

# CHAPTER 8—FINANCIAL ELEMENT

## Introduction

The purpose of this element is to financially quantify the transportation needs of the Reno-Sparks urban area identified in the various other chapters of this Regional Transportation Plan (RTP). Two components make up the financial element. The first component is the fully-funded phases (2008–2030) and the second is an illustrative facilities plan list of unfunded needs (2031-2040). The illustrative facilities plan is part of the fiscally-constrained transportation plan and program. The inclusion of a listing of illustrative projects provides an opportunity to identify additional projects for future consideration in the event that additional funding sources become reasonable available. In nonattainment and maintenance areas, the advancement of a non-exempt, illustrative project requires a formal amendment to the RTP, TIP, and STIP and a new conformity determination by FHWA/FTA. Additionally, this element describes the transportation programming process.

Assessing the community's needs over the life of the plan is a daunting task. We are faced with a degree of uncertainty regarding a myriad of factors including the long-term economic outlook, settlement patterns, cultural shifts in land-use and transportation preferences and actions by the federal and state governments. Projections about the future rely heavily on what has happened in the past, mediated by informed speculation about how things may be different in the future. Fortunately, long-range plans are revisited every 3-4 years, allowing for incremental course corrections as the future becomes reality.

This assessment has used the best data available at the time of preparation and was developed with input and collaboration from many parties including the Nevada Department of Transportation (NDOT), the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the City of Reno, the City of Sparks, Washoe County and the Regional Transportation Commission (RTC).

## Transportation Needs

The RTP captures our community's vision of the transportation system it would like to have. This vision is elaborated and defined by the goals, objectives and policies. The projects, programs and activities identified in the RTP are the things necessary to make this vision a reality. This vision is not, however, created in isolation but in the context of other decisions made by the community, particularly those relating to land-use.

For this assessment, transportation needs have been aggregated into four broad categories: Streets and Highways—Funded Phases (2008-2030); Streets and Highways—Illustrative Facilities Plan/Unfunded Needs (2031-2040); Public Transportation—Funded Needs (2008-2030); and Public Transportation—Illustrative Facilities Plan/Unfunded Needs (2030-2040).

## Street and Highway Plan/Fully Funded Needs—2008-2030

The assessment of Street and Highway needs is comprehensive in two dimensions. First, the needs assessment includes all jurisdictions: local, regional and state. Second, the needs assessment includes all activities, projects and programs that were classified into three areas: routine operations and maintenance; system preservation; and capacity/congestion relief. As stated above, these needs are driven by the community's transportation vision as elaborated in the various goals, objectives and policies. Of particular significance from a financial perspective are the objectives and policies relating to traffic congestion, condition, level of service (LOS) and access management. Stated in financial terms, these needs are summarized in **Table 8-1a**, with costs stated in both constant dollars (2008\$) and year-of-expenditure dollars (Y-O-E \$).

**Table 8-1a**

<b>Street and Highway Plan/Fully Funded Needs 2008-2030</b>		
<b>Activity</b>	<b>Cost (2008\$)</b>	<b>Cost (Y-O-E \$)</b>
Routine maintenance and operations	\$ 1.50 billion	\$ 2.67 billion
System preservation	\$ 3.37 billion	\$ 5.53 billion
Capacity/congestion relief	\$ 5.41 billion	\$ 8.43 billion
<b>Total</b>	<b>\$ 10.28 billion</b>	<b>\$ 16.63 billion</b>

## Street and Highway Illustrative Facilities Plan/Unfunded Needs—2031-2040

Many more projects are needed between 2031 and 2040 to meet community congestion standards than can be funded under a reasonable projection of available revenues. Stated in financial terms, these unfunded needs are summarized in **Table 8-1b**, with costs stated in both constant dollars (2008\$) and year-of-expenditure dollars (Y-O-E \$).

**Table 8-1b**

<b>Street and Highway Illustrative Facilities Plan/Unfunded Needs 2031-2040</b>		
<b>Activity</b>	<b>Cost (2008\$)</b>	<b>Cost (Y-O-E \$)</b>
Routine maintenance and operations	\$ 0.85 billion	\$ 2.94 billion
System preservation	\$ 1.77 billion	\$ 5.71 billion
Capacity/congestion relief	\$ 1.08 billion	\$ 3.60 billion
<b>Total</b>	<b>\$ 3.70 billion</b>	<b>\$12.24 billion</b>

Routine operations and maintenance includes such day-to-day activities as patching, pothole repair, crack sealing, striping, signing, sweeping, snow plowing, maintenance of drainage feature, traffic signal maintenance, etc. Preservation includes preventative maintenance (slurry seals, chip seals, fog seals, micro surfacing, etc) and rehabilitation and reconstruction of pavements and bridges. Capacity/congestion relief typically includes the addition of new lanes for general purpose traffic, specific improvements to facilitate goods movement or access aviation facilities and implementation of non-structural improvements to increase the efficiency of existing roads and bridges.

