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Memorandum

TO: Partnership Technical Advisory Committee DATE: December 11, 2007

FR: Theresa Romell W.I.:

RE: Transportation 2035 (T2035) Draft Financial Projections

MTC staff has prepared the preliminary revenue projections for Transportation 2035—the 2009 update of the Regional Transportation Plan (RTP). Core assumptions were presented and discussed with the Partnership Technical Advisory Committee (TAC) at its June meeting, and the Partnership Board in September. Estimates of total 25-year RTP revenue were recently discussed at the Commissioner's workshop on November 28th.

This memo will compare the preliminary projections of financially constrained revenues for the T2035 Plan with those prepared for the previous Regional Transportation Plan—Transportation 2030 (T2030). It will also identify general trends for T2035 revenues and provide information on how much of it may be considered "discretionary" versus "committed" to specific program categories or projects.

Changes in General Assumptions from T2030:
Assumptions driving individual revenue projections in T2035 vary depending on the source of those revenues; however, there are several general assumptions that guide the financial projections:

- The T2035 financial projections will cover FY 2008-09 through FY 2032-33.
- U.S. Department of Transportation regulations now require that cost and revenue projections contained in the RTP be in "year of expenditure dollars" instead of constant dollars as was done in T2030. As a result, T2035 total revenue projections appear much greater when compared to T2030 totals – however, costs will also be higher.
- Based on retrospective analysis of past RTP financial projections, staff is moving from conservative to more moderate assumptions about funding levels for certain revenue sources. This results in a real gain in revenue for the next plan.
- Based on initial feedback provided by the Commission at their RTP workshop on November 28th, the draft financially constrained revenue projections will assume rollover of existing ½ cent sales tax measures past their year of sunset. Revenue from planned High Occupancy Toll (HOT) lanes is also included, provided that we can reach agreement on revenue sharing and governance issues as described in Item 3a. These revenues are highlighted as they may be refined further or shifted to the vision element after additional discussion. Other potential revenues not yet in existence will be reserved for the "Vision" (unconstrained) portion of the RTP.

More detail is provided in Attachment A.

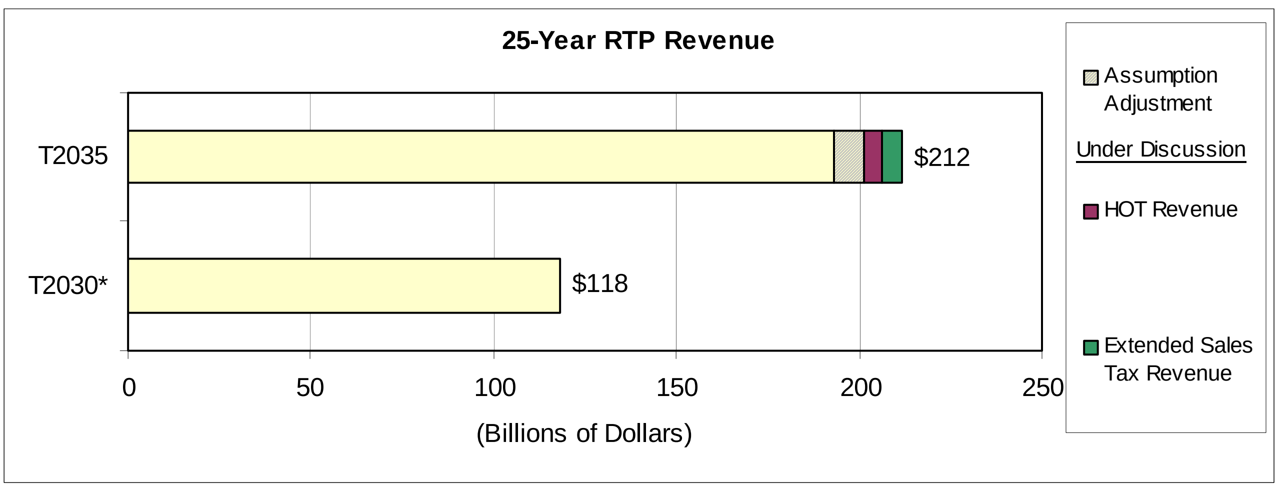
Attachment A
Draft Revenue Projection Details

Draft Financially Constrained Revenue Projections

In developing the financial projection assumptions, MTC staff researched the performance of past RTP financial projections compared to actual revenues that have been received to date in order to gauge whether or not the projections of various fund sources had been overly optimistic or too conservative. What was found through this analysis was that in general, MTC has taken a conservative approach with past RTP projections. The conservative nature of past projections has helped to cushion unexpected increases in capital costs; however, assuming more optimistic revenue projections allows the region to avoid the opportunity costs associated with not being positioned to take full advantage of new revenues as soon as they become available. The preferred approach taken for T2035 revenue projections was to strive for more realistic estimates of both revenue and costs.

