway District #2, Golden Gate Highway District #3, and Canyon Highway District #4.

Valley Regional Transit. VRT was established by vote in 1998 as the regional public transportation authority for Ada and Canyon Counties. It operates ValleyRide, which provides local bus services to the cities of Boise, Nampa, Caldwell, and Garden City; operates inter-county transportation routes between Ada and Canyon Counties (through the cities of Meridian, Middleton, Star, and Eagle); and has over 860 bus stops in the Treasure Valley. Paratransit services, door-to-door service for people who have special needs and live within three-quarters of a mile of a fixed route, are available in the cities of Nampa, Caldwell, Boise, and Garden City.

Ada County Highway District Commuteride. ACHD Commuteride is best known for its vanpools, but it also promotes public transportation, carpooling, bicycling, and walking. ACHD Commuteride's vanpool routes extend from Ontario, Oregon, to Mountain Home, Idaho, and from Emmett, Idaho, to Melba and Kuna, Idaho. While most vanpools bring commuters into Boise area employment centers, there are also reverse routes from Boise to the Mountain Home Air Force Base. In calendar year 2012, Commuteride provided a total of 274,806 one-way passenger trips in approximately 100 vanpool routes.

Both ACHD Commuteride and Valley Regional Transit make use of park-and-ride lots, locations where individuals can park a car to board a bus or join a vanpool or carpool. These park-and-ride lots are an integral part of the Treasure Valley's public transportation system.

Agency Budget Issues

Over the long term, a transportation agency must balance revenue and costs, although, in any given year, revenue may exceed costs or vice-versa.

Agency budgets include these cost categories:

- **Operations:** administration, utilities, fuel, labor, insurance, etc.
- **Preservation and rehabilitation (maintenance):** sweeping, patching potholes, applying chip seals and overlays, repairing and replacing equipment, and replacing bridge decks
- **Expansion:** building new roads or bridges, expanding current roads or bridges, and adding new services and equipment, such as buses

Another category, debt service, is sometimes added. An example of debt service is the recent widening on Interstate 84, which was initially paid for with Idaho Grant Anticipation Revenue Vehicle (GARVEE) bonds that will be paid back with future funds.

Transportation agencies budget for debt service and operating costs first, then preservation and rehabilitation costs. By estimating future revenue, then subtracting estimated future operations and maintenance (O&M) and preservation costs, agencies can determine if there is budget left for new capacity, such as adding lanes or buses.

This process is similar to budgeting for a home (Figure 4.1). If a homeowner knows her income (revenue), the cost to operate and maintain the home (mortgage, utilities, routine upkeep), and the cost to preserve/rehabilitate the home (larger repairs such as replacing a broken furnace), she can figure out if she has enough money left for something new, such as a kitchen remodel or an additional room.