For routine maintenance and operations and preservation, needed level of effort and cost data were developed in collaboration with the City of Reno, City of Sparks, Washoe County, NDOT and the RTC. Level of effort was based upon meeting adopted community and/or agency standards and assumes the continued application of best practices and beneficial technologies. These costs are fully allocated and are intended to capture the total cost of the street and highway system. Year-of-expenditure costs were arrived at by applying the average annual inflation rate for street and highway construction for the past 10 years of 4.56% to future projections of annualized expenditures.

To estimate the cost of future capacity/congestion relief improvements, two basic techniques were employed. For projects where preliminary design studies have been completed, costs were based upon the estimates from these studies. For the majority of the improvements, unit costs by facility type, including intersection and signalization improvements, were developed based upon recent cost experience on projects designed and constructed by the RTC, NDOT and others. These unit costs were then applied to the “nominal” improvements identified for existing congested or new segments. This creates financial placeholders to insure that reasonable resources are accounted for and available to fund whatever the ultimate solutions may be. Consideration was also made for spot intersection/signal improvements based upon current project studies or the expansion of current signal densities to the future road network. Year-of-expenditure costs were arrived at by applying the average annual inflation rate for street and highway construction for the past 10 years of 4.56% to future projections of annualized expenditures.

### **Public Transportation Plan/Fully Funded Needs—2008-2030**

As RTC-2 did not pass and due to the reduction of sales tax revenues due to economic conditions, only the existing transit and paratransit services plus bus rapid transit (BRT) in the Virginia Street corridor can be considered fully funded over the next 20 years. Cost projections rely on the recent cost experience of the RTC’s RIDE and ACCESS systems and assume continued application of best management practices and cost beneficial technologies. Where new systems are proposed, such as Bus Rapid Transit, cost projections have been developed based upon the experience of other operators that have deployed these technologies. The public transportation needs (2008-2030) are summarized in **Table 8-2a**. Costs are again expressed in both constant and year-of-expenditure dollars. Year-of-expenditure costs were arrived at by applying the

“transit rate of inflation” of 5.18% experienced by the RTC over the past ten years to future projections of annualized expenditures.

**Table 8-2a**

<b>Public Transportation Plan/Fully Funded Needs 2008-2030</b>		
<b>Activity</b>	<b>Cost (2008\$)</b>	<b>Cost (Y-O-E \$)</b>
Operations and maintenance	\$ 860,000,000	\$ 1,610,000,000
Capital (vehicles, equipment, facilities)	\$ 173,000,000	\$ 305,000,000
<b>Total</b>	<b>\$ 1,033,000,000</b>	<b>\$ 1,915,000,000</b>

**Public Transportation Illustrative Facilities Plan/Unfunded Needs—2031-2040**

The 2030 modal share objective is for 6% of all trips to be made on public transit. Existing revenues are seriously insufficient to meet this objective. If the community were to make additional funding available in 2030 to meet this objective, it would require the resources identified in **Table 8-2b** to meet the additional capital and operational needs through 2040. As a practical matter, additional funding would most likely be introduced prior to 2030, allowing for a gradual growth of service to meet the 2030 modal share objectives.

The expansion of the Primary Transit Network (PTN) makes up the majority of the unfunded needs between 2031 and 2040. The PTN is made up of Rapid Transit, Primary Locals and Primary Express service strategies, which pursue the ongoing goal of productivity. At this time, portions of the PTN that are not part of the existing system should be considered unfunded. Stated in financial terms, these unfunded needs are summarized in **Table 8-2b**, with costs stated in both constant dollars (2008\$) and year-of-expenditure dollars (Y-O-E \$).

**Table 8-2b**

<b>Public Transportation Illustrative Facilities Plan/Unfunded Needs 2031-2040</b>		
<b>Activity</b>	<b>Cost (2008\$)</b>	<b>Cost (Y-O-E \$)</b>
Operations and maintenance	\$ 1,177,000,000	\$ 4,817,000,000
Capital (vehicles, equipment, facilities)	\$ 155,500,000	\$ 590,000,000
<b>Total</b>	<b>\$ 1,332,500,000</b>	<b>\$ 5,407,000,000</b>

## Transportation Revenues

### Recent Developments

In just a few short years, the outlook for adequate investment in the surface transportation system both nationally and regionally has become grim. In 2002, the voters of Washoe County approved an additional \$800 million in local funding for transportation. The reauthorization of the federal surface transportation program (STP) was in play and discussion gave strong hopes that the new transportation bill would authorize record levels of funding sufficient to, for the first time, maintain the condition and performance of the existing system and allow for some cost effective expansion. At the state level, there was hope that substantive steps would be taken to address growing shortfalls in the funding needed to preserve and expand the state highway system.

Unfortunately, the positive transportation outlook at the beginning of this decade has not become reality due to several critical interrelated phenomena: inaction at the federal and state level to preserve, enhance and sustain their transportation revenue streams; unusually high inflation in the costs of operating, maintaining and expanding the surface transportation system and a significant weakening of the economy at the local, state and national levels. These elements have grave implications as we look to the future and make forecasts of the resources that will be available to achieve our community's transportation vision.

