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Strategies for Addressing the Transportation Financial Issue

Coconino County Board of Supervisors

April 8, 2013

Today's Excursion

- "On the Road Again" - Review Trip Planner
- Where Have We Travelled – A Recap of Key Milestones
- Today's Excursion – Aligning Future Expenditures with Future Revenues

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Trip Planner

Series of Board Work Sessions:

- April 8 – Aligning Future Expenditures with Future Revenues
- April 15 – Results of Analysis Of U.S. Forest Service Roads & Results of Independent Pavement Assessment
- April 22 – Transportation, Jobs & the County's Economy
- May 13 – Update on Financial Status & Discuss Bonding as Financing Option

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Recap of Key Milestones

The ***Fundamental*** Issue:

The County's Major Revenue Source for Road Maintenance is the Gas Tax

1) **Gas tax is not indexed to inflation**
2) **Gasoline sales have declined and will continue to decline due to higher vehicle efficiencies**

Result:

Current Service Level is NOT Financially Sustainable

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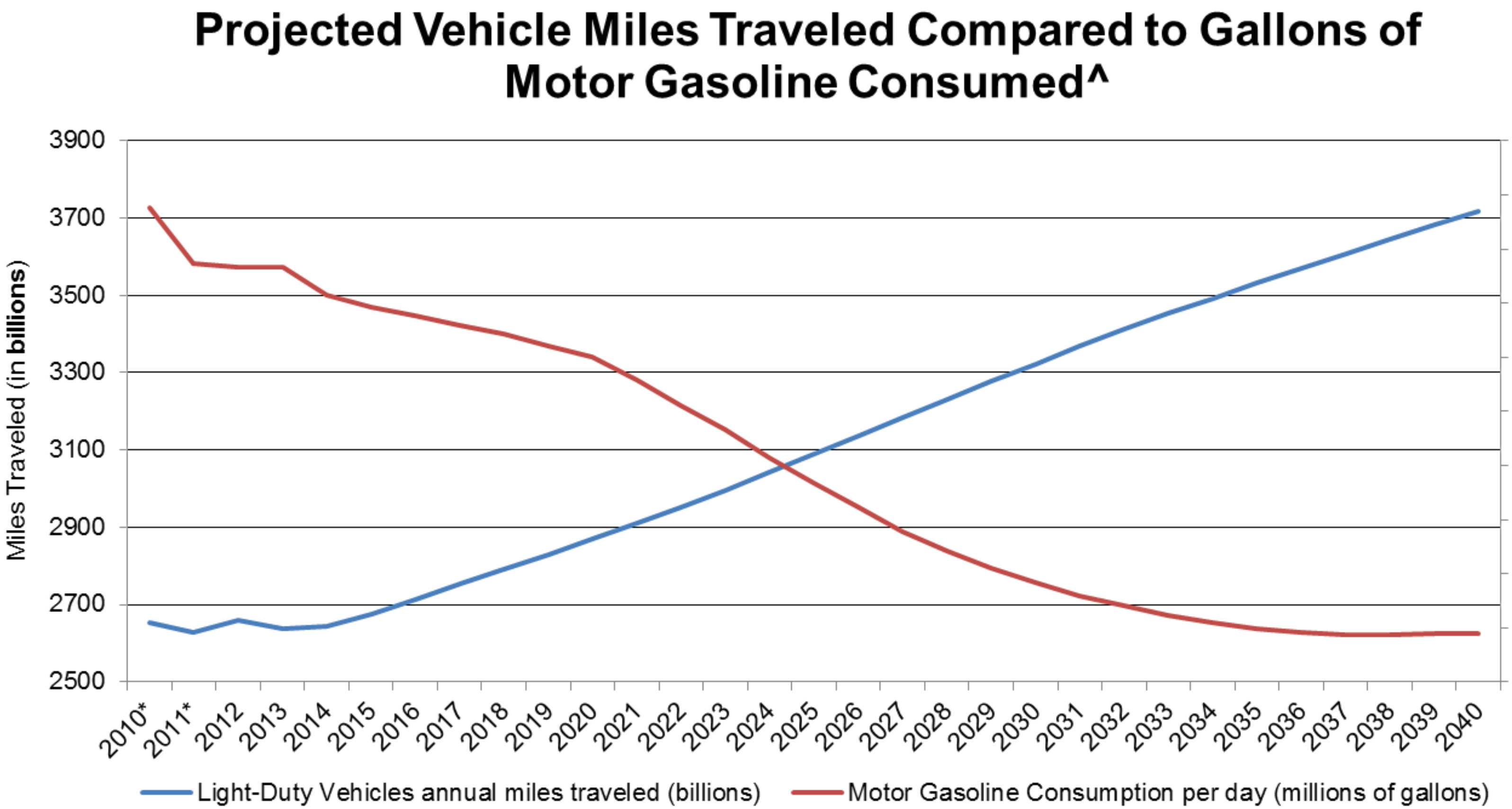
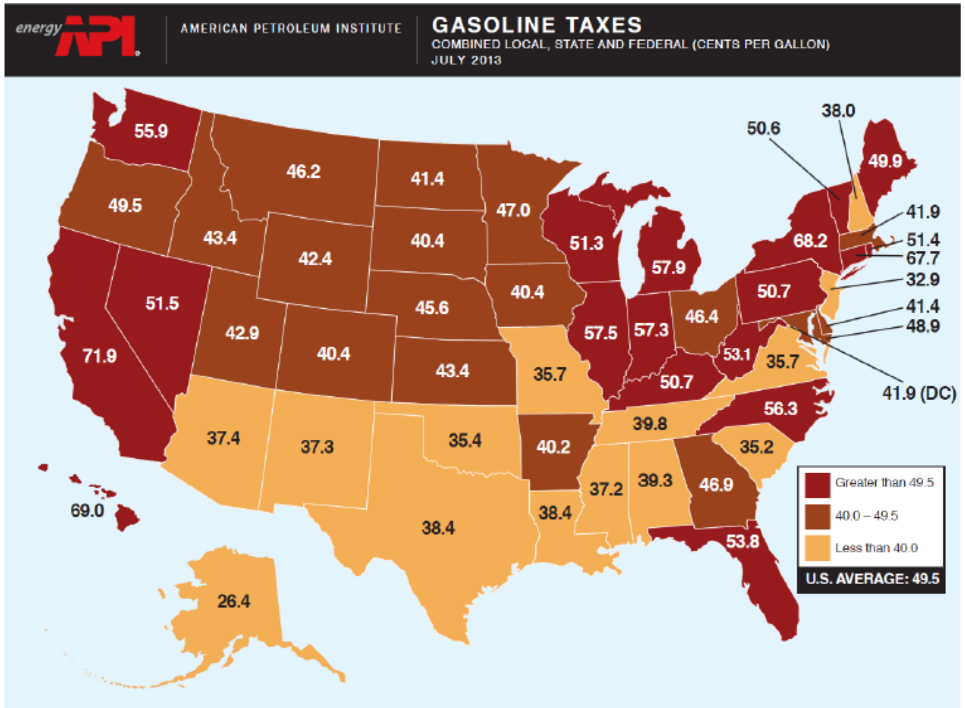
Projected National Trend

