

DATE: July 6, 2016
TO: Chris Maciejewski
FROM: Nick Popenuk and Terry Moore
SUBJECT: Albany Area Metropolitan Planning Organization Regional Transportation Plan
Tech Memo #12 – Transit Funding Assumptions

1 Introduction¹

The Albany Area Metropolitan Planning Organization (AAMPO) is responsible for preparing a long-range Regional Transportation Plan (RTP) for the Albany metropolitan area. The RTP takes a “big-picture” look at future demand for all modes of transportation in the Albany region and how that demand might be accommodated by investments in infrastructure. The RTP is an initial step in developing the region’s network of transportation facilities and services, and serves as a framework for more detailed project planning.

The rules of the Federal Highway Administration (FHWA) and Federal Transit Administration (FTA) require the RTP to be “fiscally constrained,” meaning that the cost of projects included in the RTP cannot exceed the capacity of the region to fund the projects. This memo estimates the level of funding that jurisdictions in the AAMPO can reasonably expect to have available over the planning period for *transit* projects. Note that a separate memo, *Tech Memo #11 – RTP Funding Assumptions*, includes revenue forecasts for other modes of transportation. This memo focuses on estimating revenues that will be available over the next 25 years for transit operations and capital improvements in the region.

The remainder of this memorandum is organized into three sections:

- **Framework:** Describes overarching principles and concepts, provides definitions of key terms, and describes the methods used in the analysis.
- **Revenue Forecasts:** Provides a forecast of future transit revenues based on historical trends and future expectations.
- **Conclusions:** Summarizes the key findings from the analysis.

¹ ECONorthwest has extensive experience in the area of transportation planning, especially in forecasting transportation revenues that support long-range transportation plans. Thus, language in this memo, especially in the Introduction and Framework sections draws heavily from ECONorthwest’s previous work, especially the Bend MPO MTP (2014), and Funding Sources for the Maryland Parkway Corridor, Regional Transportation Commission of Southern Nevada (2015 – Draft).

2 Framework²

2.1 Legislative framework

Transit systems in urban areas can be extensive and cross many jurisdictions. While transit systems within an urban area are typically operated by one entity, funding is often the joint responsibility of federal, state, and local governments. Efficiently building, operating and maintaining such a system requires planning to coordinate investments in multiple jurisdictions.

Urbanized areas over 50,000 in population are required by federal law to coordinate plans for transportation improvements at a regional level. The RTP serves this function by considering long-run transportation needs at a regional level and identifying policies, programs, and projects to meet these needs. The plans of local jurisdictions responsible for the transportation system in the Albany metropolitan area must be consistent with the policies, programs, and projects identified in the RTP.

A key requirement for regional transportation plans is that they be fiscally constrained—the cost of actions identified in the RTP cannot exceed the level of funding considered reasonably available in the region. The cost of all potential transit projects in a region almost always exceeds the financial resources considered reasonably available to pay for the projects. Thus, an important component of the RTP is forecasting future revenues for transit, to set reasonable expectations for what level of service can be provided in future years, and what service improvements (if any) can be afforded.

2.2 Transportation funding principles

Projects to improve the transportation system are funded through a mix of federal, state, and local revenues distributed through a variety of funding programs that dictate how this revenue can be spent. In addition to revenue generation and spending by multiple jurisdictions, revenue sharing among jurisdictions and cooperation among multiple jurisdictions on individual projects makes describing transportation funding complicated. In this section, we explain some key transportation funding principles, and provide definitions of key terms, with the intent of making this evaluation of transportation funding less complicated and easier to understand.

2.2.1 Funding vs. Financing

The terms “funding” and “financing” are often used interchangeably; there is an important difference. Providing transportation facilities and services costs money, and somebody has to

² Much of the language in this framework section is an abridged version of the framework section found in Tech Memo #11 – RTP Funding Assumptions. Readers should refer to that tech memo for a more complete description of the framework.

pay those costs. The ultimate source of revenue for these costs is *funding*. Examples of funding mechanisms are tolls, fuel taxes, registration fees, impact fees, and property taxes.

When the funds for transportation costs are borrowed and paid back over time, then these costs have been *financed*. Public agencies finance costs for the same reasons that households and businesses do—to reduce the current out-of-pocket costs by spreading out payments over time. Since financed costs must be paid back over time, financing the costs cannot increase the total amount of funding available in an area over a long-term planning period.