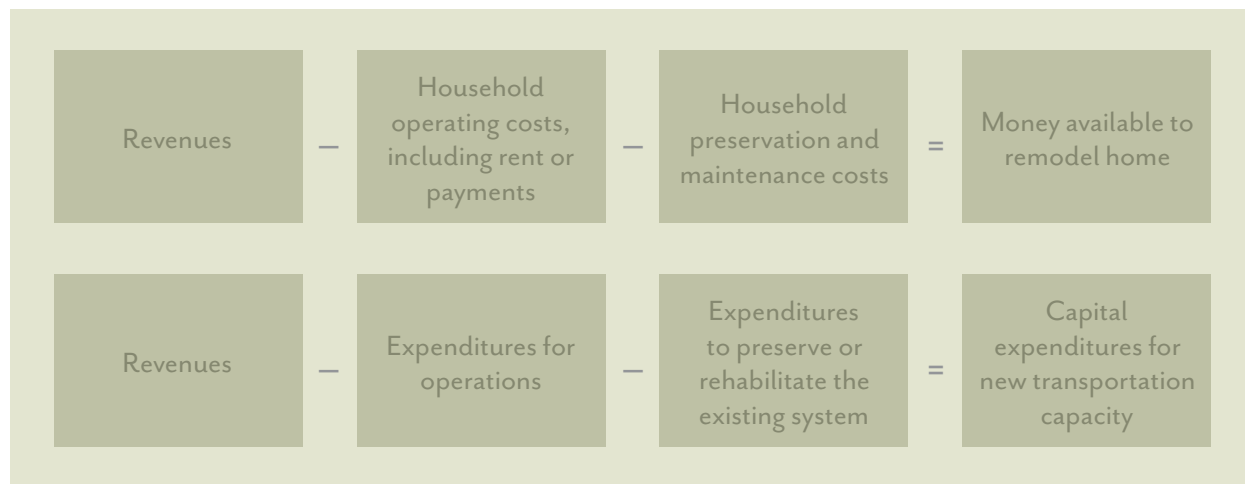


Figure 4.1. The budgeting process used by transportation agencies is similar to that of a homeowner.

Revenue Assumptions

Funds for transportation infrastructure and services come mainly from federal, state, and local taxes. Figure 4.2 shows how these are currently (and approximately) funded in Ada and Canyon Counties.

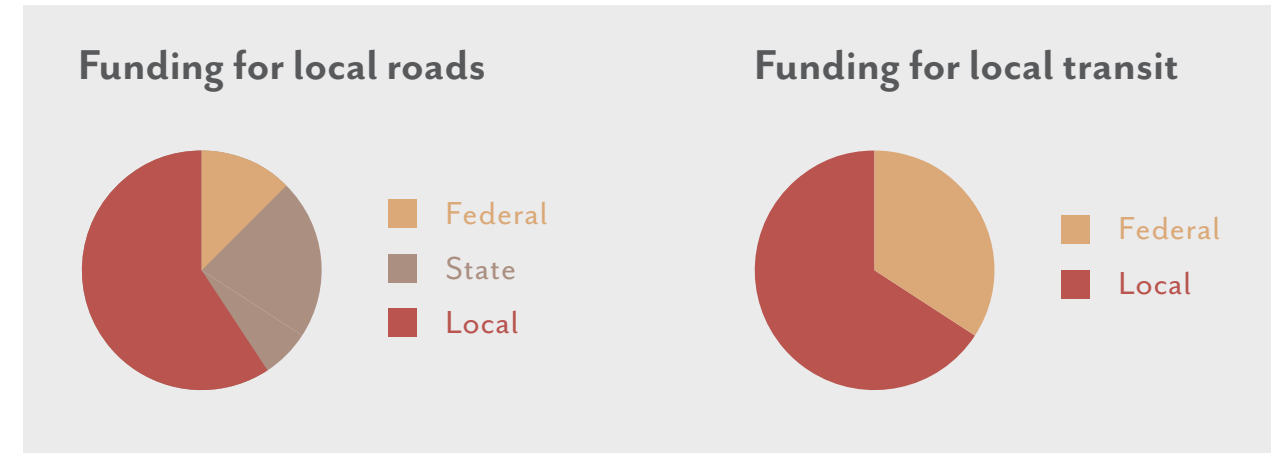


Figure 4.2. Transportation funding sources (approximate values)

Federal Funding Sources for Roadways and Transit

The Highway Trust Fund is the primary source of federal funds for local roads and many transit projects across the country. It's funded by the federal fuel tax rate, which has been fixed since 1993 at 18.4 cents per gallon for gasoline and 24.4 cents per gallon for diesel.

In July 2012, MAP-21 was signed into law, which authorized funding for several transportation programs for a two-year period. Transit funding *authority* increased by 60% but, by January 2013, *actual funding* remained at 2012 levels.