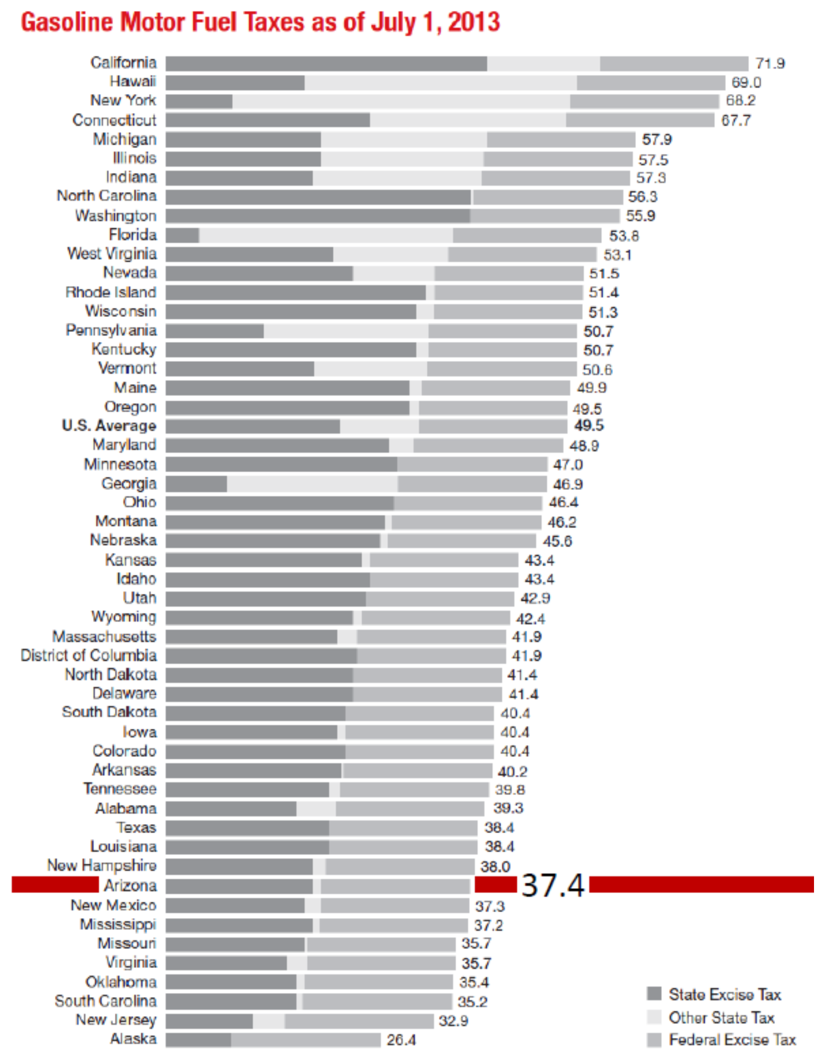


^U.S. Energy Information Administration (EIA) Annual Energy Review 2011; Reference Case Tables A7 & A11. Accessed at: http://www.eia.gov/analysis/projection-data.cfm#annualproj

