



11

FINANCIAL PLAN

MEMORIAL HALL

## 11.0 Financial Plan

### 11.1 Introduction

This chapter describes the revenue sources, anticipated revenues, and estimated costs to maintain, operate, and expand the transportation system in the Pueblo Planning Region from 2016 until 2040. The financial analysis presented in this chapter meets the federal requirements stated in the Moving Ahead for Progress in the 21st Century Act (MAP-21). It also discusses changes to revenue sources since the 2011 update of the 2035 plan. It must be emphasized that this is a long-range, systems-level plan; most of both the cost and revenue estimates are preliminary and will be revisited several times before the years they represent come to pass. The intent is to prepare an approximate but realistic estimate of both the total funds available and the total program cost.

The average vehicle owner in Pueblo County drives 12,000 miles, uses 600 gallons of fuel, and spends \$2,100 on fuel each year. Just over 10 percent of that fuel cost is paid in federal and state taxes. Drivers also pay annual vehicle registration fees to the State of Colorado and Pueblo County that depend on the type and value of vehicle owned. A percentage of local sales and property taxes are also used to support transportation projects at the local level. On average, each resident of Pueblo County pays federal, state, and local vehicle fuel and registration taxes of at least \$250 annually or around \$20 dollars a month.

That amount is significantly less than most people directly spend on insuring, maintaining, and fueling personal vehicles. In mid-size urban areas such as Pueblo County, households spend an estimated \$3,800 per vehicle each year according to the Bureau of Labor Statistics. A well-functioning regional transportation system can help reduce those costs. Safety improvements can reduce crashes and insurance rates. Roadway maintenance can reduce the need to replace tires and shocks. Reduced congestion can lessen wear and tear on brakes and other components and improve gas mileage for commuters. Active transportation options such as biking, walking, and utilization of the

transit system, provide low-cost alternatives to get to work. In 2013, the American Automobile Association estimated that commuting by car cost an average of \$60 for every 100 miles driven.

The cost of designing and building infrastructure continues to rise and long-term expenses of maintenance, snow-removal, upgrades, and replacement continue to increase in cost. In this same context, the revenues to fund transportation improvements have not kept pace with these cost escalations and with overall maintenance and replacement needs. Federal and state fuel taxes provide the majority of transportation funds. The federal fuel tax was last increased in 1991 and remains at 22 cents per gallon. Colorado's total fuel and other excise tax rates are roughly 8 cents lower than the national average.

Revenue collections from fuel taxes remain flat, even when prices at the pump increase.

Improvements in average fleet fuel economy means that drivers are consuming less fuel even while driving more. Together these trends severely impact the revenues available for transportation now and could result in declining revenues in the future. The Colorado Department of Transportation forecasts that statewide transportation revenues will grow four percent from now through 2040, even while the state's population is expected to grow by 50 percent.

Projected funding levels will not be sufficient to adequately maintain existing functions or serve projected needs resulting from increased regional population and economic growth over the life of the plan. Meeting the needs or achieving the transportation vision identified for the *PACOG 2040 Long Range Transportation Plan* planning time frame will require new revenues for maintenance, operating, and capital from as-yet-unidentified revenue sources. Without additional revenues, regional accessibility and mobility will deteriorate and the infrastructure will decline. This will, in turn, severely constrain the movement of goods and people throughout the region. The gap between requirements and resources is not new, and simply reallocating resources will not close it. After years of under-investment, the region has a backlog of needs

resulting in current investment levels below that needed to sustain, let alone improve, the regional transportation system.

Federal rules require that long-range transportation plans (LRTPs) such as the *PACOG 2040 Long Range Transportation Plan* and the associated TIP are fiscally-constrained. That is, planned expenditures shall not exceed the revenue estimates to support the operations, maintenance, and new construction during the 25 years covered by the *PACOG 2040 Long Range Transportation Plan* or the four years in the 2016–2019 TIP. The *PACOG 2040 Long Range Transportation Plan* is a fiscally-constrained transportation plan as it is anticipated that the specific transportation investments identified in the *Chapter 12 Implementation Plan* can be accomplished with revenues that are projected to be available.

