

APPENDIX K:

Financial assumptions

This report documents the process used to consult with local government agencies and WSDOT regarding year of expenditure and forecast methodologies. It also describes the data sources and calculations selected as a result of the consultation process.

1. Financial assumption consultation

Whatcom Council of Governments (WCOG) staff used transportation revenue and expenditure data collected by the Washington Department of Transportation's (WSDOT) Economic Analysis Unit (EAU) from local jurisdictions and transit agencies. A methodology to use the revenue and expenditure data forecast future values was created in consultation with the EAU staff.

WCOG staff presented the financial methodology to the Transportation Technical Advisory Committee (TTAC) along with the spreadsheets and formulas for their review. This process involved several months of exchanges between the TTAC and jurisdiction budget managers. Consultation included reviewing the base-year revenue and expenditures for each category and comparing EAU values with jurisdiction's internal records. Some of the jurisdictions also had forecast growth rates for some of the revenues and expenditures. Also, new funding sources not accounted for in the past such as Transportation Benefit Districts were considered in the forecast. This will be discussed later in the document.

2. Year of Expenditure (YOE) methodology

The current transportation bill (SAFETEA-LU) requires that metropolitan transportation plans use an inflation rate to adjust year of expenditure dollars, based on reasonable financial principals and information, developed cooperatively by the MPO, States, and public transportation operator. The expenditure and revenue YOE methodology is described below.

Expenditure Forecast

WCOG staff used the WSDOT annualized highway construction cost index forecast as an inflation rate regarding future growth in expenditure.

Revenue Forecast

Property Taxes: Growth for Property Tax was determined using the state Property Tax forecast by the Economic and Revenue Forecast Council. They do not have long-term forecasts. The Forecast Council June forecast for FY 2011 determined a growth rate of .20%, FY 2012 growth rate of 2.3% and a FY 2013 growth rate 2.6%. The remaining years were calculated at the same rate as FY 2013 at 2.6% until 2032.

Federal Funds: WSDOT has federal funding forecasts published each quarter. The June 2011 federal funds forecast for obligation authority runs to 2027. The remaining years (2028 thru 2032) growth rate were kept at the same rate as year 2027.

Motor Vehicle Fuel Taxes: WSDOT forecasts motor vehicle fuel tax each quarter (used the June 2011 Report). The forecast for fuel taxes distributed to local cities and counties were used for this analysis.

Sales Taxes: WSDOT annually completes a sales tax forecast for local transit districts and the Economic and Revenue Forecast Council does a short-term forecast of taxable sales. WSDOT releases long-term sales tax forecast in November each year so the last forecast was released on November 2010. The forecasted growth rate for sales taxes in the long term is estimated at roughly 4.5 percent beginning FY 2014.

Special Assessments: The September 2011 Long Term Consumer Price Index predicts an inflation rate of about 2 percent per year. A growth rate of 2 percent per year was applied to most jurisdictions.

Other Local Revenues (General Fund, Local Road User Tax, Other State Funds, and Bond Proceeds): The September 2011 Long Term Consumer Price Index predicts an inflation rate of about 2 percent per year. A growth rate of 2 percent per year was applied to all jurisdictions.

Ferry Tolls: The ferry toll numbers from the County (operator of the Whatcom ferry to Lummi Island) for years 2009 and 2010 came from their published and audited financial statements. The County forecasted year 2011 and applied a 1% annual growth rate through 2032.

3. Forecast methodology

City and County Forecasting Methodology

Jurisdiction's constrained revenue forecasts were determined by multiplying the total future revenues for each jurisdiction by the percentage of historic expenditures comprised of construction and preservation projects.

The forecast base-year values are the average of expenditure and revenues by categories for year 2005 through 2009. There are exceptions to the base year and the YOE methodology for each jurisdiction. These exceptions were determined in consultation with finance managers and engineers for each jurisdiction and were based on their knowledge of the organization's financial allocation.

Whatcom County:

Calendar year 2009 was used as the starting point for property taxes. Per the county, property taxes were held flat until year 2015.

The ferry toll numbers from the county for years 2009 and 2010 came from their published and audited financial statements. The county forecasted from 2011 and recommended a 1% annual growth rate through 2032.

As per county request, Traffic Policing (Expenditure) was held constant from 2009 through 2032.