In total, preliminary estimates of available transportation revenue for the T2035 Plan yield about $212 billion over the twenty-five year period. In T2030, total revenues amounted to $118 billion. The majority of the difference between the two plans is a result of moving from constant dollars to escalated dollars as shown in Figure 1. If the T2030 estimate were in escalated dollars, the result would be that projections for T2035 are between ten and fifteen percent higher in total projected revenue.

Figure 1: Overall RTP Revenue Comparison

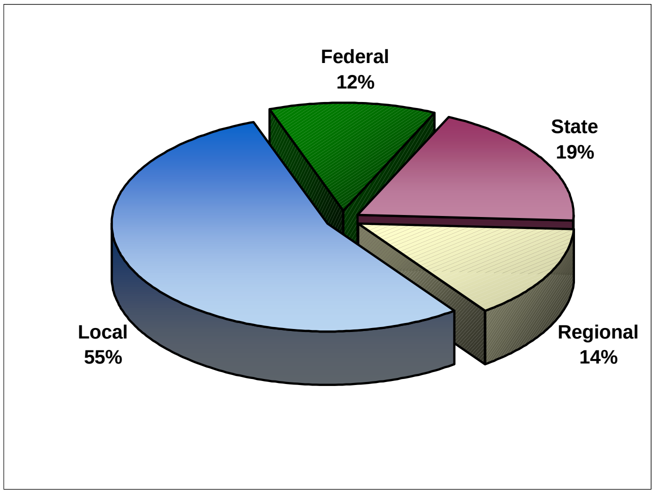


**** T2030 total revenue figure is in constant 2004 dollars.***

The breakdown of the total RTP revenues by source is similar to what it has been in previous RTPs; however, a larger share of overall revenues is expected to come from state sources as a result of strong projected growth in Proposition 42 funding and the addition of Proposition 1B funds.

Of the total revenue projected to be available over the course of the T2035 plan, more than half will be generated from local sources as depicted in Figure 2. Projections for most of the revenues generated from local sources are provided by the agencies that have authority over them – i.e., CMAs, transit operators, local jurisdictions, etc. Over the next months, MTC staff will continue to work with local agencies and transit operators to fine tune the projections of locally generated revenue as well as determine what assumptions will be made in regard to their expenditure over the course of the RTP. Likewise, discussions with stakeholders will take place to determine the assumed distribution of funds that are derived from certain regional sources, such as HOT Lane revenue.

Figure 2: RTP Revenue By Source



Committed Versus Discretionary Revenues

As has been the case in past RTPs, the lion's share of revenue expected to be available to the region for transportation purposes over the twenty-five year period are already committed. Most of these revenues are locally generated and locally subvened funds stipulated by law. MTC does not have any discretion on how these funds are distributed among stakeholders or expenditure categories. In T2035, eighty percent of the estimated $212 billion in total RTP revenue is committed under this framework as shown in Figure 3. The other twenty percent, approximately $43 billion is considered discretionary in that these funds could potentially be directed towards furthering regional transportation priorities and achieving specific targets set forth in the RTP. Although twenty percent of the total is a significant amount of discretionary revenue, it should be noted that historically, much of this revenue has been directed towards specific program categories. For example, several of the FTA formula funds as well as MTC's share of transit bridge toll funds are normally dedicated for transit rehabilitation and operations. In addition, Resolution 3434 projects utilize some of the funding that is considered discretionary. Figure 4 below further divides the discretionary slice of the revenue pie between revenues that have been historically used for a specific purpose and those that are truly discretionary.

Figure 3: Discretionary vs. Committed Funding

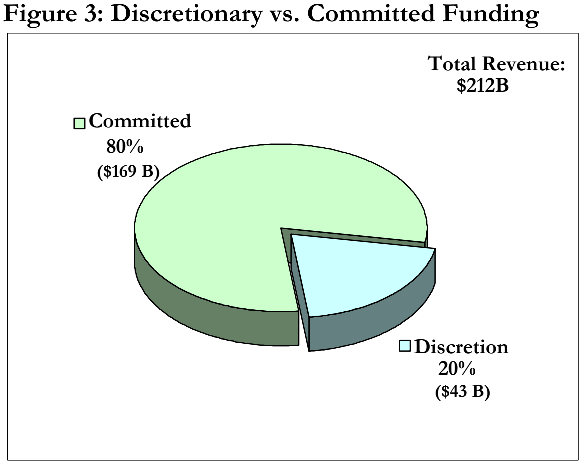
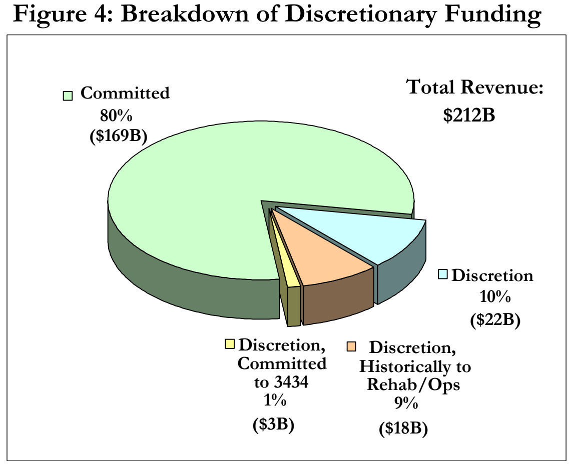


