

STAFF REPORT

SUBJECT: 2018 Regional Transportation
Plan/Sustainable Communities Strategy
(RTP/SCS) Financial Assumption

RECOMMENDED ACTION: Discussion

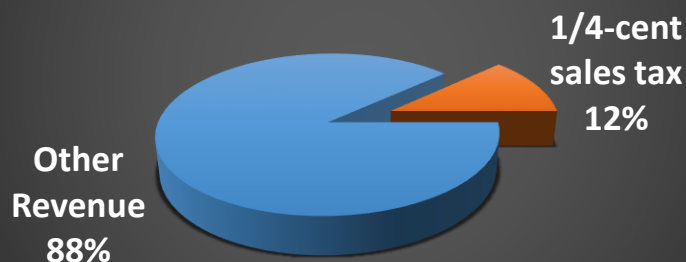
SUMMARY:



SJCOG Board's adopted Regional Transportation Plan must be "financially constrained."

Last month's update to the Board focused on the foundational assumptions for the Regional Transportation Plan's financial element. The financial element identifies all local, state and federal revenue sources to fund the projects in the Regional Transportation Plan. Therefore, revenues that are reasonably expected to be available during the Plan period will constrain the transportation projects that can be delivered. In this staff report, SJCOG staff is posing a question to the Board regarding a significant financial assumption that was included in the 2014 Board adopted RTP—the ¼-cent sales tax. The 2014 RTP identified a total of **\$11 Billion** in future revenue from federal, state and local sources, and the ¼-cent sales tax assumption accounts for **\$1.3 billion** (12%) of the total revenues projected (Figure 1). Should SJCOG staff continue to assume a possibility for a ¼-cent sales tax increment during the RTP period?

**Figure 1:
2014 Regional Transportation Revenue
Forecast**



RECOMMENDATION:

The staff report is for discussion in order to give SJCOG staff early input from the SJCOG Board on the RTP financial assumption for the ¼-cent sales tax. Given the continuing funding shortfalls and needs across project categories in the RTP, SJCOG staff is proposing that the ¼-cent transportation sales tax assumption be carried forward (from the 2014 RTP) to the 2018 RTP.

FISCAL IMPACT:

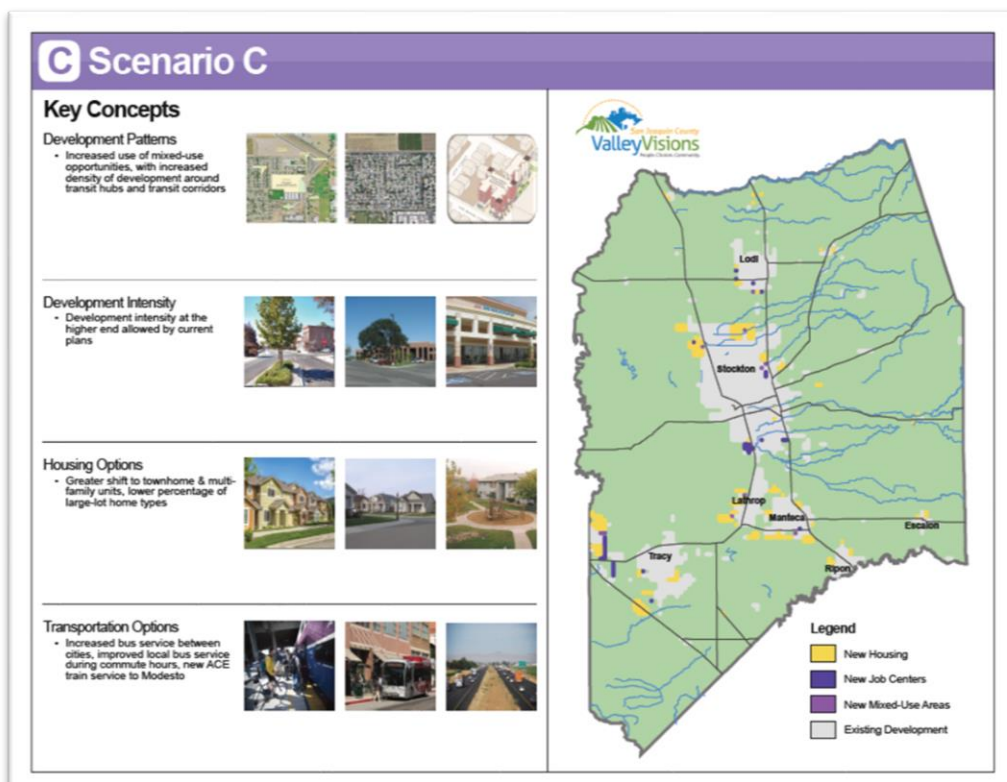
The development of the 2018 RTP/SCS is programmed in the SJCOG's Overall Work Program. The Regional Transportation Plan itself is not a budget document but a comprehensive transportation plan that sets forward policies and identifies eligible transportation improvements for future Board funding actions. If a project is not in the SJCOG's adopted RTP, it is not eligible for state/federal funds.