This report is about funding. In the future, as local jurisdictions within the AAMPO pursue the implementation of specific transportation improvements, they may choose to finance those projects as a method of accelerating funding capacity. The details of any potential future financing arrangements are beyond the scope of this analysis.

2.2.2 Sources, Mechanisms, and Programs

“Source,” “mechanism,” and “program” are terms that are often used interchangeably when discussing funding, but each term is distinct for the purposes of this analysis:

- A *source* is the entity that pays for the funding. We look at sources of funding two different ways (1) the unit of government that provides funding directly to a project (government source), and (2) the group of persons or businesses that pay the money to the government (the ultimate source).
- A *mechanism* (also called a *tool*) is the method that is used to charge persons or businesses to generate the funding. Examples of funding mechanisms include gas tax, vehicle registration fees, and transit ticket sales.
- A *program* is an ongoing, well-defined approach for spending a specific sum of money, usually with a specified funding source, and with clear rules on what projects can receive funding, and what dollar amounts those projects can receive. The FTA Small Starts Program is an example of a funding program.

2.2.3 Capital vs. Operations and Maintenance

Our analysis looks at both capital and operations and maintenance:

- *Capital* costs are one-time, up-front costs associated with the construction and implementation of a project.
- *Operations and maintenance* (O&M) costs are long-term, ongoing costs associated with keeping a project in working order after the capital investment is complete.

Capital costs are frequently presented as a lump-sum number, whereas O&M costs are frequently presented as an average annual number. An important reason to separate these two types of costs is that some funding sources may only be available, or appropriate to use on either capital or O&M costs, but not both.

2.3 Definitions

Below we define key terms that appear throughout this memorandum.

- **Fiscal Year End (FYE)** denotes the completion of a one-year, or 12-month, accounting period. For example, FYE 2015 refers to the 2014-15 fiscal year, ending June 30, 2015.
- **Year of Expenditure (YOE)** denotes that dollar values are reported as nominal values, which increase over time due to assumed inflation rates.
- **Constant 2016 \$** denotes that dollar values are reported in constant terms based on FYE 2016 values. These values remain constant over time, and do not reflect changes in value due to inflation.

2.4 Methods

The methods used in this analysis are simple to explain, though they can be challenging to apply. These methods are summarized below:

- Review historical trends in transportation expenditures in the AAMPO. The City of Albany operates the transit system in the AAMPO. The City was contacted and asked to provide historical data on transportation funding for FYE 2013 through FYE 2015, including specific categories of revenues and expenditures.
- Consult and confer with City staff. We followed up with staff at the City of Albany, as needed to ensure completeness of the historical data, and an understanding of likely future trends.
- Forecast future revenue sources. Based on the historical data, and input from staff at the City of Albany, we forecast future revenues from FYE 2016 through FYE 2040. The revenue forecasts in this memorandum are presented in both constant 2016 dollars, and nominal, year of expenditure dollars. To convert from constant to nominal dollars, we use the inflation index shown in Exhibit 1. This inflation index assumes 1.31% inflation each year. This assumption was provided by ODOT as part of its 2013 long-range revenue forecast.
- Review forecasts with ODOT staff. Much of the funding for transit service is channeled through ODOT to local transit providers. Thus, our forecasts were coordinated with ODOT staff to ensure they reflected ODOT projections of future State and federal revenues.
- Review forecasts with AAMPO staff and Technical Advisory Committee.

Exhibit 1. Assumed inflation index used in this analysis, FYE 2015 to 2040

FYE	Index
2016	1.0000
2017	1.0310
2018	1.0630
2019	1.0960
2020	1.1300
2021	1.1650
2022	1.2011
2023	1.2383
2024	1.2767
2025	1.3163
2026	1.3571
2027	1.3992
2028	1.4426
2029	1.4873
2030	1.5334
2031	1.5809
2032	1.6299
2033	1.6804
2034	1.7325
2035	1.7862
2036	1.8416
2037	1.8987
2038	1.9576
2039	2.0183
2040	2.0809

Source: ODOT Long-Range Revenue Tables 2013 v3

3 Revenue forecasts

3.1 Albany Transit Service Overview

The City of Albany operates the Albany Transit System (ATS), which provides transit service for the Albany metropolitan area. The Albany Transit Plan describes the services offered by ATS, and recommended future improvements in service.³ ATS operates Monday through Friday, from 6:30 AM to 6:20 PM.

