

City of Portland
Office of Transportation



Financial Forecast
2005-2010

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EXECUTIVE SUMMARY

This financial forecast lays out the City of Portland Office of Transportation's (PDOT) strategy to balance program objectives against limited revenues from existing authorized sources for the next five years. It also outlines major challenges the City must address in accomplishing PDOT's mission. This forecast discusses several points in detail:

- ◆ Due to one-time funding, PDOT's budget is balanced in FY05-06. However, beginning in FY06-07, deficits emerge and jump to approximately \$6 million annually unless new revenue is found or service levels are reduced.
- ◆ Transportation infrastructure is deteriorating – the City needs to invest more, not less, in maintaining the infrastructure.
- ◆ New requirements and inflation continue to put upward pressure on program costs, making it increasingly difficult to achieve balance via spending cuts. Likewise, cost pressures on our funding partners may force reductions and reduce overhead cost recovery. For example, BES is considering a cut of \$390,000 in funding of sewer and stormwater maintenance services.
- ◆ By managing the system well and focusing on Portland residents' highest priorities, we reduce long-term costs and create a more livable city. PDOT has responded to the need for improved freight mobility to help create jobs while maintaining a multi-modal approach to providing transportation services. We have also responded to citizens' demand for improved traffic safety with innovative funding and programs.
- ◆ PDOT is implementing its new Strategic Plan, adopted in June 2004; see Appendix B for a summary of this plan.

Summary of Financial Picture

PDOT's primary source of discretionary operating revenue is the State Highway Trust Fund. The main components of Highway Trust Fund revenue are gas tax revenue, vehicle registration fees, and titling fees. Since none of these sources are indexed to inflation, discretionary revenues are projected to be relatively flat in coming years. Meanwhile, costs are expected to rise due to inflation, particularly energy and health benefit costs, and due to new requirements.

The 2003 Legislative Assembly passed the third Oregon Transportation Investment Act (OTIA III), which increased vehicle registration fees, resulting in increased Highway Trust Fund revenue, but it has not been enough to counteract the effects of inflation. Much of the increase was dedicated to specific projects; a sizable but limited amount of unbonded revenue was allocated to state and local jurisdictions for road maintenance.

Meanwhile, infrastructure maintenance costs are increasing due to the age, complexity, and growth of the assets in the City’s transportation system. Furthermore, new and ongoing commitments increase PDOT’s funding requirements, such as:

- Americans with Disabilities Act (ADA) requirements
- Operations and maintenance impacts of new development
- Energy and health benefit cost inflation
- Environmental protection requirements; for example, sweeper debris cost increases

PDOT also has been designated as either the lead or a key participant in development and implementation of plans to encourage economic redevelopment, such as:

- the Freeway Loop Study
- the Freight Master Plan
- the I-5 Trade and Transportation Study
- South Corridor, Transit Mall, and South Waterfront projects
- the Transportation-related elements of PDC’s Economic Development Strategy

This comes at a time when Transportation Planning staff levels have been cut substantially. Recovering both staff and funding to fulfill these obligations will be a challenge.

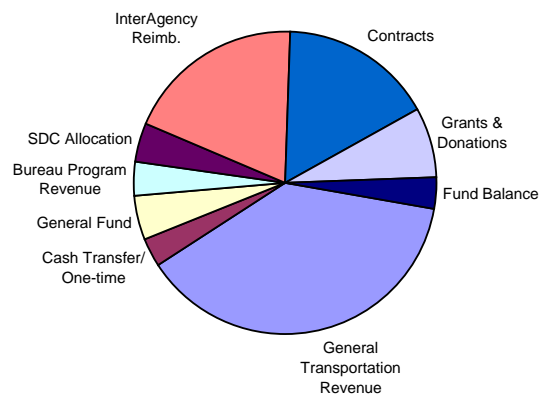
The gap between requirements and resources is not new, and simply reallocating resources will not close it. After several years of funding shortages, the City is investing far below the sustainable level in infrastructure maintenance (see Appendix E) and has implemented cuts in services and deferral of much-needed work, such as:¹

- Road reconstruction
- Street preservation
- New street lights and street light maintenance
- Signal maintenance
- Street Area Landscaping

Resources

PDOT’s revenue sources are summarized in Figure 1. The projected budget for the Office of Transportation in FY 2004-2005 is \$173 million. Gas taxes, parking revenue, and citations provide the largest segment, about 40% of the total, and together represent the General Transportation Revenue (GTR) available for maintenance and operation of the transportation system

**Figure 1. FY04-05 Transportation Revenue
Total: \$173M**



¹ See Section I for a more complete list of recent program cuts.

(with a small portion, about \$2 million, set-aside for capital). The remaining funding is provided by a variety of customers that purchase Office of Transportation services, such as other City bureaus, or is obtained by the Office of Transportation, often in the form of grants, for specific projects and purposes. Section II provides more detail on these revenues.

Requirements

Cost increases in this forecast are driven by the two factors: inflation and new requirements.

Inflation

Key inflation factors for PDOT include:

- Inflation for most goods and services will range from 2.8% - 3% in coming years.
- Employee health benefits inflation - 5.7%
- Energy costs are rising faster than general inflation and is a critical component in the costs of asphalt and street lighting.

New Requirements

Cost increases from new requirements include:

- PDOT's share of the Enterprise Business System Project (\$280,000/year)
- The Transit Mall project (\$185,000 startup costs and \$3.2 million annually in bond payments and direct project management costs)
- The City's portion of tram operations and maintenance (\$150,000)
- Bond payments on the expanded Sunderland Yard facility (\$150,000 - \$225,000) until it is able to recover those costs (FY07-08)

Bottom Line: Revenues vs. Expenses

About \$67 million of PDOT's annual budget is discretionary (GTR) while the remaining sources of funds are committed to specific projects or activities. Thus, the FY 05-10 Financial Forecast focuses primarily on GTR.

Table 1 shows PDOT's five-year projection of expected revenue and expenses supported by GTR.² The table shows that projected annual operating expenses exceed revenues every year. Use of one-time resources will bridge the gap through FY05-06. However, the annual deficit will grow to over \$6 million and total \$18.9 million over the five-year planning horizon.

Closing the Gap

This financial forecast assumes that PDOT will carry over a \$2.8 million surplus in FY04-05 to help reduce the impact of fiscal shortages in future years. This surplus reflects limited one-time funding from OTIA III. The carry-over will be sufficient to balance FY05-06, but beginning in

² Excludes General Fund, program revenue, cost recovery, interagency agreements, and non-GTR capital revenues and expenditures. See Appendix F for more details.

	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
Requirements						
Base Requirements	65.6	67.0	68.7	71.4	72.2	74.1
Inflation		2.1	2.0	2.0	2.0	2.1
Adjustments and New Requirements	3.1	(1.2)	2.5	3.5	3.1	2.5
Total Requirements	68.7	67.9	73.3	77.0	77.4	78.7
Revenues	65.8	68.0	69.4	70.5	71.7	72.9
Annual +/-	(2.9)	0.2	(3.9)	(6.5)	(5.7)	(5.8)
Beginning Balance	5.7	2.8	3.0			
Ending Balance	2.8	3.0	(0.9)	(7.4)	(13.1)	(18.9)

FY 06-07, PDOT will need to either make service reductions or find additional sources of revenue.

The \$900,000 gap in FY06-07 will be addressed through savings and efficiencies of about \$300,000 per year beginning in FY04-05. In addition, PDOT will investigate the risks and savings that could accrue from improving cost recovery from its funding partners on projects and analyze its options for altering its debt service to improve cash flow and reduce interest liabilities.

In the long term, the \$18.9 million 5-year funding gap can only be closed by raising new revenue or making cuts to services beginning in FY07-08. Given the size of the funding gap, this cannot be accomplished without cutting into core services such as paving, street cleaning, traffic system operations and maintenance, parking, sidewalks, and maintenance of structures.

Discretionary Revenue Enhancements

On the revenue side, the City's options are limited. For example, the City does not have the authority to enact a City gas tax or registration fee; and parking fees must remain competitive with private garages. PDOT recommends that a Parking Master Plan consider planning for future parking fee adjustments to ensure that revenues keep up with associated costs while maintaining consistency with market rates.

Because of these limitations, local transportation funding has been largely dependent on actions by the State Legislature to increase money in the State Highway Fund. This has not generated enough funds to meet Portland's needs. While OTIA III was an important increase, it is only a temporary reprieve.

The following could provide funding in addition to that included in this financial forecast:

- **Legislative action** in 2005 on a gas tax or in a general transportation funding package is possible, but based on current information on the 2005 legislative session, this seems unlikely.
- **Economic rebound.** A rebounding economy could enhance State Highway Trust Fund receipts over what is currently forecast.
- **Street User Fee.** Over 10 Oregon cities have street fees to help close the gap between state funds and local needs. The City Council passed the Street Maintenance and Improvement Fee (SMIF) in July 2001, but later repealed it in light of a successful referral effort. However, there is continued interest in the community for local transportation funding options.
- **Street Light Levy.** Street lights were funded by a property tax levy until 1993. Since that time this program has been funded principally by the General Fund (\$1 million of GTR helps pay for this program since FY03-04). With both GTR and General Fund resources tightening, City Council could consider a street light levy or fee to provide dedicated funding for this program once again, and free up \$5 million in General Fund dollars for other services and \$1 million in GTR.

PDOT FINANCIAL FORECAST 2005-2010

I. Operating Requirements

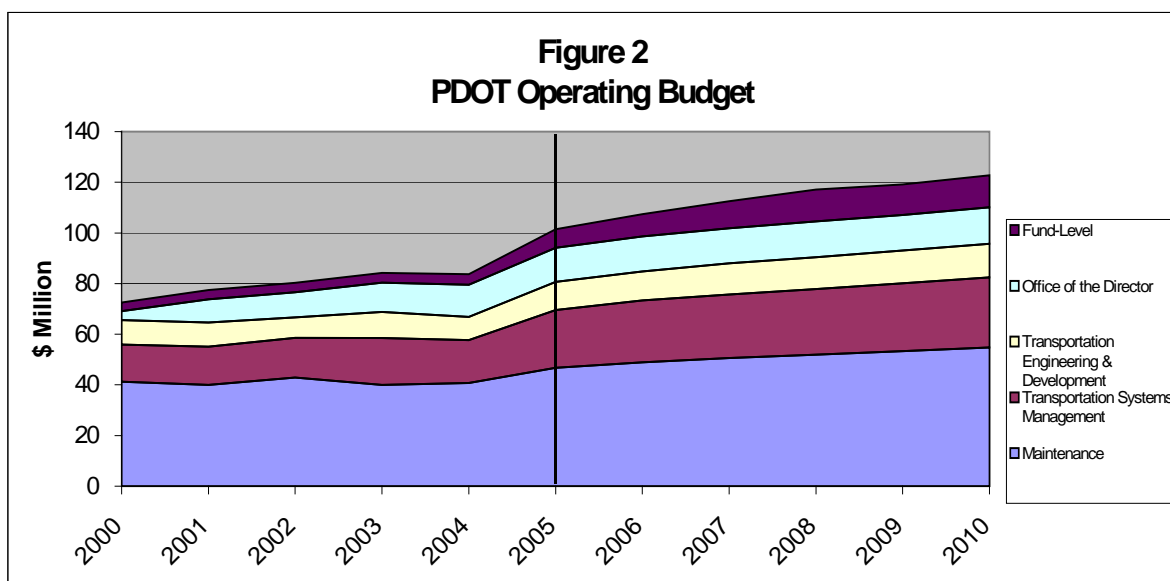
A. Forecast Assumptions

Revenue and expenditure projections in this forecast are based on the following:

- ◆ The mission, goals, and strategies outlined in Appendix B
- ◆ Expected interagency funding levels for specific services, including from other City Bureaus
- ◆ Historical patterns of expenditures for ongoing programs, adjusted for inflation
- ◆ Prioritizing operations and maintenance of arterial and collector systems as the backbone of urban mobility, above all other spending priorities
- ◆ Support of operating and capital programs that leverage external resources, while maximizing cost recovery of direct and overhead costs of all projects
- ◆ Status quo economy and, as a result, flat revenue

B. Summary of expenses by Bureau

Figure 2 summarizes the operating expenses of PDOT's four bureaus and at the fund level for the past five years, and projects future requirements for the next five years. Detailed data on expenditures by program are presented in Appendix A.



Service reductions in the past several years, particularly the nearly \$6 million in ongoing program cuts beginning in FY02-03, have severely impacted service delivery and organizational capacity. PDOT is no longer a full-service transportation services organization. Disinvestment in infrastructure maintenance due to lack of funding is increasing future liability. Table 2 summarizes the service reductions resulting from budget cuts in recent years.

Table 2. Transportation programs impacted by recent budget cuts

- Road reconstruction
- Traffic calming
- Local street improvement (LID) assistance
- Street landscape maintenance
- Street furniture maintenance
- New street lights
- Graffiti removal
- Pole Painting
- Street preservation
- Local street slurry seal program
- Bikes and pedestrian capital program
- Traffic investigations
- Signal operations
- Transportation Planning
- Street Light maintenance
- ADA ramps
- Curb replacement
- Administration
- Transportation Reserves

II. Resources

Forecasted revenues are based on analysis of each separate source considering historical trends and planned management or operational changes.