In 2005, the US Congress reauthorized the surface transportation program with the passage of the Safe, Accountable, Flexible, Efficient Transportation, Equity Act—A Legacy for Users (SAFETEA-LU). While SAFETEA-LU authorized record levels of funding, these levels were far short of those needed to maintain the condition and performance of the existing system. Further, these levels of expenditure were not sustainable beyond 2010 since they could only be supported by spending down the surplus in the Highway Trust Fund. With the next reauthorization period (2010-2015), levels of federal funding are expected to decline by 30% or more in real dollar per capita terms unless additional revenues are injected into the program. Beyond 2015, real dollar levels of federal funding are expected to decline steadily due to inflationary erosion of their revenue streams, which are principally reliant upon flat fuel taxes. Federal fuel taxes have not been substantively increased since 1993. These fuel taxes are “flat,” that is, regardless of the price of gas or diesel, the amount collected for each gallon sold has remained unchanged. In that period of time, inflation in the cost of street and highway construction has significantly eroded the purchasing power of each fuel tax dollar collected. Each federal fuel tax dollar now purchases 30% less today than it did just five years ago in 2003. There appears little likelihood that significant federal action will be undertaken to address this problem.

At the state level, the hopes that transportation revenue streams would be substantively enhanced were also not realized. Periodic analysis of state needs have documented

ever-growing shortfalls in the revenue needed to preserve and expand the state system. These shortfalls have not been addressed despite the recommendations of various legislative committees and a Blue Ribbon Commission appointed by the Governor to study this issue. The preponderance of money going into the state highway trust fund is from state fuel taxes, which have not been substantively increased since 1992. Inflation has seriously eroded the purchasing power of these taxes. Similar to the federal picture, each state fuel tax dollar now purchases 30% less today than it did just five years ago in 2003. Again, there appears little likelihood that significant state action will be undertaken to address this problem.

From 1986 to 2003, the average annual inflation in street and highway construction per the Producer Price Index (PPI) was about 2%. This rate started to accelerate, due in part to the burgeoning US economy, but also fueled by the emerging Chinese and Indian economies. Between 2004 and 2006, inflation in highway construction costs grew at the double digit pace of 10.5%. While inflation has recently moderated, there is no reasonable expectation that prices will decline to pre-2004 levels. This inflation, particularly in a sector that is dependent upon flat taxes, has had enormous consequences. Not only are today's costs significantly higher than anyone expected just a few years ago, but the "bar has been raised" and the impacts of the recent inflationary surge will be carried into the out years, cumulatively adding hundreds of millions of dollars to the long-term costs of the surface transportation system. One relatively bright spot in this outlook is that local fuel tax rates have been adjusted to inflation, a term sometimes called "indexing", since October 2003, based upon the Consumer Price Index (CPI). Unfortunately, the broad based CPI has not tracked well with inflation in street and highway construction. As a result, each dollar in local fuel tax now purchases 20% less than it did in 2003.

A third significant factor impacting the expected revenues from existing revenue streams has been the significant slowdown in the US economy at all levels. Fuel consumption, which tracks fairly well with employment, has been down resulting in lower fuel tax receipts. Accompanying this has been a sharp decline in the revenues derived from local sales taxes. This is meaningful since more than 70% of the cost of mass transit operations in the Truckee Meadows is paid for by sales tax revenues. In the short-term, transit service levels have been cut about 9% with an additional 20%+ cut necessary by August 2009 unless additional funding is found. While the economy is expected to turn around, full recovery may take a number of years and the long-term financial impacts are substantial.

Forecasts for Street and Highway and Public Transportation revenues from existing sources take all of the above cited trends into account.

### **Street and Highway Revenues (2008-2030)**

**Federal.** Funds for transportation are collected nationally and then allocated back to the states through a complex series of formulas and grants. In this process, some

states receive more than others but, historically, there have been guaranteed minimum returns on the amount of money paid by each state into the federal Highway Trust Fund (HTF), excluding deposits into the Mass Transit Account (MTA). The guaranteed minimum return under SAFETEA-LU began at 90.5% in 2005 and rose to 92% in 2009. It has been assumed that the minimum rate of return that will be guaranteed in the future is 90.5%. In addition, the HTF has been supplemented by money from the federal general fund. In the period covered by SAFETEA-LU, every four dollars in the HTF from transportation taxes and fees was supplemented by one dollar from the general fund. Of the total amount of funding in the HTF, including the general fund supplement, about 80% was deposited in the Highway Account (HA). The principal sources of income for the federal HA are as follows:

- Gas and gasohol taxes
- Special fuel (diesel) taxes
- Heavy vehicle use taxes
- Truck and trailer sales taxes
- Tire taxes

Forecasts of future federal revenues were based upon actual federal collections attributable to Nevada, not on the unsustainable funding levels authorized under SAFETEA-LU. Washoe County's proportionate contribution to federal collections was forecast based upon historic data. Key assumptions made for future federal revenues include:

- No substantive federal actions will be taken to enhance existing revenue streams
- Future per capita collections from Nevada and the planning area for each of the major revenue sources will reflect historic per capita performance and trends for 1999-2005
- For every four dollars deposited in the HTF from fuel taxes and other transportation related taxes, one dollar will be provided by the general fund
- The deposits into the HA would be supplemented by general fund revenue to maintain the HA at 80% of the HTF
- For every federal transportation dollar collected in the state, 90.5% would be returned to the state
- For every federal transportation dollar collected in Washoe County, return will be 90.5% of 90.5% or about 82 cents from every dollar
- Long-term inflation in street and highway construction costs will be 4.56%

Based upon these assumptions, the estimated amount of federal funds from existing revenue streams between 2008 and 2030 is given in **Table 8-3**.