Several federal funding programs address transportation. The National Highway Performance Program is the largest, with \$166.7 million apportioned to Idaho in 2014; most of this is going to Idaho's state and federal highway system. The Surface Transportation Program (STP), with \$76.7 million in 2014 for Idaho, provides flexible funding that may be used by states and localities to preserve and improve the conditions and performance on any federal-aid highway, bridge, or tunnel projects on any public road, pedestrian, and bicycle infrastructure, and transit capital projects, including intercity bus terminals.

For pathways and other alternative transportation needs, MAP-21 established a new funding category called the Transportation Alternatives Program (TAP). The Boise Urbanized Area received approximately \$422,000 in federal funds for the TAP program

for FY2014. If the TAP funding level is increased by 1% annually, the total available for pathways would be roughly \$12 million through 2040. While no guarantee exists for the Nampa Urbanized Area, as this area must compete for funding with other urban areas in the state, its share of the urban TAP funds could amount to approximately \$7 million through 2040.

Federal funds typically require some level of local cost share, or “match,” but to varying degrees can be used for both operations and management and capital expenditures. Based on the US Congress’ reluctance to increase federal fuel tax and a very modest increase in total fuel usage over time, the COMPASS financial analysis anticipates only a **1% increase in overall federal transportation funding allocated to Idaho** for the period 2012–2040.

State Funding Sources for Roadways

State fuel taxes—fixed since 1996 at 25 cents per gallon for gas and diesel—make up a large portion (67%) of Idaho’s Highway Distribution Account, which allocates money to ITD and local road agencies. Vehicle registration fees on cars and trucks supply the remaining percentage. The COMPASS financial analysis assumes a **1.7% per year increase in state funding for local road agencies**, based on population growth and relatively modest increases in fuel sales. Highway Distribution Account funds can be used for any type of road project, but not for transit services.

Local Funding Sources for Roadways

Property Taxes

Property taxes are the single largest source of local funding for roads and are assessed directly by the highway districts. In Canyon County, the highway districts return a portion of the property tax revenue to the cities within their boundaries that have their own road departments (Caldwell, Greenleaf, Melba, Middleton, Nampa, Notus, Parma, and Wilder). The COMPASS financial analysis assumes that **property tax revenues will increase either 1) at a rate equal to the rate of increase of households plus the rate of inflation or 2) by 3%—whichever is less.**

Impact Fees

Additional funding for ACHD and the City of Nampa comes from impact fees collected on new development; the fees are designed to partially recover the costs associated with the increase in traffic on major streets in the general area. Impact fee levels can increase with inflation, but revenues depend on a relatively volatile local construction market.

Under Idaho law, impact fees recover just the “proportionate” costs associated with improving capacity. The fees cannot be used for existing problems, repairs, safety enhancements, transit, or improvements such as sidewalks that don’t expand the road system. In ACHD’s Capital Improvement Plan, of \$520.5 million total costs for roadway improvements, \$277.2 million is eligible for funding with impact fees.

Vehicle Registration Fees

ACHD also collects vehicle registration fees. The fee is a fixed amount for all vehicles, so revenue will only grow if the number of licensed vehicles increases and/or voters approve an increase in the registration fee. The latest increase in registration fees was put into effect in 2009; the amount collected roughly doubled from \$4 million a year to \$8 million.

Other Local Revenue Sources

Other local revenue sources include items such as interest earnings and bond proceeds. The City of Nampa has historically supplemented its transportation budget by periodically issuing General Obligation bonds, and intends to continue this practice. But, like a loan, bonds must be repaid with revenue from existing or new sources.

Local Funding Sources for Transit Services

Local transit funding comes from riders’ fares and contributions from local governments. Fares make up about 10% of local transit operating revenues and are expected to increase over time at a rate approximately equal to inflation. The fares will most likely continue to cover about 10-12% of local transit operating costs in the future. Payments from the cities are also expected to increase over time with inflation, with the share of each local government roughly tied to service levels within their areas.