Bellingham:

City of Bellingham has a Transportation Benefit District in place for years 2012 through 2020 that will generate estimated \$3,000,000 per year. That amount was applied both on the Expenditure (\$1,000,000 per year in Construction Category and \$2,000,000 per year in Maintenance Category) and Revenue (\$3,000,000 per year in the Special Assessment Category).

City of Bellingham requested that WCOG use about \$6,000,000 as the base number for construction and \$2,000,000 for preservation. WCOG staff used 2006 values as the starting point because it came closest to the \$6,000,000 per year for construction.

Other Local Receipts include sales tax revenue and other sources. WCOG staff used Growth factor= Average of Sale tax Growth rate of 4.5% and Average CPI of 2.0% for a total average of 3.25%.

WCOG used a 3.25% growth factor per year for Other Local Receipts in the revenue category.

Everson:

Below are construction projects added to the expenditure and revenue spreadsheet that were not accounted for in the states database. These projects were added under construction (Expenditures) and under Other Local Receipts (Revenues), Other State Funds (Revenues), and Federal Revenues (Revenues). The base was an average of years 2005 through 2009 with the new added numbers below.

Year	Local	State	Federal	Total	Construction Projects
2006	0	23,570	151,021	174,591	Bay to Baker Trail
2007	0	12,182	78,053	90,235	Bay to Baker Trail
2008	44,150	35,320	509,192	588,661	Mission Road Phase 2
2009	4,635	3,708	53,454	61,797	Mission Road Phase 2

Ferndale:

Used a 2% annual growth rate on the property tax category.

Used a 2.5% annual growth rate on the sales tax category.

Used Year 2009 as the base for the forecast.

Apply \$1,000,000 per year both on the expenditure (Construction) and revenue (Other Local Receipts) to account for a policy change in impact fees that will generate additional funds.

Apply \$300,000 per year (Years 2012 thru 2022) for preservation projects and \$185,000 per year (years 2012 thru 2022) for construction projects to account for the newly passed Transportation Benefit District. This is also reflected under the Special Assessment category in the revenue side of the table.

Lynden:

City of Lynden requested a base construction amount of \$3,000,000 in year 2011. WCOG staff started year 2011 using the year 2006 revenue and expenditure values provided by EAU because it also had a construction total of about \$3,000,000.

WSDOT Forecasting Methodology

WCOG staff worked with WSDOT to obtain and develop the fiscally constrained numbers. WSDOT Economic Analysis unit submitted the 2010 legislative project list. WSDOT Mount Baker office refined the project list by adding unfunded projects to complete the state's 20 year fiscally constrained forecast. The project list includes projects that might not have funding until 2015. The list includes projects from the 2005-2007 biennium through the 2013-2015 biennium. The 2013-2015 biennium as the starting point for the forecast. The forecast methodology used to calculate construction and preservation costs is explained below.

Convert the state fiscal year 2013-2015 to calendar year. To determine year 2013 numbers first take a quarter (.25) from the 2011-2013 and a quarter from the 2013-2015 and add the two. To determine year 2014 numbers divide by half (.5) the total number in the 2013-2015 biennium. The forecasting starts at year 2013 and ends on year 2032.

WSDOT has a motor vehicle fuel tax forecast each quarter. The June 2011 report which forecast to year 2027 was used in the forecast. Growth rate of the Motor Vehicle Fuel Tax distribution to cities and counties were used to calculate year of expenditure. The same growth rate applied in year 2027 was used in the remaining forecast years (2028 thru 2032).

The state highway maintenance cost for Whatcom County was based on the proportional amount of 11-13 statewide maintenance budget (\$382M) based on Whatcom County population (3%) plus anticipated increases based on need. This calculation was conducted by WSDOT.

WTA Forecasting Methodology

The financial reports of WTA were used to calculate year of expenditure capital revenue to year 2032. The base year was calculated by averaging years 2000 thru 2009 federal and state capital revenue.

Federal capital forecast was calculated by using the WSDOT federal funds forecast which is published each quarter. The June 2011 federal funds forecast for obligation authority was used through 2027 and kept the same rate after that for the remaining years.

State capital forecast was calculated by using the Implicit Price Deflator-Personal Consumption September 2011 forecast.

The Regional Transportation Plan needs to include a list of capital transit projects that are fiscally constrained. The WTA calculation methodology mentioned above determines the fiscally constrained number for transit capital projects.