Satisfying the Pueblo region’s transportation financial needs during the next 25 years is a major undertaking. The limited availability of federal, state, and local monies will also have a significant impact on the ability to fund proposed projects. Demands on the transportation system have grown significantly in the past, and increased demand is projected to accelerate faster than the expected growth in funding. There are projects identified which can meet these needs but cannot be incorporated into the plan at this time due to insufficient revenues projected to be available for their construction and/or implementation.

## 11.2 Requirements for a Financial Plan

The Code of Federal Regulations describes the elements of a transportation financial plan. A requirement of MAP-21 is that the plan must include the revenues and costs to operate and maintain the roads and associated systems to allow Metropolitan Planning Organizations (MPOs) to estimate future transportation conditions and resources and promote making fullest use of existing infrastructure. Another requirement is that the financial plan shall include recommendations on new financing strategies.

This 2016 plan extends to the year 2040, with revenue and expenditure projects relying on historical patterns of funding from local, state, and federal sources, as well as additional assumptions about future economic, social, and behavioral conditions. In developing this financial plan, PACOG followed a few basic principles, as follows:

- Financial planning documents developed by local agencies were incorporated when available.
- Consistency with state planning documents was ensured. The 2040 Revenue Forecast and Resource Allocation prepared by the Colorado Department of Transportation Office of Financial Management and Budget (September 2014) was used for available state and federal funds.
- Published data sources were utilized to evaluate historical trends and augment local information as needed.
- The first ten years of the plan (short-term implementation) are comprised of a four year TIP period, 2016–2019 and a six year future capital development plan that collectively provides a 10 year capital development program, 2016–2025. The 15 outer years of the plan are broken out into five year increments of funding for the period between 2026 and 2040.

## 11.3 Regional Transportation Investments

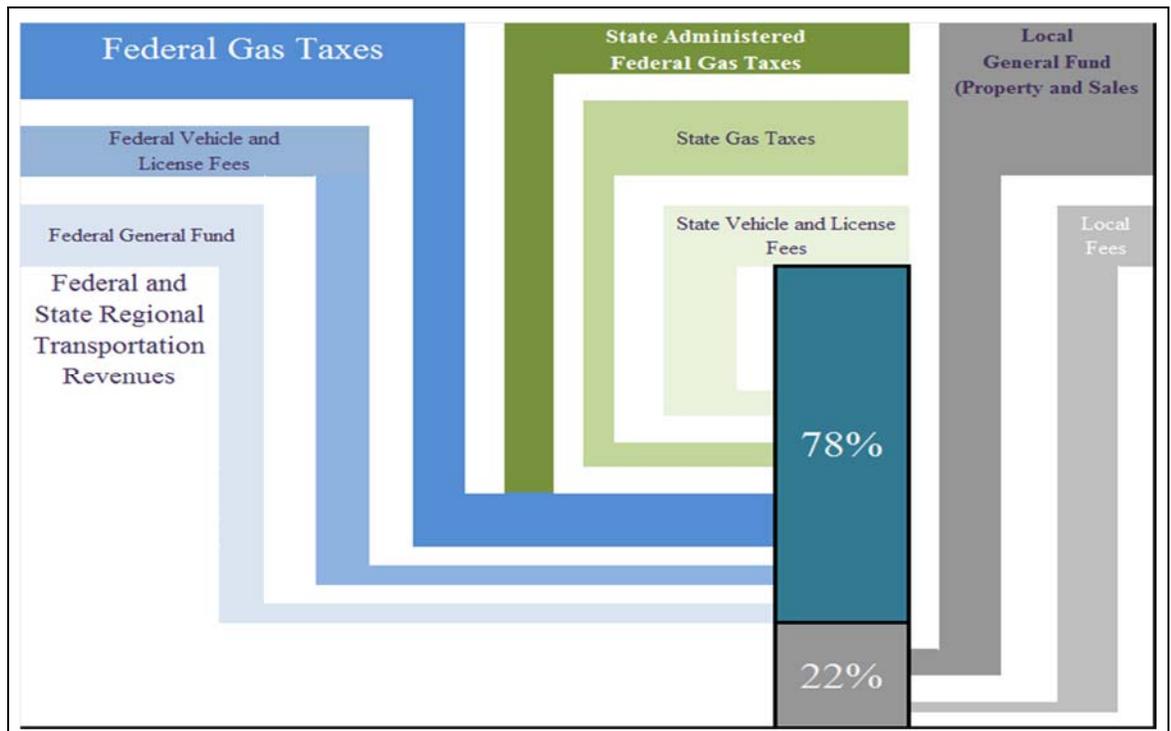
The chart shown in **Figure 11.1** shows the flow of taxes and fees that are used to support regional projects. Federal and state sources provide 78 percent of funding for regional projects, while local matching funds and other contributions account for less than 22 percent of regional projects.

