



Technical Memorandum #10

DATE: October 26, 2016

TO: Corvallis TSP Project Management Team and Stakeholders

FROM: Scott Chapman, Nelson\Nygaard

SUBJECT: **Corvallis Transportation System Plan (TSP) Update and Transit Development Plan (TDP)**
Task 4.4 Transit Funding Assumptions

Introduction

This report summarizes the current resources available to fund the Corvallis Transit System (CTS) services and provides a basis for projecting future funding opportunities. The future funding conditions will constrain the TSP/TDP process when developing transit solution strategies for the City of Corvallis. It should be noted that funding assumption for the overall transportation system are defined in a separate memorandum – *TSP Funding Assumptions - Technical Memorandum #9*.

Transit Funding

Public transportation in the United States is typically funded from a mix of federal, state and local resources. The Federal Transit Administration (FTA) manages a number of programs to provide operating assistance (helping fund the day-to-day operation of a transit system) and capital improvement grants (providing funds toward the purchase of vehicles, facilities, technology, etc.). The FTA recognizes the Corvallis area as a small urbanized area (population between 50,000 and 200,000) and allocates formula-based grants to the region through the Corvallis Area Metropolitan Planning Organization (CAMPO)¹. Small urban areas can apply these funds toward operations or capital, provided they are matched with non-federal (U.S. Department of Transportation) funds. Additional FTA programs provide grant monies to support further capital improvements and planning efforts.

¹ Governor or governor's designee (typically state DOTs) acts as the designated recipient for urbanized areas between 50,000 and 200,000 and authorizes applicable MPOs to act as the direct recipient to receive and administer the funds.



The FTA urbanized area funding is typically applied toward any complementary ADA paratransit service that is required to supplement fixed route service for those who may not be able to access or use the fixed-route service due to a disability. The City of Corvallis coordinates with Benton County for the provision of the ADA service where the ADA required trips are provided as part of the countywide demand response system. This coordinated service uses other FTA and State of Oregon funding that is available for services and programs that serve older adults and persons with a disability. Benton County is an eligible recipient for these funds but the City is not.

Local funding comes from a number of sources based on local needs and financial capacities. Dedicated sources that provide sustainable and stable levels of funding year-to-year are ideal to avoid excessive service changes in response to economic and political swings. Outside of Oregon a sales tax levy is the most common source of dedicated funding for transit. In Oregon, property taxes and payroll taxes provide some districts with a dedicated funding source. The Corvallis Transit Operation Fee (TOF) is an example of a transportation or utility fee that is another source of funding (see next section for further information on the TOF). Where dedicated funding sources are not available, transit providers often rely on city or county general fund contributions, which can vary year to year. Additional support for public transportation can come from the sale of advertising on transit properties and partnerships with local companies or institutions.

Table 1 highlights the primary FTA grant programs in addition to applicable state and local resources, with more detailed descriptions on federal and state opportunities provided below.



Table 1: Key Options for Funding Public Transportation in Corvallis

Funding Source	Funding Program Name	Description	Eligible Agencies	Eligible Activities
Federal (FTA)	5307 Urbanized Area Formula Grants	Grants for public transit systems in Urbanized Areas (UZA), defined as an area with a population of 50,000 or more. UZAs under 200,000 population that provide transit service above a certain level qualify for Small Transit Intensive Cities (STIC) funds and can receive additional 5307 funds.	<ul style="list-style-type: none"> ▪ Local government authorities ▪ Private non-profits ▪ Public transportation operators 	<ul style="list-style-type: none"> ▪ Capital ▪ Design ▪ Engineering ▪ Planning ▪ Operations (only for UZA with a population 200,000 or less)
	5310 Enhanced Mobility of Seniors & Individuals with Disabilities	Grants for transit agencies providing transportation services specifically for older adults and persons with disabilities.	<ul style="list-style-type: none"> ▪ States ▪ Local government authorities (including Benton County for the City/County special transportation coordinated system) ▪ Private non-profits ▪ Public transportation operators 	<ul style="list-style-type: none"> ▪ Capital ▪ Operations ▪ Nontraditional costs (e.g., travel training, mobility management)
	5339 Buses and Bus Facilities Grants Program	Provides funding to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities.	<ul style="list-style-type: none"> ▪ Public transportation operators with a fixed-route bus system ▪ Organizations that fund fixed-route bus operators ▪ State or local government entities ▪ Tribes that are eligible to receive 5307 or 5311 	<ul style="list-style-type: none"> ▪ Capital



