



Puget Sound Regional Council

To participate remotely using BlueJeans

Via computer: <https://bluejeans.com/750891366/>

Call in:

- 1) Call either of the following numbers:
888-240-2560 (Toll Free)
408-740-7256
- 2) Enter Meeting ID: 750 891 366
- 3) Press #

Transportation 2040 Finance Working Group

January 12, 2017 • 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
- Introduction to New Revenues

- 11:45 1. **Welcome and Introductions** – *Mayor Becky Erickson, Chair*
2. **Public Comment**
- 11:55 3. **Discussion:**
Current Law Revenue: State Highways – *Benjamin Brackett and Pavithra Parthasarathi, PSRC*
- 12:40 4. **Discussion:**
Current Law Revenue: “Other” Regional Programs – *Benjamin Brackett and Pavithra Parthasarathi, PSRC*
- 12:50 5. **Discussion:**
Current Law Revenue: Review of Assumptions & Policy Issues – *Benjamin Brackett and Pavithra Parthasarathi, PSRC*
- 1:20 6. **Discussion:**
New Revenues: Introduction, & Evaluation Criteria* – *Ben Bakkenta, PSRC*
- 1:30 7. **Discussion:**
FWG Roundtable – Opportunity for members to discuss issues or concerns
- 1:40 8. **Next Steps**
9. **Next Meeting:**
February 9, 2017, 12:00-2:00 p.m., PSRC Conference Room
- 1:45 10. **Adjourn**

Staff Contacts:

Pavithra Parthasarathi, pparthasarathi@psrc.org, 206-971-3277
Benjamin Brackett, bbrackett@psrc.org, 206-971-3280
Ben Bakkenta, bbakkenta@psrc.org, 206-971-3286

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

*Supporting material attached

Sign language and communication material in alternate formats can be arranged given sufficient notice by calling (206) 464-7090 or TTY Relay 711. 中文 | Chinese, 한국 | Korean, Русский | Russian, Español | Spanish, Tagalog, Tiếng Việt | Vietnamese call 206-587-4819.



Puget Sound Regional Council

Transportation 2040 Finance Working Group

Meeting Summary

December 8, 2016

Members Present: Mayor Becky Erickson, City of Poulsbo; Deputy Mayor Jay Arnold, City of Kirkland; Councilmember Bek Ashby, City of Port Orchard; Kim Becklund, King County Metro/Transportation Operators Committee; 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 Kathy Lambert, King County; Mayor Pro Tem Debora Nelson (via phone), City of Arlington; Charles Prestrud, WSDOT Northwest Region; Commissioner Hester Serebrin, Washington State Transportation Commission; Brian Stout, Sound Transit; Jude Willcher, City of Seattle

Other Attendees: Stephanie Ball, Sound Transit; Carmen Bendixen, Washington State Ferries; Ray Deardorf, Washington State Ferries; Kate March, City of Bellevue; Peter Soderberg, WSDOT; Steve Thomsen, Snohomish County Department of Public Works; Lisa Wolterink, Sound Transit

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

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

3. Discussion: November 10th Meeting Summary and Follow up

Pavithra Parthasarathi and Benjamin Brackett provided a summary of the November 10th meeting, highlighting key follow-up items from the meeting. (A copy of the meeting summary from the November 10th meeting was provided in the agenda packet.) The follow-up items include the following: Transportation expenditure as a function of regional personal income; Assumptions regarding Federal Funds; General Fund contributions to transportation vs. non-transportation expenses; Implementation of Transportation Benefit Districts; and Request for supporting materials.

Benjamin Brackett reviewed PSRC staff analyses related to General fund contributions to transportation vs. non-transportation expenses, and the implementation of the Transportation Benefit Districts (TBD). Analyses of local General fund contributions highlighted the fact that General fund contributions to Transportation in the region averaged 38% while excluding the City of Seattle. The regional average went up to about 48% if the City of Seattle was included, which is in line with the 2014 Financial Strategy assumptions. The discussion focused on the data used for the analyses and what the results could mean for the Financial Strategy update.

Benjamin also presented maps highlighting the implementation of TBDs from 2010 through 2017. A total of 19 local jurisdictions have implemented TBDs since 2010 using either the sales tax option or vehicle licensing fees option and in some cases a combination of both. There is a considerable increase in the number of TBDs implemented

especially around 2015. Discussion focused on the non-implementation of TBDs in certain areas (East/South King County) and the assumptions regarding the future of TBD implementation considering passage of ST3.