Figure 4: Breakdown of Discretionary Funding



New Revenue

In the next month, staff will also prepare projections of potential new revenue sources that may become available within the time frame of the RTP. These revenues will be applied to the "vision" element of the Plan and will not be counted in the financially constrained portion.

In past RTPs vision revenues have been tied to specific expenditure categories, or even specific projects. More often than not, the potential revenues that are sought are not realized, yet unanticipated revenues (Proposition 42, Proposition 1B, spillover) do materialize. Rather than try to guess where new revenue will come from, MTC staff proposes to take the difference between the "high" financial projection alternatives and the "moderate" assumptions used in the financially constrained portion of the Plan, and use this delta as a proxy for potential new revenues sources that can be utilized for the RTP vision.

While certain revenues—local sales tax measures, bond measures, container fees, bridge toll, etc.—would necessarily be designated for specific purposes, much of the potential new revenue can be viewed as flexible in that it could be directed toward a wider variety of transportation priorities. The nature and flexibility of the funding sources among modes and between operations and capital projects would be examined and distribution percentages would be recommended accordingly.

Attachment: TRANSPORTATION 2035 PRELIMINARY BASELINE REVENUE PROJECTION ASSUMPTIONS
In Billions

Revenue Source	T2035 RTP Revenue Assumptions	T2035 RTP Baseline Revenue	Comments
FEDERAL			
Urbanized Area Formula (Capital)	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 9.289	
Fixed Guideway Program	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 5.399	
Surface Transportation Program	Base Year: FY2008-09 Authorization Data Source: FHWA Growth Rate: 4% nominal	$ 3.097	
New Starts	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 1.600	
CMAQ Program	Base Year: FY2008-09 Authorization Data Source: FHWA Growth Rate: 4% nominal	$ 2.855	
Bridge/Safety Program	Base Year: FY2008-09 Authorization Data Source: FHWA Growth Rate: 4% nominal	$ 1.766	
Bus & Bus Facilities Program	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 1.285	
TEA Fund	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 0.471	
JARC	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 0.100	
Non-Urbanized Area Formula	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 0.088	
Elderly & Disabled	Base Year: FY2008-09 Authorization Data Source: FTA Growth Rate: 4% nominal	$ 0.160	
Small Starts		$ 0.080	
Ferry Boat Discretionary		$ 0.030	
New Freedom		$ 0.076	
STATE			
SHOPP	Assumption Base: 2006 Ten-Year SHOPP Plan & 2008 STIP FE	$ 10.168	
RTIP County Shares Proposition 42 RTIP	Data Source: 2008 STIP FE & LAO projections for fuel-based revenue. Prop 42 RTIP is included in main RTIP figure. All SHA funds are assumed dedicated to SHOPP. Main funding for RTIP/ITIP is Prop 42 & Prop 1B	$ 5.533	
Interregional Road/Intercity Rail – (ITIP) Proposition 42 ITIP	Data Source: 2008 STIP FE & LAO projections for fuel-based revenue. Prop 42 RTIP is included in main RTIP figure. All SHA funds are assumed dedicated to SHOPP. Main funding for RTIP/ITIP is Prop 42 & Prop 1B	$ 1.889	
STIP TE	Data Source: 2008 STIP FE	$ 0.349	
TCRP	Remaining Unallocated	$ 0.400	
State Transit Assistance Population Based	Base Year: Latest fiscal year Data Source:LAO for gas price growth and consumption	$ 0.858	
State Transit Assistance Revenue Based	Base Year: Latest fiscal year Data Source:LAO for gas price growth and consumption	$ 2.305	
Prop. 42 STA Population-Based	Base Year: Latest fiscal year Data Source:LAO for gas price growth and consumption	$ 1.147	