Funding Source	Funding Program Name	Description	Eligible Agencies	Eligible Activities
State (ODOT)	Oregon Special Transportation Fund (STF) Formula	Formula funding and discretionary grant for transit agencies providing service to older adults and persons with disabilities.	<ul style="list-style-type: none"> ▪ Designated STF agencies receive funds, for distribution to subsidiary providers (including Benton County for the City/County special transportation coordinated system) 	<ul style="list-style-type: none"> ▪ Capital ▪ Planning ▪ Operations ▪ Local match for federal funds
	State Transportation Improvement Program (STIP)	The Enhance program provides funding to projects that enhance, expand, or improve the transportation system.	<ul style="list-style-type: none"> ▪ Local government authorities 	<ul style="list-style-type: none"> ▪ Any projects that enhances, expands, or improves the transportation system
	Connect Oregon	Lottery-backed bonds to support multimodal transportation, including transit, rail, marine, aviation and bicycle and pedestrian capital infrastructure.	<ul style="list-style-type: none"> ▪ Local government authorities 	<ul style="list-style-type: none"> ▪ Multimodal transportation projects
Local	Local Taxes and Fees	Dedicated tax levies or fees to support local transit services.	<ul style="list-style-type: none"> ▪ Local transit provider 	<ul style="list-style-type: none"> ▪ Capital ▪ Planning ▪ Operations ▪ Local match for federal funds
	Partnerships	Agreements with local companies or institutions with a vested interest in the transit service. These are often associated with general service improvements in locations where the partner operates and/or in exchange for reduced fares for partner employees/participants.		
	Advertising / Sponsorships	Transit provider can display advertisements on agency properties (vehicles, shelters, benches etc.) in return for income. Similarly, corporations could sponsor components of the service in return for brand visibility.		



Federal and State Program Details

Federal

In December 2015, the FAST Act was signed into law. This five-year funding law authorizes transportation funding through FY 2020 for a variety of transportation programs and projects, including public transportation. Federal transit funding sources are made available to the City of Corvallis by the FTA through formula funding and discretionary grants.

Urbanized Area Formula Grants (5307)

The Urbanized Area Formula Funding program is a formula grant available to areas with a population of 50,000 or more for capital and transit-related planning. Operating assistance is also an eligible expense for urbanized areas with a population less than 200,000. For urbanized areas between 50,000 and 200,000, like Corvallis, the Governor acts as the designated funding recipient and the formula is based on population and population density. Local match requirement varies depending on the activity the funds are used for.

- Capital expenditures: 20% local match
- Vehicle related equipment providing accessibility for individuals with disabilities under the federal Americans with Disabilities Act (ADA): 10% local match
- Operating assistance: 50% local match

Small UZAs (under a population of 200,000) can qualify for additional 5307 funds through the “Small Transit Intensive City” (STIC) Program. To qualify for STIC funds, cities are evaluated on six factors²:

- Passenger miles traveled per vehicle revenue mile (PMT/VRM)
- Passenger miles traveled per vehicle revenue hour (PMT/VRH)
- Vehicle revenue miles per capita (VRM/Cap)
- Vehicle revenue hours per capita (VRH/Cap)
- Passenger miles traveled per capita (PMT/Cap)
- Unlinked passenger trips per capita (PAX/Cap)

For federal fiscal year 2016, Corvallis qualified for three STIC factors.

² Term definitions include:

Revenue mile/hour-the distance/time when a vehicle is available to the general public and there is an expectation of carrying passengers plus layover between trips.