A. Revenue History and Forecast

Table 3 shows the five-year history and Table 4 provides a five-year forecast of revenue sources. No new revenues are assumed, except for the parking fees already enacted by Council for Transit Mall redevelopment. Tables 3 and 4 demonstrate the fluctuations in overall revenue that result from varying levels of work performed for others on a reimbursable basis in different years, particularly in Contracts and Grants & Donations.

Table 3. History of Transportation Revenue (\$1,000)

Revenue Source	Actuals - FY K\$						Estimated FY04-05
	FY99-00	FY00-01	FY01-02	FY02-03	FY03-04		
General Transportation Revenue	\$ 55,845	\$ 55,340	\$ 56,577	\$ 54,071	\$ 60,396	\$ 65,816	
Cash Transfer/ One-time	\$ 11,771	\$ 15,040	\$ 1,064	\$ 1,284	\$ 1,814	\$ 5,312	
General Fund	\$ 6,722	\$ 6,457	\$ 6,527	\$ 6,480	\$ 3,955	\$ 7,891	
Bureau Program Revenue	\$ 4,649	\$ 4,486	\$ 9,072	\$ 8,954	\$ 8,657	\$ 6,265	
SDC Allocation	\$ 1,949	\$ 4,402	\$ 4,105	\$ 4,311	\$ 3,500	\$ 7,181	
InterAgency Reimb.	\$ 15,227	\$ 24,835	\$ 18,507	\$ 30,729	\$ 17,143	\$ 33,195	
Contracts	\$ 11,242	\$ 6,573	\$ 16,181	\$ 10,109	\$ 16,420	\$ 28,322	
Grants & Donations	\$ 2,009	\$ 4,444	\$ 4,470	\$ 5,413	\$ 6,390	\$ 13,204	
Revenue Total	\$ 109,414	\$ 121,577	\$ 116,503	\$ 121,351	\$ 118,276	\$ 167,187	

Table 4. Forecast Transportation Revenue (\$1,000)

Revenue Source	Estimated FY04-05	Forecast - \$1000				
		FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
General Transportation Revenue	\$ 65,816	\$ 68,040	\$ 69,405	\$ 70,526	\$ 71,694	\$ 72,887
Cash Transfer/ One-time	\$ 5,312	\$ 1,354	\$ 1,197	\$ 1,230	\$ 1,262	\$ 1,296
General Fund	\$ 7,891	\$ 9,162	\$ 9,587	\$ 9,889	\$ 10,198	\$ 10,576
Bureau Program Revenue	\$ 6,265	\$ 7,659	\$ 8,268	\$ 6,627	\$ 6,796	\$ 7,017
SDC Allocation	\$ 7,181	\$ 6,080	\$ 6,164	\$ 4,000	\$ 4,000	\$ 4,000
InterAgency Reimb.	\$ 33,195	\$ 32,370	\$ 18,941	\$ 19,588	\$ 20,717	\$ 26,488
Contracts	\$ 28,322	\$ 32,621	\$ 18,845	\$ 14,182	\$ 18,177	\$ 18,149
Grants & Donations	\$ 13,204	\$ 17,201	\$ 10,083	\$ 9,784	\$ 12,048	\$ 9,444
Revenue Total	\$ 167,187	\$ 174,488	\$ 142,490	\$ 135,825	\$ 144,892	\$ 149,857

B. Reserves and contingency

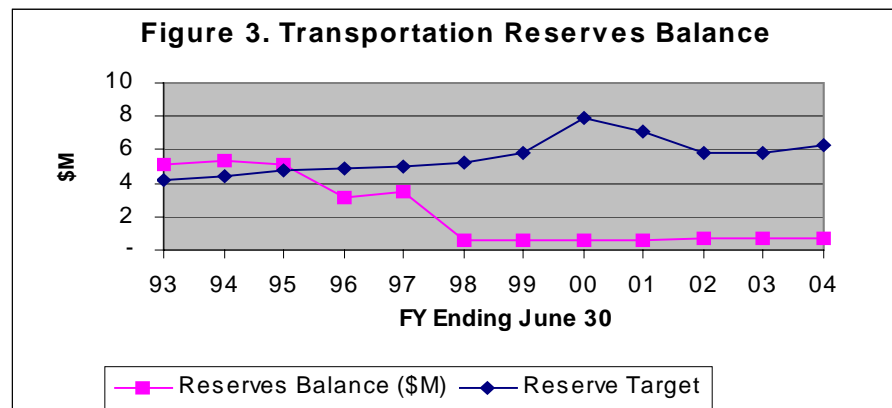
Due to draws in recent years, the Transportation Reserve Fund (see Figure 3) is currently at only 11% of target level (\$705,000 vs. \$6.6M). This is offset by an expected carry-over of about \$2.8 million in FY04-05 and a \$500,000 operating contingency. Taken together, contingency, carry-over, and reserves totals \$4 million, about 60% of the reserve target.

However, this is inadequate given PDOT's fiscal condition. First, reserves will quickly decline again as expected imbalances draw down and eliminate the carry-over in order to balance budgets through FY06-07. The reserves and contingency funds are not sufficient to balance FY07-08 or beyond. Moreover, this tiny amount of reserves provides no cash-flow shelter against a total budget of \$173 million and \$6.4 billion in assets. Without sufficient reserves and contingency, PDOT may be required to incur short-term financing costs for cash flow purposes.

As a result, PDOT cannot rely on reserves to fund major short-term budget gaps or support costs incurred due to emergencies such as landslides, flooding, earthquakes, or unusual snow and ice conditions. Moreover, PDOT's weak reserve balance could impact borrowing rates, leading to increased costs of debt service and cash flow management.

This weak reserve balance presents a risk to the General Fund as well. The lack of a GTR reserve "safety net" could result in a call on the General Fund. Any major emergency would deplete PDOT's contingency and reserve. The next place to turn would be the General Fund. Also, the General Fund backstops bonds backed by GTR.

For these reasons, PDOT recommends that rebuilding reserves should be undertaken as a high priority as soon as resources permit.



III. Discretionary Revenues vs. Expenses

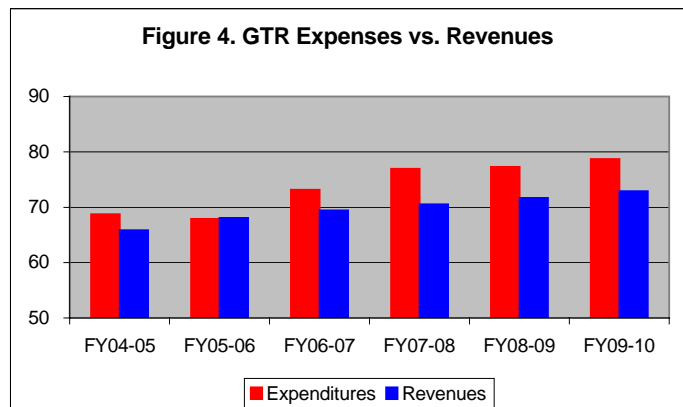
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One-time resources can close the short-term funding gap. However, these resources will soon be exhausted, leaving PDOT with a recurring problem of annual requirements exceeding annual revenues, as illustrated in Figure 4.



In the long term, the \$18.9 million five-year funding gap can only be closed by raising new revenue or making cuts to services beginning in FY07-08. Given the size of the funding gap, this cannot be accomplished without cutting into core services such as paving, street

cleaning, traffic system operations and maintenance, parking, sidewalks, and maintenance of structures.

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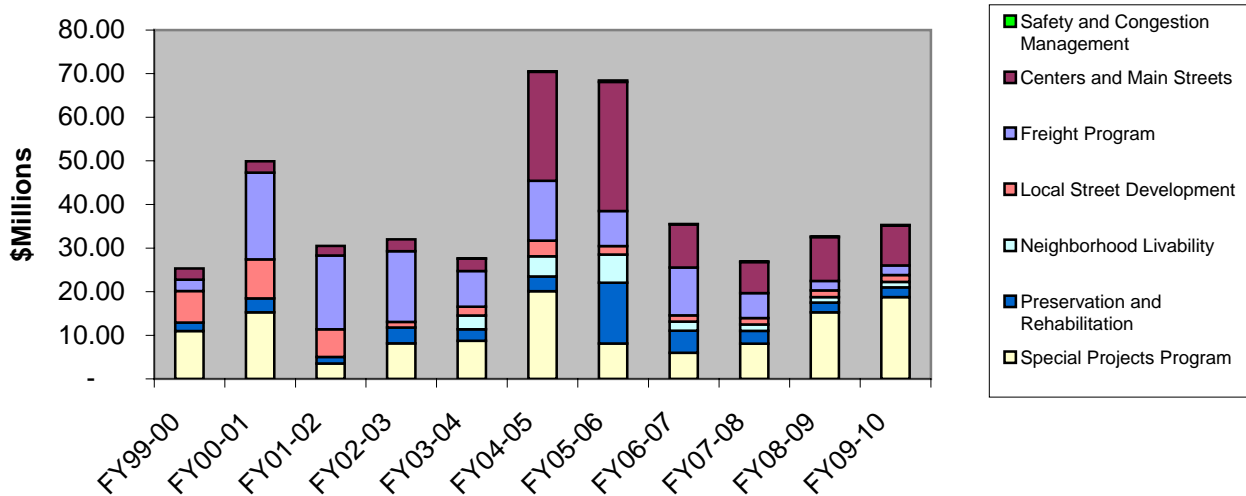
IV. Capital Improvement Program (CIP)

A. Capital Program Requirements

Figure 5 shows Transportation capital expenditures over the past five years and the forecast for the next five years, broken down by CIP subprogram. PDOT's CIP program typically totals about \$25-\$50 million per year. The big spikes in FY04-05 and FY05-06 reflect two key investments in the region's future currently underway – the expansion of the streetcar and the Tram project.

Generally, the bulk of transportation capital investment is currently focused on three program areas very key to the area's economy – Special Projects, Centers and Main Streets, and Freight. Special Projects are large projects such as Transit Mall redevelopment and the Streetcar. Freight projects invest in system improvements that help move goods and services more efficiently. Centers and Main Streets projects support land use and transportation goals in the regional framework plan approved through Metro.

Figure 5. CIP Program History and Forecast



B. CIP operations and maintenance impacts

Capital improvements may have either a positive or negative impact to ongoing operations and maintenance (O&M) costs. When they add new assets to the system, improvements increase long-term O&M costs. When they replace or upgrade aging assets that formerly required high levels of attention, O&M costs may go down. In the short term, asset improvement projects may have little to no O&M cost, as many assets, such as paving, require little O&M while new, but incur long-term responsibilities outside of the five-year planning horizon. The FY04-05 CIP program adds about \$60,000 per year in annual operations and maintenance in FY04-05, increasing to \$150,000 in FY05-06 and onward, due to operations and maintenance requirements of the South Waterfront Tram.

C. CIP Funding

Table 6 displays the five-year CIP forecast, broken down by the major funding sources.

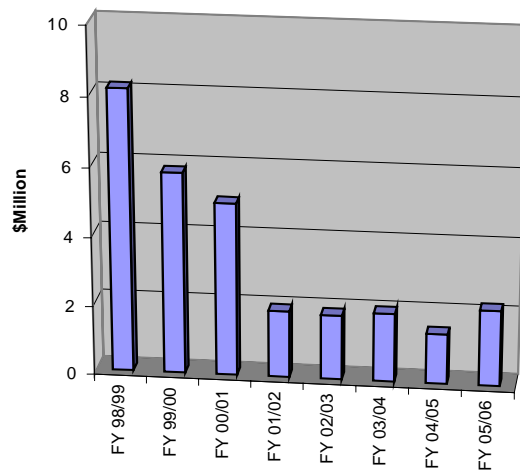
	FY04/05	FY05/06	FY06/07	FY07/08	FY08/09	FY09/10	Total Funds
Bureau Revenue	1.03	0.87	0.91	0.96	1.01	1.07	5.86
Contracts	25.74	29.01	11.33	6.63	6.05	6.05	84.81
General Fund	0.40	0.40	0.40	0.40	0.40	0.40	2.40
Grants	12.72	16.75	8.60	6.24	5.45	3.02	52.77
Interagency	15.33	14.14	0.27	0.28	0.30	5.31	35.63
SDC	7.18	6.08	6.16	0.00	0.00	0.00	19.43
Capital/Bond Sales	2.85	1.68	1.81	0.00	0.00	0.00	6.33
<i>Non-GTR Tot.</i>	65.25	68.92	29.49	14.52	13.21	15.84	207.23
GTR	5.29	(0.48)	1.39	1.76	1.53	1.53	11.01
Total	70.54	68.43	30.87	16.28	14.74	17.37	218.25

Note that capital programs are funded nearly entirely (85%) by outside sources. Since FY 98/99, annual discretionary GTR investment in CIP has been cut from \$8.2 million to about \$2 million per year, about 3% of CIP funding. When considering the 11 projects funded solely by GTR, the amount drops to \$1.3 million, 1.8% of CIP funding.³

Figure 6 shows the decline of GTR investment in CIP over the last several years. In FY 97-98, there were thirty-three GTR only projects totaling \$3.6 million representing almost 10% of CIP funding. The implications of this are that capital investments are directed toward areas supported by the goals of funding partners rather than the overall needs of the system.