FWG members were in agreement with the follow-up items presented. Pavithra Parthasarathi noted that there were couple of follow-up items still being analyzed and these items will be brought to the Finance Working Group as they are completed.

4. Discussion: Current Law Revenue – Local Transit

Pavithra Parthasarathi started the discussion by providing the latest (draft) estimates of Current Law Revenue (CLR). These latest CLR estimates include the significant transportation investment packages approved since the 2014 plan adoption, such as the Connecting Washington State Package; Sound Transit3; Local ballot measures; and local transit initiatives. PSRC staff noted that these CLR estimates are still being finalized.

The CLR discussion on local transit focused on current revenue sources, assumptions and key issues facing local transit. The focus was on the volatility and future of the sales tax (a major source of revenue for local transit), the need to identify other revenue sources, and the importance of having a set of criteria to evaluate the various revenue options.

Other items reviewed include PSRC staff engagement with the Transportation Operators Committee (TOC) on local transit issues and a potential TOC workshop (tentatively in the last week of Jan) to discuss detailed technical assumptions related to local transit.

5. Discussion: Current Law Revenue – Sound Transit

Brian Stout, Sound Transit, provided a snapshot of Sound Transit's Financial Plan. While the financial plan is still being finalized, the presentation highlighted the major components - key financial planning assumptions, revenue sources, grant funding, bond and loan assumptions. Other items highlighted include comparisons of the current ST3 financial plan against prior approved ballot measures (ST2, Sound move), anticipated capital and operating expenditures by mode and timelines for major Sound Transit projects.

6. Discussion: Current Law Revenue – Washington State Ferries (WSF)

Ray Deardorf, WSF, provided a brief overview of ferry system and underlying financial assumptions. The presentation covered the following - route characteristics, current (baseline) budget, capital needs, WSF's financial challenges due to loss of MVET, fares and ridership.

WSF's financial assumptions are currently being updated. Revised estimates are expected over the next couple of months and subsequently with WSF's long-range plan update, expected to be start in the middle of 2017. Considering the timing of T2040 plan update and WSF's long-range plan update - Ray noted that WSF would provide initial estimates for the T2040 financial strategy update and these estimates will be revised as they become available. The revised estimates will include updates to the vessel replacement costs (identified in the 2009 plan) and updates of funded terminal projects (Colman Dock, Mukilteo).

WSF will coordinate with PSRC staff on the T2040 update and WSF's long-range plan update.

7. Discussion: FWG Roundtable

Members discussed the recent Advanced Transportation Technologies Conference. Discussion focused on the impacts of Autonomous vehicle technology on car ownership and subsequent drop in auto sales, first-mile connections and implications for fixed route local transit and how we can develop a financial structure to incentivize people to choose an urban utopia outcome.

8. Next Steps

Pavithra Parthasarathi quickly summarized the timeline for the financial strategy update, policy issues discussed for the various program areas (Cities, Counties, Local transit, Sound transit, WSF) and pointed to the FWG website where meeting agendas and supporting materials will be posted.

9. Next Meeting: January 12, 2017, 12:00-2:00 p.m., PSRC Conference Room

The meeting adjourned at 1:45 p.m.

Principles for Funding the 2040 Transportation Plan

Developing a regional transportation plan and the corresponding funding strategy is a complex task that is both technical and political in nature. PSRC has developed the Transportation 2040 regional transportation plan (T2040) that includes \$111 billion of funding from current revenue sources and assumes \$62.4 billion in funding from increases to these current sources as well as through new funding sources. The Transportation Futures Task Force (“Task Force”) is reviewing the T2040 funding plan and sources, as well as considering all other options. It is important that the Task Force consider guiding principles to respond to the needs and desires of the residents and businesses of the Puget Sound region.

With guidance from Task Force members, information from other metropolitan areas, and findings from the resource papers that have been presented, the following draft principles and core concepts have been developed. They will be used to evaluate potential revenue sources and funding scenarios, and are intended to shape the Task Force’s recommendations. The principles and concepts are intended as a starting point for discussion, and should be molded by the Task Force.

1) Revenue Streams should be Sufficient to Fund Projects and Programs in Regional Transportation Plans

Forecasts make it clear that traditional transportation revenue sources will fall far short of the revenue needed to serve future accessibility and mobility needs. The economic well-being of the central Puget Sound region depends on a world-class, well-functioning transportation system. Governments at all levels must be assured sufficient funding to create and support such a system.