The federal highway program has historically allocated money to a number of core programs. Programs can be amended, eliminated or added with each new federal reauthorization bill. It is uncertain which of the current core programs will survive into the future as there has been much discussion about collapsing and streamlining the structure. In terms of this assessment, it was assumed that whatever the core

programs may be over time, there will be enough overall flexibility to allow a rational prioritized approach to managing the system, including the continued ability to “flex” a modest amount of highway funds to transit purposes.

The following is a brief description of the current core programs that have the greatest impact on the RTC:

**National Highway System (NHS).** The NHS consists of major freeways and other facilities that are of federal and interstate significance. In Washoe County, Interstate 80, US 395 and McCarran Boulevard are part of the NHS system. This funding can only be used for capacity projects on the NHS identified facilities.

**Surface Transportation Program (STP).** The STP funding category is extremely flexible and can be used for new construction, maintenance, transit capital projects, ridesharing/employer trip reduction (ETR), centralized traffic signal control systems and traffic management programs. STP funds cannot be used to build new capacity for single-occupant vehicles unless the project is included in the Congestion Management System (CMS), which is a requirement of all urbanized areas with a population of 200,000 or more.

STP funding is subdivided into the following subcategories:

- STP Statewide Funds. 80% of the STP allocation (excluding STP Safety and Enhancement Programs, which receive approximately 10% each) comes to the state for distribution under STP Statewide and STP Urbanized Area. Major state priority capacity projects are funded under the STP Statewide Category.
- STP Urbanized Areas. 65% of STP funds will be allocated to urbanized areas of the state with an urbanized area population of 200,000 or more. The two urbanized areas of Nevada meeting this requirement are Las Vegas and Reno-Sparks.
- Congestion Mitigation Air Quality (CMAQ). CMAQ funds can only be spent on roadway projects that reduce delay or make significant improvements to overall regional air quality. Provisions of SAFETEA-LU allow these funds to be “flexed” to transit programs and activities that serve the same purpose. RTC has historically flexed approximately 45% of its CMAQ funds to transit.
- Transportation Enhancement. SAFETEA-LU requires that at least 10% of STP funds be made available for transportation enhancement activities. Enhancement funds can be used for a broad range of projects, provided that they have a direct relationship to the intermodal transportation system. In addition, enhancement projects must be above and beyond the scope of a normal capacity or maintenance project in terms of providing bicycle, pedestrian, landscaping or other eligible types of improvements.



Federal funding programs generally require either a state or local contribution of funds toward the total cost of any project. This funding commitment is referred to as matching funds. Under the STP and CMAQ programs, the typical match required for federal funding in Washoe County is 5%.

**State.** For state funding, projections of future contributions from the metropolitan planning area were based upon historic data and forecast trends. It was also recognized that the state's major urban areas, Clark and Washoe Counties, will need to continue supporting the state highway system in the rural portions of the state. The principal sources of state transportation funding are:

- Gas taxes
- Special fuel (diesel) taxes
- Drivers license fees
- Vehicle registration fees
- Motor-carrier fees

Key assumptions for future state revenues include:

- Future per capita collections from the planning area for each of the major revenue sources will reflect historic per capita performance and trends for 1998-2006
- No substantive state actions will be taken to enhance existing revenue streams
- For every state transportation dollar collected in Washoe County, 90.5% would be returned to Washoe County
- Long-term inflation in street and highway construction costs will be 4.56%
- The state will take no further actions to divert or reduce existing local/regional revenues to the state highway trust fund

The estimated amount of state funding for the planning area between 2008 and 2030 is identified in **Table 8-3**.

**Regional.** At the regional level, street and highway funds come from a variety of sources directed to the RTC including:

- 9 cents per gallon RTC gas tax
- Indexed RTC gas tax currently at 1.56 cents per gallon
- Washoe County share of indexed local fuel taxes
- Regional Road Impact Fees (RRIF)
- 1/16% general sales and use tax for roads

RTC gas tax and indexed gas tax. The 9-cent gas tax is dedicated by law to street and highway purposes. Prior to 1993, most of this money went to capacity/congestion relief improvements on the Regional Road System (RRS). To address the deteriorating condition of the community's roads and the additional costs incurred by letting good roads go bad, the RTC Board began in 1993 directing the majority of gas tax revenues to preservation of the existing street and highway infrastructure.

In November 2002, the voters approved indexing of the RTC and local gas taxes to recover buying power lost to inflation based upon changes in the Consumer Price Index (CPI). After procuring enabling legislation at the state legislature, indexing was instituted in October 2003. The RTC indexed fuel taxes are, likewise, dedicated to street and highway purposes and have been predominately focused on preserving the existing system. As stated above, the broad-based CPI has not tracked very well with inflation experienced in street and highway construction so that the buying power of this revenue stream continues to erode, albeit not at the pace experienced by the non-indexed federal and state fuel taxes. In 2008, the Washoe County Board of Commissioners voluntarily allocated Washoe County's annual proceeds from the indexed portion of the local gas tax to the RTC as a step towards addressing local tax equity issues.