Revenue Source	T2035 RTP Revenue Assumptions	T2035 RTP Baseline Revenue	Comments
Proposition 42 STA Revenue-Based	Base Year: Latest fiscal year Data Source:LAO for gas price growth and consumption	$ 3.080	
Proposition 42 Augmentation to Local Streets and Roads	Base Year: Latest fiscal year Data Source:LAO for gas price growth and consumption	$ 5.641	
Gas Tax Subvention	Base Year: Latest fiscal year available Data Source:Caltrans subvention data and LAO	$ 6.284	
Proposition 1B:	Projections based on existing law or estimates of region's relative share for both competetive and formula-based programs--All shares are 20% except for Transit, Transit Security, SLPP, and CMIA.		
CMIA Program		$ 1.154	
Transit		$ 0.639	
Transit Security		$ 0.192	
State Local Partnership		$ 0.160	
Inter-city rail		$ 0.025	
Trade Corridors		$ 0.220	
Air Quality (Trade)		$ 0.090	
Ports		$ 0.007	
Highway-Rail Grade		$ 0.015	
Bridge Seismic		$ 0.013	
Streets and Roads		$ -	Included in LS&R Revenue
STIP Augmentation		$ -	Included in STIP revenue
SHOPP Augmentation		$ -	Programmed in 2008
REGIONAL			
AB 1107 ½ cent sales tax in three BART counties.	Base Year: 5-Year historical average Data Source: State Board of Equalization Growth Rate: Weighted growth rate based on sales tax revenue information received from SF, Alameda and CC Counties	$ 11.256	
BATA Base Toll Revenues	Base Year: FY2006-07 Data Source: BATA model Growth Rate: Varied by bridge -- Based on traffic volume data	$ 2.949	
Seismic Retrofit		$ 3.074	
RM2		$ 3.074	
Seismic Surcharge		$ 3.074	
AB664		$ 0.321	
RM1 -- Ferry Reserve		$ -	
RM1 -- Extension Reserve		$ -	
Rail Extension East Bay		$ 0.195	
Rail Extension West Bay		$ 0.084	
AB 1171		$ 0.500	
AB434/CARB Funds		$ 0.532	
Service Authority for Freeway and Expressways (SAFE)		$ 0.196	
HOT Lane Revenues	MTC Planning Model	$ 5.268	Still under discussion as whether to include these revenues in the financially constrained portion of the Plan.
LOCAL			
1/2 cent sales tax for transit and existing 1/2 cent local option sales taxes	Assumption Base: Information from County Transportation Authorities	$ 32.968	
Extended 1/2 cent sales taxes	Assumes new sales tax measures in Napa & Solano -- growth is equal to TDA growth assumptions. Also assumes extensions in Alameda, Marin and Sonoma counties as provided by county transportation authorities	$ 5.569	Still under discussion as whether to include these revenues in the financially constrained portion of the Plan.
Local Streets and Roads (Local Funds for Maintenance)	Base Year: FY2006-07 Data Source: LS&R surveys, MTC Projections Growth Rate: Weighted according to each jurisdiction's mix of funds per expenditure category	$ 20.363	
Transit Fare Revenues	Base Year: FY2006-07 Data Source: Each operator Growth Rate: Based on operators' estimates	$ 24.539	AC Transit, Caltrain, SamTrans, & Napa estimates are proxies until updated data is submitted.
Transportation Development Act (TDA).	Base Year: 5-Year historical average Data Source: State Board of Equalization Growth Rate: 5.56% nominal	$ 16.719	
General Fund/ Parking Revenue (MUNI)	Base Year: FY2006-07 Data Source: SFMTA	$ 9.046	From SFMTA Revenue Data. Excludes DPT revenue.
Golden Gate Bridge	Base Year: FY2006-07 Data Source: MTC Model	*$ 2.732*	Will be updated with GGHTD's own projection when received.

Revenue Source	T2035 RTP Revenue Assumptions	T2035 RTP Baseline Revenue	Comments
BART Seismic	Base Year: FY2006-07 Data Source: BART	*$ 1.556*	Figures temporary. BART to provide updated figures.
Property Tax	Base Year: FY2006-07 Data Source: Each operator Growth Rate: Based on operators' estimates	*$ 1.029*	Figures temporary. Operators to provide updated figures.
AB 434 (Local Funds)	Base Year: FY2006-07 Data Source: Local Agencies	$ 0.313	
AC Transit Parcel Tax	Base Year: FY2006-07 Data Source: AC Transit	*$ 0.190*	Figures temporary. AC Transit to provide updated figures.
San Mateo County VRG ($4)	Base Year: FY2006-07 Data Source: State Controller Vehicle Registration info 2007 & DOF Population Increase (.99% annual)	0.039	Assumes that legislation is approved. Also assumes that 50% of revenues are for non-transportation purposes (storm water)
GRAND TOTAL		**$ 212.1**	