

CHAPTER 4: FINANCIAL

The issue of funding continues to be a crucial factor in the provision of transportation services in the Tahoe Region and has often proven to be the greatest determinant of success or failure. The success or failure of almost all transportation systems is linked to the importance of developing secure sources of local funding, particularly for ongoing operating subsidies and local match programs. SAFETEA-LU requires that the Regional Transportation Plan be financially constrained, whereas the costs of proposed projects over the 23-year plan need to be within the “reasonably foreseeable” revenues of the same period. In order to maintain and plan mobility for residents and visitors over the next twenty years, it will require making assumptions of federal, state and local transportation funding and priorities over a 23 year time horizon.

Federal Funding

For many years the Highway Trust Fund has served as the federal government’s primary conduit for funding transportation improvements and projects. Recent projections by the United States Government Accountability Office (GAO) in its overview of Highway Trust Fund Estimates, (April 2006), suggest that the fund could be entirely exhausted and in a negative balance by fiscal year 2011. The current administration’s budget analysts estimate a \$10 billion deficit by the end of FY 2011. More recent projections indicate that the trust fund will be in the red as early as FY 2009, with estimates of a \$1.7 billion deficit in 2009 reaching \$8.1 billion by the end of 2010. These estimates were generated by the National Association of Regional Councils (NARC) and the National Chamber Foundation (NCF). Supported largely by the \$18.4 cent per-gallon federal gas tax, the Highway Trust Fund hasn’t seen a rate increase since 1993. The primary reason for the projected shortfall is the failure to index the tax to adjust for inflation. As such, since 1993 the federal gas tax has lost an estimated one-third of its purchasing power. The TMPO Federal Transportation Improvement Program (FTIP) is used to program and monitor federal funding for transportation projects. The FTIP requires projects to be included in the RTP prior to being eligible for funding through the FTIP. This RTP



is consistent with the current FTIP and includes additional projects for programming in future FTIPs.

Another looming factor in estimating future transportation revenues is the re-authorization of SAFETEA-LU scheduled for 2010. Previous national transportation legislation provided guidance and funding allocations for many transportation programs and projects. The upcoming re-authorization will most certainly have to address the nation’s aging infrastructure needs and Highway Trust Fund deficits. Another factor that may come into play is global warming and how Congress will react to pressure to reduce greenhouse gas emissions.

State Funding

On the state level, transportation revenues are also linked to gasoline taxes, which have been outstripped by inflation and rising construction costs as well. While not directly tied to state gas taxes, the governors of California and Nevada have announced proposed reductions to their respective state budgets for the current and projected fiscal years. The

State of California was sued on September 6, 2007 by public transit advocates who argued that the redirection of \$1.3 billion in transportation funds for other purposes the previous year was illegal. (California Legislative Analysts Office, Nov, 2007). State funding is programmed through the State Transportation Improvement Program (STIP) require consistency with the RTP.

As shown in Figures 4.1 and 4.2, Caltrans has programmed an estimated \$600 million of EIP projects that are planned for construction over the next seven years (2007-2014). NDOT has programmed about \$45 million for EIP projects over a five year time frame (2007-2012). In all likelihood, the completion of these EIP projects will occur after the 2014 forecast period, with a more realistic timeframe identified as FY 2024.

Local Funding

Local jurisdictions and improvement districts provide capital and operations and maintenance funding to keep local roadway and other transportation infrastructure usable. This also includes snow removal and roadway water quality maintenance.

All while a variety of economic indexes (i.e. gaming revenues, gaming employment, school enrollment, room nights rented, and traffic volumes) have declined, while the full-time resident population has been reduced by an estimated 7,600 over the past five years due largely to turnover of property owned by full time residents to seasonal residents purchasing second homes and the conversion of homes to vacation rentals.

