



# Puget Sound Regional Council

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## Transportation 2040 Finance Working Group

December 8, 2016 • 11:45 a.m. – 1:45 p.m.

PSRC Conference Room • 1011 Western Avenue, Suite 500 • Seattle, WA 98104

### Meeting Objective:

- Continued discussion of Current Law Revenues

- 11:45 1. **Welcome and Introductions** – *Mayor Becky Erickson, Chair*
2. **Public Comment**
- 11:55 3. **Discussion:**  
November 10<sup>th</sup> Meeting Summary and Follow-up – *Benjamin Brackett and Pavithra Parthasarathi, PSRC*
- 12:15 4. **Discussion:**  
Current Law Revenue: Local Transit – *Benjamin Brackett and Pavithra Parthasarathi, PSRC*
- 12:45 5. **Discussion:**  
Sound Transit 3 Financial Assumptions – *Brian Stout, Sound Transit*
- 1:10 6. **Discussion:**  
Washington State Ferries Long-Range Plan & Financial Assumptions – *Ray Deardorf, WSF*
- 1:35 7. **Discussion:**  
FWG Roundtable – Opportunity for members to discuss issues or concerns
- 1:40 8. **Next Steps**
9. **Next Meeting:**  
January 12, 2017, 12:00-2:00 p.m., PSRC Conference Room
- 1:45 10. **Adjourn**

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**Website:** <http://www.psrc.org/about/advisory/t2040finance/>



# Puget Sound Regional Council

## Transportation 2040 Finance Working Group

### Meeting Summary

November 10, 2016

**Members Present:** Mayor Becky Erickson, City of Poulsbo; Deputy Mayor Jay Arnold, City of Kirkland; Councilmember Bek Ashby, City of Port Orchard; Rob Berman, Seattle Metropolitan Chamber of Commerce; Rob Fellows, WSDOT Toll Division; Commissioner Rob Gelder, Kitsap County; Mayor Don Gerend, City of Sammamish; Jesse Hamashima, Pierce County/Regional Staff Committee; Peter Heffernan, King County DOT; Councilmember Rob Johnson, City of Seattle; Councilmember Kathy Lambert, King County; Mayor Pro Tem Debora Nelson, City of Arlington; Charles Prestrud, WSDOT Northwest Region; Commissioner Hester Serebrin, Washington State Transportation Commission; Brian Stout, Sound Transit (via phone); Jude Willcher, City of Seattle; Councilmember Derek Young, Pierce County (via phone)

**Other Attendees:** Will Knedlik, STA; Paul W. Locke; Brian Parry, Sound Cities Association

**PSRC Staff:** Benjamin Brackett, Ben Bakkenta, Charlie Howard, Pavithra Parthasarathi, Robin Mayhew, Michael Jensen

### 1. Welcome and Introductions

Mayor Erickson, Chair of the T2040 Finance Working Group, provided the welcome statement and group members introduced themselves.

### 2. Public Comment

The following addressed the Working Group:

- Alex Tsimerman
- Paul W. Locke

### 3. Discussion: T2040 Financial Strategy 10/25 Webinar Recap

Benjamin Brackett provided a recap of the October 25th preparatory webinar, which provided a detailed review of PSRC's current T2040 financial strategy. Benjamin also summarized the role of the Finance Working Group (FWG) and the proposed timeline to update the financial strategy for the 2018 T2040 update. The recap discussion focused on a high-level understanding of the four building blocks of the financial strategy (Current Law Revenues; New Revenues; System Expansion Costs; and Maintenance, Preservation & Operation Needs). Benjamin clarified that the financial strategy update is a regional exercise – the focus is on general accounting and ensuring that the revenues in each program area matches the expenditure and not on balancing the estimates for specific jurisdictions or agency.

Suggested refinements to the presented information include a review of peer regions to understand the cost of transportation as a percent of regional personal income, a breakdown of the cost of transportation by income groups, a recommendation to PSRC to monitor court decisions that might impact project costs (ex. fish passage barrier decisions, new line of sight decisions, etc.), to list a few.