In forecasting revenues from these sources, it was assumed that gasoline use would continue to increase proportionate to population but mitigated by declining per person consumption. Adjustments in the indexed gas tax rate would continue based upon an average annual increase in the CPI of 3%. In real dollar terms, the combined revenue from these sources is declining since inflation in street and highway construction costs is expected to grow at a faster rate than increases in total gas consumption.

Regional Road Impact Fees (RRIF). Beginning in 1995, Regional Road Impact Fees have been levied on all new development to capture the costs of capacity consumed by new traffic on the defined Regional Road System. RRIF rates have been increased every 2-3 years to account for inflation and other changes in trip generation and travel characteristics. Dramatic increases were experienced in the costs of street and highway construction during 2004-2006. Largely to address this issue, significant increases to the fee rates were proposed in June 2007. These proposed increases came at a time when the real estate market was going into sharp decline. In December 2007, the RTC Board approved an immediate 50% increase in fees and continued consideration of next steps. In May 2008, with prudent consideration of the ailing economy, particularly the development industry, the RTC Board approved an additional 130% increase in fees over the pre-December 2007 levels to be phased-in over a five-year period. This action continues the development industry's commitment to paying its fair share while accommodating the short-term economic realities of a stalled economy. Impact fee rates are recalculated every two to three years to account for changes in the cost of street and highway construction, travel characteristics and traffic generation. With these adjustments, it is expected that this revenue stream will continue to grow in proportion to future increases in population.

Sales and use tax. A 1/8% increase in sales and use tax that can be used for either public transit or roads was approved by the voters in 2002. In keeping with its representations to the public, the RTC Board has dedicated 1/16% to roads. Since its inception, this money has been used to fund preventative maintenance activities as a cost effective measure that prevents premature and more costly reconstruction of existing pavements. While the sales tax is currently down with the lagging economy, this revenue stream has, historically, grown slightly faster than the rate of street and

highway construction inflation. Assuming the long-term historic performance will continue, this revenue stream is projected to grow modestly in real dollar terms.

Funds from regional revenue sources have some use restrictions. Proceeds from the RRIF program may, by law, only be used to pay for new capacity on the regional roadways included in RRIF program. The remaining funding sources have a greater degree of flexibility and may be used for other street and highway needs in addition to capacity improvements. This degree of flexibility is crucial since it enables rational, prioritized investments of available funding in activities that will produce the lowest life-cycle costs for managing the street and highway system. Key assumptions made regarding the forecast of regional revenues include:

- Continued adjustments to gas tax rates to recapture buying power lost to inflation at an average annual change in the CPI of 3%
- Continuation of the 1/16% sales tax for street and highway use
- Five-year phase-in to full RRIF fees and a continued collection of 100% of legally allowable fees afterwards
- Future collections from the planning area for each of the major revenue sources will reflect historic performance and trends for 1999-2007

Long-term inflation in street and highway construction costs will be 4.56%

The amount of regional funding projected to be available between 2008 and 2030 at the regional level is summarized in **Table 8-3**.

**Local.** At the local level, street and highway funds come to the local governments from a variety of sources including:

- 6.35 cent per gallon local gas tax
- Indexed local gas tax currently at 1.02 cents per gallon
- General funds (property taxes, franchise fees, etc)

Local gas tax and indexed gas tax. The 6.35-cent gas tax is dedicated by law to street and highway purposes. 2.75 cents of this tax is returned to the county of origin, i.e., Washoe County, and distributed by formula between the County and the Cities of Reno and Sparks. 3.6 cents of this tax is distributed back to each county based upon state-wide formulas. Historically, this has meant that the counties with larger populations, such as Washoe County, export some of this tax to the more rural portions of the state. The net proceeds of this portion of the tax received by Washoe County are again distributed among the County and the Cities of Reno and Sparks by formula. These revenues have been used by the local governments to fund routine operations and maintenance and preservation of existing local streets.

In November 2002, the voters approved indexing of the RTC and local gas taxes to recover buying power lost to inflation based upon changes in the Consumer Price Index (CPI). After procuring enabling legislation at the state legislature, indexing was

instituted in October 2003. The local indexed fuel taxes are, likewise, dedicated to street and highway purposes and have been used for routine operations and maintenance and preservation of existing streets. As stated above, the broad-based CPI has not tracked very well with inflation experienced in street and highway construction so that the buying power of this revenue stream continues to erode, albeit not at the pace experienced by the non-indexed federal and state fuel taxes. In 2008, the Washoe County Board of Commissioners voluntarily allocated Washoe County's annual proceeds from the indexed portion of the local gas tax to the RTC as a step towards addressing local tax equity issues.