Southern Nevada Public Lands Management Act

The Southern Nevada Public Lands Management Act (SNPLMA) allows the federal Bureau of Land Management (BLM) to sell public land within a specific boundary around Las Vegas, Nevada with the proceeds of the sale going towards a variety of specified projects. In November of 2003, the Act was amended to include Lake Tahoe Restoration Act Projects. The Amendment directs a total of \$300 million or \$37.5 million each year over the next eight years, to the Tahoe Region

to fund the federal share of the Environmental Improvement Program. Under the Restoration Act, several transportation related water quality projects are funded; however unless reauthorized or restructured the Act will expire in 2011. While some of these funds are available for transportation projects, the bulk of the funds are for other restoration projects.

Environmental Improvement Program

The 1997 Lake Tahoe Presidential Forum was a turning point in Tahoe's history. The Forum, hosted by President Clinton, helped renew and increase federal, state and local commitments to restore the Lake's ecosystem and spur the creation of the Environmental Improvement Program (EIP). As of 2006, \$1.1 billion has been invested by Congress, the states of California and Nevada, local governments and the private sector to implement the EIP. Now that we have reached the 10-year anniversary of the EIP, new commitments will need to be made in support of the updated EIP and associated transportation improvement projects. TMPO is coordinating with the EIP to provide consistency in selecting and funding transportation projects in the region.



Baseline Revenue Forecast

Given the above perspective of gazing through the financial crystal ball, two financial forecasts of revenues have been prepared. A baseline forecast has been developed, limited to historical or projected funding sources that are "reasonably foreseeable" in the future. As shown in Table A, Figure 4.1, under the baseline revenue forecast the Lake Tahoe Region would have an estimated \$1,530,670,546 over the 23-year forecast period with \$392,113,440 estimated over the first five-year period (2008-2012). A sharp decline is projected in FY 2024 as a result of two variables. The Caltrans-SHOPP and NDOT erosion control projects are anticipated to be completed within this time frame and the funding rounds of SNPLMA are anticipated to end in 2011.