#### **4. Discussion: Current Law Revenue – Technical Foundation**

Benjamin Brackett presented detailed materials focusing on explaining the assumptions and technical foundations used in estimating the CLR estimates for each of the different program areas in the financial strategy. The financial strategy includes the following program areas – Cities, Counties, Local Transit, Sound Transit, State Highways, Washington State Ferries, and “Other” Regional Programs which have their own revenue sources and key assumptions.

Key technical inputs to the CLR estimates, such as the 2015 Regional Economic Forecasts (REF), Land Use Vision 2 (LUV2) forecasts, have changed since the last plan adoption in 2014. Key takeaways from the 2015 Regional Economic Forecast discussion was that the 2015 retail tax base forecasts are lower compared to the adopted plan. Michael Jensen, PSRC, clarified that this reduction was due to 2015 REF accounting for the 2008-2009 recession and the associated longer recovery time.

Similarly, the 2015 REF calls for modest reduction in vehicle registrations and higher fuel economy resulting in lower motor fuel sales. This impacts every program area in the financial strategy and will need to be discussed further at future meetings. Further there are differences between WSDOT and PSRC’s assumptions on fuel economy and consumptions. Charlie Howard, PSRC, pointed to a collaborative effort with WSDOT looking into different fuel consumption scenarios to understand the revenue implications of these assumptions.

Summary takeaway from the LUV2 forecasts was that they reflect the latest adopted comprehensive plans which wasn’t the case during the 2014 update. The LUV2 forecasts represent a combination of the adopted growth targets and VISION 2040. The remaining discussion on this agenda item focused on the historic records which is another key technical input for CLR estimates.

#### **5. Discussion: Current Law Revenue – Overview**

Benjamin Brackett led the discussion on CLR estimates for each program area, their revenue sources, current assumptions regarding each revenue source, issues facing each program area, and changes seen or expected. Key changes impacting the CLR estimates since the 2014 plan adoption were highlighted as well. These include recovery from the great recession, passage of significant transportation investment packages (Connecting Washington, Move Seattle, Tacoma TBD, Sound Transit 3, etc.), I-405 express toll lanes, momentum to mileage-based revenues, federal FAST Act. These changes have revenue implications and will need to be incorporated into the CLR estimates as we move ahead with the plan update.

Further discussion focused on the federal fund contributions. FWG members weighed in on whether we continue to tie the federal contributions to the regional fuel consumption or change the assumption to assume continued growth (nominal) in federal contributions. FWG members recommended that PSRC staff look into both options to understand the impacts on different program areas, which will help them decide as we move further along in this plan update.

The CLR assumptions for the Cities and Counties program areas were also discussed in detail. For counties, the key question was on how aggressive should the T2040 financial strategy be in assuming implementation of existing local revenue options. For cities, the issues include the sustainability of general fund contributions to transportation and assumption of local revenue tools renewed in perpetuity through

the life of the plan. While no decisions were made for either of these program areas, the FWG requested supporting materials to help this discussion further at the next meeting, including a summary of how GF vary by cities, how GF contributions vary for transportation and non-transportation expenses, any peer review of transportation financing in other regions.

The Local Transit and Sound Transit program areas couldn't be covered during this meeting due to lack of time and will be discussed along with other program areas (State Highways, WSF and "Other" regional programs) at the next FWG meeting.

**6. Discussion: Summary of Current Law Revenue Policy Issues**

Pavithra Parthasarathi quickly summarized the policy issues discussed and pointed to the FWG website where meeting agendas and supporting materials will be posted.

**7. Next Meeting: December 8, 2016, 12:00-2:00 p.m., PSRC Conference Room**

***[Editor's Note: Dec. 8 meeting time subsequently changed to 11:45 a.m.-1:45 p.m.]***

The meeting adjourned at 2 p.m.