Passenger miles traveled-The cumulative sum of the distances ridden by each passenger.

Unlinked passenger trips- The number of passengers who board public transportation vehicles (counts each boarding when making transfers).



Enhanced Mobility of Older Adults and Individuals with Disabilities (5310)

The 5310 program provides funding to support transportation needs of older adults and people with disabilities. States are distributed funds based on the state's share of the population for older adults and persons with disabilities. Local subrecipients can be awarded funds through a formula-based method or a competitive or discretionary process. Eligible activities include both traditional capital investment and nontraditional investments, such as travel training or volunteer driver programs. Local match requirement varies depending on the activity the funds are used for.

- Capital expenditures: 20% local match
- Operating assistance: 50% local match

Benton County receives FTA 5310 funding for the City/County special transportation coordinated system.

Buses and Bus Facilities Grants Program (5339)

The Buses and Bus Facilities Grants Program provides capital funding for the replacement, rehabilitation, or purchase of buses, vans, related equipment, and bus-related facilities. This program includes:

- A bus and bus facilities competitive program based on vehicle age and condition; and
- A low or no emissions bus deployment program.

Direct recipients may include states, local governmental authorities, operators of fixed-route bus service, or tribes that operate fixed-route bus service. Subrecipients may include public agencies or private nonprofit organizations. Local match is 20% for capital expenditures but may be lower for certain projects related to bicycling, ADA, or the Clean Air Act (CAA).

State

State funding sources are made available to public transportation providers by the Oregon Department of Transportation (ODOT) through formula funding and discretionary grants.

Special Transportation Fund (STF)

The STF Program provides a stable source of revenue in support of transportation services for older adults and persons with disabilities. STF funds are intended to provide access to healthcare, education, work, and social/recreational opportunities so that older adults and persons with disabilities can live as independently and productively as possible.

STF is divided into two accounts: STF Formula Program and STF Discretionary Grant Account. The funds may be used for any purpose directly related to transportation services for seniors and persons with disabilities, including transit operations, capital equipment, planning, and training.

Benton County is one of the forty-two STF agencies designated by statute (transportation districts, county governments where no transportation districts exist, and federally recognized tribal governments) to receive funds through a bi-annual formula-based allocation and applies STF funds to the City/County special



transportation coordinated system. The City of Corvallis is eligible to apply to the discretionary program with or through Benton County for additional services or programs. STF funds have no local match requirement and can be used as a source of local match for federal funding.

State Transportation Improvement Program (STIP)

Starting in summer 2012, the STIP program has been divided into two broad funding categories: Fix-It (76% of funds) and Enhance (24% of funds). Fix-It projects fix or preserve the transportation system. Enhance funds are awarded to transportation projects that enhance, expand, or improve the transportation system and support the Oregon Transportation Commission's (OTC) goal to invest in multimodal projects statewide. Projects are selected by the OTC based on recommendations from the regional Area Commissions on Transportation (ACT), local governments, public agencies, and citizen representatives. On average, the funds are distributed equitably across the state and require a 20% local match.

ConnectOregon Program

ConnectOregon uses lottery-backed bonds to support multimodal transportation, including transit, rail, marine, aviation and bicycle and pedestrian capital infrastructure, including bridges, paths and ways, or a project that facilitates the transportation of materials, animals or people. The program does not fund costs associated with operating expenses or the purchase of bicycles.

Projects eligible for funding from state fuel tax revenues are not eligible for ConnectOregon funding. ConnectOregon is intended to provide local governments and businesses with sufficient capital and technical capacity (i.e. engineering, planning, labor and/or equipment) to undertake multimodal transportation projects. Earlier rounds provided funding for up to 80% of project costs with a 20% required match, but ConnectOregon VI requires a 30% local match.

Transit Funding in Corvallis

Fixed Route System

Funding for transit service in Corvallis comes from a variety of sources, including grants, a local transit fee, advertising, and contributions from Oregon State University (OSU). The largest source is the FTA Section 5307 Urban Formula program. Corvallis receives supplementary 5307 funding as CTS meets three of the FTA's six criteria for Small Transit Intensive Cities (STIC) in terms of level of service provided and ridership realized per capita.