| Table A | | | | | | |
|---|---|----------------------|----------------------|----------------------|----------------------|------------------------|
| Tahoe Region Transportation Revenue Baseline 2008-2030 Forecasts | | | | | | |
| LOCAL SOURCES | Assumptions | 2008-2012 | 2013-2017 | 2018-2022 | 2023-2030 | 2008-2030 |
| Farebox Revenues | 2% Annual Increase | \$6,140,767 | \$6,779,903 | \$7,485,561 | \$13,630,825 | \$34,037,057 |
| Tahoe-Douglas Transportation District Transient Occupancy Tax | 3% Annual Increase | \$2,760,751 | \$3,200,467 | \$3,710,218 | \$7,204,064 | \$16,875,500 |
| North Lake Tahoe Resort Association. Transient Occupancy Tax * | 3% Annual Increase | \$4,618,948 | \$5,354,627 | \$6,207,480 | \$12,052,954 | \$28,234,009 |
| Washoe County Regional Transportation Commission | 3% Annual Increase | \$1,533,013 | \$1,777,182 | \$2,060,241 | \$4,000,334 | \$9,370,770 |
| TRPA Rental Car Mitigation Fund | CPI Annual | \$637,096 | \$738,569 | \$856,204 | \$1,662,476 | \$3,894,346 |
| TRPA Air Quality Mitigation Fund | 15% Every 5 yrs. | \$3,090,000 | \$3,553,500 | \$4,086,525 | \$7,847,716 | \$18,577,741 |
| Coordinated Transit System Mitigation Fund (CTS) | 2% Annual Increase | \$520,404 | \$574,568 | \$634,370 | \$1,155,155 | \$2,884,496 |
| Regional Surface Transportation Program (RSTP) | 2% Annual Increase | \$3,158,233 | \$3,486,945 | \$3,849,869 | \$7,010,414 | \$17,505,460 |
| Private** | 2% Annual Increase | \$23,938,585 | \$26,430,132 | \$29,181,001 | \$53,137,113 | \$132,686,831 |
| Local Government General Funds | 2% Annual Increase | \$416,323 | \$459,654 | \$507,496 | \$924,124 | \$2,307,597 |
| Environmental/Stormwater-Local Roadways | 3% Annual Increase | <u>\$3,981,852</u> | <u>\$4,616,058</u> | <u>\$5,351,276</u> | <u>\$10,390,477</u> | <u>\$24,339,663</u> |
| Total Local | | \$50,795,972 | \$56,971,605 | \$63,930,241 | \$119,015,651 | \$290,713,469 |
| STATE SOURCES | | | | | | |
| State Transit Assistance and Local Transportation Fund | Previous Year Alloc. | \$9,972,521 | \$11,560,886 | \$13,402,235 | \$26,022,881 | \$60,958,523 |
| Regional Improvement Program (RIP) | 3% Annual Increase | \$15,927,407 | \$18,464,231 | \$21,405,104 | \$41,561,909 | \$97,358,651 |
| California Proposition 1B (10 yrs) | Discretionary Grants | \$5,000,000 | \$5,000,000 | \$0 | \$0 | \$10,000,000 |
| Nevada Bond Sales (Question #1) | \$5 million available | \$5,000,000 | \$0 | \$0 | \$0 | \$5,000,000 |
| Environmental/Stormwater State Roadways*** | \$645m over 15 years | <u>\$245,106,123</u> | <u>\$238,736,511</u> | <u>\$215,000,000</u> | <u>\$91,157,366</u> | <u>\$790,000,000</u> |
| Total State | | \$281,006,052 | \$273,761,627 | \$249,807,339 | \$158,742,157 | \$963,317,174 |
| FEDERAL SOURCES | | | | | | |
| Federal Lands Highway Program | SAFTEA-LU Provision | \$25,000,000 | \$33,000,000 | \$41,000,000 | \$68,000,000 | \$167,000,000 |
| Congestion Mitigation & Air Quality Program (CMAQ) | PYA - 2% Annual | \$3,300,085 | \$3,643,560 | \$4,022,785 | \$7,325,286 | \$18,291,716 |
| Regional Surface Transportation Program (RSTP) | PYA - 2% Annual | \$3,214,098 | \$3,548,624 | \$3,917,968 | \$7,134,420 | \$17,815,111 |
| FTA Section 5309 Transit Capital Improvements | \$2 million every 3 yrs | \$4,000,000 | \$4,000,000 | \$2,000,000 | \$6,000,000 | \$16,000,000 |
| FTA Section 5311 Small Urban and Rural Transit Assistance | 3% Annual Increase | \$265,457 | \$307,737 | \$356,752 | \$692,698 | \$1,622,644 |
| FTA Section 5310 Social Service Transportation Program | 3% Annual Increase | \$238,911 | \$276,963 | \$321,077 | \$623,429 | \$1,460,380 |
| FTA Section 5339 New Starts – Small Starts Program | Discretionary Grants | \$600,000 | \$400,000 | \$600,000 | \$800,000 | \$2,400,000 |
| FTA Section 5316- Job Access and Reverse Commute Program | 3% Annual Increase | \$265,457 | \$307,737 | \$356,752 | \$692,698 | \$1,622,644 |
| FAA Airport Improvement Program | \$1.5M Annually | \$7,500,000 | \$7,500,000 | \$7,500,000 | \$12,000,000 | \$34,500,000 |
| Southern Nevada Public Lands Management Act **** | 3% Annual Increase | <u>\$15,927,407</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$15,927,407</u> |
| Total Federal | | \$60,311,415 | \$52,984,623 | \$60,075,333 | \$103,268,531 | \$276,639,902 |
| Total Local/State/Federal | | \$392,113,440 | \$383,717,854 | \$373,812,912 | \$381,026,339 | \$1,530,670,546 |
| Footnotes: | | | | | | |
| | * NTRA 2% set aside for Infrastructure. Voter Renewal in 2012 | | | | | |
| | ** Private includes BlueGO, Ski Shuttles, Waterborne, Tahoe Casino Express.etc | | | | | |
| | *** Caltrans-SHOP/NDOT Erosion Control Projects \$645M over 15 years. O&M 2023-2030 | | | | | |
| | **** SNPLMA ends 2011 | | | | | |

Figure 4.1

Expanded Program Forecast

Given that many transportation funding programs are highly restricted, divided into separate sources for operating costs, capital costs, matching funds and project readiness, each with individual eligibility requirements, the TMPO isn't always in the position to benefit from all of these transportation funding programs. For this reason an additional expanded program forecast was prepared, which includes potential revenue sources that could be accessible through focused efforts and could be utilized for future planning, transit operations and project implementation.

