



# Puget Sound Regional Council

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## Transportation 2040 Finance Working Group

February 9, 2017 • 11:30 a.m. – 1:30 p.m.

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

### **Meeting Objective:**

- Continued discussion of New Revenues

- 11:30 1. **Welcome and Introductions** – *Mayor Becky Erickson, Chair*
2. **Public Comment**
- 11:40 3. **Discussion:**  
Current Law Revenue: Recap of Policy Decisions – *Pavithra Parthasarathi, PSRC*
- 11:45 4. **Discussion:**  
New Revenue Assumptions in the current T2040 Financial Strategy – *Benjamin Brackett, PSRC*
- 12:25 5. **Discussion:**  
Transportation Futures Task Force Recommendations – *Ben Bakkenta and Craig Helmann, PSRC*
- 1:10 6. **Discussion:**  
New Revenues: Principles & Evaluation Criteria – *Ben Bakkenta, PSRC*
- 1:20 7. **Discussion:**  
FWG Roundtable – Opportunity for members to discuss issues or concerns
- 1:25 8. **Next Steps**
9. **Next Meeting:**  
March 9, 2017, 12:00-2:00 p.m., PSRC Conference Room
- 1:30 10. **Adjourn**

### **Staff Contacts:**

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# Puget Sound Regional Council

## Transportation 2040 Finance Working Group

### Meeting Summary

January 12, 2017

**Members Present:** Mayor Becky Erickson, City of Poulsbo; 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/Executive Board; Jesse Hamashima, Pierce County/Regional Staff Committee; Peter Heffernan, King County DOT; Councilmember Kathy Lambert, King County; Mayor Pro Tem Debra Nelson, City of Arlington (via phone); Peter Soderberg, WSDOT Northwest Region; Councilmember Derek Young (via phone)

**Guests and PSRC Staff:** Kate March, City of Bellevue; Brian Parry, Sound Cities Association; Mayor Ron Lucas, Town of Steilacoom; Councilmember Paul Roberts, City of Everett; Benjamin Brackett, Ben Bakkenta, Charlie Howard, Pavithra Parthasarathi, Robin Mayhew, PSRC

#### 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

There were no public comments

#### 3. Discussion: Current Law Revenue – State Highways

Pavithra Parthasarathi provided a brief overview of the financial strategy update process including the latest estimates for Current Law Revenues.

Benjamin Brackett then proceeded to review the Current Law Revenue forecasts, assumptions and issues related to State Highways. The State Highway program area in the financial strategy includes all WSDOT capital, operating investments, and debt service within the PSRC region and has three core elements, namely, the Base program, Nickel & Transportation Partnership Act (TPA), and Connecting Washington.

Benjamin's review highlighted the following - PSRC's model used to forecast revenues for State Highway investments, the differences between the PSRC and WSDOT forecast models, the rate of return assumptions used to estimate PSRC's share of the state revenue. PSRC staff clarified that the forecast models are used for the Base Program and the Nickel TPA program while the revenues from the Connecting Washington are estimated and included separately. Similarly, the toll revenue is forecasted by facility and added in separately.

Key policy issues covered during this overview include: the continued use of PSRC fuel consumption model in the T2040 update, the Rate of Return assumption for the base State Highway program to estimate the regional takeaway.

**4. Discussion: Current Law Revenue – “Other” Regional Programs**

Benjamin Brackett went over the “Other” regional program area in the financial strategy. This program area refers to unique regional investments such as Regional Intelligent Transportation System investments (ITS), Regional Transportation Demand Management (TDM) investments, Regional Passenger-Only Ferry Program, Toll Operations, and Port & Tribal Investments.

Benjamin clarified that the plan for this program in the T2040 update is to revise this category and better align it with the implementing agencies and funding. Another issue discussed was on how the T2040 plan reflects the port and tribal contributions to their proposed investments in their plan. Key takeaway from this discussion was a request from FWG members to follow-up with the Ports and understand their actual contributions and investments.