Federal funds derived from gas taxes are distributed to the state and directly to the Pueblo Metropolitan Planning Organization (Pueblo MPO), Pueblo Transit, and Senior Resource Development Agency (SRDA) Rural Transit. State funds are derived primarily from gas taxes which are distributed to local governments. State vehicle registration and miscellaneous ownership fees fund Colorado’s Funding Advancement for Surface

Transportation and Economic Recovery (FASTER) program which supports regional safety, bridge, and capacity investments. Local governments collect vehicle registration fees and fund local capital construction funds through

property taxes, sales and use taxes. These revenues are used to meet local match funding requirements for federal investments in regional projects, and as direct financing for local transportation projects.

**Figure 11.1: Representative Regional Transportation Funding Flows**



### 11.4 Transportation Finance and Funding

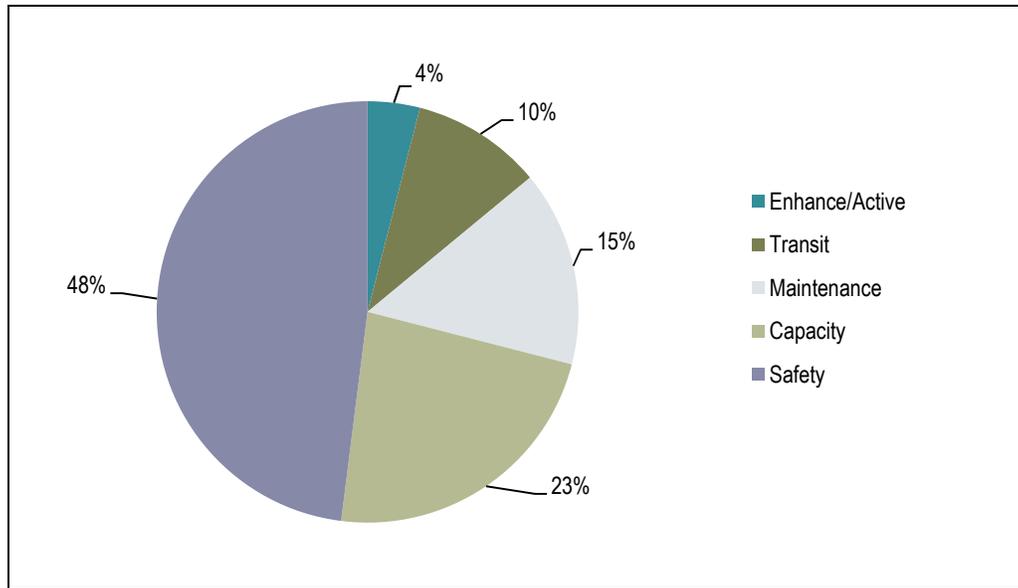
Through the 2012-2017 TIP, \$175 million dollars have been invested in the regional road, bridge, trail, and transit system. The investments made over the past several years have contributed to advancing the regional goals of the 2035 Regional Transportation Plan (RTP). That plan emphasized both improvements to the existing system to improve safety, and new capacity projects to improve mobility.

Figure 11.2 shows the proportion of regional transportation investments by project category. This chart reflects only those investments made in partnership with the Pueblo MPO and does not capture all investments by local governments or the Colorado Department of Transportation Note that often projects have

multiple components that contribute to several goal areas (e.g. safety and capacity). An example of this is a road maintenance resurfacing project may also increase road shoulder width or striped bike lanes that benefit active transportation users even if the project is not considered an active transportation projects.

Past patterns of investment in the region do not indicate future allocation as regional priorities continue to change. Based on the revised goals of the 2040 RTP and new requirements from the MAP-21 federal legislation, transportation investments in the region over the next 25 years will emphasize different projects and investment levels.

**Figure 11.2: Regional Transportation Investments, 2009-2017**



### 11.5 2040 Transportation Revenue Forecasts

The Pueblo 2040 RTP is required to identify what revenues can be reasonably expected over the next 25 years and what project alternatives may be accomplished with those resources. For these purposes, the 2040 RTP projects have available federal, state, and local match revenues by major program area.