The recently completed Transportation System Plan (TSP) will help prioritize transportation CIP investment in the future by guiding the search for funds based on system needs. However, potential cutbacks in grant funding, particularly from the Portland Development Commission, exacerbate the City's funding situation, and could hamper transportation system improvement in the future.

Figure 6. CIP GTR Budget



³ FY04/05 and FY05/06 are anomalies caused by a one-time use of GTR balances as bridge funding for the Streetcar project in FY04/05, to be repaid by land sales in FY05/06. This strategy saves \$150,000 in interest. Figure 6 removes this anomaly to show direct GTR expenses.

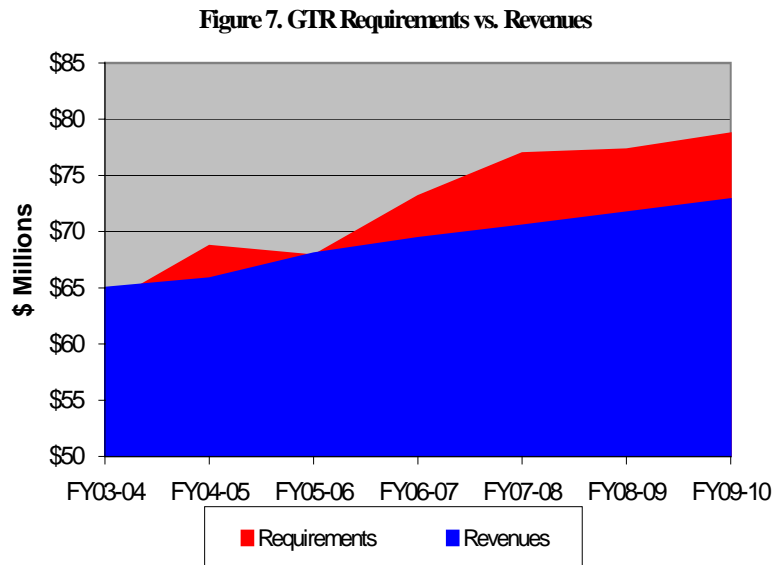
V. Fiscal issues/risks

A number of fiscal issues present risk to this forecast:

A. Revenue Issues

1. Revenues do not keep pace

The main component of Highway Trust Fund revenue is gas tax revenue, which is not indexed to inflation and has not been increased since 1993. Furthermore, due to the steady increase in fuel efficiency, drivers pay less in gas taxes per vehicle mile traveled (VMT) than they did 10 or 20 years ago. Figure 6 illustrates how GTR has



flattened while costs continue to rise. Absent additional action by the Legislature, it is expected that this trend will continue.

There is a significant decline in the purchasing power of the gas tax. PDOT will lose \$24 million in General Transportation Revenue (GTR) purchasing power to inflation over the next five years. In order to compensate for lost revenue and purchasing power; the gas tax would have to increase from its current level of 24 cents per gallon to 35 cents in 2005 and 60 cents in 2020.

2. Oregon Transportation Investment Act (OTIA)

The primary reason for PDOT's positive GTR balance in FY04-05 is the funds made available by the 2003 Legislature's passage of the Oregon Transportation Investment Act III (OTIA III). This legislation increased vehicle registration fees from \$30 every two years to \$54 every two years and increases titling and other fees. The total investment in Oregon transportation facilities will be about \$2.5 billion. This includes money shared with local governments as well as funds to repair cracked bridges. It is estimated that the Act may create nearly 5,000 jobs. Portland will receive between \$4 and \$5 million per year. There is also an additional \$0.3 to \$1.4 million in transitional

“wedge” funds that is dependent on the rate at which the State sells bonds for bridge projects.

Like the gas tax, OTIA funds are not indexed to inflation. Moreover, as the OTIA funds are bonded, the amount available for discretionary programs is reduced. As a result, unless those funds are replaced, beginning in FY05-06, PDOT will experience an increasing gap between discretionary revenues (GTR) and program expenses.

3. Parking garage revenue down

Parking garage revenue, a component of GTR, has declined from \$2.5 million in FY 01-02 to \$700,000 in FY04-05 due to the slow economy. No garage revenue is expected in FY 05-06 but a lower level, \$600,000, is expected in FY 06-07 through FY 09-10.

4. System Development Charge (SDC)

The System Development Charge (SDC) for Transportation funds about \$6 million in capital improvements annually.⁴ SDC funds are collected annually but accounted separately from other Bureau Program Revenues and allocated to the operating budget as qualifying projects are initiated.

Strict criteria govern the projects that may use SDC funds. A total of 37 transportation projects have been identified, totaling \$119 million. Of these, 9 are completed, 7 are in process, 7 are planned, and 14 will not be built due to lack of funds.

The SDC sunsets in July 2007. If the SDC is not renewed, the City will need to choose between replacing it with another funding source, or foregoing the work required to keep up with growth. This forecast assumes the SDC is renewed at a level of about \$4 million per year.

B. Cost issues

1. Energy cost inflation

Energy costs have fluctuated dramatically in the past year, on top of significant jumps in prior years. In particular, the price of oil has risen over 10% and as much as 25% at one time. This affects two programs in particular – Street Lighting, through the price of electricity, and paving, as oil is a principal driver of the price of asphalt.

⁴ Section V provides more information on SDC revenues.

2. Indirect cost recovery

Frequently, project cost reporting and billing (for example, in the CIP) have included only direct costs. Full project costs would include “indirect costs” such as overhead or other costs. Due to commitments of existing contracts, PDOT has not been able to recover all indirect costs associated with some projects. Indirect costs not recovered from a funding partner must be absorbed by PDOT’s discretionary funding, GTR. PDOT’s goal is full cost recovery of indirect costs wherever feasible. Existing contractual agreements limit the short-term amount to about \$500,000 per year until those contracts expire and are renewed or replaced with new contracts.

3. Employee benefit costs

Health care costs are rising at an annual rate of 5.7% for the foreseeable future, about double the overall annual inflation rates for the next five years, and much faster than revenues are increasing.

Appendix A. Detailed Forecast of Program Requirements

Table A-1
Office of Transportation
Operating Budget
Five-year Projections (\$1000)

Bureau Program	FY2004-05 Est.		Total Projected Operating Budget Requirements				
	Total	GTR	2006	2007	2008	2009	2010
Maintenance							
Street Preservation	13,358	12,324	14,223	14,621	15,016	15,421	15,838
Traffic Maintenance	4,481	3,792	4,818	4,953	5,086	5,224	5,365
Street Cleaning	6,218	5,413	6,482	6,664	6,844	7,029	7,218
Sidewalk Preservation	2,787	2,277	2,945	3,028	3,110	3,194	3,280
Structural Maintenance	2,327	2,326	2,468	2,537	2,606	2,676	2,748
Emergency Services	289	289	298	306	315	323	332
Sewer Maintenance	7,911	-	7,982	8,205	8,427	8,654	8,888
Stormwater Maintenance	4,105	1,157	4,141	4,257	4,372	4,490	4,611
BOM Management & Support	5,256	3,042	5,538	5,987	6,137	6,290	6,448
TOTAL	46,733	30,622	48,896	50,559	51,912	53,301	54,728
Transportation System Management							
Traffic Investigations	5,106	1,701	6,304	6,566	6,836	7,119	7,415
Signals/Street Lighting	1,650	1,392	1,726	1,774	1,822	1,871	1,921
Street Lighting	4,903	926	5,116	5,259	5,401	5,547	5,697
Electrical Maintenance	2,949	2,080	3,109	3,196	3,282	3,371	3,462
Parking Enforcement	3,547	3,533	3,759	3,864	3,969	4,076	4,186
Transportation Options	2,114	965	1,713	1,761	1,809	1,858	1,908
Parking Operations	2,504	2,578	2,613	2,604	2,687	2,809	2,967
TOTAL	22,773	13,174	24,340	25,025	25,806	26,651	27,556
Transportation Engineering & Development							
Project Management	3,588	1,484	3,707	4,390	4,481	4,575	4,672
Engineering Services	3,683	1,456	3,771	3,877	3,981	4,089	4,199
Development Services	3,795	1,009	3,966	4,077	4,187	4,300	4,416
BTED Management & Support	-	-	-	-	-	-	-
TOTAL	11,065	3,950	11,444	12,343	12,649	12,963	13,286
Office of Transportation Director							
Transportation Planning	1,350	725	1,048	965	991	1,018	1,046
Information Technology	4,646	4,082	4,400	4,269	4,299	4,415	4,534
Finance	1,507	1,521	1,598	1,643	1,687	1,733	1,780
OTD Management & Support	5,966	4,987	6,751	6,932	7,112	6,880	7,059
TOTAL	13,469	11,314	13,798	13,809	14,090	14,046	14,418
TOTAL - BUREAU OPERATING	94,040	59,059	98,478	101,736	104,457	106,962	109,989
PDOT-Wide Fund Requirements							
General Fund Overhead	2,737	1,045	2,819	2,898	2,977	3,057	3,139
PERS Debt Service	2,046	781	2,046	2,821	3,321	3,821	4,321
CIP Debt Service	799	799	799	799	799	799	799
LOC Debt Service	1,259	1,124	1,876	1,801	1,801	677	-
Transit Mall Debt Service	-	-	800	1,850	3,200	3,200	3,200
Contingency	500	500	500	500	500	500	500
Total - PDOT-Wide	7,341	4,248	8,840	10,668	12,597	12,053	11,959
TOTAL OPERATING REQUIREMENTS	101,381	63,295	107,318	112,404	117,053	119,015	121,948
CIP Program Expenditures	70,544	2,290	68,435	35,523	26,932	32,673	35,308
CIP OH Recovery Adjustments	(1,822)	-	(1,438)	(1,692)	(1,733)	(1,193)	(1,575)
Total Budget	170,103	65,584	174,315	146,235	142,253	150,495	155,680

Table A-2
Office of Transportation
Operating GTR Budget
Five-year History and Projections

Bureau Program	FY2004-05 Budget		Projected GTR Requirements by Program				
	Total	GTR	2006	2007	2008	2009	2010
Maintenance							
Street Preservation	13,358	12,324	13,029	13,394	13,756	14,127	14,508
Traffic Maintenance	4,481	3,792	4,066	4,180	4,292	4,408	4,527
Street Cleaning	6,218	5,413	5,595	5,752	5,907	6,067	6,230
Sidewalk Preservation	2,787	2,277	2,394	2,461	2,527	2,595	2,665
Structural Maintenance	2,327	2,326	2,445	2,514	2,581	2,651	2,723
Emergency Services	289	289	304	313	321	330	339
Sewer Maintenance	7,911	-	-	-	-	-	-
Stormwater Maintenance	4,105	1,157	1,216	1,250	1,284	1,318	1,354
Field Support	5,256	3,042	3,209	3,368	3,230	3,317	3,407
TOTAL	46,733	30,622	32,258	33,230	33,898	34,813	35,753
Transportation System Management							
Traffic Investigations	5,106	1,701	1,777	1,826	1,876	1,926	1,978
Signals & Street Lighting/Signals	1,650	1,392	1,444	1,484	1,524	1,565	1,608
Street Lighting	4,903	926	973	1,001	1,028	1,055	1,084
Electrical Maintenance	2,949	2,080	2,186	2,247	2,308	2,370	2,434
Parking Enforcement	3,547	3,533	3,711	3,814	3,917	4,023	4,132
Transportation Options	2,114	965	977	1,004	1,031	1,059	1,087
Parking Operations	2,504	2,578	2,666	2,659	2,743	2,867	3,027
TOTAL	22,773	13,174	13,733	14,035	14,427	14,866	15,349
Transportation Engineering & Development							
Project Management	3,588	1,484	1,589	1,711	1,753	1,796	1,841
Engineering Services	3,683	1,456	1,481	1,523	1,564	1,606	1,650
Development Services	3,795	1,009	1,061	1,090	1,120	1,150	1,181
TOTAL	11,065	3,950	4,131	4,324	4,437	4,553	4,672
Office of Transportation Director							
Transportation Planning	1,350	725	774	683	702	721	740
Information Technology	4,646	4,082	4,290	4,155	4,182	4,295	4,411
Finance	1,507	1,521	1,598	1,643	1,687	1,733	1,780
Operations Support	5,966	4,987	5,686	5,837	5,987	5,726	5,873
TOTAL	13,469	11,314	12,348	12,319	12,559	12,474	12,804
TOTAL - BUREAU OPERATING	94,040	59,059	62,470	63,909	65,321	66,706	68,578
PDOT-Wide Fund Requirements							
General Fund Overhead	2,737	1,045	1,111	1,473	1,689	1,727	1,727
PERS Debt Service	2,046	781	806	1,433	1,884	2,159	2,377
CIP Debt Service	799	799	799	799	799	799	799
LOC Debt Service	1,259	1,259	1,876	1,801	1,801	677	-
Transit Mall Debt Service	-	-	800	1,850	3,200	3,200	3,200
Contingency	500	500	500	500	500	500	500
Total - PDOT-Wide	7,341	4,383	5,892	7,856	9,873	9,061	8,603
TOTAL OPERATING REQUIREMENTS	101,381	63,443	68,362	71,764	75,193	75,767	77,181
CIP Program Expenditures	70,544	5,290	(492)	1,388	1,762	1,530	1,530
CIP O/H Recovery Adj.	(1,822)	-	-	-	-	-	-
Total Budget	170,103	68,732	67,870	73,152	76,955	77,297	78,711

Appendix B. Strategic Plan and Organizational Objectives

Several influences guided the preparation of this five-year financial plan. Most important were Council's Goals, the PDOT Mission, PDOT's Goal, and PDOT's Values. Each of these is summarized below.