In forecasting revenues from these sources, it was assumed that gasoline use would continue to increase proportionate to population but mitigated by declining per person consumption. Adjustments in the indexed gas tax rate would continue based upon an average annual increase in the CPI of 3%. In real dollar terms, the combined revenue from these sources is declining since inflation in street and highway construction costs is expected to grow at a faster rate than increases in total gas consumption.

Local general fund revenues. In addition to gas taxes, local governments contribute substantial amounts of funding to streets and highways from their general funds. Some of these funds are dedicated by law to street and highway purposes; others have been directed to this purpose by policy decisions of the elected governing bodies.

Key assumptions made in forecasting local revenues were:

- Continued adjustments to gas tax rates to recapture buying power lost to inflation at an average annual change in the CPI of 3%
- Local government non-fuel tax street and highway investment sustained at current per capita real dollar rates
- Long term inflation in street and highway construction costs will be 4.56%

RTC-5 Revenues. In November 2008, the Washoe County voters approved RTC-5, indexing all fuel taxes paid within Washoe County to the Producer Price Index (PPI) for street and highway construction. This revenue source is expected to raise in excess of \$1.2 billion over the next 20 years.

The amount of local funding from all sources projected to be available between 2008 and 2030 is summarized in **Table 8-3a**.

**Table 8-3a**

<b>PROJECTED STREET AND HIGHWAY REVENUE FROM EXISTING FUNDING SOURCES 2008-2030</b>		
	Revenues through 2030 (2008\$)	Revenues through 2030 (year-of-revenue \$)
Federal	\$ 1.053 billion	\$ 1.895 billion
State	\$ 1.245 billion	\$ 2.351 billion
Regional	\$ 2.243 billion	\$ 3.587 billion
Local	\$ 1.541 billion	\$ 2.699 billion
RTC-5	\$ 1.244 billion	\$ 3.927 billion
<b>Total:</b>	<b>\$ 7.326 billion</b>	<b>\$ 14.458 billion</b>

Future Bonding. In addition to existing revenue streams between 2008 and 2030, there is \$4.292 billion in revenue from the sources listed in Table 8-3a that will be generated from 2031-2040. It is assumed that \$3 billion will be bonded by 2030 using these revenues. The amount of funds from all sources projected to be available between 2008 and 2030 is summarized in **Table 8-3b**.

**Table 8-3b**

<b>PROJECTED STREET AND HIGHWAY REVENUE FROM EXISTING FUNDING SOURCES AND BOND FUNDING 2008-2030</b>		
	Revenues through 2030 (2008\$)	Revenues through 2030 (year-of-revenue \$)
Federal	\$ 1.053 billion	\$ 1.895 billion
State	\$ 1.245 billion	\$ 2.351 billion
Regional	\$ 2.243 billion	\$ 3.587 billion
Local	\$ 1.541 billion	\$ 2.699 billion
RTC-5	\$ 1.244 billion	\$ 3.927 billion
Bonding	\$ 3,000 billion	\$ 6.695 billion
<b>Total:</b>	<b>\$ 10.326 billion</b>	<b>\$ 21.154 billion</b>

### **Public Transportation Revenues**

Virtually all current funding for public transportation is generated at the federal and regional levels with a very small amount coming from state resources. Historically, federal funding has been substantially limited to capital items such as buses, maintenance shops, transfer centers, etc. Regional funding has been used primarily to pay for operating and maintaining the public transportation system.

**Federal.** Federal funds for public transportation are collected nationally and then allocated back to the states through a complex series of formulas and grants. In this process, some states receive more than others but, unlike the highway program, there is no guaranteed minimum return to each state. Funds for the Mass Transit Account (MTA) of the HTF are generated from collections of the following taxes:

- Gas and gasohol taxes
- Special Fuel (diesel) taxes

In addition, the MTA has, historically, been supplemented by money from the federal general fund. In the period covered by SAFETEA-LU, every four dollars in the HTF from transportation taxes and fees was supplemented by one dollar from the general fund. Further, of the total HTF, including general fund contributions, about 80% has been allocated to the Highway Account (HA) and 20% to the Mass Transit Account (MTA).

Forecasts of future federal revenues were based upon actual federal collections attributable to Nevada, not on the unsustainable funding levels authorized under SAFETEA-LU. Washoe County's proportionate contribution to federal collections was forecast based upon historic data. Key assumptions made for future federal public transportation revenues include:

- No substantive federal actions will be taken to enhance existing revenue streams
- Future per capita collections from Nevada and the planning area for each of the major revenue sources will reflect historic per capita performance and trends for 1999-2005
- For every 4 dollars deposited in the HTF from fuel taxes and other transportation related taxes, one dollar will be provided by the general fund
- The deposits into MTA would be supplemented by general fund revenue to maintain the MTA at 20% of the HTF
- For every federal transportation dollar collected in the state, 90.5% would be returned to the state
- For every federal transportation dollar collected in Washoe County, return will be 90.5% of 90.5% or about 82 cents from every dollar
- CMAQ or similar funds will continue to be flexed to public transportation in percentages comparable to historic patterns
- Long-term inflation in public transportation costs will be 5.16%