ATS offers three routes: (1) early morning, (2) regular service – east, and (3) regular service – west. Route 1 covers much of the same area as Routes 2 and 3 combined, but is a shortened route with fewer stops, and operates only from 6:30 to 8:30 AM. Routes 2 and 3 provide an expanded area and more stops from 9:00 AM to 6:20 PM. ATS has approximately 85 designated stops, including 21 with shelters.

ATS charges one-way fares of \$1.00 per trip (transfers are free at designated points), with a discounted rate of \$0.50 per trip for seniors, disabled, and youth passengers. Children under age 6 ride for free. Monthly passes are also available at a price of \$30 for adults, and \$15 for seniors, disabled, and youth passengers.

Albany Call-A-Ride is a paratransit service provided by the City of Albany, offering curb-to-curb transportation within the City of Albany and within ¾ mile outside city limits for seniors and citizens with disabilities. The fare is twice the fare for fixed-route service at \$2.00 per one-way trip. To help contribute to lower operating costs, the Call-A-Ride program is staffed primarily by volunteer drivers and dispatchers. The City of Millersburg helps finance this service in exchange for providing Albany Call-A-Ride in Millersburg.

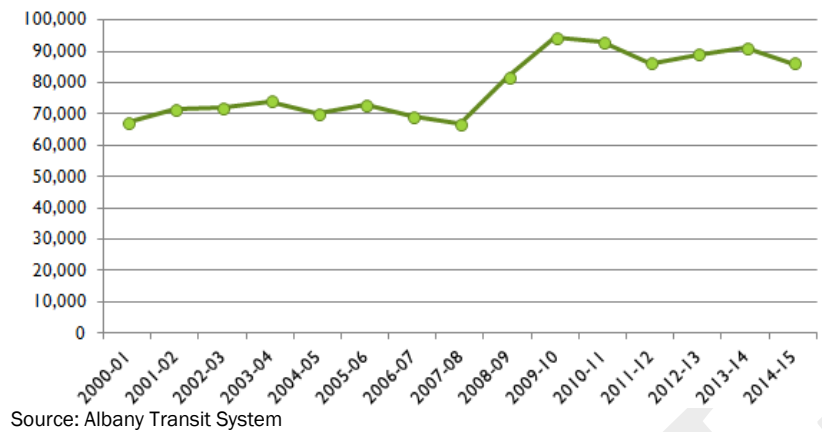
Albany Call-A-Ride also provides a special services senior medical-shopper shuttle that operates on a fixed-route between senior housing locations, retail stores, grocery stores, and medical facilities. Route deviations of up to five minutes are available upon request. The service is open to the general public with no age restrictions Tuesday, Wednesday, and Thursday between 8:00 AM and 4:30 PM. Fares for this service are \$1.00 per one-way trip.

Fares contribute a significant amount to ATS revenues. Ridership for the ATS fixed-route service is shown in Exhibit 2. A high number of Linn Benton Community College (LBCC) and Oregon State University (OSU) students use the ATS service which contributes to higher ridership between January and May as well as October and November. Downturns in ridership occur during the month of December and summer months. But, OSU and LBCC students do not have to pay fares. ATS ridership peaked in FY 10/11 at 94,200 but has decreased to 86,100 in FY

³ Albany Transit Plan, January 2011, prepared by Kittelson & Associates, Inc. Because the Albany Transit Plan is five years old, we have updated information, where necessary, to reflect current conditions.

14/15. These trends directly contribute to fluctuations in fare revenue, depending on the type of rider.

Exhibit 2. Albany Transit System Fixed-Route Ridership 2001-2015



ATS capital expenditures are typically for transit vehicles and transit technologies. ATS has nine vehicles for fixed-route transit service that all use diesel fuel. The ages of the vehicles range from a brand new 2015 bus to a 24-year old bus, with an average model year of 2004. Exhibit 3 lists the vehicles with their make, model and year. In addition to transit vehicles, ATS has two pickup trucks for non-revenue use. ATS has implemented onboard security systems on new vehicles and is working with ODOT to update its Google Transit database to support a region-wide strategy for transit trip planning information.