As shown in Figure 4.2, Table B under the Expanded Program Forecast, an estimated \$1,766,733,722 would be available over the 23-year forecast period with \$403,454,128 available over the most immediate five-year period (2008-2012). It should be noted that both baseline and expanded forecasts do not account for future revenue increases as a result of legislative initiatives or lobbying efforts, which the Tahoe Region has been highly successful in pursuing. The forecasts are however intended to reflect what has been historically available given variability in federal, state and local funding priorities and resources.

| LOCAL SOURCES | Assumptions | 2008-2012 | 2013-2017 | 2018-2022 | 2023-2030 | Total 2008-2030 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------------|
| Farebox Revenues | 2% Annual Increase | \$6,140,767 | \$6,779,903 | \$7,485,561 | \$13,630,825 | \$34,037,057 |
| Tahoe-Douglas Transportation District Transient Occupancy Tax | 3% Annual Increase | \$2,760,751 | \$3,200,467 | \$3,710,218 | \$7,204,064 | \$16,875,500 |
| North Lake Tahoe Resort Association. Transient Occupancy Tax* | 3% Annual Increase | \$4,618,948 | \$5,354,627 | \$6,207,480 | \$12,052,954 | \$28,234,009 |
| Washoe County Regional Transportation Commission . | 3% Annual Increase | \$1,533,013 | \$1,777,182 | \$2,060,241 | \$4,000,334 | \$9,370,770 |
| TRPA Rental Car Mitigation Fund | CPI Annual | \$637,096 | \$738,569 | \$856,204 | \$1,662,476 | \$3,894,346 |
| TRPA Air Quality Mitigation Fund | 15% Every 5 yrs. | \$3,090,000 | \$3,553,500 | \$4,086,525 | \$7,847,716 | \$18,577,741 |
| Coordinated Transit System Mitigation Fund (CTS) | 2% Annual Increase | \$520,404 | \$574,568 | \$634,370 | \$1,155,155 | \$2,884,496 |
| Regional Surface Transportation Program (RSTP) | 2% Annual Increase | \$3,158,233 | \$3,486,945 | \$3,849,869 | \$7,010,414 | \$17,505,460 |
| Private** | 2% Annual Increase | \$23,938,585 | \$26,430,132 | \$29,181,001 | \$53,137,113 | \$132,686,831 |
| Advertising***** | 3% Annual Increase | \$185,820 | \$215,416 | \$249,726 | \$484,889 | \$1,135,851 |
| Basin Wide Local Funding ***** | \$5 Million Annually | \$20,608,040 | \$28,165,102 | \$31,096,549 | \$56,625,227 | \$136,494,918 |
| Local Government General Funds | 2% Annual Increase | \$416,323 | \$459,654 | \$507,496 | \$924,124 | \$2,307,597 |
| Environmental/Stormwater Local Roadways | 3% Annual Increase | <u>\$3,981,852</u> | <u>\$4,616,058</u> | <u>\$5,351,276</u> | <u>\$10,390,477</u> | <u>\$24,339,663</u> |
| Total Local | | \$71,589,832 | \$85,352,123 | \$95,276,515 | \$176,125,767 | \$428,344,238 |
| STATE SOURCES | | | | | | |
| State Transit Assistance and Local Transportation Fund | PYA - 3% | \$9,972,521 | \$11,560,886 | \$13,402,235 | \$26,022,881 | \$60,958,523 |
| Regional Improvement Program (RIP) | 3% Annual Increase | \$15,927,407 | \$18,464,231 | \$21,405,104 | \$41,561,909 | \$97,358,651 |
| California Bicycle Lane Account ***** | FTIP Discretionary | \$150,000 | \$100,000 | \$150,000 | \$200,000 | \$600,000 |
| California Proposition 1B (10 yrs) | FTIP Discretionary | \$5,000,000 | \$5,000,000 | \$0 | \$0 | \$10,000,000 |
| California Energy Commission - Nevada State Energy Office | FTIP Discretionary | \$407,605 | \$407,605 | \$407,605 | \$652,168 | \$1,874,983 |
| California Tahoe Conservancy | FTIP Discretionary | \$1,410,990 | \$1,410,990 | \$1,410,990 | \$2,257,584 | \$6,490,554 |
| Nevada Surface Transportation Program ***** | FTIP Assumption | \$9,700,570 | \$9,700,570 | \$9,700,570 | \$15,520,912 | \$44,622,622 |
| Nevada Bond Sales (Question #1) | \$5 million/ 5 years | \$5,000,000 | \$0 | \$0 | \$0 | \$5,000,000 |
| Environmental/Stormwater State Roadways *** | \$645m over 15 years | <u>\$215,000,000</u> | <u>\$215,000,000</u> | <u>\$215,000,000</u> | <u>\$145,000,000</u> | <u>\$790,000,000</u> |
| Total State | | \$262,569,094 | \$261,644,281 | \$261,476,504 | \$231,215,455 | \$1,016,905,333 |