The federal transit program has, historically, allocated money to a number of core programs. Programs can be amended, eliminated or added with each new federal reauthorization bill. It is uncertain which of the current core programs will survive into the future as there has been much discussion about collapsing and streamlining the federal program. In terms of this assessment, it was assumed that whatever the core programs may be over time, there will be enough overall flexibility to allow a rational prioritized approach to managing the system, including the continued ability to "flex" a modest amount of highway funds to transit purposes. The estimated amount of federal public transportation funds from existing revenue streams through 2030 is given in **Table 8-4**. The following is a brief discussion of the current core public transportation programs that have the greatest impact on the RTC:

FTA Section 5307. The Federal Transit Administration (FTA) provides Section 5307 Formula Funds to urban areas for public transportation planning, capital and operating

assistance purposes. The amount of funds available each year for urbanized areas with populations over 200,000 is based on a formula that considers the population and density of the region as well as revenue vehicle miles of service. The federal contribution is up to 80% for planning and capital expenditures and 50% for operating. These funds require a local “match” that, combined with the federal portion, equals 100% of the program’s net cost. Planning and capital assistance requires a 20% local match and an operating assistance match of 50% or more.

FTA Section 5309. FTA provides Section 5309 Discretionary Capital Grants and Loans (formerly Section 3) to cities for financing rail modernization and fixed-guideway activities. In addition, some Section 5309 monies (approximately 10%) are available for the rehabilitation or replacement of buses and equipment and the construction of bus-related facilities. The remaining funds are used for other FTA-sponsored programs. The RTC has, historically, been successful in working with Nevada’s Congressional delegation to obtain discretionary funding for sound public transportation investments.

Congestion Mitigation and Air Quality Improvement Program (CMAQ). CMAQ funds can only be spent on roadway projects that reduce delay or make significant improvements to overall regional air quality. Provisions of SAFETEA-LU allow these funds to be “flexed” to transit programs and activities that serve the same purpose. RTC has historically flexed approximately 45% of its CMAQ funds to transit.

**State.** In recent years, the State of Nevada has provided approximately \$125,000 in capital match funding and \$70,000 in planning funds annually for public transportation. It is expected that this amount will continue at about the same Y-O-R dollar level in the future, which will be a declining revenue stream in real dollar terms.

**Regional.** As previously stated, regional funding for public transportation is primarily devoted to paying for operations and maintenance. Funding comes from several sources the principal being:

- 5/16% sales and use tax
- Passenger fares

Sales and use tax. A ¼% sales and use tax dedicated to public transportation was approved by the voters in 1982. A ⅛% increase in sales and use tax dedicated to either public transit or roads was approved by voters in 2002. By policy, the RTC Board has dedicated 1/16% to public transportation. Over the long-term, this revenue stream is expected to grow in proportion to population and increase with historic trends in increased per capita spending. These increases are essentially offset by inflation in the cost of providing transit services resulting in a revenue stream that is essentially flat in real dollar terms.

Passenger fares. The RTC Board has had a longstanding policy that calls for recovering 35% or more of fixed route operations costs from passenger fares. Before 2004, fare increases were made every several years to account for rising costs and

inflation. In 2004, the RTC Board adopted a policy of considering fare adjustments on an annual basis and this policy is expected to continue in the future. This revenue stream is expected to grow in proportion to increased modal share objectives and population growth. If the policy of adjusting fares to account for inflation in the cost of transit operations is continued, this revenue stream shows positive real dollar growth.

Key assumptions made regarding the forecast of regional public transportation revenues include:

- Continuation of the 5/16% sales and use tax for public transportation
- Growth in sales tax revenue per capita consistent with performance and trends 1997-2007
- Continuing fare increases to match increases in operating costs
- Long term inflation in public transportation costs will be 5.18%

The amount of public transportation funding projected to be available at the regional level through 2030 is summarized in **Table 8-4**. This amount of funding is sufficient to maintain existing transit services and the BRT in the South Virginia Street Corridor between 2008 and 2030.

**Table 8-4**

<b>PROJECTED PUBLIC TRANSPORTATION REVENUE FROM EXISTING FUNDING SOURCES 2008-2030</b>		
	Revenues through 2030 (2008\$)	Revenues through 2030 (year-of-revenue \$)
Federal	\$ 334,900,000	\$ 601,200,000
State	\$ 7,776,000	\$ 13,720,000
Regional	\$ 752,300,000	\$ 1,417,000,000
<b>Total</b>	<b>\$ 1,094,976,000</b>	<b>\$ 2,031,920,000</b>



## Addressing Unfunded Needs

Historically, the citizens and their elected leaders have strongly supported investments in the transportation system as summarized by the significant actions taken over the years (**Table 8-7**):

**Table 8-5  
Proposed Transportation Funding Measures and Disposition**

Proposed Measure	Disposition
Additional 2 cent gas tax	Not approved 1980
First ¼% sales tax for transit	Approved 1982
Additional 1 cent gas tax	Approved 1986
Additional 2 cent and 1 cent per next 3 years gas tax	Not approved 1990
Additional ¼% sales tax for transit	Not approved 1994
Transportation tax unincorporated County	Not approved 1994
First RTC 4 cents	Approved 1982
Reno bonds	Approved 1985 and 1989
Reno Property tax override	Approved 1992
Reno property tax override renewal	Approved 2004
RTC 5 cents (Temporary)	Approved 1994
RTC 5 cents (Permanent)	Approved 1995
Reno Road impact fees	Approved 1991
Regional Road Impact fees	Approved 1996
Regional Road Impact Fee increase	Approved 1999
Regional Road Impact Fee increase	Approved 2003
Regional Road Impact Fee indexed	Approved 2006
Regional Road Impact Fee increase	Approved 2007
Additional ⅛% sales tax	Approved 2002
Local fuel tax indexing	Approved 2002

As can be seen in the above table, with few exceptions, the voters and/or elected leaders of Washoe County have approved every transportation funding measure brought before them. The instances in which increases were not approved, subsequent approved increases made up for the lost revenue.