Exhibit 3. ATS Fixed-Route Vehicle Inventory

Vehicle Number	Make	Model	Year	Length
428-03	Gillig	Phantom	2003	40 ft
430-95	Gillig	Phantom	1995	40 ft
431-10	EIDorado	EZ Ride II	2010	35 ft
432-15	Gillig	Low Floor	2014	40 ft
455-05	Gillig	Low Floor	2005	35 ft
460-91	Gillig	Spirit	1991	30 ft
470-97	Gillig	Phantom	1997	35 ft
480-10	EIDorado	EZ Ride II	2010	35 ft
481-15	Gillig	Low Floor	2015	35 ft

Source: Albany Transit System

Partner Service

The City of Albany operates an inter-city service known as The Linn-Benton Loop. The Loop provides service between Albany, LBCC, downtown Corvallis, OSU, and Hewlett Packard. This service is a partnership between public agencies and private sector businesses including the City of Albany (designated operator), Linn and Benton counties, LBCC, OSU, and Hewlett-Packard.

The route operates Monday through Friday from 6:25 AM until 7:00 PM, and from 8:00 AM until 6:00 PM on Saturday. Fares for the Loop service are \$1.50 for adults; \$0.75 for seniors, persons with disabilities, and youth; and free for LBCC, OSU, Samaritan Health Services, or Hewlett-Packard ID card holders.

Regional and Connecting Services

There are several additional transit services that provide connections to ATS service. These service providers include: Coast to Valley Express, Linn Shuttle, Sweet Home Shopper, Valley Retriever, Amtrak, and BoltBus. Additionally, there are two entities providing demand responsive services within Albany: Benton County Dial-A-Bus and Corvallis-Albany Connection.

- Coast to Valley Express is co-operated by Lincoln and Benton counties, connecting Albany and Corvallis to Newport seven days a week.
- Linn Shuttle is operated by the non-profit Senior Citizens of Sweet Home, Inc., serving the cities of Sweet Home, Lebanon, and Albany Monday through Friday.
- Sweet Home Shopper is a service of Linn Shuttle that connects people to shopping trips, medical appointments, and other downtown Sweet Home destinations Monday through Friday.
- Valley Retriever is a private bus service that operates twice per day between Newport and Salem, with stops in Philomath, Corvallis and Albany.
- Amtrak offers two train routes (Amtrak Cascades and the Coast Starlight) and multiple bus routes that provide service to Albany.
- BoltBus provides service from Albany south to Eugene, and north to Portland. There are two trips in each direction daily, Thursday through Monday.
- Benton County Dial-A-Bus is a paratransit service offering curb-to-curb transportation in North Albany (part of Benton County) and between Albany and Corvallis for seniors and citizens with disabilities seven days a week.
- Corvallis-Albany Connection is a demand responsive service provided by Benton County through a contract with Dial-A-Bus. This service—available to Albany and Corvallis residents 60 years of age and over and persons with disabilities—will pick up and drop off riders at the destinations of their choosing in Albany and Corvallis Mondays, Wednesdays, and Fridays.

3.2 Historical revenues and expenditures

Exhibit 4 shows historical revenues and expenditures for ATS. Federal funds are the largest source of revenue and those funds have increased substantially in recent years. That increase, however, is not anticipated to be a long-term trend, but instead is the result of a change in eligibility for the Albany area, regarding certain federal funds.

Exhibit 4. Historical annual transit revenues and expenditures, Albany Transit Service, FYE 2013 to FYE 2015 (YOE \$)

	FYE 2013	FYE 2014	FYE 2015
Resources			
Federal Funds	\$ 490,701	\$ 870,505	\$ 1,376,921
ODOT Funds	\$ 32,014	\$ 8,002	\$ -
City of Albany - General Fund	\$ 436,100	\$ 440,000	\$ 466,700
City of Albany - Capital Equip. Fund	\$ -	\$ 76,000	\$ 88,000
City of Millersburg	\$ 3,556	\$ 560	\$ 788
Linn County	\$ 61,526	\$ -	\$ -
Benton County	\$ 24,000	\$ 8,000	\$ 8,000
Pass Programs	\$ 235,786	\$ 235,800	\$ 245,200
Bus Fares	\$ 77,942	\$ 89,532	\$ 86,140
Advertising	\$ 5,338	\$ 4,911	\$ 7,004
Other	\$ 7,903	\$ 3,300	\$ 1,907
Total Revenue	\$ 1,374,866	\$ 1,736,610	\$ 2,280,660
Expenditures			
Personnel Services	\$ 841,085	\$ 948,769	\$ 999,437
Materials & Services	\$ 725,756	\$ 532,208	\$ 562,696
Capital Expenditures	\$ -	\$ 80,118	\$ 752,087
Total Expenditures	\$ 1,566,841	\$ 1,561,095	\$ 2,314,220
Annual Surplus (Deficit)	\$ (191,975)	\$ 175,515	\$ (33,560)

Source: Compiled by Chris Bailey, Assistant Public Works Director, City of Albany, November 17, 2015.