Corvallis and CAMPO set aside over \$125,000 from the Urban Area 5307 allocation as a contribution toward the Linn Benton Loop, which is funded by a partnership between the cities of Corvallis and Albany (as the designated recipients of the MPO funds), with local match for those federal funds provided by Benton and Linn counties, Linn-Benton Community College, and OSU. Additionally, small contributions are received from Samaritan Health Services and Hewlett-Packard.



Local funding from the City’s Transit Operations Fee (TOF) represents the second largest source of transit funding. Prior to February 1, 2011, property tax revenue through the City’s general fund was the primary source of local funds. The establishment of an alternative source of dedicated transit funding through the TOF freed up the property tax funding allocated to transit for other city services such as police, fire, library, parks and recreation, and community planning. The TOF provided a stable source of local funding to be used as match for state and federal funds and allowed Corvallis to eliminate fares on all CTS routes.

The Transit Operations Fee is charged monthly to utility customers to generate revenue for CTS operations and no other purpose. For 2016, single family residences pay \$2.75 per month, and multi-family residences pay \$1.90 per unit per month. Commercial and industrial customers also pay the TOF, as do tax exempt entities such as Samaritan Health Services and Oregon State University, and the monthly charge is based on the trip generation estimate for the customer. Each January, the monthly rate for residential customers is adjusted based on the average price of a gallon of regular gasoline in Oregon over the previous 12 months. If there are any changes, they are effective February 1. Regardless of the average cost of a gallon of gasoline, the base rate will not fall below \$2.75 per month for a single-family residence. The fee has generated relatively consistent revenue levels with \$1,200,000 in Fiscal Year (FY) 2013–14 and slightly less than \$1,200,000 in FY 2014–15. These levels are significantly higher than the previous non-dedicated property tax revenue, which used to provide about \$400,000 annually. Similarly, most transit providers rely on fares for operating funds, but that source only covers 10 to 20% of operating expenses. The CTS fare revenue averaged about \$400,000³ for the three years prior to going fareless.

Partnerships fund less than 10% of the CTS fixed-route system. In FY 2015-16, these included:

- An agreement with Oregon State University that contributed toward overall transit service
- Revenue from the Associated Students of Oregon State University (ASOSU) to cover about two-thirds of the Night Owl costs
- An agreement with the Corvallis School District to fully fund the Crescent Valley Area (CVA) service.

³ Fare revenue based on National Transit Database (NTD) for 2009 through 2011.



The City also generates bus advertising revenue, but this funds less than 1% of the fixed-route system. Table 2 highlights the sources and uses of the roughly \$3 million per year CTS spends on fixed-route bus service.

The largest share of the expenses is for the contracted operations of the system. The current service provider is First Student. With the latest contract executed in September 2015, the costs increased by 23%.

Table 2: Budgeted CTS Fixed-Route Operating Revenues and Expenses (FY 2015-16)

Budgeted Revenue	
FTA Operating Grant (5307)	\$1,555,470
Transit Operations Fee	\$1,141,250
OSU Agreement Revenue	\$172,820
ASOSU Night Owl Route Revenue	\$63,980
CVA Revenue	\$21,500
Bus Ads	\$21,000
Total	\$2,976,020
Budgeted Expense	
Fixed-Route Operations Contract	\$1,854,980
Fuel	\$379,020
Personal Service	\$262,170
Vehicle Maintenance Contract	\$275,100
Utility/Overhead/Training	\$170,300
Miscellaneous Services	\$107,620
Total	\$3,049,190
Note: Miscellaneous items include advertising, contribution to City/County special transportation coordinated system (\$33,400 for FY14-15-see below), janitorial etc.	