Revenue Outlook

Of all the revenue sources, only property tax revenues, impact fees, and transit fares are likely to keep pace with inflation. Increasing other revenue streams such as fuel taxes requires congressional, legislative, local government, or voter approval. These approvals appear unlikely due to current economic conditions—and an improving economy wouldn’t necessarily equate to a willingness to change existing fee structures.



The Village at Meridian. Photo: Shelly Houston, as part of the Your Treasure Valley Future Photo Challenge.

Operations, Maintenance, and Preservation Assumptions

The COMPASS financial analysis assumes that operations and preservation/reconstruction expenditures for roads and transit will trend at their historic levels. However, this makes broad assumptions about current road conditions and whether historic spending patterns are sufficient to keep roads adequately maintained. There currently is not a way to evaluate and compare the conditions of all transportation systems in the region. As a result, conclusions about system maintenance are primarily based on discussions with roadway and transit agencies. It appears reasonable to conclude that transportation systems are currently in good condition. Long-term maintenance needs are discussed in Chapter 6. Agencies have expressed several areas of concern moving forward:

- One city believes it’s falling behind in maintenance overlays. Other urban agencies have similar concerns about local and collector roads. In Canyon County, rural areas appear to have fewer issues with pavement conditions than urban areas.
- Specific programs to fund the rehabilitation or reconstruction of major structures such as bridges have not been developed. Although all agencies are committed to adequately maintaining their major structures as needs arise, few have taken steps to ensure these maintenance expenditures will be evenly distributed in future years.
- VRT will likely fall behind in bus and van replacements. Based on expected expenditures and the size and age of the current vehicle fleet, annual expenditures for bus replacements should be doubled or tripled.

Available Local Funding for New Roadway Capacity

Based on the assumptions discussed above, the COMPASS financial analysis estimates that funding available for roadway expansion (adding capacity to the system) in Ada and Canyon Counties during 2014–2040 will largely depend on impact fees that will generate funding shown below:

Total funds available for roadway expansion, 2011-2040, in inflated dollars

Ada County	\$526.3 million
Canyon County	\$46.3 million
Total	\$572.6 million

Figure 4.3 shows estimates of future total revenues versus combined operations and preservation/reconstruction costs for the local roadway agencies, according to the financial analysis and including a 4% inflation rate for expenditures. As shown, costs begin to exceed revenues in approximately 2025, after which something—such as increasing revenue, postponing maintenance, or cutting service—will be needed to keep the system financially sound. Funds for expanding the roadway system will be depleted at this point for all agencies except ACHD and the City of Nampa, which collect impact fees.