Although the Federal Transit Administration (FTA) has numerous programs that provide funding for transit service, there are two programs that are particularly important for understanding historical allocations of federal funds to ATS. The FTA Urbanized Area Formula Program (5307) provides funding for “urban areas,” defined as an incorporated area with population of 50,000 or more that is designated as such by the U.S. Census Bureau. These funds have a wide-range of eligible activities, including both capital and operations and maintenance. Funding is allocated formulaically based on population and population density, which makes these funds more dependable than other FTA programs that may be allocated based on a competitive grant process.

The Albany Urbanized Area was designated following the 2010 decennial census, which determined that the urbanized area population exceeded 50,000. This designation resulted in ATS being eligible to receive FTA 5307 funding for the first time in FYE 2014. Prior to FYE 2013, the primary source of federal funding for ATS was FTA Formula Grants for Other than Urbanized Area (5311). FTA 5311 funds function similarly to 5307 funds, with minor differences in eligible uses of the funds. These funds, however, are available to jurisdictions with population less than 50,000. The allocation of these funds is still formulaic (based on non-urbanized population and land area), providing jurisdictions with dependability.

The designation of the Albany Urbanized Area in FYE 2014 corresponded with a 77% increase in federal transit funding for Albany that year, and an additional 58% increase in federal funding the following year. Over that same time period, other revenue sources have remained relatively constant. The net impact has been an increase in total annual revenues from \$1.37 million in FYE 2013 to \$2.28 million in FYE 2015.

Federal funds received in FYE 2015, however, included \$304,000 from a FTA Section 5309 grant. FTA 5309 is a discretionary grant program for capital investment in transit systems. These funds were used by the City of Albany for the acquisition of new buses in FYE 2015. The City of Albany's adopted budget for FYE 2016 (not shown in Exhibit 4), estimates \$897,000 in federal funding, mostly from FTA Section 5307. That funding amount is more inline with funding that the City received in FYE 2014, the first year in which it was eligible for 5307 funds.

Other than federal funds, the City of Albany's general fund provides the next largest source of revenue for ATS. The City's general fund contributed \$466,700 in FYE 2015, and has experienced modest increases in funding in each of the past three years.

Operating revenues, including bus fares, advertising, and pass programs contributed \$338,344 in funding for ATS in FYE 2015, with pass programs generating \$245,200 of that total. These pass programs include passes and partnerships with Oregon State University and Linn-Benton Community College.

3.3 Projected revenues

Exhibit 5 shows projected annual revenues for transit for the City of Albany in year-of-expenditure (i.e., nominal) dollars. Projections for FYE 2016 were taken from the City of Albany's adopted budget. In future years, projections for federal funds were based on ODOT long-range projections for federal funding for transit, which assume 1.4% growth per year.⁴ For other funding sources, we assumed revenues increase at a rate equal to inflation, based on ODOT's assumed long-term inflation rate of 3.1% per year. This is consistent with recent historical growth in transit revenues for the City of Albany, after adjusting for the one-time increase in funds for capital expenditures in FYE 2015.

⁴ The ODOT Long-Range Revenue Tables 2013 v3 include forecasts of federal funds for each public transit provider in the State, including the City of Albany. The ODOT forecast for Albany called for \$1,042,000 in funding in FYE 2016, which is 16% higher than what is forecast in the City of Albany adopted budget. To provide a more conservative revenue forecast, instead of using the ODOT forecast values, we start with the City of Albany's adopted budget number for FYE 2016 and apply the assumed ODOT growth rate for future years.