ADA Paratransit System

The CTS ADA paratransit service is funded by a combination of Section 5310 (Enhanced Mobility of Seniors & Individuals with Disabilities grant and Oregon Special Transportation Fund – awarded to Benton County for the City/County special transportation coordinated system), and local funds. The Intergovernmental Agreement between the City and Benton County stipulates that the City will not compete for the Section 5310 funds and the County will provide CTS’s required complementary paratransit service using the County’s demand-response public transportation contractor. This a longstanding agreement that coordinates the



provision of service to persons with disabilities. It also calls for the City to contribute a fairly nominal amount toward the general operation of the coordinated system. Based on the 7,900 rides provided in FY 2014-15, the estimate cost for ADA service in FY 2015-16 is \$63,600⁴.

Transit Capital Funding

The City’s access to capital funding varies year to year based on CTS’ needs for vehicle replacement/expansion, bus stop infrastructure improvements, transit facilities etc. along with the availability of discretionary grants in support of major investments. Table 3 highlights the variations in recent capital expenditures and the reliance on federal funding for these investments.

Table 3: City of Corvallis Past Transit Capital Expenditures

Year	Total FTA Capital Funds Expended	Federal Funds	Local Funds (Match)
2014	\$1,191,732	\$1,035,876	\$155,856
2013	\$787,344	\$705,522	\$81,822
2012	\$17,798	\$17,798	\$0
2011	\$18,358	\$18,358	\$0
2010	\$1,002,657	\$1,002,657	\$0

Source: FTA National Transit Database
 Note: 2010 expenditures utilized American Recovery and Reinvestment Act (ARRA) grant funding which did not require a local match

Future Funding Assumptions

It is difficult to project future year funding levels with any certainty. Future revenues will need to keep pace with likely increases in expenses just to maintain current service levels. Additional resources are required to support any expansion of service. With respect to federal funding, the recently enacted Fixing America’s Surface Transportation (FAST) Act authorizes federal transportation expenditures for five years, through September 30, 2020. Nationally FAST authorizes about 2% increases per year for urban area transit programs but Congress needs to appropriate these funds annually and the actual allocations to the Corvallis Urban Area need to be determined. For TSP and TDP planning purposes, the federal funding of CTS should be considered as stable, with marginal increases year to year but only to the level to address inflation in expenses.

⁴ Estimate provided by City staff and based on number of ADA rides provided in FY 2014-15 as a percent of STF funded demand response rides and the planned spending for these services in FY 2015-16.



The City of Corvallis does not have future projections for TOF funding, but is currently considering re-formulating the fee. These changes would address the stability of the funding source and result in greater funding opportunities for transit in the community.

To constrain future transit planning alternatives, City staff suggested using two short-term scenarios (a no-growth and a 5% increase in TOF funding low-growth condition) along with medium- and high-growth scenarios based on 25% and 50% increases in TOF funding. Table 4 illustrates the resulting level of funding that would be available under each scenario given increased TOF funding and stable funding from the other sources. Future transit solution strategies will use these funding levels to constrain service designs while providing funds for capital investments, and future reserves. But it should be noted that the 25% increase in TOF funding over the medium-term planning horizon will primarily cover increased costs due to inflation and will not support a significant level of service expansion. The capital planning element of the TDP will define any specific capital investments needed to support future year transit operations.

Table 4: Future Transit Funding Scenarios (FY15/16 dollars)

Funding Source	Short-Term No Growth	Short-Term Low Growth	Medium-Term Medium Growth	Long-Term High Growth
FTA Operating Grant (5307)	\$1,555,470	\$1,555,470	\$1,555,470	\$1,555,470
Transit Operations Fee	\$1,141,250	\$1,198,310	\$1,426,570	\$1,711,880
OSU Agreement Revenue	\$172,820	\$172,820	\$172,820	\$172,820
ASOSU Night Owl Route Revenue	\$63,980	\$63,980	\$63,980	\$63,980
CVA Revenue	\$21,500	\$21,500	\$21,500	\$21,500
Bus Ads	\$21,000	\$21,000	\$21,000	\$21,000
Total	\$2,976,020	\$3,033,080	\$3,261,340	\$3,546,650

Potential Additional Funding Sources

As highlighted in Table 1, various local taxes, assessments and charges, and state and federal appropriations, grants, and loans are available to support transit service. The formula-based federal funding is fairly prescriptive based on CTS’ service area population and the level of service it provides. The various state and federal grant programs support capital projects ranging from vehicle purchases to transit infrastructure and CTS has utilized these sources based on current needs and availability of matching funds.