**5. Discussion: Current Law Revenue – Review of Assumptions & Policy Issues**

Pavithra Parthasarathi led this discussion asking for guidance/recommendation from the FWG members on key policy questions. The key policy question for each decision area along with the FWG recommendation is listed below.

**a) Federal Contributions:**

**Option 1:** Should T2040 continue to assume that Federal contributions are closely tied with regional fuel consumption?

- OR -

**Option 2:** Should PSRC update this assumption to reflect historic and continued growth in Federal surface transportation program?

**FWG Recommendation:**

*Use option 2 but with minor revisions – assume 2.5% rate of growth (inflation) through 2020 and 1% rate of growth after 2020 through 2040. This decision will need to revisited in 2020 as part of the next plan update.*

**b) Counties**

Should PSRC assume that existing constraints on the growth of property tax receipts will remain in effect within the current law revenue component of the financial strategy?

**FWG Recommendation:**

*Yes, FWG members are comfortable with this approach*

**c) Cities**

**Option 1:** Should T2040 continue to maintain an approximate 50% cap on General Fund contributions to Transportation

- OR -

**Option 2:** Should PSRC update this assumption to reduce the cap on General Fund contributions?

**FWG Recommendation:**

*Use Option 2 but use a 40% cap on General Fund contributions*

**d) Local Transit**

**Question 1:** Should PSRC assume that historic farebox recovery ratios will be maintained into the future?

**FWG Recommendation:**

*FWG members recommend using a 28% farebox recovery ratio keeping in line with the most recent datapoint*

**Question 2:** T2040 will incorporate the 2016 Regional Economic Forecast for retail sales into the Transportation 2040 update. Are you comfortable with this approach?

**FWG Recommendation:**

*Yes, FWG members are comfortable with this approach*

**e) Sound Transit**

**Question 1:** T2040 will incorporate Sound Transit's latest financial assumptions. Are you comfortable with this approach?

**FWG Recommendation:**

*Yes, FWG members are comfortable with this approach*

**f) State Highways**

**Question 1:** T2040 fuel tax estimates will be based on PSRC fuel consumption model. Is the Finance Working Group comfortable with this assumption?

**FWG Recommendation:**

*Yes, FWG members are comfortable with this approach*

**Question 2:**

**Option 1:** Should T2040 continue to assume a 35% rate of return on base highway program revenues generated by the PSRC region

- OR -

**Option 2:** Should PSRC update this assumption to reflect the historic rate of return (roughly 90%) to the region?

**FWG Recommendation:**

*FWG recommends that PSRC updates the assumption to reflect the historic rate of return to the region but FWG members recommend a lower rate of 60%\**

*(\* Interim rate subject to changes based on review/research with WSDOT)*

**g) Washington State Ferries**

**Question 1:** T2040 will incorporate Washington State Ferries' latest financial assumptions. Are you comfortable with this approach?

**FWG Recommendation:**

*Yes, FWG members are comfortable with this approach*

**h) Port & Tribal Contributions**

**Option 1:** Should PSRC reach out to ports and tribes to better understand future financial commitments to transportation investments?

- OR -

**Option 2:** Should PSRC assume that ports and tribes will fully fund transportation investments submitted for inclusion in Transportation 2040?

**FWG Recommendation:**

*FWG recommends reaching out to the Ports to better understand their contributions and transportation investments. Regarding Tribes, FWG members recommend incorporating their investments as is in the T2040 financial strategy*

**6. Discussion: New Revenues – Introduction, & Evaluation Criteria**

Ben Bakkenta briefly reviewed the principals for evaluating different revenue options, developed by the Transportation Futures Task Force. The principles were discussed due to a request from the FWG to propose potential evaluation criteria for new revenue sources.

A copy of this document had been provided along with the meeting agenda package. Ben Bakkenta requested the FWG members to review the document and let PSRC staff know of any changes or edits.

**7. Discussion: FWG Roundtable**

No discussion

**8. Next Steps**

Pavithra Parthasarathi quickly summarized the timeline for the financial strategy update, next steps and pointed to the FWG website where meeting agendas and supporting materials will be posted.

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

The meeting adjourned at 1:45 p.m.