BACKGROUND:

“Scenario” building...analysis...and decision making

The process for the development of the Regional Transportation Plan involves providing the public and policymakers options known as “scenarios” of possible regional transportation plan(s). As Figure 2 illustrates, each scenario will differ in their mix of transportation projects/options and assumptions on development patterns, development intensities, and housing options. This will affect how each scenario will “perform” against various metrics including congestion, mobility, air quality, and impacts to the environment and agricultural lands.

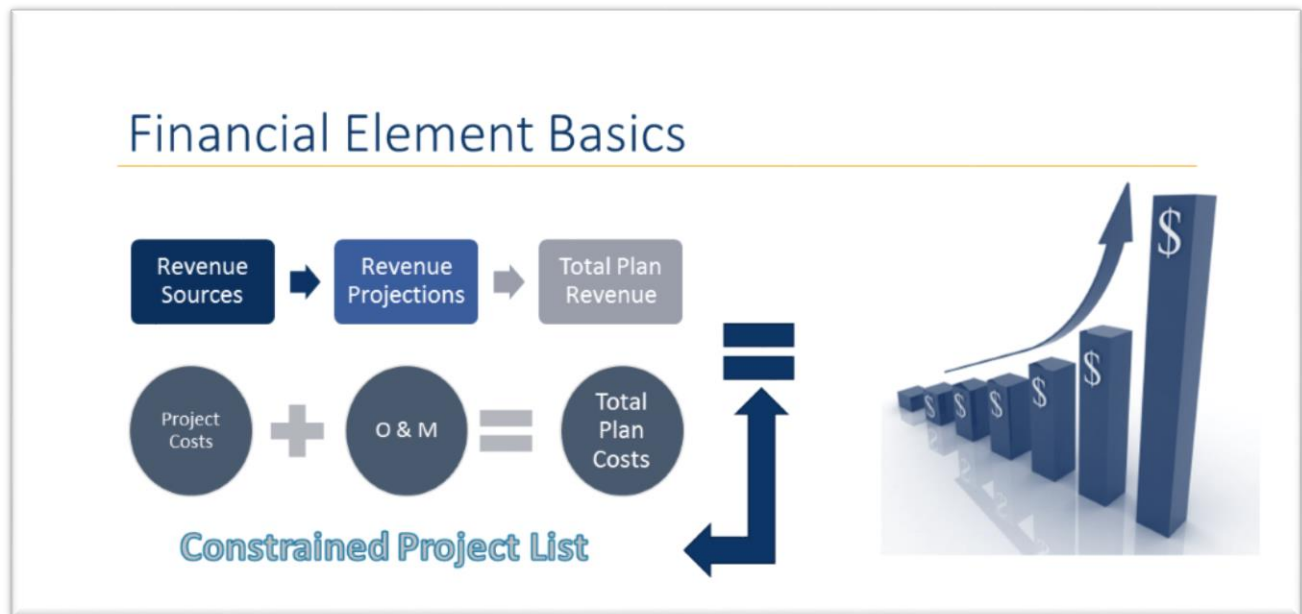
Figure 2: Sample Scenario



RTP Financial Element:

The Financial Element of the RTP identifies current and anticipated revenue reasonably expected over the entire planning horizon of the plan.