**Exhibit 5. Projected annual revenues for transit, Albany Transit Service,
FYE 2016 to FYE 2040 (YOE \$)**

FYE	Federal Funds	Albany General Fund	Operating Revenues	Other	Total
2016	\$ 897,400	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,908,700
2017	\$ 909,964	\$ 589,629	\$ 334,560	\$ 118,462	\$ 1,952,615
2018	\$ 922,703	\$ 607,930	\$ 344,944	\$ 122,139	\$ 1,997,716
2019	\$ 935,621	\$ 626,802	\$ 355,652	\$ 125,930	\$ 2,044,005
2020	\$ 948,720	\$ 646,247	\$ 366,685	\$ 129,837	\$ 2,091,489
2021	\$ 962,002	\$ 666,264	\$ 378,043	\$ 133,859	\$ 2,140,168
2022	\$ 975,470	\$ 686,909	\$ 389,757	\$ 138,006	\$ 2,190,142
2023	\$ 989,127	\$ 708,184	\$ 401,828	\$ 142,281	\$ 2,241,420
2024	\$ 1,002,975	\$ 730,145	\$ 414,289	\$ 146,693	\$ 2,294,102
2025	\$ 1,017,017	\$ 752,792	\$ 427,139	\$ 151,243	\$ 2,348,191
2026	\$ 1,031,255	\$ 776,125	\$ 440,379	\$ 155,931	\$ 2,403,690
2027	\$ 1,045,693	\$ 800,202	\$ 454,040	\$ 160,768	\$ 2,460,703
2028	\$ 1,060,333	\$ 825,023	\$ 468,124	\$ 165,755	\$ 2,519,235
2029	\$ 1,075,178	\$ 850,587	\$ 482,629	\$ 170,891	\$ 2,579,285
2030	\$ 1,090,230	\$ 876,951	\$ 497,588	\$ 176,188	\$ 2,640,957
2031	\$ 1,105,493	\$ 904,117	\$ 513,002	\$ 181,645	\$ 2,704,257
2032	\$ 1,120,970	\$ 932,140	\$ 528,903	\$ 187,276	\$ 2,769,289
2033	\$ 1,136,664	\$ 961,021	\$ 545,290	\$ 193,078	\$ 2,836,053
2034	\$ 1,152,577	\$ 990,817	\$ 562,196	\$ 199,064	\$ 2,904,654
2035	\$ 1,168,713	\$ 1,021,528	\$ 579,622	\$ 205,234	\$ 2,975,097
2036	\$ 1,185,075	\$ 1,053,211	\$ 597,599	\$ 211,600	\$ 3,047,485
2037	\$ 1,201,666	\$ 1,085,867	\$ 616,128	\$ 218,161	\$ 3,121,822
2038	\$ 1,218,489	\$ 1,119,551	\$ 635,241	\$ 224,928	\$ 3,198,209
2039	\$ 1,235,548	\$ 1,154,266	\$ 654,938	\$ 231,903	\$ 3,276,655
2040	\$ 1,252,846	\$ 1,190,067	\$ 675,252	\$ 239,095	\$ 3,357,260

Source: Calculated by ECONorthwest based on the following sources:
 ODOT Long-Range Revenue Tables 2013 v3.
 City of Albany, Budget FY 2015-16.
 Historical budget information provided by Chris Bailey, City of Albany, November 17, 2015.

Exhibit 6 shows the same information as Exhibit 5, but adjusted for inflation and presented in constant 2016 dollars. This shows federal funds slowly decreasing over time, while other funding sources remain constant.

Exhibit 6. Projected annual revenues for transit, Albany Transit Service, FYE 2016 to FYE 2040 (Constant 2016 \$)

FYE	Federal Funds	Albany General Fund	Operating Revenues	Other	Total
2016	\$ 897,400	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,908,700
2017	\$ 882,603	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,893,903
2018	\$ 868,018	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,879,318
2019	\$ 853,669	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,864,969
2020	\$ 839,575	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,850,875
2021	\$ 825,753	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,837,053
2022	\$ 812,147	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,823,447
2023	\$ 798,778	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,810,078
2024	\$ 785,600	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,796,900
2025	\$ 772,633	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,783,933
2026	\$ 759,896	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,771,196
2027	\$ 747,351	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,758,651
2028	\$ 735,015	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,746,315
2029	\$ 722,906	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,734,206
2030	\$ 710,989	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,722,289
2031	\$ 699,281	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,710,581
2032	\$ 687,754	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,699,054
2033	\$ 676,425	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,687,725
2034	\$ 665,268	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,676,568
2035	\$ 654,301	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,665,601
2036	\$ 643,503	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,654,803
2037	\$ 632,889	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,644,189
2038	\$ 622,440	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,633,740
2039	\$ 612,173	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,623,473
2040	\$ 602,069	\$ 571,900	\$ 324,500	\$ 114,900	\$ 1,613,369

Source: Calculated by ECONorthwest based on the following sources:
 ODOT Long-Range Revenue Tables 2013 v3.
 City of Albany, Budget FY 2015-16.
 Historical budget information provided by Chris Bailey, City of Albany, November 17, 2015.