Additional Sources of Operating Funding

The local matches for operating assistance and toward capital investments can come from a variety of sources. For example, CTS transitioned from reliance on city general funds and fares, to the TOF fee. Other potential local sources to fund the transit operation include the following.



Payroll Tax

A payroll tax is a tax imposed directly on employers and cannot be collected from employees. The tax is figured only on the amount of gross payroll for services performed within the transit provider's service area. This includes traveling sales representatives and employees working from home. This tax applies to covered employees and self-employed workers. Some government employers are exempt from payroll taxes requiring the transit agency to seek in-lieu of tax contributions from the exempt employers.

Examples of the use of payroll tax to fund transit in Oregon include:

- TriMet: 0.82%
- LTD: 0.71%
- Wilsonville's SMART: 0.5%
- Canby Area Transit's and Sandy Transit: 0.6%

Dedicated Property Tax:

Property taxes generate revenues based on property value assessments. General fund monies used for transit operations often come from local property taxes, but property tax levies are also potential sources for dedicated transit revenues. An independent transportation district with taxing authority and a policy board focused on providing transit is likely required to administer a dedicated levy for transit operations.

Advertising

Transit systems can raise revenues by selling advertising to businesses and non-profit organizations. Opportunities for advertising include: ads inside the bus; ads on the outside of buses; and ads in stations or at stops. Successful advertising campaigns are usually facilitated by a third-party advertising vendor. Revenue from advertising is generally relatively small, accounting for less than 3% of revenues for small transit districts. Advertising revenues can be used for operations, administration, and capital expenses.

Some potential issues with advertising include: controlling the content of the advertising can be difficult; and some agencies prefer to have a specific look to the outside of their bus, without advertisement.

Sponsorships or Naming Rights

Similar to advertising, sponsors can be solicited to provide funding in return for naming rights of transit properties. Historically, the selling of naming rights to people or organizations that make a donation for a capital improvement was most common for large organizations, such as universities or hospitals. Selling naming rights has become more common among smaller organizations and some transit agencies sell naming rights to vehicles, stations, or transit corridors.



Additional Sources of Capital Funding

Debt Financing

Debt financing is an option for major construction projects (e.g. multimodal centers, rail projects). This option can be used to mitigate the immediate impacts of significant capital improvement projects and spread costs over the useful life of a project. Though interest costs are incurred, the use of debt financing can serve not only as a practical means of funding major improvements, but is also viewed as an equitable funding strategy, spreading the burden of repayment over existing and future customers who will benefit from the projects. The obvious caution in relying on debt service is that a funding source must still be identified to fulfill annual repayment obligations.

The Oregon Transportation Infrastructure Bank (OTIB) is a potential source for cities to borrow funds for transportation improvement projects. The OTIB is a statewide revolving loan fund. Projects eligible to receive funding include roadway improvements, bicycle and pedestrian access, and transit capital projects. Potential projects are rated by OTIB staff along with a regional advisory committee and require approval from the Oregon Transportation Commission⁵.

Public-Private Partnerships and Joint Development

A public-private partnership is a mutually beneficial agreement between both entities that seeks to increase revenues or improve the value of an asset. Public-private partnerships include: private entities that rent space for concessions, shared right-of-way with organizations such as a utility, shared fueling facilities for alternative fuel vehicles, and other opportunities. Transit funding from public-private partnerships are most likely to be for capital projects such as a mixed use development that constructed a transit station or center.

⁵ Oregon Transportation Infrastructure Bank, <http://www.oregon.gov/ODOT/cs/fs/Pages/otib.aspx>