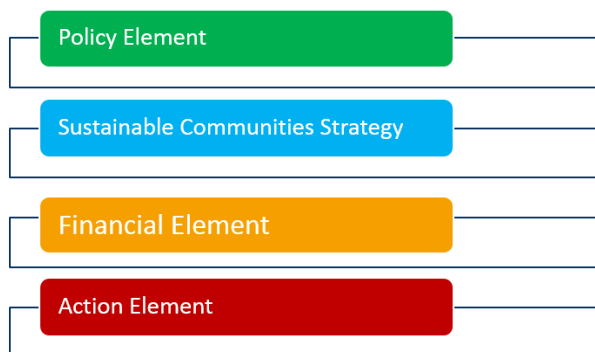
Figure 3: Financial Element Basics



It contains six major components:

- Summary of costs to operate and maintain the current transportation system;
- Estimate of costs and revenue to implement the projects identified in the Action Element;
- Inventory of existing and potential transportation funding sources;
- List of candidate projects if funding becomes available;
- Potential funding shortfalls; and,
- Identification of alternative policy direction that affects the funding or projects.

RTP Components

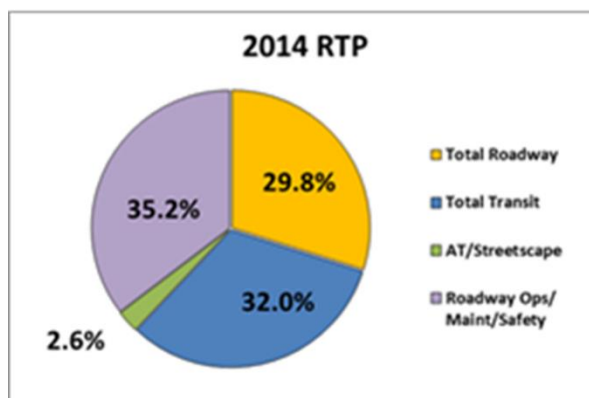


The financial element is one of four required elements of the RTP; all must be internally consistent. The goals and strategies in the policy element reflect regional priorities for mobility, which are supported by the assumptions in the SCS, which are further reflected in the funding allocations in the financial element.

The total funding for the 2014 RTP/SCS was allocated to projects in four broad funding categories: roadway expansion, roadway operations and maintenance, transit, and active transportation.

Of the anticipated \$11 Billion in Total Revenue:

- \$3.3 Billion is allocated to roadway expansion projects.
- \$3.9 Billion is allocated to maintaining & improving the operation of the existing roadway system.
- \$3.5 Billion is allocated to transit improvements & operations.
- Over \$280 Million is allocated to active transportation improvements, such as bicycle, pedestrian, and streetscape;



Should SJCOG continue an assumption for a ¼-cent transportation sales tax in its updated RTP?

SJCOG staff is currently updating the revenue forecast for the 2018 RTP, with particular attention to not only the amount of anticipated future revenues, but the anticipated timing of discretionary revenues to these multi-modal project categories.

Staff is considering an augmented sales tax measure primarily due to limited growth and decreases in “traditional” RTP funding sources such as the State Transportation Improvement Program (STIP) and various State fuel tax revenues. While SB1 and related bills provide some enhancement in these funding sources, these revenues will continue to fall short of meeting all of San Joaquin’s regional transportation needs. Staff is currently assessing funding assumptions for both State and Federal programs, and obtaining clarity on the actual effects of SB1 on projected RTP revenues. Staff is also evaluating other unrealized assumptions in the 2014 plan as the 2018 funding package is being developed.

During the 2014 RTP/SCS financial forecast development, SJCOG recognized that even assertive assumptions for other state/federal/other local revenue streams would not “backfill” funding shortfalls created during the 2008 economic recession. Given the 78% voter approval for the Measure K Renewal and subsequent successes in innovative project delivery through leveraging of other fund sources, a new sales tax increment to continue project delivery was deemed as a reasonable assumption. In 2014, the assumption was that—in 2016—there would be a ¼-cent sales transportation sales tax generating revenue concurrent with the Measure K ½-cent sales tax. At that time, other RTPs statewide also made assumptions for additional sales tax increment and later several regional agencies have brought new sales tax measures before their voters in 2016. Some have been successfully approved, some have not.