Council Goals

(Source: October 21, 2004 OMF Budget Memo)

- ◆ Ensure a safe and peaceful community
- ◆ Promote economic vitality and opportunity
- ◆ Improve the quality of life in neighborhoods
- ◆ Protect and enhance the natural and built environment
- ◆ Operate and maintain an effective and safe transportation system
- ◆ Deliver efficient, effective, and accountable municipal services

PDOT Mission and Goal

The Portland Office of Transportation is the steward of the City's transportation system, and a community partner in shaping a livable city. We plan, build, manage and maintain an effective and safe transportation system that provides access and mobility.

"Five 4 Five"

PDOT's strategic plan lays out five specific Strategies for Action for the next five years:

- ***Build and operate the transportation system to last.*** PDOT, like many jurisdictions across the country, is working to match our capital investment strategy with a long-term asset management model.
- ***Establish sustainable funding for a sustainable infrastructure.*** Looming funding shortages require actions on both revenue enhancement and cost containment
- ***Deliver projects for people, jobs, and neighborhoods.*** Transportation plays an essential role in economy-critical areas such as freight mobility, industrial access, and parking management, as well as stimulating job creation and retail activity. At the same time, PDOT works to support Portland's much-praised livability with its focus on safety and neighborhood projects.
- ***Tell the PDOT story.*** PDOT needs to improve its communication with the community as well as with local and state decision-makers about "what's at stake" with regard to transportation system funding, economic development, and livability.
- ***Pull together as one organization.*** PDOT is working to implement the results of a study done in 2003 to point the way toward workplace improvement and development.

PDOT Values

- Excellent public service.
- A safe, reliable, and well-maintained transportation system.
- Transportation choices for everyone via a transportation system that supports a healthy economy, and a livable community.
- Design, construction and maintenance practices that protect the environment and result in a sustainable infrastructure.
- Community involvement.
- The publicly owned right-of-way, and management of that right-of-way to achieve a quality community, and good urban design that balances and links land use and transportation.
- A safe and supportive work environment for all employees that encourages innovation, flexibility, professional growth, teamwork, respect, reasonable risk-taking, and a “can-do” attitude.
- A diverse and inclusive workforce.
- Stewardship of the financial, physical and human resources that we manage on behalf of the public.
- A collaborative approach that fosters communication, partnerships, and teamwork, both inside and outside our organization.

Appendix C. Fund Structure

A. Transportation Operating Fund

1. **Background:** All expenditures are made from this fund for operation, maintenance, and acquisition of capital assets. All revenues except interest earned on cash balances in the Reserve Fund are received in this fund. Major external revenues are gas taxes, parking fees (meter and citation), intergovernmental revenues received via agreements with state and local governments, and cost recovery revenues (service charges, licenses and permits). Internal revenues are from interfund cash transfers and interfund service reimbursements.
2. **Current status/Issues:** Resources for FY03-04 are approximately \$148 million. The fund's fluctuations result primarily from year to year variations in interagency agreements and in one-time funding sources such as grants and outside contracts for capital work. Discretionary sources such as gas taxes, parking revenue, and vehicle registration fees have not kept up with the cost of inflation in services and are expected to flatten in the foreseeable future.

Operating revenues are expected to remain flat for the foreseeable future.

B. Transportation Reserve Fund

1. **Background:** This fund has two components: a countercyclical reserve and an emergency reserve. The countercyclical reserve equals 5% of PDOT's discretionary revenues. This reserve is available to maintain current service level programs or to buffer the impact of major revenue fluctuations, such as those caused by an economic recession. The emergency reserve goal equals 5% of PDOT's discretionary Adopted Budget appropriations, excluding operating contingency. This reserve is also available to fund major, one-time unexpected requirements, such as those associated with a natural disaster.
2. **Current Status/Issues:** Due to drawdowns in recent years, this fund is currently at only 11% of target level (\$705,000 vs. \$6.6M). PDOT cannot rely on reserves to fund short-term budget gaps or support costs due to emergencies such as landslides, flooding, or unusual snow and ice conditions. Rebuilding reserves should be undertaken as resources permit.

Reserves are only 11% of target.

C. Gas Tax Bond Redemption Fund

1. **Purpose:** This fund is a clearinghouse for debt service payments on bonds, and for monitoring cash flows on those bonds. Major sources of revenue are transfers from the Transportation Operating Fund and the Arena/Coliseum Operating Fund. The fund also earns a small amount of interest on investments.
2. **Current status:** Revenue to this fund in FY03-04 was \$1,916,709.

Appendix D. Goals, Challenges, and Issues

The City's Managing for Results effort asks Bureaus to focus their programs and reporting around Council goals and Bureau objectives. This section outlines, for each Council goal, PDOT's objectives; programs designed to achieve those goals; and challenges affecting PDOT's financial picture with respect to each goal.⁵

A. Council Goal: Operate and maintain an effective and safe transportation system

PDOT Objectives:

- Adopt capital project development strategies to enhance and optimize long-term maintenance capacity.
- Deliver high-value, high-impact transportation projects and programs, such as the Portland Streetcar and Light Rail Systems and parking management strategies
- Develop understanding of long-term implications for increasing transportation asset inventory.

Transportation programs supporting this goal:

- Street Preservation
- Capital Preservation
- Street Cleaning
- Traffic Maintenance
- Traffic Operations
- Traffic Signals
- Transportation Planning
- Transportation Options
- Electrical Maintenance
- Parking Enforcement
- Parking Operations
- Project Management
- Engineering Services
- Field Support

Challenges and issues:

- Expanding, aging infrastructure

The City's transportation infrastructure is growing, aging, and deteriorating, and its use increases with population growth. Much of the infrastructure is over 100 years old. The cost of maintaining the infrastructure increases as the assets continue to age and deteriorate.

- Streetcar Contract

⁵ The goals are presented here in declining order of relevance to PDOT's financial picture.

Under the current intergovernmental agreement, which expires in 2006, Tri-Met pays \$1.6 million annually towards streetcar operations and maintenance. Renewal of this contract is a key priority for FY05-06.

- Parking meter warranty and debt service

The City replaced several thousand traditional single- and double-space parking meters with over 1000 SmartMeters beginning in FY02-03. The SmartMeters' five-year warranty begins to expire in FY07-08 and will ultimately result in annual maintenance costs of up to \$145,000 per year, based on current part replacement rates. The warranty expiration coincides with the retiring of the SmartMeters' debt payments of over \$1 million beginning in FY07-08. These figures are reflected in this financial forecast.

- Jurisdictional transfers expand the system

The system continues to expand due to the City's taking over maintenance responsibility for some state-owned routes. This occurs where control of these streets by the City makes more sense for the purpose of traffic management – for example, on Sandy Boulevard.

B. Council Goal: Improve the quality of life in neighborhoods

PDOT Objectives:

- Partner with neighborhood associations and other agencies and organizations to collaboratively address neighborhood safety livability problems.
- Work cooperatively with schools, police, and neighborhoods to improve walking and biking routes to schools, senior centers, and other high-use facilities.

Transportation programs supporting this goal:

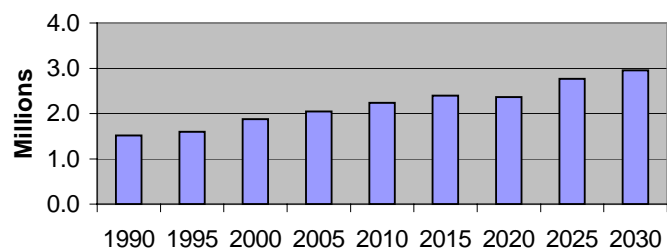
- Neighborhood Livability Capital Program
- Sidewalk Preservation and Safety Program
- Centers and Main Streets Capital Program

Challenges and Initiatives:

- Population growth

Figure D-1 shows Portland population growth⁶ since 1990

Figure D-1. Portland Area Population

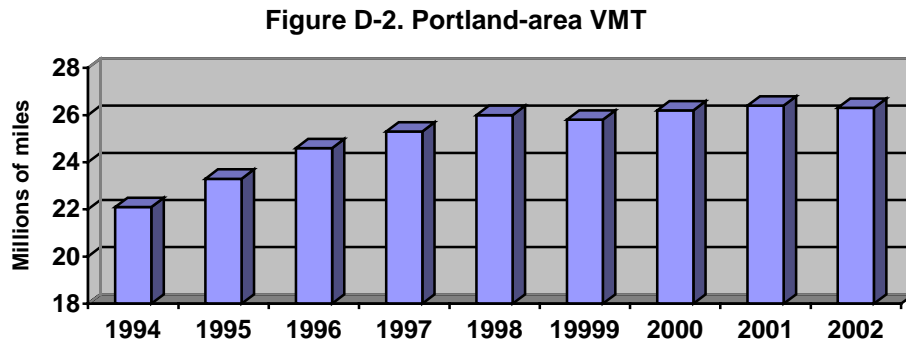


⁶ Source: Metro 2000 - 2030 Regional Forecast

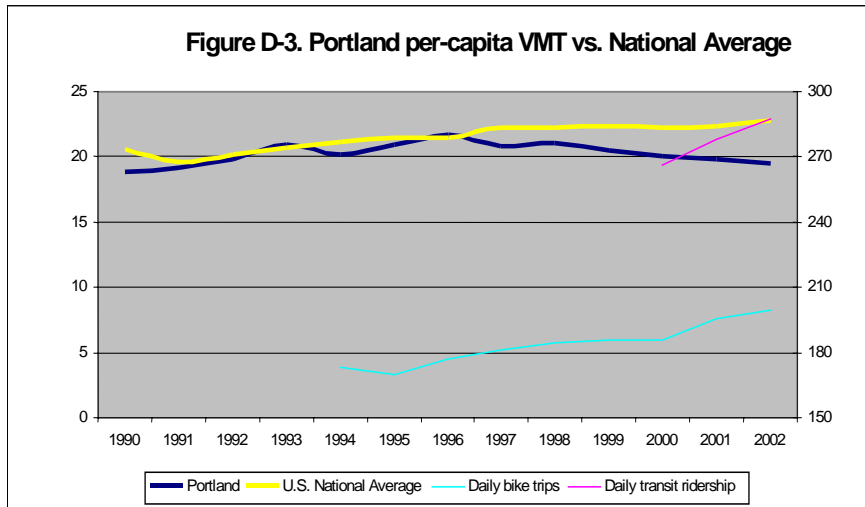
and projected through 2030. As population increases, system use intensifies, accelerating wear and tear, thereby intensifying maintenance requirements.

- Vehicle Miles Traveled

Vehicle miles traveled (VMT) on the system has increased steadily, as illustrated in the chart below. Higher VMT means more wear and tear, and greater maintenance and repair requirements.



The good news is that Portland’s emphasis on alternative mode choices is working. The chart below shows that while per-capita VMT continues to rise nationally, Portland-area per-capita VMT has declined as the area’s population has grown, as bike and transit ridership have increased.



C. Council Goal: Promote economic vitality and opportunity

PDOT Objectives:

- Provide freight movement and access to sites that support jobs.

- Revitalize and enhance public streetscapes in the Central City, Town Centers and along Main Streets to support, strengthen, and promote economic success in the Central City, neighborhood and community business.

Transportation programs supporting this goal:

- Freight Capital Program
- Special Projects Capital Program
- Development Services Program

Challenges and Initiatives:

- Freight mobility

Freight movement is key to Portland's economy. Freight's importance to PDOT's efforts is reflected in several initiatives, including:

- *Truck Access and Circulation Study*. This is part of a longer-term strategy to elevate the prominence of truck access and circulation issues in the City.
- *Supporting the I-5 Trade and Transportation Study*. In this initiative, PDOT manages public review and land use accords, and provides environmental impact statement support.
- *Capital Improvement Plan commitments*. Projects supporting freight include the St. Johns Truck Strategy, Lombard Overcrossing, the Columbia/ Killingsworth East End Connector, and the Columbia/MLK Improvements.

- Downtown Renewal

Sustaining a vital downtown remains an ongoing Council priority. PDOT's activities in support of this goal include:

- *Rebuild the Transit Mall*. The Transit Mall is a key element of a vital downtown but the infrastructure is aging and deteriorating.
- *Implement the Downtown Retail Strategy*. This strategy includes the Burnside project and the Naito Parkway project. Each of these projects will smooth traffic flow, in some cases increase access at key portals to the downtown core, provide enhanced pedestrian circulation across and along busy streets and provide safe bicycle routes.
- *PDC's Economic Development Strategy*. PDOT has been named the lead for Road/Highway and Rail matters, and Co-leader for the Central City Strategy. The latter includes a Central City Traffic Management Program study (partially funded) and Freeway Loop Analysis.

- PGE Franchise renewal

The City is negotiating a franchise agreement with PGE, based on the existing franchise with Pacific Power. The agreement will address franchise fees, right-of-way

access issues, permit fees, duct access, and pole attachments. In particular, pole attachment standards could cost the City up to \$1.4 million in sign relocation costs.