The forecasting of future transportation and transit revenues is highly variable and subject to much uncertainty over the 25 year period of this plan. The most recent federal transportation legislation has been authorized only through December of 2015. Until long-term transportation legislation is in place, any programs and funding levels beyond 2015 are subject to change. State fuel tax revenues are dependent on economic conditions and vary as residents increase or reduce driving levels or switch to more fuel-efficient vehicles. CDOT’s total budget decreased from \$1.6 billion in 2007 to \$1.2 billion in 2013, even as costs continued to increase. Over the long-term, CDOT’s budget may continue to shrink in real terms and lose purchasing power due to inflation and cost escalation.

Local transportation revenues are primarily derived from sales and property taxes and miscellaneous fees, including vehicle registration and ownership taxes. The value of these tax collections vary with regional conditions. Into the future, sales tax collections will grow more slowly, even while the value of retail sales increases. As the region’s population ages, consumer spending will shift to non-taxable services such as healthcare. The Denver Regional Transportation District forecasts that statewide growth rates in sales tax revenues for transportation will slow by 2040.

For planning purposes “available funds” include allocations to the Pueblo MPO from major federal and state funding sources as identified by CDOT. This plan relies on estimates of state program distributions of funding levels from FY2016 to FY2040 produced by CDOT in September 2014. These projections do not constitute a guarantee of funding from the state and may change over time. Forecast totals incorporate the Pueblo MPO’s share of funds that flow through CDOT Region 2 and also include estimates of required local matching funds. **Table 11.1** shows a breakdown of major funding programs and total revenues available between 2016 and 2040. Values are shown both in present value of 2016 dollars and future inflated values in 2040 dollars.

**Table 11.1: Estimate of 2040 Revenues by Major Program Area**

Funding Program		Total Revenues, 2016-2040	
		FY 2016 \$	
		(Deflated)	(Inflated)
Non-Flexible - CDOT Directed and Competitive Funds	Maintenance	\$67.33 m	\$95.26 m
	Preservation	\$49.52 m	\$69.63 m
	Bridge and Structure Maintenance	\$30.35 m	\$40.45 m
	State Safety (FASTER)	\$44.25 m	\$64.61 m
	Federal Safety (HSIP)	\$17.86 m	\$24.65 m
Flexible – Pueblo MPO and CDOT Programmed and Competitive Funds	Metropolitan Planning	\$ 6.28 m	\$ 8.75 m
	Transportation Alternatives (MPO share of CDOT Region)	\$ 4.44 m	\$6.12 m
	Regional Priority Program (MPO share of CDOT Region)	\$17.41 m	\$24.27 m
<b>Total</b>		<b>\$237.45 m</b>	<b>\$333.74 m</b>

Transportation funding programs are restricted to specific uses (e.g. safety or bridge improvements), are dedicated to certain roadways (e.g. on-system national or state highways), and are allocated through various processes (e.g. State Transportation Commission, CDOT Region, or local governments.) There are a number of programs available to fund transportation improvements in the region and the Pueblo MPO may sponsor projects with local partners to secure additional funding. Listed below are the major sources of funds detailed in the 2040 revenue projections.

- Asset Management Funding:** CDOT dedicates the majority of funding for asset management and maintenance activities on state highways and National Highway System roads. Maintenance and preservation of off-system roads is the responsibility of local governments. More than 61% of the total funding from 2016-2040 is dedicated to maintaining existing roads, bridges, and infrastructure in a state of good repair. These funds are allocated from a formula set by the Colorado Transportation Commission. Local and regional projects are prioritized through CDOT Region 2 and the Pueblo MPO regional transportation plan process.
- Safety – State FASTER Safety Program:** This category includes safety-related projects, such as asset management, transportation operations, intersection and interchange improvements, and shoulder and safety-related widening, along with pedestrian and bicycle facilities. Projects are advanced by local governments and selected based on priority and data within CDOT Region 2.
- Safety: Federal Highway Safety Improvement Program (HSIP):** Eligible projects in this category include improvements or corrections to safety issues on any local or regional public roads and trails or paths. Funded activities must be consistent with Colorado’s Strategic Highway Safety Plan. Projects are selected competitively through CDOT.
- Metropolitan Planning:** Federal funds are allocated to the Pueblo MPO to provide for a continuing, comprehensive, and cooperative transportation planning process in the region. The region receives approximately \$350,000 annually to fund planning studies and to carry out MPO responsibilities.
- Transportation Alternatives Program (TAP):** Under MAP-21, this new federal program consolidates several previous