Implications of New Revenue Assumptions:

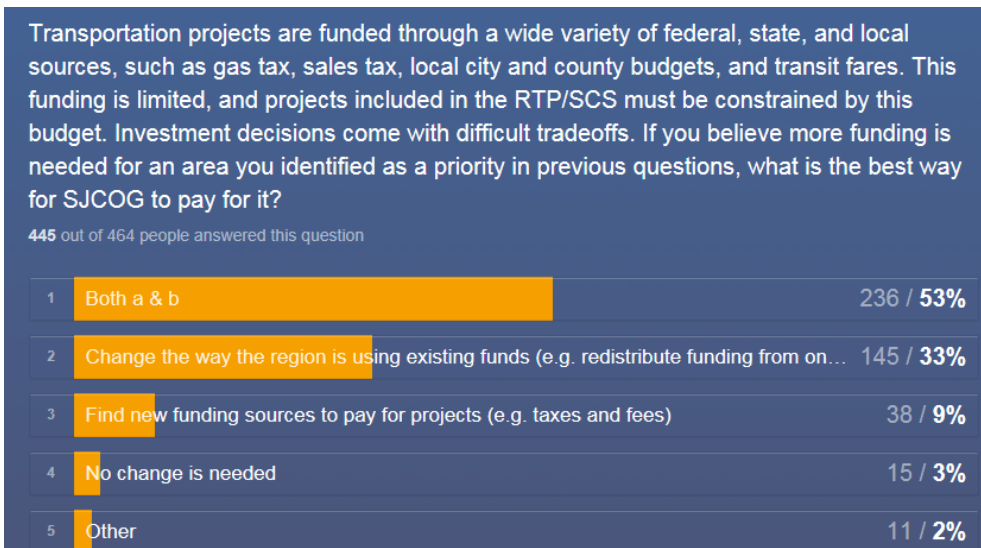
When funding plan revenues fall short of identified project needs, four responses are possible to maintain the required financial constraint for the RTP (Figure 4).

Figure 4: Four Options to Maintain Financial Constraint



RTP guidelines require MPOs to identify funding gaps for identified project needs, with the intent of defining realistic financing constraints and opportunities for innovative financing techniques. New funding sources are also to be identified. Funding gaps and new funding/financing may be recognized and discussed without including them in the fiscal constraint analysis. If new funding sources are identified in meeting financial constraint and project needs, the agency must also identify the steps that will be taken to implement the new financing strategy or funding source.

Figure 5: A question from RTP Public Survey



Public Opinion

As part of Phase One public outreach, SJCOG is asking members of the public to weigh in on where funding for their transportation priorities should come from.