D. Council Goal: Ensure a safe and peaceful community

PDOT Objectives:

- Work cooperatively with school, police, and neighborhoods to improve walking and biking routes to schools, senior centers, and other high-use facilities.
- Operate and Maintain Street Light Program

Transportation programs supporting this goal:

- Street Light Program
- Safety and Congestion Program
- Emergency Services Program

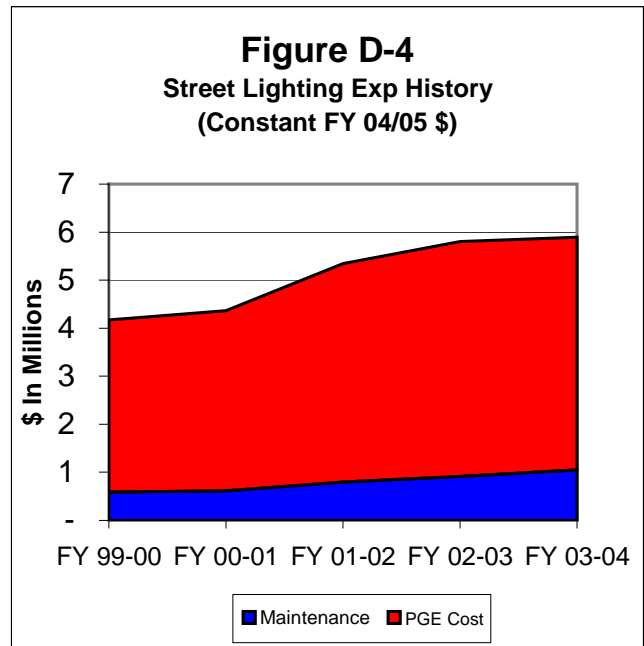
Challenges and initiatives:

- Community and School Traffic Safety Partnership (CSTSP)

The Office of Transportation is an active participant in the Community and School Traffic Safety Partnership. The partnership is a community project to improve traffic safety through enhanced education, enforcement, and engineering. A Community and School Traffic Safety Account, funded with the additional ticket citation revenue resulting from traffic fine increases adopted by the 2003 Legislature, is estimated to reach \$3.5 million in FY05-06 and subsequent years. These figures are included in this forecast as General Fund dollars dedicated to this program.

- Street Light Program

The Street Light Levy expired in 1993. Since that time, the Street Light Program has been funded principally by the General Fund. Electricity and program services provided by Portland General Electric Company (PGE) account for over 80% of annual program costs and are not subject to city control.⁷ Cuts in General Fund support must



⁷ The Public Utilities Commission sets rates for both power and maintenance.

be absorbed by the remaining 20% of the program – maintenance of twin ornamentals, installation of new lights, and overall system management – or be replaced by Transportation Fund revenues. General Fund support for this program was cut \$1 million in FY03-04 and an additional 2.5% in FY04-05. As both General Fund and Transportation Fund resources continue to tighten, pressure grows to find a sustainable funding source for this program.

- ADA Compliance

New federal legislation requires jurisdictions to install truncated domes at sidewalk corners for sight-impaired pedestrians. The full impact of this legislation is unknown at this time, but is estimated at \$125,000 per year. Currently, PDOT is installing truncated domes, funded through reductions in the number of corners rebuilt. Other regulations under consideration by the 2005 legislature could cost another \$315,000 per year.

- Uniform Traffic Control Devices Regulations

The City is required by Oregon statutes to conform to uniform standards for traffic control devices as adopted by the Oregon Transportation Commission (OTC). The OTC adopted the Millennium Edition of the Manual on Uniform Traffic Control Devices (MUTCD) on April 11, 2002. The new edition of the Manual requires changes in practices for traffic control devices. The total cost of compliance over the next ten years is approximately \$500,000. No funding has been identified in the financial forecast for this requirement.

E. Council Goal: Protect and enhance the natural and built environment

PDOT Objectives:

- Seek out opportunities to further the organization's goals of providing equitable transportation alternatives, reducing the community's reliance on the use of automobiles.
- Implementing and monitoring stormwater and underground injection devices regulations
- Efficiently and effectively operating sweeper debris disposal program.
- Operating and identifying opportunities to expand recycling.

Transportation programs supporting this goal:

- Environmental Maintenance
- Stormwater Maintenance
- Recycling Program
- ESA Program Support to BES
- Culvert Replacement Project

Challenges and initiatives:

- Environmental Maintenance cut

Environmental Maintenance Program managers are negotiating their interagency agreement with the Bureau of Environmental Services (BES). BES is proposing a reduction in the operating program of \$390,000, a cut of about 5%. This is a significant reduction in the City's investment in sewer maintenance, a key infrastructure element, and may result in staffing cutbacks of up to 3 positions. Further, reduces the amount of overhead PDOT can recover externally.

- Stormwater and Underground Injection Devices Regulations

The US Environmental Protection Agency, through the Department of Environmental Quality, has implemented regulations for stormwater disposal, which imposes severe limits on sumps (considered an underground injection control). These regulations affect the City's ability to develop in areas that lack alternative stormwater disposal, such as a separated or combined stormwater/sanitary drainage system.

These regulations, however, have served as a catalyst to make substantial revisions to urban street design standards, and have enabled the City to fast-track green street options. Green street designs integrate street's surface features with stormwater treatment and disposal. Funding for design and construction is on a project-by-project basis.

- Sweeper debris disposal

The cost of disposing street sweeper debris in an environmentally responsible way has escalated significantly. The Bureau of Maintenance is exploring alternatives that might reduce this cost. Some of the increased cost is a result of a less-frequent sweeping schedule.

- Business Energy Tax Credits (BETC)

The Transportation Options program has established a partnership with the Oregon Department of Energy and US Bank to gain Business Energy Tax Credit dollars for energy conservation investments. BETC provides \$250,000 in annual revenue and reduces congestion by promoting the reduction of single-occupancy vehicle trips, funds innovative transportation initiatives such as TravelSmart, and provides educational materials to encourage safe and effective uses of other modes of transportation. Revenue from this program is reflected in the financial forecast.

- South Waterfront / Bond Avenue Project

This street improvement project in the South Waterfront District provides an important connectivity link between Bancroft Street and the Bond Avenue street improvements being constructed by developers to the north (at Lane Street). Bond Avenue, funded with PDC and System Development Charge funds, is currently in construction.

F. Council Goal: Deliver efficient, effective, and accountable municipal services

Transportation programs supporting this goal:

- Transportation Finance
- Operations Support
- Information Management

Challenges and initiatives:

- Strategic plan

In FY03-04, PDOT completed a new five-year strategic plan that outlined a new mission statement, vision, and goals, and a set of five strategies for achieving them. This plan will guide Transportation's activities and policies in coming years to continue to make Portland a place where all of its residents can pursue opportunities for a high quality of life.

The Plan's "Five 4 Five" strategies, summarized in Part I, define PDOT's key focus for coming years. PDOT is now implementing the Strategic Plan, with task teams fleshing out detailed goals, benchmarks, and performance measures in each of these areas. Progress in each area will be reported in the Annual Report.

- Asset management

PDOT has completed comprehensive asset management plans for seven asset groups: pavement, sidewalks/curbs/corners, street lights, structures, signals, pavement markings, and signs. Together, these groups comprise the bulk of the dollar value and inventory of the assets PDOT manages. The plans outline and prioritize the best management practices and cost-effective investment strategies for each asset group, ensuring an efficient and effective approach to managing these assets.

- Life cycle cost initiative

As part of the strategic plan implementation, PDOT has convened a team of asset managers to create a comprehensive life-cycle approach to asset management – one which considers "cradle-to-grave" asset creation, maintenance, and management costs. This will ensure that the right choices are made with respect to materials, methods, and quality throughout an asset's life cycle.

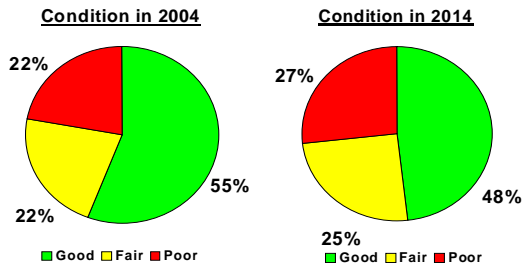
Appendix E. Infrastructure Condition

The condition and trends in the City’s transportation infrastructure have a direct bearing on the long-term condition of the Transportation Fund. Transportation manages 30 different groups of assets worth a total of \$6.4 billion. The five most critical elements of the infrastructure are streets, the street light system, traffic signals, bridges, and sidewalks.

A. Street Preservation

1. Inventory Status and Condition

Figure E-1. Pavement System Condition
Current Service Level Projection



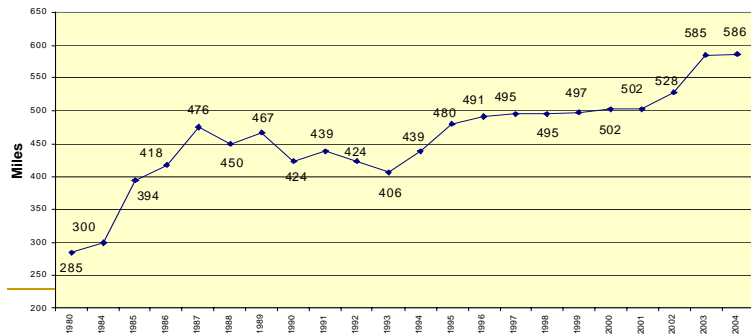
Portland’s street system consists of 3,943 lane miles⁸ of improved streets, an increase of 55% over the last 20 years. Replacement value of the City’s improved street system is \$4.3 billion.

Over the last 20 years, the condition of the pavement system has declined and the backlog has more than doubled. Funding has not been adequate to keep up with the needed repairs as the system ages. This trend will continue unless the funding level for street preservation is increased.

After growing in the 1980s, the backlog was somewhat reduced through the early 1990s. Beginning in 1994, however, the backlog has grown each year. Since 1980, the backlog has more than doubled and is expected to reach 603 miles by July 2005. As of July 2004, the backlog liability was 586 miles and \$70 million.

Figure E-2. Pavement Backlog: 1980-2004
(in 28-foot width equivalent miles)

Increased 106% in 24 years to 586 miles



⁸ In addition, the Oregon Department of Transportation maintains 224 lane miles of state highway designated surface streets within the City.

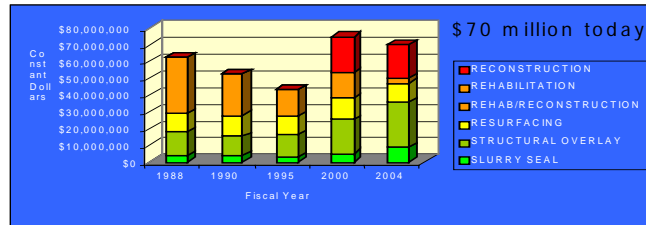
2. Service Level Definition

The current condition of all streets in the City is rated using PDOT's Pavement Management System.

Arterials are rated every 2 years and local streets every 4-5 years. Based on field evaluations, 33,000 street segments are assigned a rating, a

maintenance strategy is selected, funds are budgeted, and work is performed. After the pavement receives the appropriate treatment (patching, base repair, slurry sealing, resurfacing, structural overlay, rehabilitation, or reconstruction), the rating is automatically upgraded. Rating scores are grouped in five categories ranging from very good to very poor.

Figure E-3. Pavement Backlog Liability 1988-2004
(in constant dollars)



Backlog miles are the key performance indicator of pavement system condition. Streets that require treatment for which there is no funding comprise the backlog. Although those streets in the backlog generally correlate to streets in fair or poor condition, streets in good condition may also need work.

3. Service Level Goal

Transportation's service level goal is to reduce the backlog to 250 miles by 2014.

This will eliminate reconstruction from the backlog and prevent streets from falling into the costly reconstruction category in the future. The Street Preservation program would then primarily focus on preventive maintenance (resurfacing and slurry seal). Achieving this goal would stabilize the Street Preservation program requiring significantly less funding than CSL. However, to reach that goal, significant additional investments beyond CSL funding would be necessary for several years.

4. Recent Funding

The annual Street Preservation program budget has depended on the availability of funds. The Street Preservation program's funding level continues to fall behind the system growth experienced over the last 20 years. In FY 98/99 paving funding was increased with \$1.5 million from the General Fund with a goal of stabilizing the backlog at 500 miles. This increase was picked up by GTR in FY 99/00 and FY00/01, but was unfunded for the next three years. While the 9% Street Preservation Program cuts of FY 02/03 were restored in FY04/05, the current program remains 16 miles shy of annual paving needs.