Note that the revenues projected in Exhibit 5 and Exhibit 6 do not include speculative future funding for capital projects. The nature of capital funding for transit depends on discretionary or competitive grants from the federal government, with a smaller amount of matching local funds. These funds are unpredictable and depend on the specific types and costs of planned future capital improvements. Conversations with ATS and ODOT staff indicate that \$XXXXX to \$YYYYY is a reasonable range of funding for future capital projects to assume over the planning period, in constant 2016 dollars. This would equate to \$XXXX to \$YYYYY in year-of-expenditure dollars.

Need an additional conversation with Albany Transit Service staff and/or ODOT staff to decide if we want to make an estimate of potential future funding for capital projects in the area, or if this is too speculative and not worth quantifying.

These revenue forecasts are for planning purposes. Any forecast that extends 25 years into the future is inherently uncertain. This uncertainty is amplified in the case of ATS, by the recent designation as an urbanized area, changing the region's eligibility for different federal funding programs. Additionally, our forecast of future federal funding for transit is provided by ODOT,

but that underlying ODOT forecast was last updated in 2013, when Albany was still receiving FTA Section 5311 funds, rather than the 5307 funds for urbanized areas.

Further complicating the forecast is the political system by which federal transit funding decisions are made. The FTA relies on Congress to pass periodic transportation funding packages which can change, eliminate, or restructure federal transportation funding programs. For example, from 2005 to 2012, federal transportation funding was determined by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU), and various temporary extensions to that act. In 2012, SAFETEA-LU was replaced by Moving Ahead for Progress in the 21st Century (MAP-21). In December 2015, MAP-21 was replaced by the Fixing America's Surface Transportation (FAST) Act, which authorizes transportation expenditures for five years, through September 30, 2020.

With the passage of each of those acts, assumptions for local transportation funding change. In many cases, these changes are minor, but on some occasions they can be substantial. The effects of the FAST Act have yet be reflected in allocations of federal funds to the State and local levels. Initial input from ODOT on the FAST Act indicates that it is unlikely to have a substantial impact on transit funding for the Albany region. However, in 2020 and beyond, Congress will need to pass new transportation appropriations bills, which adds uncertainty to revenue projections beyond the 2020 horizon.

4 Conclusions

Our evaluation of transit funding for the Albany Area MPO yields the following conclusions:

- **Recent historical revenue growth is not indicative of a long-term trend.** From FYE 2013 to FYE 2014, annual revenues increased from \$1.37 million to \$2.28 million, an increase of 66%. This increase in revenue was due primarily to an increase in federal funding, which includes the City of Albany's transition from FTA 5311 to 5307 funding eligibility as a newly-recognized urban area, as well as additional one-time federal funding in FYE 2015 for capital projects. The City's adopted budget for FYE 2016 anticipates a decrease in annual funding, from \$2.28 million to \$1.91 million.
- **Long-term revenue projections do not keep pace with inflation.** Beyond FYE 2016, federal funding is anticipated to increase at a rate of 1.4% per year, as forecast by ODOT. This growth is less than the 3.1% inflation predicted by ODOT. For other funding sources, such as operating revenues and City general fund contributions, recent historical trends suggest that these sources may be able to keep pace with inflation, but experience no growth over time in real terms, after adjusting for inflation and presenting in constant 2016 dollars. We forecast total revenues for ATS to increase at an average annual rate of 2.38% (nominal, year-of-expenditure dollars), which equates to an average annual decrease of 0.70%, when adjusted for inflation and presented in constant 2016 dollars.
- **Funding for capital projects is uncertain and opportunistic.** The long-term annual revenue projections included in this memorandum do not include speculative future funding for capital projects. . The nature of capital funding for transit depends on discretionary or competitive grants from the federal government, with a smaller amount of matching local funds. These funds are unpredictable and depend on the specific types and costs of planned future capital improvements.
- **There is inherent uncertainty in long-term transit funding forecasts.** These revenue forecasts are for planning purposes. Any forecast that extends 25 years into the future is inherently uncertain. This uncertainty is amplified in the case of ATS, by the recent designation as an urbanized area, changing the region's eligibility for different federal funding programs. Further complicating the forecast is the political system by which federal transit funding decisions are made. The FTA relies on Congress to pass periodic transportation funding packages which can change, eliminate, or restructure federal transportation funding programs.