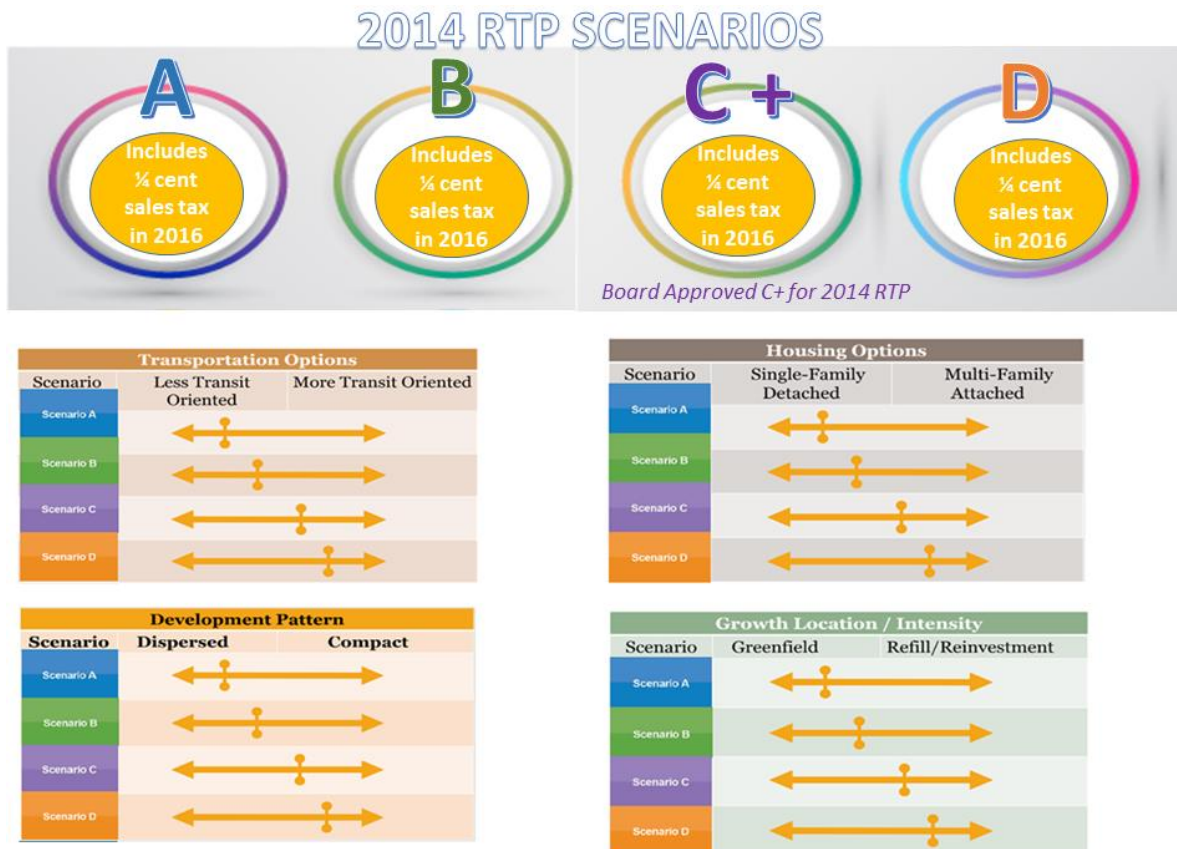
Figure 5 is an example of one of the questions.

Building the Scenarios--What should be the underlying financial basis for the 2018 RTP scenarios?



The 2014 Regional Transportation Plan examined four scenarios with varying assumptions (Figure 6). However, the common financial assumption was that all scenarios had assumed a ¼-cent sales tax starting in 2016. The SJCOG Board approved Scenario C+ (also known as C-enhanced) as the 2014 Regional Transportation Plan.

Figure 6: 4 Scenarios in Decision Making Process for 2014 RTP



For illustrative purposes, SJCOG staff has described possible scenarios (Figure 7) which includes a sales tax assumption or does not include the assumption. This is the scenario framework that could be considered for the 2018 RTP, as it includes both the adopted RTP (C+) and a version which does not include a ¼-cent sales tax assumption.

Staff believes there is value in building scenarios which primarily include a ¼-cent sales tax assumption and having one scenario that does not. This gives the public and policymakers the

ability to gauge the differences in transportation options and performance from the package/program of projects.

Figure 7: Illustration of Scenario Building for 2018 RTP



SCHEDULE & NEXT STEPS:

The draft 2018 RTP is scheduled to be considered by the SJCOG Board for release at its February 2018 meeting, with a request for Board action on adoption of the final document anticipated in June 2018.

Near term activities and next steps are indicated below.

Draft Revenue Assumptions / Project List Development	Winter / Spring 2017
Phase One Public Outreach Meetings	Late Winter / Spring 2017
Scenario Refresh / Update	Spring / Summer 2017
Phase Two Outreach / Metro Quest Launch	Summer 2017
Phase Three Outreach / Scenario Evaluation	Late Summer 2017
Public Review Draft Plan / EIR	February 2018
2018 RTP / EIR & Associated Documents for Board Consideration	June 2018

Staff will continue to update the SJCOG standing committees and Board on progress and milestones as the update process continues. Besides regular updates at regularly scheduled Board meetings, staff will be scheduling at least two Board workshops, one in late spring following the Phase One public outreach and a second in late summer 2017 after the Metro Quest effort has concluded and preliminary scenario evaluation results are available.