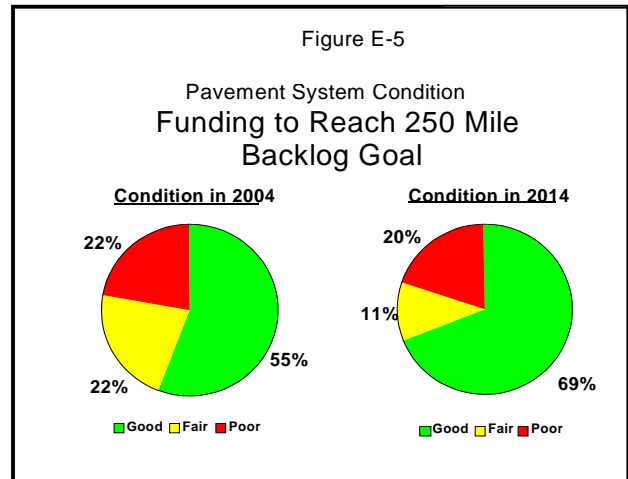
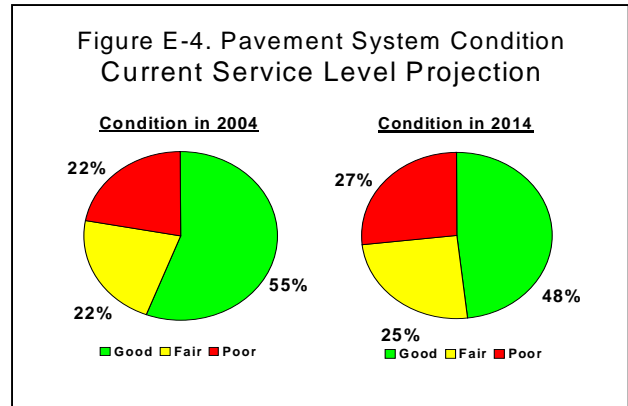
5. Funding Alternatives

These funding alternatives and outcomes apply:

a) Current Service Level. If the **budget is fixed at the FY 04/05 funding level for 10 years**, the backlog grows by 22%, from 603 to 736 miles. In financial terms, the backlog liability increases 37% from \$74.5 to \$101.7 million.

b) Maintain current condition. An average annual **increase of \$3.1 million** in funding, beginning in FY 05/06, is needed to hold the backlog even through 2014.

c) Sustainable condition. An average annual **increase of \$8.8 million** in funding, beginning in FY 05/06, is needed to achieve the goal of reducing the backlog to 250 miles in 2014. Backlog would be reduced 59%, reconstruction would be eliminated and the backlog financial liability decreased 66% from \$74.5 to \$25.5 million. The program would then move predominantly to slurry seal, resurfacing and preventive maintenance.



B. Street Light System

1. Background

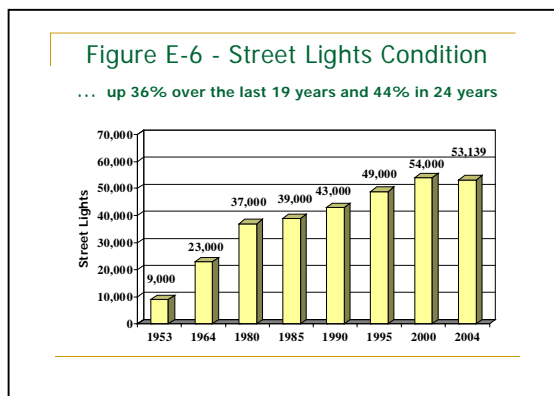
Portland General Electric (PGE) contractually provides electricity for all 55,139 city street lights and maintenance to 82% of city-owned street lights. PDOT employees maintain about 18% of the system. PGE costs are controlled by the Public Utilities Commission and currently consume 80% of the program budget.

Lights are installed to meet City Council standards. Transportation staff approves designs and inspects construction of new lights installed by developers. Lights have been converted to make them more energy efficient. Transportation tracks utility rate cases that affect street lighting.

2. Inventory Status and Condition

PDOT provides street lighting to all improved public streets within the city according to lighting standards. The current inventory is about 53,139 street lights, up from 51,500 in 1999.

The replacement value of street lights is currently estimated to be approximately \$93.2 million. This value is based on the cost of replacement parts and the number of components that need to be replaced, such as wiring, poles, and luminaries. This estimate reflects the total replacement of the city-owned components, both above and below ground.



Street light conditions have deteriorated markedly in the last ten years. 94% of street lights were rated “good” in 1994 and only 2% “poor”; in 2004, only 22% were rated “good” and 10% “poor.” At the end of FY04-05, PDOT projects that 11% of street lights will be rated “poor.” This is due to the aging of the system and inadequate funding to keep pace with needed replacements.

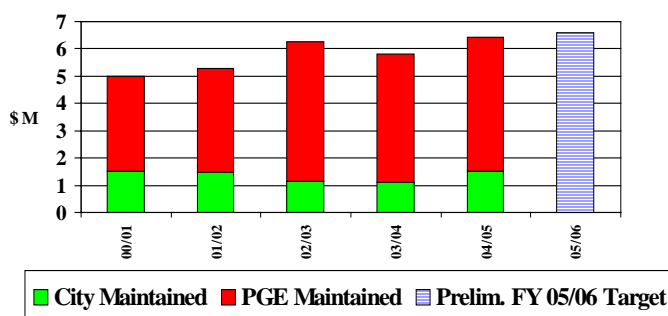
Street light cable that runs under much of the central business district is direct-burial lead-encased cable. Over seventy years old, rapidly deteriorating and located at depths varying from 6 inches to 4 feet, approximately 11 miles of cable need to be replaced with a maintainable conduit system. PDOT is identifying and replacing street light cable in downtown and inner east side of downtown. Approximately \$2 million is needed to address this capital need. The General Fund has budgeted \$400,000 annually to provide replacement and installation of street lights along the streetcar extension.

3. Service Level Definition

The condition of the street light system is estimated using the age of the components, the type of luminaire, and the type of system (underground vs. above ground). In general:

- Good = 0 to 20 years
- Fair = 21 to 30 years
- Poor = over 30 years

Figure E-7
Street Light Budget Trend
(Constant FY 04/05 \$)



During FY 02/03, the City conducted an evaluation of the Option C lights (City owned and maintained). This evaluation gave the City a much better assessment of the condition and expected maintenance needs. Street Lighting staff also did a sample evaluation of Options B lights (City owned and PGE maintained). Most of the areas reviewed were on major streets and arterials.

4. Service Level Goal

The current condition of the system is generally good, except for the buried lead-sheathed cable common in the central business district and in some other locations. However, to maintain this service level and avoid the deterioration projected if current funding levels remain unchanged, significant additional resources will be needed. **Transportation's service level goal is to keep the "poor" percentage at 10% or less.**

The consequences of current funding levels on the street light infrastructure are expected to be significant. In recent years, major reduction in maintenance services to city-owned lights has been the only option available to keep program costs within budgets. While the condition of the system is presently satisfactory, that is largely due to major infrastructure investments made during the years of the Street Light Levy, which ended in 1992. Many of these improvements will be reaching the end of their useful life within a few years. If the current service level funding for maintenance and replacement of these components is projected ten years into the future, a major degradation in street light system condition can be predicted.

5. Street Light Condition history

From 1980 to 1983, lights on arterial streets were converted from mercury vapor luminaires to high-pressure sodium vapor luminaires to conserve energy. The conversion required an entirely new fixture; therefore, all arterial lights were replaced in that three-year period. For several years, lights on residential streets have also been undergoing replacement. As annexations occur, residential and arterial street lights are converted. Each year conversion projects are scheduled, primarily in areas that have been annexed to the City in recent years. The City saves about \$1 million annually because of this conversion program.

Since 1985, approximately 25,000 luminaires have been replaced. This has changed the condition of the system significantly.

Transportation must stock parts and lamps for approximately 60 different types of fixtures and poles that the city maintains. Efforts are underway to reduce the types of street light designs in order to simplify maintenance and reduce costs.

Traditional lights (ornamental lights) are being installed as development occurs in the Rose Quarter, Pearl District and downtown neighborhoods. These are much more expensive to maintain and require up to 6 lights per block to replace the existing 2

aluminum-pole lights per block. Therefore, there has been an overall growth in the street light inventory, from 51,500 in 1999 to 53,139 in 2004, and an increase in the percentage of the inventory maintained by city employees, from 13% to 18%.

6. Historical Funding & Impact on System Maintenance

General Fund budgets have not been able to keep pace with the increasing cost of the PGE contract. As a result, maintenance work on city-owned poles and luminaries (mostly the twin ornamentals) has fallen to 50% of what it was just 5 years ago (measured in constant dollars). Furthermore, as General Fund across-the-board budget cuts have been levied, they fall completely on this ever-shrinking maintenance segment of the budget.

7. Funding Alternatives

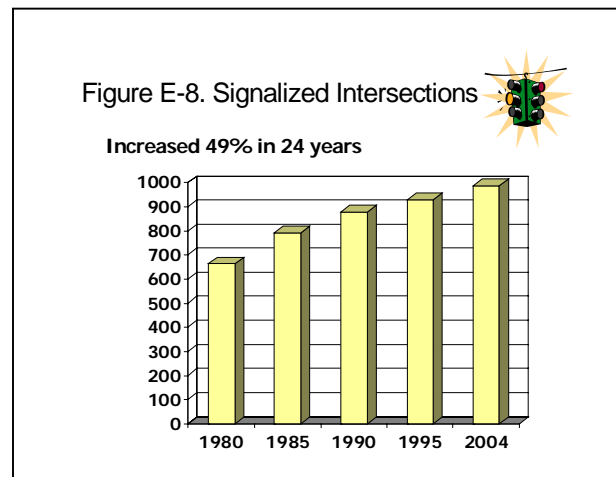
It is recommended that a policy be established to fully fund the cost of the PGE contract. Absent this stabilizing step, it is impossible to predict future street light system condition due to the disproportionate impact relatively small PGE contract shortfalls have on maintenance of the twin ornamental lights. Assuming this approach is adopted, these funding alternatives and outcomes apply:

- a) Current Service Level. In addition to fully funding the PGE contract, if CSL funding in capital, operations, and maintenance are continued for 10 years, the **condition of the city owned lights would fall to 24% poor in 2014**.
- b) Maintain current condition. In addition to fully funding the PGE contract, an **increase of \$1,100,000/year** above CSL (combined capital, operations and maintenance funding) would be needed to keep the city owned lights at their current condition (11% poor as of the end of FY04/05).
- c) Sustainable condition. In addition to fully funding the PGE contract, an **increase of \$1.2 million/year** above CSL (combined capital, operations and maintenance funding) for ten years would achieve a condition of 10% poor in 2014.

C. Traffic Signal System

1. Inventory Status and Condition

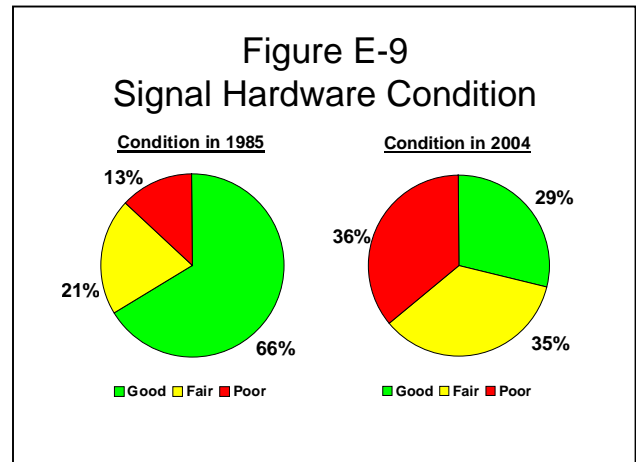
Portland has 989 signalized intersections, an increase of 49% over the last 20 years. This growth was primarily due to annexations, although several new signalized intersections have also been added with the light rail



projects. Replacement value of the City's system is \$108 million.

Each signal has two major components: intersection hardware and signal controllers. The cost for hardware replacement for an average intersection is currently \$100,000. The level of expenditures for replacements has not kept up with the need. Consequently, the condition of intersection hardware has deteriorated over the last 15 years. This trend will continue unless the funding level for replacement hardware is increased.

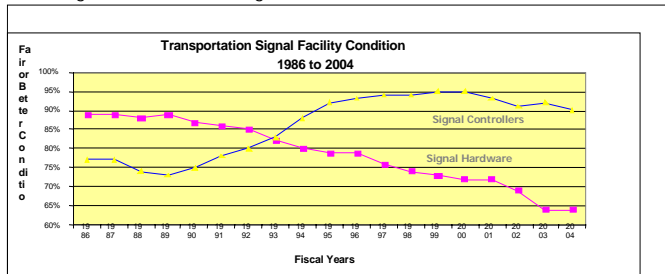
The City maintains all traffic signals within Portland, except for those on state highways in annexed eastside areas. These few signals are still maintained by the State. For traffic signals at intersections or interchanges between State of Oregon highways and City streets, the state reimburses the City for 50% of maintenance and power costs for signals installed or remodeled after 1971.



In addition to standard signalized intersections, the City has several locations with electrical warning devices such as flashing beacons, overhead crosswalk signs, and island lights. A system-wide assessment of the condition of these devices has not been done, although many of these devices are old and nearing their design life.

Figure E-10. Signal Condition

Signal hardware condition declined over the last 19 years
Signal controllers are in good condition



The condition of signal controllers has fared better. The current level of investment has raised the condition of the controller inventory to an acceptable level. Most of the controllers are solid state electronic devices with an estimated useful life of 15 years. The cost per controller replacement is \$8,000. This relatively low cost had allowed some controller replacements to be included in previous maintenance budgets. In addition, a project to expand the central signal control system included some funding for new controllers.

2. Recent Funding

The Signal Program's funding level was reduced in FY 02/03. Traffic signal modifications were cut by 75% and traffic signal maintenance was cut by 20%. In FY04/05, \$400,000 of the total \$715,000 was restored.