programs and provides reduced funding from historic levels. Eligible activities include planning or construction projects for on and off-road pedestrian and bicycle facilities, community enhancement activities, and safe routes to schools. The Pueblo MPO may sponsor projects with local partners, but does not directly receive or complete applications for TAP funding. Projects are screened and selected by CDOT Region 2 and funds are awarded through a competitive process to local entities.

- **Regional Priority Program:** This program covers priority projects that are not addressed in other federal and state programs and usually utilized for major new construction or reconstruction projects. These projects are identified cooperatively with CDOT and local partners.

## 11.6 Future Transit Funding

Estimating future transit revenues is particularly challenging as a variety of federal, state, and local funding sources are utilized to support transit services in the region. Pueblo Transit relies on financial support from federal agencies, Colorado's FASTER program, and local governments to support transit capital construction projects. Capital expenses vary from year to year with vehicle replacement needs and construction of facilities. Annual operating and administration costs are primarily supported by local governments, Federal Transit Administration (FTA) grants, and from agency-generated revenues such as service fares. Operating expenses are more stable but vary with changes in the prices of fuel, labor rates, and contracted transportation services.

Pueblo Transit receives funding directly from the FTA primarily through formula grants that support service for areas primarily within the city limits of Pueblo. Pueblo Transit may also apply for additional FTA grants that are competitively awarded to support vehicle repair and replacement, and programs that support transit ridership as a commute alternative.

Additionally, the SRDA applies for competitive funding annually for transit programs for elderly, low-income, or disabled residents within

the unincorporated and rural areas of Pueblo County. These funds help support rural transit agencies operations and capital projects. The projects are competitively awarded to local transit agencies. Local funding is provided to support ongoing operating and maintenance needs. The City of Pueblo and Pueblo County collectively contribute over \$2.0 million annually to support essential transit services in the region. These funds are primarily derived from sales and property tax revenues from local governments. A legislative change in 2013 under Colorado Senate Bill 13-140 enabled local governments to flex Highway User Tax Fund (HUTF) dollars to transit-related projects. However, no more than 15 percent of HUTF allocations may be expended for operating and administrative purposes.

The CDOT Division of Transit and Rail estimates that future FTA revenues will grow slowly through 2030, and then decrease along with declining federal gas tax revenues through 2040. According to state forecasts prepared in 2013, FTA revenues will decline at an average annual rate of 0.5 percent between FY 2016 and FY 2040. State transit revenues from the FASTER program are expected to grow at an average annual rate of two percent through 2040. FASTER funds are currently dedicated to supporting capital construction projects only and not ongoing operating expenses. Estimates of future funding available for transit service within Pueblo through 2040 are considered a work in progress. These estimates will be based on CDOT future revenue forecasts and historical trends in local support and fare revenues, but are subject to risk.

Federal transit funding from FTA is also uncertain and may decrease or remain stable in future years. Regionally, fare revenues have grown an average of 10 percent per year over the last decade and local support has increased six percent annually. If these trends continue, local and agency revenue sources will become more important and will be relied on to make up for declining federal transit support. If local support is reduced or transit service is cutback resulting in lowered fare collections, revenues will be significantly less than predicted. Aspects of risk in transportation financial planning are shown in **Figure 11.3**

**Figure 11.3: Transportation Funding Forecast Uncertainty****Transportation Funding Forecast Uncertainty**

This financial plan or any financing forecast that is predicated on achieving results in the future contains a number of risks. Risk considerations frequently have both positive and negative elements. The major risk elements that have an influence on this financial plan are described below.