Figure 4.2

| Table B cont. | | | | | | |
|--|-------------------------|----------------------|----------------------|----------------------|----------------------|----------------------------|
| Tahoe Region Transportation Revenue Expanded 2008-2030 Forecasts | | | | | | |
| FEDERAL SOURCES | <u>Assumption</u> | <u>2008-2012</u> | <u>2013-2017</u> | <u>2018-2022</u> | <u>2023-2030</u> | <u>Total 2008-2030</u> |
| Federal Lands Highway Program | SAFTEA-LU Provision | \$25,000,000 | \$33,000,000 | \$41,000,000 | \$68,000,000 | \$167,000,000 |
| Congestion Mitigation & Air Quality Program (CMAQ) | PYA - 2% Annual | \$3,300,085 | \$3,643,560 | \$4,022,785 | \$7,325,286 | \$18,291,716 |
| Regional Surface Transportation Program (RSTP) | PYA - 2% Annual | \$3,214,098 | \$3,548,624 | \$3,917,968 | \$7,134,420 | \$17,815,111 |
| Transportation Enhancement Activities Program (TEA) | FTIP Discretionary | \$120,000 | \$120,000 | \$60,000 | \$180,000 | \$480,000 |
| FTA Section 5307 Capital and Operating | 3% Annual | \$26,545,679 | \$30,773,718 | \$35,675,173 | \$69,269,849 | \$162,264,419 |
| FTA Section 5309 Transit Capital Improvements | \$2 million every 3 yrs | \$4,000,000 | \$4,000,000 | \$2,000,000 | \$6,000,000 | \$16,000,000 |
| FTA Section 5311 Small Urban and Rural Transit Assistance | PYA- 3% Annual | \$265,457 | \$307,737 | \$356,752 | \$692,698 | \$1,622,644 |
| FTA Section 5310 Social Service Transportation Program | PYA- 3% Annual | \$238,911 | \$276,963 | \$321,077 | \$623,429 | \$1,460,380 |
| FTA Section 5339 New Starts – Small Starts Program | Discretionary Grants | \$600,000 | \$400,000 | \$600,000 | \$800,000 | \$2,400,000 |
| FTA Section 5316- Job Access and Reverse Commute | PYA- 3% Annual | \$265,457 | \$307,737 | \$356,752 | \$692,698 | \$1,622,644 |
| Airport Improvement Program | \$1.5M per year | \$7,500,000 | \$7,500,000 | \$7,500,000 | \$12,000,000 | \$34,500,000 |
| National Scenic Byways Program | Discretionary Grants | \$20,000 | \$0 | \$20,000 | \$40,000 | \$80,000 |
| Southern Nevada Public Lands Management Act **** | 3% Annual Increase | \$15,927,407 | \$0 | \$0 | \$0 | \$15,927,407 |
| Highway Bridge Replacement and Rehabilitation | FTIP Assumption | \$1,243,267 | \$1,586,759 | \$2,025,151 | \$4,466,680 | \$9,321,857 |
| ITS | FTIP Assumption | \$1,625,000 | \$1,625,000 | \$1,625,000 | \$2,600,000 | \$7,475,000 |
| Recreational Trails | FTIP Assumption | \$211,520 | \$211,520 | \$211,520 | \$338,432 | \$972,992 |
| Forest Service (Roadway Erosion Control) | FTIP Assumption | \$5,764,000 | \$5,764,000 | \$5,764,000 | \$9,222,400 | \$26,514,400 |
| Total Federal | | \$95,840,881 | \$93,065,619 | \$105,456,177 | \$189,385,893 | \$483,748,570 |
| Total Local/State/Federal | | \$429,999,807 | \$440,062,023 | \$462,209,196 | \$596,727,114 | \$1,928,998,141 |
| Footnotes: | | | | | | |
| * NTRA 2% set aside for Infrastructure. Voter Renewal in 2012 | | | | | | |
| ** Private includes BlueGO, Ski Shuttles, Waterborne, Tahoe Casino Express.etc | | | | | | |
| *** Caltrans-SHOP/NDOT Erosion Control Projects \$645M over 7 years. O&M 2015-2030 | | | | | | |
| **** SNPLMA ends 2011 | | | | | | |
| ***** Potential Future Source of Funding | | | | | | |