Increased funding will be required for investment in all modes of transportation by local, county, and regional governments. State and federal resources will continue to be part of the picture, but can no longer be relied upon as the major funding source. User charges, taxes and fees, and responsible use of debt must all be considered. Different revenue sources may be more suited to fund specific types of projects; however all revenue sources should be considered collectively as a comprehensive strategy for funding the transportation needs of the region.

Core concepts:

- Funding sources should be sufficient to pay for unfunded needs of adopted regional and local transportation plans.
- Funding should be sufficient and flexible to address local and regional multi-modal needs.
- Funding should be sufficient to support regional and state economic growth.
- Funding sources should generate significant revenue and be cost effective to collect.
- Funding sources should support financial plans that anticipate project costs, construction timing, and the responsible use of debt.

2) Future Revenue Streams should be Diverse, Stable, and Predictable

Many transportation capital investments require long periods to plan, construct and finance. Significant financial commitments are also needed to continue their operations over many decades. Funding streams must be responsive to economic cycles and the evolution of the regional economy, both of which are often unpredictable and uncertain. Diverse funding sources are needed to assure resilience in times of economic change.

Core concepts:

- Funding sources should be diverse and not be overly dependent upon a limited number of major sources.
- Funding sources need to be as stable as possible over time and be viewed realistically in light of how future social and technological changes may affect the revenue sources.
- Funding sources need to be resilient to withstand inflation and economic cycles to the extent possible.
- Sources need to be predictable in order for project planning and investment to be reliably made over time.
- Funding sources should be consistently dedicated to transportation so they cannot be diverted to competing interests.

3) Revenue Sources must Support the Region's Vision for Growth, Land Use, and Environmental Sustainability

Transportation networks and strategies are complex, and travel is undertaken to meet a wide range of economic, social, and human needs. For this reason, the transportation system must be planned, designed, and financed to complement and integrate with population and economic growth, land use, and environmental planning so that the revenue sources support and are in alignment with the region's goals.

Core concepts:

- Funding sources should be flexible, and to the extent possible, support multi-modal uses, including freight.
- Funding sources must support the region's economic vitality, urban form, land use, and air and water quality goals as articulated in state, regional and local plans.
- Funding sources may serve as a transportation demand management incentive.
- Funding sources may be a mechanism to address state and regional goals for carbon reduction.

4) Transportation Revenue Sources should strive for Equity

The impacts of funding sources and costs of transportation investments should be planned and implemented to address equity principles that include social, health, economic, generational and geographic considerations.

Equity is evaluated according to many criteria. Central among them are fairness that people should bear costs proportional to the benefits they receive; and affordability, that people's ability to pay is a factor in implementing transportation related taxes, fees and user charges. Equity is also a consideration when determining who is impacted by the detrimental byproducts of the transportation system. This often

requires specific attention to the needs of particular groups, including the elderly, disabled, low-income, and minorities.

Core concepts:

- Funding sources should align with program delivery and services provided, particularly for user fees.
- Funding sources should, to the extent possible, be structured to account for the ability of people and businesses to pay, such that the financial burden is equitably distributed.
- The use of borrowing to fund the transportation improvements should not overly burden future generations.
- Funding allocation, distribution, and management policies and entities need to be transparent and accountable.
- A comprehensive funding plan should be equitably balanced between revenues generated from geographically sourced taxes, user fees, and vehicle based taxes and fees.

5) *Funding Sources and Financial Strategies should be Feasible*

While the state and the region have been able to raise transportation funding sources in recent years, there have been struggles to pass major packages for transportation improvements. Those that have passed have often required major efforts at the state legislative level, at the regional and local elected level, and at the ballot. Funding sources going forward should be politically feasible within the federal, state, and local context. For instance, it is unlikely the region could request a change in a state levied tax or fee for regional funding, since those fees must be applied statewide. The consideration of revenue sources must also examine any possible “limits” that might exist, such as legal restrictions, public acceptance of tax and fee levels for a particular revenue source, and taxing structures which might put the region at a competitive disadvantage.

Core concepts:

- Funding sources and financial plans should be politically and publicly acceptable.
- Legal or practical limitations on funding sources that unnecessarily limit their application and use should be identified, and amendments considered that improve their utility for local and regional transportation programs.
- Funding must account for all local or state limitations on taxing and debt authority.
- Additional revenue sources are needed at the federal, state, regional, and local levels.
- A regional authority must be designated to levy and allocate revenues in order to implement a regionally-based funding solution.
- Efficiencies in planning and construction of transportation projects should be recognized as a means of generating recovered revenue.