To address the current project shortfall, the RTC Board created a Blue Ribbon Committee (BRC) on Transportation Funding in January 2008. The BRC was composed of 30+ community leaders from a wide variety of backgrounds and occupations. The BRC was specifically charged with:

- Reviewing the community's transportation needs
- Reviewing projected shortfalls in revenue
- Developing a recommendation on a transportation funding package to be placed on the November 2008 ballot

The BRC began work in February 2008 and met every two weeks making its final recommendation to the RTC Board on May 15, 2008. The BRC recommendations were informed by a number of key understandings gained during the course of its deliberations:

- The unfunded needs in transportation are significant
- 60% of street and highway shortfall is due to inflationary erosion of existing revenue streams
- Inflationary problem only grows with time
- Public transit is in immediate crisis
- Approaching voters with a one step solution under current conditions is impractical

Informed by these key understandings, the BRC made the following specific recommendations to the RTC Board regarding funding shortfalls:

- As a first step toward addressing the street and highway unfunded needs, an advisory question should be placed on the November 2008 ballot asking voter approval for indexing gas and diesel tax rates to recover lost purchasing power due to inflation in street and highway construction.
- As a first step toward addressing the public transportation unfunded needs, a binding question should be placed on the November 2008 ballot to enact the remaining 1/8% sales and use tax enabled under NRS 377A, with the proceeds dedicated to public transit.
- The RTC Board should undertake another BRC type process subsequent to the November 2008 election to address remaining shortfalls.

On May 16, 2008, the RTC Board accepted the BRC recommendations and directed that ballot questions be submitted to the Washoe County Commission with a request that they be placed on the November 2008 ballot.

On July 8, 2008, the Washoe County Commission approved placing the two ballot questions on the ballot.

The additional funding for streets and highways was approved by the voters and enabling legislation has been passed by the State Legislature and acted upon by the Washoe County Commission. It is expected that the new funding mechanisms will be in place by October 1, 2009.

The binding question for public transit funding was not approved by the voters and the RTC will continue to seek additional funding for transit in the future. Therefore, only the existing transit services and new BRT services in the South Virginia Street Corridor are considered fully funded.

## **Additional Planned Actions**

Among the other recommendations made by the BRC was that the RTC Board should pursue mechanisms to mitigate the transportation impacts on Washoe County caused by development in adjacent counties. This recommendation is mirrored with Street and Highway Objective General #1.

Following the November 2008 election, an assessment will be made of next steps to be undertaken to address the remaining unfunded needs for both the street and highway and public transportation elements.

## **Transportation Programming Process**

The programming of transportation funds for specific improvement projects and programs can safely be characterized as a complicated and sometimes arcane process. In general, however, the process consists of the following steps.

- Street and highway capacity projects identified in the first ten year time horizon of the Regional Transportation Plan are analyzed and prioritized using the RTC's *Capacity Project Priority Setting Process*. Rehabilitation and reconstruction projects on the Regional Road System (RRS) are identified and analyzed using the *Regional Rehabilitation and Reconstruction Program*. Corrective and preventive maintenance work on the Regional Road System is identified and prioritized using the *Regional Preventive Maintenance Program* and the *Regional Corrective Maintenance Program*, respectively. All these priority setting tools were developed in conjunction with and are operated in collaboration with the Cities of Reno and Sparks and Washoe County.
- Transit projects and services identified in the Regional Transportation Plan are further defined in the *Short Range Transit Program*, which is a five-year document.
- RTC develops a Regional Transportation Improvement Program (RTIP) that is a five-year program of freeway, arterial, transit, bikeway and pedestrian projects. The majority of the projects identified in the RTIP come from the capacity priority setting process and rehabilitation/reconstruction program cited above. In addition, the RTC works closely with the Technical Advisory Committee (TAC), Citizens Advisory Committee (CAC), local jurisdictions, NDOT and the private sector to identify capital projects and programs that should be included in the RTIP. The RTIP includes a summary of prioritized projects by fiscal year and indicates the agency responsible for implementing the project, funding sources and other related information.

- NDOT adopts the first four years of the RTIP directly into the four-year State Transportation Improvement Program (STIP). The STIP does include additional projects for state-maintained facilities.
- NDOT also develops a ten-year, long-range transportation element. This document includes projects from the first ten years of RTC's Regional Transportation Plan (RTP). The long-range element is a more general document, which does not specify sources of funds for identified projects.