3. Service Level Definition

For purposes of this analysis, traffic signal service level condition is calculated on the basis of signalized intersections (a signalized intersection includes multiple components such as signal heads, mast arms, suspension wires, electrical wiring, controllers, etc.) and is based on age, either initial construction date or the date of the last major reconstruction. The hardware components account for 91% of the inventory value and are used as the condition indicator in this forecast. In 1970, an analysis was conducted to determine the useful life of intersection hardware. Based on the number of maintenance calls and average cost of repair, it was determined maintenance and costs increase dramatically for hardware 25 years and older. In 2003, a more thorough inspection program of the signal system components is being designed to better assess current condition. Until an intersection-specific condition assessment can be performed, age is considered the key performance indicator for signal hardware. For intersection hardware, the following indices are used to estimate condition:

- Good = 0 to 15 years old
- Fair = 15 to 25 years old
- Poor = over 25 years old

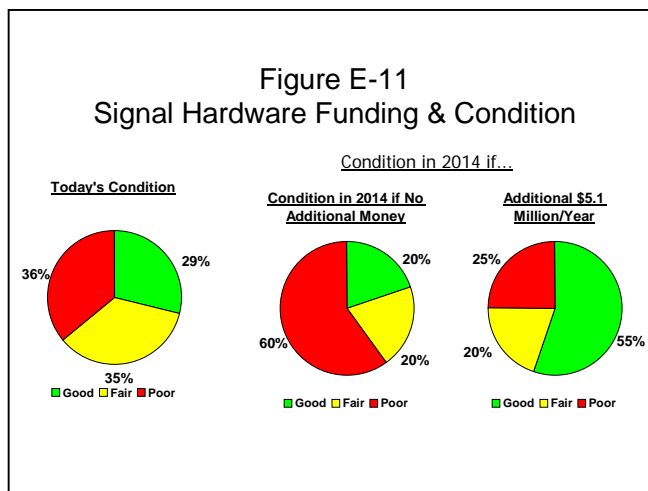
4. Service Level Goal

Transportation's service level goal is to reduce the number of signalized intersections with hardware components in poor condition to 25% in 10 years while not allowing controller condition to degrade. Achieving this goal would permit maintenance funding to stabilize at the FY 04/05 level (adjusted for inflation) by 2014. However, significant interim additional investments beyond CSL funding would be necessary to reach that goal.

5. Funding Alternatives

These funding alternatives and outcomes apply:

- Current Service Level. If CSL capital funding is maintained for 10 years, the hardware condition will fall to **60% poor in 2014.**
- Maintain current condition. An **increase of \$3.3 million/year** in capital funding would be needed to keep the hardware "poor"



condition rating at its current level of 36%.

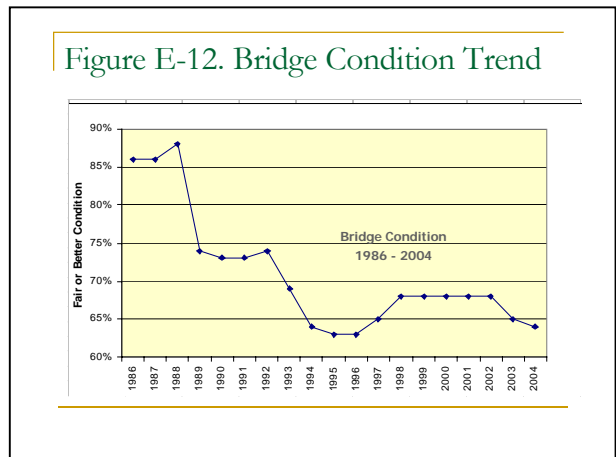
- c) Sustainable condition. A total **increase of \$5.1 million/year** in capital funding would be needed for 10 years would achieve a hardware condition of 25% poor in 2014.

D. Bridges

1. Inventory Status and Condition

The City owns and maintains 157 bridges, a 138% increase since 1980. In recent years, an average of one new bridge is added to the City’s inventory each year. The replacement value of all bridges is \$250 million.

As Figure 20 shows, overall condition of the City’s bridges has declined over the past 15 years.⁹ Furthermore, there are important unfunded deficiencies in rehabilitation, replacement, and seismic retrofit work. Most notably, there currently are 35 City bridges that are weight-limited and in need of rehabilitation or replacement.



2. Service Level Definition

Condition	Description	Rating
Good	Minor defects; potential for minor repairs; normal traffic	Over 65
Fair	Moderate defects; satisfactory with normal maintenance; potential major repair required; minor affect on traffic	56 to 65
Poor	Major defects; major repairs required; reduced traffic	Under 56

Bridges are rated using a system based on the Federal Highway Administration’s sufficiency rating system. In addition to the structural condition, functional serviceability, safety, community needs and economics are also assessed. Each of the above elements is assigned a certain number of points, with a maximum of 100.

Transportation enters information from field inspection reports into the model, which updates the condition rating of bridges. For the purpose of analyzing

⁹ The slight increase in condition from 1996 to 1998 was due to acquisition of several new bridges, which statistically influenced the citywide rating.

the condition of bridges, bridge components built at different times or of different materials are evaluated separately.

3. Service Level Goal

Current funding for preservation and maintenance is inadequate to avoid further significant degradation over the next 10 years. Additional funding is needed to replace the 5 bridges eligible for the replacement program. **Transportation's goal is to replace these bridges over the next 20 years.**

4. Requirements and Funding Sources

The unmet funding need for all bridges is about \$35 million (exclusive of seismic retrofits, discussed below). If a bridge condition rating is low enough, rehabilitation or replacement projects are eligible to compete for an 80% federal funding contribution via the Highway Bridge Rehabilitation and Replacement (HBRR) program. Currently there are no City bridges in the HBRR program during the next 5 years. However, the City has secured \$10 million in funding for six bridge projects through OTIA.

Major Unmet Bridge Requirements

- Eligible for Federal Rehabilitation Program
 - 16 Bridges; \$29 Million
 - \$23 Million Eligible for Federal Funds
 - \$6 Million City Match Required

- Eligible for Federal Replacement Program
 - 5 Bridges; \$6.5 Million
 - \$5.2 Million Eligible for Federal Funds
 - \$1.3 Million City Match Required

5. Seismic Requirements

Seismic retrofits are also needed for many bridges. In 1994, Transportation completed a seismic retrofit study to determine the need for strengthening City bridges to withstand earthquake events. A total of 81 bridges (50%) do not meet current earthquake design standards; retrofit would cost \$38.9 million. The total requirement can be sorted into two groups: Phase 1 (life safety – collapse prevention) and Phase 2 (upgrades to meet current seismic design standards). Transportation considers three of the bridges needing Phase 1 retrofits to be on critical transfer routes.

Funding for seismic retrofits is a City responsibility. No funding has been available for this work for several years and none is included in the Financial Forecast.

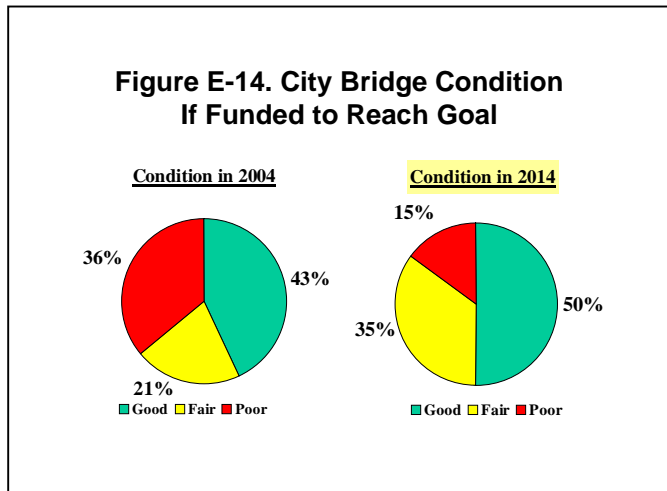
6. Funding Alternatives

These funding alternatives and outcomes apply:

- a) Current Service Level. If CSL is maintained for 10 years, the overall bridge condition is expected to degrade as shown in the charts to the right. Many of

the City's bridges are old and as the bridges continue to age, some additional rehabilitation and replacement work will be added to the backlog.

- b) Sustainable condition. A funding increase averaging \$500,000 per year from all funding sources for 20 years will provide sufficient resources to replace the 5 deficient bridges and carry out rehabilitation on many of the 16 eligible bridges. In addition, a total \$653,000 (all GTR) over 5 years would allow seismic retrofit Phase 1 projects to be completed on the 3 critical bridges.



E. Sidewalks, curbs, and corners

1. Inventory Status and Condition

Portland has over 8.5 million square miles of sidewalks, over 3,000 miles of curbs, and over 37,000 improved corners. Together, these assets are worth over \$1.2 billion. As a group, sidewalks, curbs, and corners are Portland's second largest asset in terms of dollar value, after paving. Table E-2 summarizes the current condition rating of the sidewalk system.

**Table E-2
SIDEWALK SYSTEM INVENTORY
STATUS, CONDITION, AND VALUE
JULY 2004**

FACILITY	STATUS	REPLACEMENT VALUE	CONDITION				UNMET NEED*
			G	F	P	TBD	
Sidewalks	8,582,418 sq yds	\$772,417,620				X	N/A
Curbs	3,200 miles	540,672,000	75%	15%	10%		TBD
Corners							
Improved Corners	37,192	61,366,800	80%	15%	5%		\$44,184,096
Corners with Ramps	10,588	N/A					N/A
Unimproved Corners	5,062	N/A					N/A
Total		\$1,374,456,420					\$44,184,096

2. Service Level Definition

There is no sidewalk system condition assessment. The condition of curbs and corners is based on the professional judgement of BOM's Public Works Supervisors,

inspectors and BTED engineers, given construction materials, redevelopment occurring in Portland and anticipated damage due to street trees. The percent in poor condition is based on the estimated backlog of curbs and corners work.

Seventy-five percent or 27,741 corners need ramps to comply with ADA standards. Assuming the 2003 estimate of PDOT's service level (1,947 corners), this will take 14 years to accomplish. Corner unmet need is based on an estimate that 75% of the improved corners need curb ramps installed to meet ADA standards.

3. Service Level Goal

- **Sidewalks:** To ensure public safety, CBD sidewalks should be inspected every 2 years and residential streets every 10. Currently the City is on a 5- and 20-year cycle, respectively.
- **Curbs:** Repair 53 linear miles of curbs per year. This reflects the average life span of curbs and the City's curb inventory. Currently the City repairs 2 miles per year.
- **Corners:** ADA requires the City's public facilities be designed and constructed so that they are accessible to all people, including those with disabilities. In the 1996 *ADA Transition Plan*, BOM stated that it would increase its work plan to include construction of 700 to 1,000 new ramps per year. 72% of corners are not yet ADA-compliant.

4. Recent Funding

Since FY1998-99, the BOM Sidewalk budget has been cut 25%, from \$3.7 to \$2.8 million. In general, sidewalk program activity has shifted from curb and sidewalk maintenance and posting to corner work. This shift has occurred as ADA compliance became a priority and increased costs.

Sidewalk inspection service level has dropped 50% in the last 6 years. The budget for this service has decreased 37% compared to 1997. The additional service level drop is due to a more intensive inspection process and the lack of funding to update obsolete field technology.

Funding for curb ramps has been cut nearly in half in recent years. In FY2000, the budget was reduced by one third, \$500,000, due to declining Transportation revenues. In FY2001, this program was reduced another \$150,000. At the 2003 service level—1,947 corners—it will take PDOT 14 years to retrofit corners with curb ramps.

5. Funding Alternatives

These funding alternatives and outcomes apply:

- a) Current Service Level. The program is currently funded at \$2.8 million. If funding is maintained at this level (adjusting for inflation), the following impacts will occur:
- In 40 years, the expected life cycle of corners, over 21,000 of existing corners will still not have been repaired or replaced, 57% of the total.
 - Over 3,000 miles – 96% – of curbs will not have been repaired or replaced by the end of their 60-year expected life cycle.
 - Less than half of existing sidewalks will have been inspected, two to four times the length of time required to maintain public safety.
- b) Sustainable condition. An **average annual increase of \$10.4 million** in funding is needed over the next five years to achieve the goal of returning this program to a sustainable service level. Over 85% of this amount (\$9.2 million) is for curbs alone.
- c) Sacramento scenario. The City of Sacramento, CA was court-ordered to make all corners ADA compliant within 20 years. If Portland were to comply on a similar schedule, an **average increase of \$12.9 million** in funding would be required.

Asset	Scenario	2005-06	2006-07	2007-08	2008-09	2009-10
Corners	Sustainable	\$874	\$899	\$923	\$948	\$973
	Sacramento	\$2,408	\$2,476	\$2,543	\$2,611	\$2,682
Curbs	Sustainable	\$8,673	\$8,916	\$9,157	\$9,404	\$9,658
Sidewalks	Sustainable	\$315	\$323	\$332	\$341	\$350
Total	Sustainable	\$9,862	\$10,138	\$10,412	\$10,693	\$10,982
	Sacramento	\$12,270	\$12,614	\$12,955	\$13,304	\$13,664

F. Funding a Sustainable Transportation Infrastructure

As illustrated in the sections above, current service level funding is not adequate to maintain the infrastructure at levels which would prevent further decline in the condition of the assets, much less reach goal levels. Table E-4 summarizes the additional funding required to keep infrastructure at current condition, based on the analysis above. Table E-5 summarizes the additional funding required to elevate the condition of these infrastructure assets to a sustainable level. The tables show that additional investments of \$17 - \$25 million per year are required to halt the decline in system condition, and \$25-\$34 million would be required to maintain the system at sustainable levels.