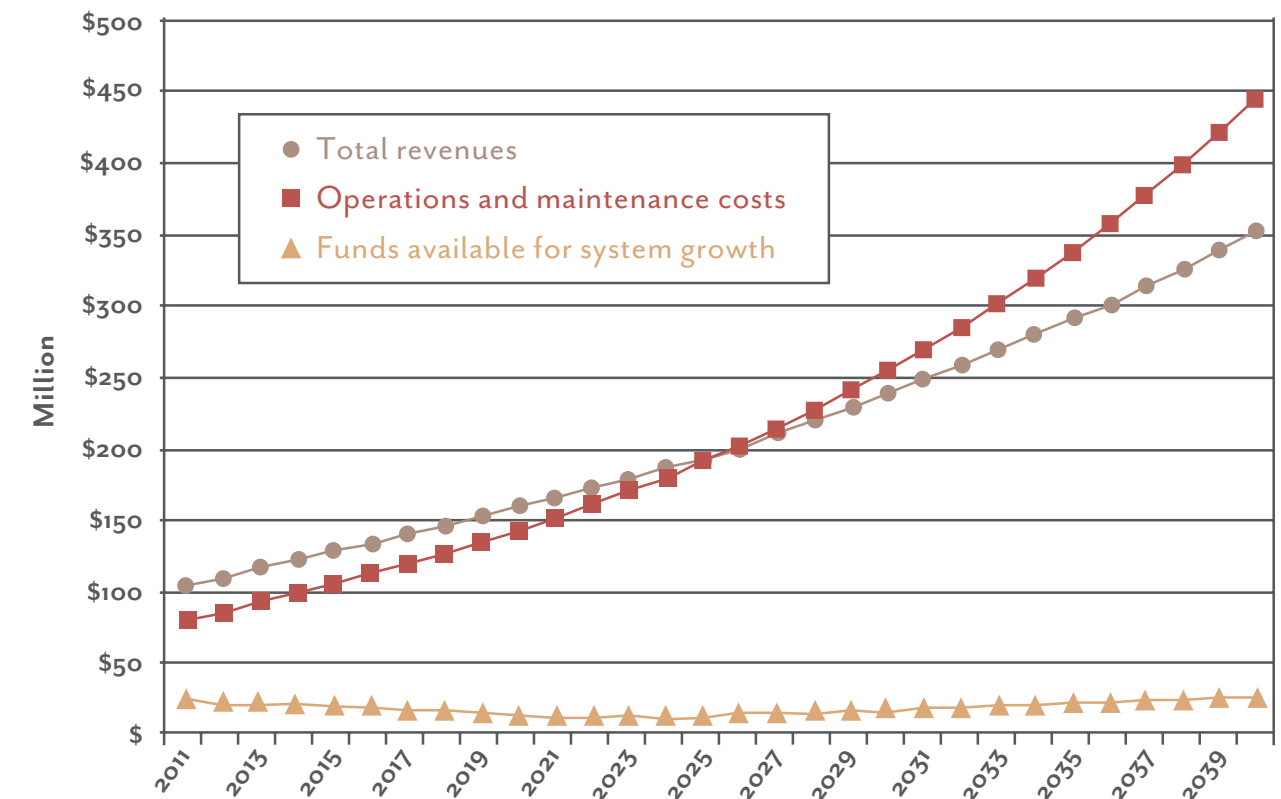


Figure 4.3. Future revenues, expenditures, and remaining funds available for system growth, Ada and Canyon Counties combined, assuming 4% inflation

Figure 4.4 shows annual revenues for system growth over time, allocated to Canyon County agencies and Ada County, with payments broken down between impact fees (collected by ACHD and City of Nampa) versus other revenue sources. Impact fee revenues compose the bulk of the estimated available funds after 2015.