- Gasoline tax, fuel tax, and registration fee revenues are related to employment, population, and income growth. The future direction of these socioeconomic characteristics will largely determine whether there are increases or decreases in revenues.
- Federal funding was assumed to reset to TEA-21 levels during years 2010 through 2015; it was then assumed to return to rates found in SAFETEA-LU. At the current level of revenue growth and expenditure, this will be difficult to achieve. Conversely, the federal government may choose to add tax capacity to the transportation program or create demonstration programs using non-transportation-related funds that are not accounted for in this forecast.
- Traditionally, SUVs and light-duty trucks have been the fastest growing segment of the vehicle fleet. These vehicle types have below-average fuel economy, thus increasing gasoline tax revenues. Currently, hybrid vehicles are attaining a market presence, and automobile manufacturers are developing models across categories (including SUVs) that will lead to fuel displacement and long-term decreases in gasoline tax revenues that are not included in these forecasts.
- Inflation forecasting has inherent risk. The costs of the needs identified in the plan are assumed to increase at a set annual inflation rate until 2040. Should inflation vary, there will be corresponding changes to funding needs.

## 11.7 Revenue Projections

This section describes revenue sources reasonably expected to be available for expenditure in the Pueblo region.

Implementation of the PACOG 2040 Long Range Transportation Plan requires available fiscal resources to be identified over the life of the plan. PACOG, the Senior Resource Development Agency, and CDOT prepared a joint estimation of the anticipated revenues that can reasonably be expected to be available from all sources for transportation projects.

Several significant changes have occurred since adoption of the PACOG 2035 Long Range Transportation Plan. The current federal transportation bill, SAFETEA-LU, expired September 30, 2009 and MAP-21 was signed on July 6, 2012. Senate Bill 1 funds, the primary revenue source for the voter-approved Strategic Corridors projects, including both I-25 at University Boulevard and I-25 at Eagleridge Boulevard in the Pueblo region, was also repealed, and alternative funding was put in place with two state legislative changes: Senate Bill 09-228 and Senate Bill 09-108. The first replaces SB 97-01 and HB 02-1310 with a more stable, predictable funding mechanism supported by modest increases in vehicles registration and use taxes.

With these changes, the CDOT 2040 Plan Amendment five-year allocations for FY 2016 through FY 2040 range from \$399 million (FY 2011–FY 2015) to \$684 million (FY 2031–FY 2035). Although dedicated to use within the Pueblo region, funding for all but the transit funding categories is programmed by CDOT. The Pueblo region is well aware of the need to identify long term sustainable programs and funding sources for transportation in Colorado.

In April 2007, Governor Ritter established the Transportation Finance and Implementation Panel. Pueblo participated in this panel to identify long-term sustainable programs and funding sources for transportation in Colorado. In November 2007, the panel recommended an investment focus and funding thresholds with potential revenue sources. The preferred funding threshold was \$2.5 billion in transportation funding annually in the state of Colorado. This represents an increase of \$1.5 billion per year over current funding. **Table 11.2** below is a summary of the Panel's Funding Sources recommendations which have become even more important since the years since they were first drafted.

**Table 11.2: Funding Sources Recommendations**

Revenue Source	Incremental Fee or Tax	Revenue Generated
Increased Vehicle Registration	\$100 average	\$500M
Increased Motor Fuel Tax	13 cents per gallon	\$361M
New Daily Visitor Fee	\$6 daily fee	\$240M
Increased Sales & Use Tax	.35% increase	\$312M
Increased Severance Tax	1.7% effective increase	\$ 96M

In changing the current structure of taxes and fees, policy makers are not restricted to just one source. In other words, the entire increase needed to generate sufficient revenue to close the funding gap does not have to be loaded onto a single source, as doing so could lead to an onerous increase. Rather, policy makers may find it more equitable and politically palatable to distribute tax or fee increases across several sources. Moreover, the increase need not be uniform across sources; a 4¢ gas tax increase can be combined with a 2¢ sales tax increase, for example. Additionally, taxes and fees can be increased in any increment preferred by policy makers. There should be a logical connection between the source and the use of the funding.

## 11.8 Summary

This chapter focuses on the MAP-21 federal requirements for funding and the specific financial plans made by PACOG for the 2040 LRTP. Funding sources come from federal, state and local sources, mainly gas, vehicle and licenses taxes and through sales and property taxes. Transportation investment is applied to safety (48%), capacity (23%), maintenance (15%), transit (10%), and the enhancement of Active Lifestyle (4%). Risk is present in all aspects of financial planning due to changing automobile efficiencies (including hybrid and electric vehicles), less driving, increased inflation and other factors. PACOG estimated total revenue between 2016 and 2040 of \$237.45 million (2016 dollars) for the 2040 financial plan which is \$333.74 Million in 2040 dollars.