Table E-4					
Funding (\$1000) Required to Maintain Key Transportation Infrastructure To Prevent Further Deterioration (adjusted for inflation)					
Area	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
Current CSL Shortfall	(169)	3,747	6,429	5,603	5,825
Pavement	3,100	3,187	3,273	3,361	3,452
Street Lights	1,100	1,131	1,161	1,193	1,225
Signals	3,300	3,392	3,484	3,578	3,675
Bridges	500	514	528	542	557
Sidewalk system	\$9,862	\$10,138	\$10,412	\$10,693	\$10,982
Total	\$17,693	\$22,109	\$25,287	\$24,970	\$25,716

Table E-5					
Funding (\$1000) Required to Maintain Key Transportation Infrastructure At Sustainable (Goal) Levels (adjusted for inflation)					
Area	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
Current CSL Shortfall	(169)	3,747	6,429	5,603	5,825
Pavement	8,800	9,046	9,291	9,542	9,799
Street Lights	1,200	1,234	1,267	1,301	1,336
Signals	5,100	5,243	5,384	5,530	5,679
Bridges	500	514	528	542	557
Sidewalk system	\$9,862	\$10,138	\$10,412	\$10,693	\$10,982
Total	\$25,293	\$29,922	\$33,311	\$33,211	\$34,178

Appendix F. Revenue Sources

A. Discretionary revenues

Discretionary transportation revenues, also known as “General Transportation Revenue” (GTR), may be expended on any transportation service provided by the City. About \$2 million of discretionary revenue currently are allocated to capital improvement programs, usually to meet matching fund requirements for grants. The remainder pays for ongoing operating programs.

GTR is comprised of two sources: State Highway Trust Fund (mostly gas taxes) and parking meter fees and fines. The Oregon Constitution, Article IX, Section 3a, limits the use of gas tax revenue to “construction of roads, streets, and roadside rest areas.” General Transportation Fund moneys not expended in a given fiscal year are returned to the fund and may be carried over to the next fiscal year and reallocated. This amount varies considerably year to year as circumstances change.

1. Gas Tax

\$50M

Gas tax revenue received by the Office of Transportation is technically more than just a gas tax. It is composed of three sources:

- The City’s share of the State Highway Trust Fund’s net revenues distributed by the State of Oregon in accordance with State statute to incorporated cities. There are three sources of revenue for this Fund: motor fuels tax (\$0.24 per gallon), weight-mile tax (levied on trucks based on rates per mile by weight groups) and vehicle registration fees. This is the largest and most stable source of transportation revenue on an annual basis.
- A portion of Multnomah County’s share of the State Highway Trust Fund’s net revenues.
- A portion of a Multnomah County business license fee that is charged on wholesale fuel transactions.

Items 2 and 3 are provided to the City in accordance with terms of an intergovernmental agreement between the City of Portland and Multnomah County.

2. Parking revenue

\$14.2M

Parking revenue comes from fees collected from street parking meters, a small allotment from net revenues from City-owned parking garages, parking permits, and a share of parking citation fines.¹⁰ City Council voted to increase and unify Portland street-parking rates to \$1.25 per hour beginning July 1, 2005, to pay for the Transit Mall redevelopment. Prior to this, fees was last increased in 1998. Revenues expected in FY 2004-2005 are:

¹⁰ In accordance with state law, Portland’s parking fine revenue is split between the City and the State District Court.

Meter Revenue	\$9.1 million
Parking Fines	\$2.9 million
Parking Garages	\$ 0.7 million
<u>Parking Permit Fees</u>	<u>\$1.5 million</u>
TOTAL	\$14.2 million

These resources support the costs of parking management, including meter collections, meter maintenance and replacement, and parking enforcement activities, with the balance available as flexible GTR revenue for use on other parts of the transportation system.

B. Dedicated Funding Sources

1. General Fund

\$7.9M

Prior to 1991, the Street Light Program was funded by a dedicated levy. After Measure 5, Council opted to fund the program's operating and capital requirements with General Fund resources. This transition was phased in over three years.

Since FY95-96, PDOT has received additional General Fund support to finance other services such as the Abandoned Autos and Downtown Street Cleaning programs. This additional support was withdrawn in FY2001-02 in anticipation that local street fee funding would replace it. The financial plan assumes continued General Fund support dedicated to the Street Lighting program at the levels provided in FY04-05 (about \$5 million in operating and \$400,000 in capital), with the operating portion adjusted annually for inflation.

In addition, the CSTSP (see Appendix D) will generate approximately \$2.5 million in FY04-05 and approximately \$3.5-4 million per year thereafter in General Fund Revenues to fund transportation safety programs.

2. Transportation Systems Development Charge (SDC)

\$7.2M

Developers pay SDC's to offset City costs for transportation system improvements that are necessitated by continued development. The SDC was initially adopted by City Council for FY 1998-1999. SDC revenues are collected annually and held until needed for allocation to approved, scheduled projects. In FY 2003-2004, the allocation of SDC revenues to projects is \$7.2 million.

So far, PDOT's SDC collections have varied considerably. SDC forecasts are necessarily conservative, due in part to their general unpredictability, and also to continued expectations of a soft economy, which in turn depresses development.

The ordinance authorizing SDC's expires in 2007. If this revenue source is not renewed, Council will face a choice of either finding a new funding source for these costs, or not performing the work required to accommodate growth.

3. Other Business and Private Sector Reimbursements

\$10M

Besides SDC's, about 7% (\$10 million) of the budget comes directly from the private sector. This category includes various charges for permits, licenses, and sidewalk assessments, and for work funded by Local Improvement Districts (LID).¹¹

4. Interagency Agreements (IA's)

\$33M

The Office of Transportation provides reimbursable services to other City bureaus through Interagency agreements (IA's). IA's typically generate \$15-20 million in annual revenue, about 10-15% of the overall budget. These funds are earmarked to pay for work performed for the contracting Bureau. Interagencies include:

- The largest IA for many years has been with the Bureau of Environmental Services (BES) for annual sewer maintenance, totalling \$16 million in FY04-05.
- The Water Bureau contracts roughly \$1.2 million of maintenance services annually.
- The LID Construction Fund has typically contributed about \$1 million dedicated to street improvement work on Local Improvement Districts (LID's). An unusually high LID budget pushed this number temporarily higher (\$15M) in FY04-05.
- Services performed for the Bureau of Development Services amount to approximately \$280,000 annually.
- The remaining IA funds are a combination of small, ongoing agreements (under \$100,000) and one-time agreements of varying size (from a few thousand to several million dollars).

5. Intergovernmental contracts

\$29M

Like IA's, intergovernmental contracts are earmarked for specific projects or contracted ongoing work. The Portland Development Commission (PDC) is a major source of capital development funding for transportation, ranging from about \$3 million to nearly \$10 million since FY98-99. Tri-Met has accounted for a range of \$478,000 to \$3.2 million, but more typically about \$1.8 million, for various transit-related development projects. The Port of Portland has funded various major capital projects totaling as much as \$12 million in a given year. Only projects in partners' capital plans have been included in this forecast.

6. Grants & Donations

\$4M

Federal and state grants provide funding for major transportation development projects. The Transportation Equity Act for the 21st Century, or TEA-21, will supply substantial transportation revenue for Oregon, particularly for highway rehabilitation. The Oregon Department of Transportation (ODOT) will allocate these funds through

¹¹ An LID occurs when property owners join together and decide to pay for specific neighborhood improvements, usually paving unimproved roads, through self-imposed assessments.

the four-year State Transportation Improvement Plan (STIP) process, which includes the Metropolitan Transportation Improvement Plan (MTIP).

Local governments compete for federal funding through the STIP and MTIP. The Joint Policy Advisory Committee on Transportation (JPACT) makes the decisions on how federal revenues will be spent, with the goal of coordinating projects to achieve the highest value for the region from these capital expenditures. Only approved grants have been included in this forecast.

7. Sale of Capital

\$2.8M

The forecast estimates \$2.8 million in revenue from sales of assets in FY05-06, primarily for the Streetcar Project.

Appendix G. Transportation Capital Programs

The Portland Office of Transportation is organized into 4 bureaus. The functions and services performed by each bureau are described in the Program Survey distributed separately to Council. In addition, PDOT has several capital programs. Capital programs are a significant component of PDOT's program activities as well as its annual budget. PDOT's capital budget is about \$72 million in FY2005, or about 40% of total planned expenditures. The capital improvement program has seven components.

A. Neighborhood Livability Program

This program includes projects that enhance neighborhood livability by creating safer local streets for the enjoyment of its residents and improving accessibility to neighborhood destinations such as schools, parks, transit stops and local commercial areas. This program also promotes walking and bicycling as alternatives to the automobile for local destinations. Projects in this program are typically neighborhood scale improvements that are implemented through comparatively low cost improvements. Capital projects from this program may be coordinated with other supportive activities such as enforcement and education programs.

B. Local Street Development Program

This program includes projects that build out the local street network through the provision of new infrastructure and improving existing rights-of-way to current design standards or approved substandards. Projects may also include individual street elements to meet a specific deficiency, such as frontage improvements, sidewalks, drainage facilities, etc. This program responds to new development and redevelopment throughout the City by providing multi-modal access improvements to individual properties, land subdivisions and sub-areas. Projects from this program are typically developed as a result of street improvement permits, local improvement districts and special funding programs such as Housing and Community Development.

C. Safety and Congestion Management Program

This program includes projects that address safety deficiencies and transportation system and spot congestion problems using improvement solutions not requiring major roadway reconstruction. Projects in this program typically address motor vehicle system needs (traffic, transit and trucks) but are also developed in a manner supportive of other modes. Projects usually involve intersection improvements, signal timing and operations and major signal upgrades. This program supports implementation of the Intelligent Transportation System Plan and the Hazard Elimination Program.

D. Centers and Main Streets Program

The intent of this program is to support the land use and transportation goals included in the regional framework plan developed through Metro, and to develop "Main Streets."

E. Preservation and Rehabilitation Program

This program area addresses the need to maintain existing transportation capital improvements. It is divided into four sub-programs that collectively meet the City's goals for transportation, economic development, public safety, and neighborhood revitalization.

Structures: Projects within this subprogram are designed to preserve and rehabilitate existing structures to maximize the value of the City's initial capital investment.

Signals/Street Lights: This subprogram identifies and replaces existing traffic signal installations that have exceeded their design service life. Locations needing replacement are identified based on the age and condition of the intersection hardware and signal controllers.

Streets: This subprogram area addresses the need to maintain and rebuild the City's existing street network. Projects are identified and prioritized through periodic inspections and a pavement management system.

Facilities: Facilities are structures and equipment necessitated by the need to maintain and rebuild the City's transportation capital investment. Facilities expenditures are generally in support of Bureau of Maintenance (BOM) operations, and benefit the public through enhancing BOM's efficiency and productivity. Projects included in this category may also serve to better utilize space, equipment, and staffing needs within the Office of Transportation.

F. Special Projects Program

This program provides for large-scale and system improvements which benefit a specific geographical area or transportation objective, or have regional transportation significance. Projects in this program need not be modal specific and may be developed cooperatively within the guidelines of Metro's Regional Transportation Plan and other regional or state plans or agreements. A key example includes development of the regional light rail system and related support projects and activities. Other projects in this program include special project initiatives to meet a specific need, such as the implementation of the parking Pay Stations or the City's Streetcar system.

G. Freight Program

The Freight Program consists of capital projects that benefit freight operations in and around the City of Portland. To accomplish that mission, this program focuses on projects that generate the greatest potential for improving access to markets and maintaining transportation cost savings, and where local participation will leverage private investments.

The Freight Program concentrates on projects that maximize regional economic growth. This would include projects that support greater freight access to air and port facilities and major industrial distribution centers. This program also seeks improvements to freight mobility along regional traffic-ways like the Interstate 5 freeway.

This program also focuses on maintaining Portland's livability by helping minimize truck impacts in neighborhoods by ensuring that freight corridors have adequate capacity to meet the economic needs of the region and thus reduce truck use of neighborhood streets.

Appendix H. Sources of data

The sources of data for cost and revenue projections in this forecast are given in the table below.

Table F-1. Sources of data

Source	Description	Data
BRASS	City's Budget System	Detailed budget data for activities and organizational units
IBIS	City's accounting system	Historical expenditure data
IMS	Infrastructure Management System	Inventory
Asset Management Plans	Management plans for seven key asset groups	Asset inventory, condition ratings, replacement value, unmet need
PMS	Pavement Management System	Pavement conditions, backlog, and improvement schedule
ODOT	Oregon Dept of Transportation	State gas tax, vehicle registration, and weight-mile tax revenue estimates
Multnomah County	Disburses local transportation revenue	Local gas tax and vehicle registration revenue estimates, citation revenue
City Economist	Source of key economic data	Consumer price index, other inflation factors
Parking Management	Division in PDOT responsible for parking operations	Meter revenue data