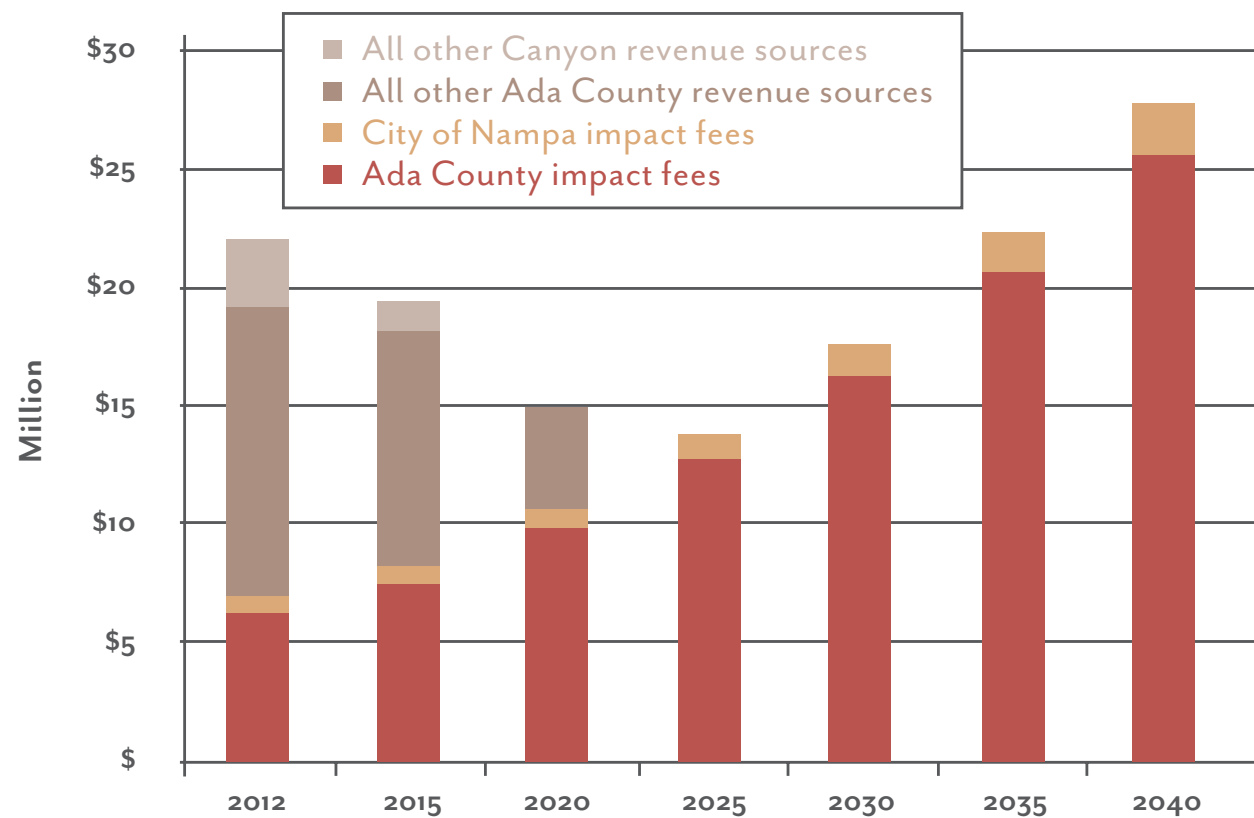


Figure 4.4. Estimated annual revenue available for roadway system expansion projects

Available Funding for Transit Expansion

VRT is the transit authority for Ada and Canyon Counties and oversees the ValleyRide bus system. ACHD’s Commuteride vanpool program operates in both counties as well, but all its routes must connect to or travel through Ada County. VRT has recently initiated vanpool services in areas not covered by ACHD’s program.

Under the current financial situation, VRT plans to focus on sustaining current services, covering operations, and maintaining its fleet and facilities. If there are carryover funds in a given year, the monies will be used to meet existing obligations or be held as operating capital; as such, annual revenue will equal annual costs with little leftover. There is no known source of additional funding that might cover new or expanded services.

Federal Funding Futures

Federal transit revenues are assumed to grow at 1% per year—but they could remain the same or be eliminated with nearly equal probability.

The COMPASS financial analysis assumes **cities will maintain their current levels of payments to VRT over time, adjusted for inflation**. Regardless, costs are assumed to increase more rapidly than revenue, with the projected deficit shown in Figure 4.5. A relatively small surplus changes over time to an estimated annual deficit of \$2.6 million in 2020 and \$34.2 million in 2040.

This result is similar to many roadway agencies, although the VRT deficit is experienced earlier and with greater severity in relative terms. No funds will remain for increasing level of transit service. Even if the federal funding boost under MAP-21 remains, it is not enough to counter a long-term deficit. Without additional revenue from existing or new sources, a potential consequence of this gap could be reductions in transit service to match available funding.