Figure 4.2 cont.

Financial Constraints - Strategy Costs

One of the most significant changes brought about by SAFETEA-LU and previous federal transportation funding measures is the requirement that long-range transportation plans and transportation improvement programs (TIPs) be financially constrained. The basic tenet behind the requirement is that MPOs can no longer develop a “wish list” of projects. Now, federal funding is prioritized based on realistic financial assumptions (benefits and project costs) in the transportation planning process. As a result of SAFETEA-LU (Title 23 CFR Part 450.322(f) (10) (iv), costs of future transportation projects must use “year of expenditure dollars” rather than “constant dollars” to better reflect the time-based value of money. After cost estimates are prepared for the RTP strategies, the costs must be expressed in “year of expenditure dollars.” In order to reflect this new SAFETEA-LU provision, the TMPO has

adjusted projected costs for future projects assuming a four percent annual adjustment for inflation and year of implementation schedule previously discussed and shown in Figure 3.7 of the Strategy-Action Section, page 54.

Costs vs. Revenues Conclusion

As shown in Figure 4.3, Table D, sufficient revenues are anticipated to pay for the Strategy Costs under both the Baseline Revenue Projection and Expanded Revenue Projection.

| | | | |
|-------------------------------|------------------------|---------------------------------------|------------------------|
| 2008-2012 Baseline Revenue | \$392,113,440 | | |
| 2013-2017 Baseline Revenue | \$383,717,854 | | |
| 2018-2022 Baseline Revenue | \$373,812,912 | 2008-2012 Strategy Costs | \$392,113,440 |
| 2022-2030 Baseline Revenue | \$381,026,339 | 2013-2017 Strategy Costs | \$383,717,854 |
| Total Baseline Revenue | \$1,530,670,545 | 2018-2022 Strategy Costs | \$370,949,001 |
| | | 2022-2030 Strategy Costs | \$337,428,015 |
| 2008-2012 Expanded Revenue | \$429,999,807 | Total 2008-2030 Strategy Costs | \$1,484,208,310 |
| 2013-2017 Expanded Revenue | \$440,062,023 | | |
| 2018-2022 Expanded Revenue | \$462,209,196 | | |
| 2022-2030 Expanded Revenue | \$596,727,114 | | |
| Total Expanded Revenue | \$1,928,998,140 | | |

Figure 4.3