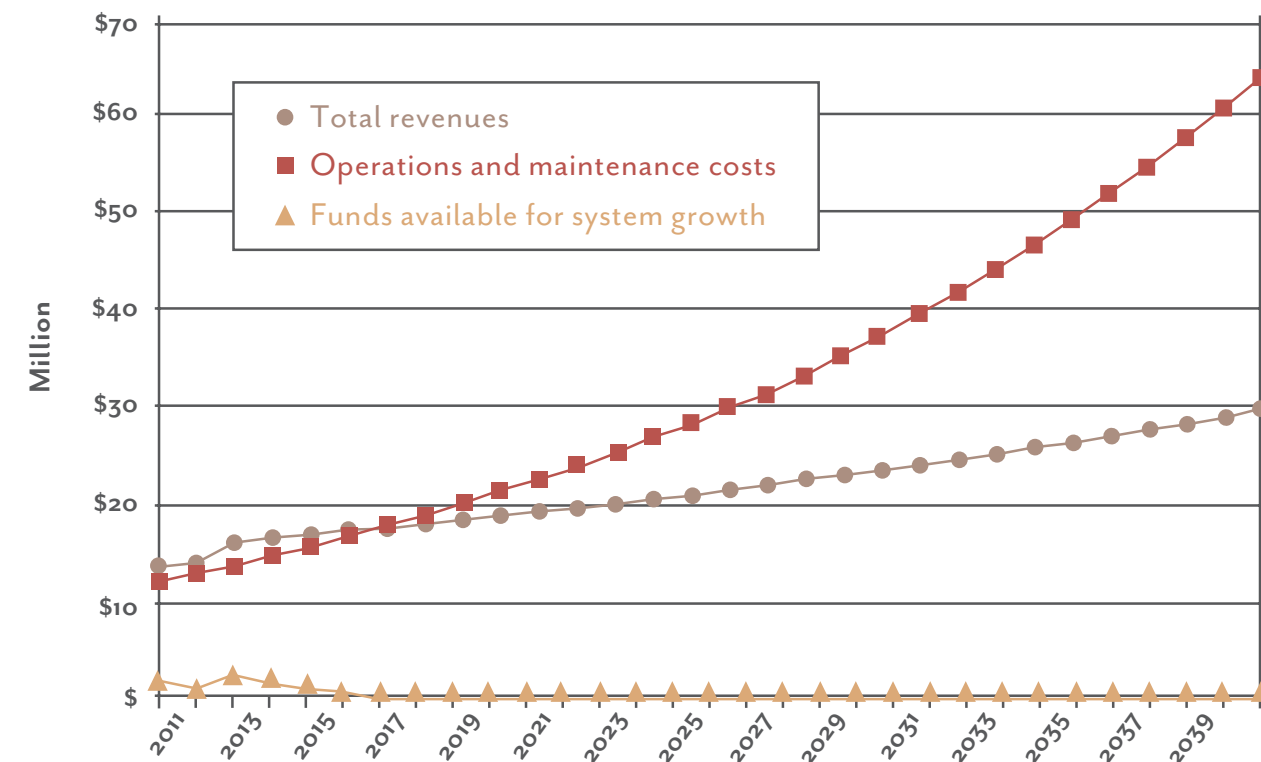


Figure 4.5. Annual transit revenues, O&M expenditures, and remaining funds available for increasing service levels

The financial situation for ACHD Commuteride is more stable, as 80% of its base costs (vehicle replacement, fuel, maintenance, and administration) are covered by rider fares—and fares are periodically adjusted to cover increased costs. From 2009 through 2013,

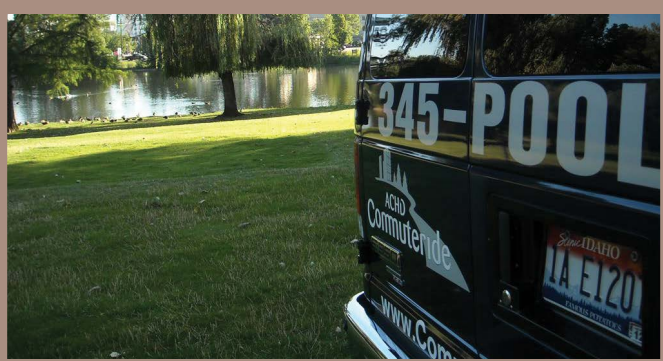


Photo: Sylvia Marmon, as part of the *Your Treasure Valley Future Photo Challenge*.

Commuteride costs amounted to roughly \$1.5 million per year, with approximately 100 vans in operation during 2012. The general conclusion is that Commuteride can sustain its existing level of services if certain conditions continue.

There are insufficient resources within the program to expand services or add new facilities such as park-and-ride lots.

Potential Sources of New or Additional Revenue

The previous discussion and analyses include inflation and point to the inadequacy of projected available revenues to meet the future transportation system needs. Chapter 6 describes the unfunded needs and available funding in current dollars, looking out to the year 2040.

Table 4.1 describes several possible sources for additional revenue to fund needed transportation improvements.

Table 4.1. Examples of possible sources to raise \$159 million,* or \$755 per household, per year (in 2012 dollars)

Tax/Fee Source	Tax Type	Added Rate	Current Rate	Total Rate	Current Legal Uses
Unit fuel tax	Fixed cents per gallon	\$0.453	\$0.25	\$0.70	Roadway construction and maintenance
Sales tax on fuel	Percentage of price (less state/federal unit tax)	14.0%	0.0%	14.0%	Potentially any transportation but needs legal review
Vehicle registration fee	Dollars per vehicle	\$333	Up to \$60 plus up to \$48 additional in Ada	Up to \$393 in Canyon and up to \$441 in Ada	Roadway construction and maintenance
Sales tax on goods	Percentage of price	2.9%	6.0%	8.9%	Any transportation

Tax/Fee Source	Tax Type	Added Rate	Current Rate	Total Rate	Current Legal Uses
Income tax	Added to existing tax	34.3%	Variable	Variable	Any transportation
Property tax	Percentage of assessed value	0.509% for two-county region	Example rates: 0.129% ACHD; 0.197% CHD4	Variable	Any transportation

* This amount is for a single year. It is in addition to existing revenues and would cover the gap between existing revenues and the amount needed to fully fund maintenance and operations, new capital, and an expanded public transportation system.

Other Sources	Type	Probable Benefit	Current Legal Uses
Impact fees	Variable fee paid when a building permit is issued	Can be high revenue. ACHD received as much as \$14 million prior to the economic slump starting in 2007.	Capital needs tied to effects of growth. Cannot be used for maintenance and operations, existing problems, or non-capacity improvements such as landscaping or drainage.
Tolls	Variable charge. Often applied to limited-access facilities such as expressways, tunnels, and bridges	Can be high revenue. Nationally, toll revenue was 5% of all roadway revenues in 2006.	Typically limited to construction and maintenance of the specific facility, e.g., a toll road
Vehicle miles of travel fees	New system that can use technology to track time and location of driving	Can be high revenue	Legal uses are unclear. To be a fee, the charge has to be tied to a specific benefit conferred upon the user.
Rental cars tax	An add-on to the base fee	Low. Currently 6% but ranges up to 18% nationally.	No constraints

Summary

While revenues will increase over the next 27 years, costs for operations and preservation/rehabilitation will likely rise faster. This means that only agencies with funding dedicated to expansion—specifically, impact fees—will have long-term capacity to expand. Across 27 years, the \$1 billion of local funds in today’s dollars results in annual investments of about \$37 million a year in current dollars.

The following examples put this in perspective:

- Widening of Franklin Road for one mile (from two to five lanes) with a sidewalk, curb, and gutter is \$10.9 million (in Nampa).
- Adding a signal to the intersection of Middleton and Flamingo Roads (in Nampa) costs \$280,000, and a roundabout at Middleton and Ustick Roads (in Caldwell) is \$950,000.
- A new bus route costs \$370,000 per year to operate, not including bus purchases; each new heavy-duty transit coach is \$400,000 or more.

To allow for new transportation capacity and services, changes will need to be made—by figuring out how to increase existing revenue streams and/or developing new funding sources. COMPASS will continue to educate state and federal officials on these transportation funding issues.