*Represents actual data

Total Gasoline Tax By State





Examples of Other State Taxes/Fees:

- Under Ground Storage Tank Charge
- Average Local Option
- Environmental Fees

Source: American Petroleum Institute (API) July 2013 Report

Review of Revenue Challenges

- Highway User Revenue Fund (Gas Tax)
  - State gas tax shifts since early 2000's
  - Approximately $700,000 in State shifts annually since 2009
  - Not sufficient to address structural deficit even if shifts restored
  - Fundamental Issue: Gas tax is <u>Not</u> indexed
- Secure Rural Schools (SRS)
  - Approximately $1.5 M allocated for roads annually
  - Expired in 2013 – final payment received in 2014
  - Not sufficient to address structural deficit even if renewed
- Payment in Lieu of Taxes (PILT)
  - Supports General Fund – not used for road maintenance

Review of Revenue Challenges

- MAP 21 – Federal Transportation Funding Mechanism
  - One-time funding through nationally competitive grant programs
  - Does not include SAFETEA_LU, which is currently used to subsidize road maintenance performed for the BIA on the Navajo Nation
  - Federal funding could support capital improvements if secured, but is unpredictable and not sufficient to address capital needs

90% of General Fund Revenues Are Capped

Revenue Source	Percent of Budget	Who Controls
State Shared Sales Tax	31%	State Allocated
County Sales Tax	24%	State Capped
Primary Property Tax	16%	Voter Capped
State and Federal	14%	State and Federally Allocated
Other	4%	Capped and Allocated
Investment Income	1%	Limited Investment Options
Subtotal: Allocated, Capped or Dependent on Outside Factors	**90%**	
Licenses, Permits, Fees	10%	Board of Supervisors Cannot Exceed Cost of Service
Total Revenues		100%

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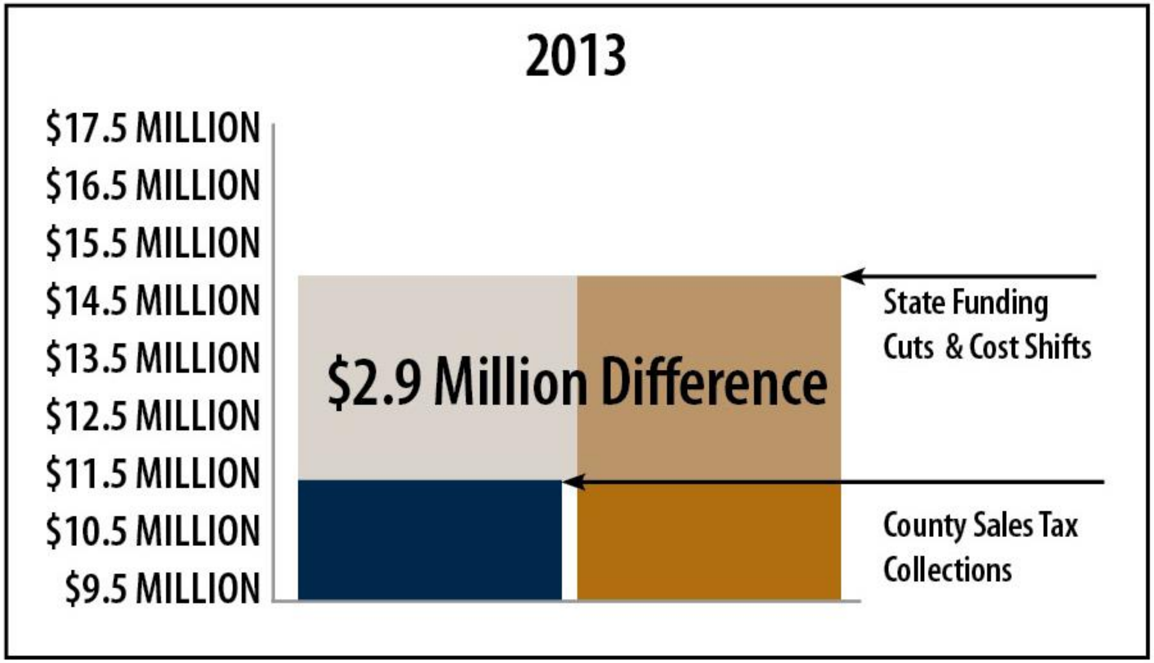
State Funding Cuts & Shifts 2000 Through 2013



The state cut funding for state mandated programs delivered by the County and shifted costs to the County over the past 13 years – long before and during the current recession. The impact to Coconino County is over $14.5 million.

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Review of Potential Revenue Opportunities

Revenue Opportunity	Possible Revenue Amount	Recurring or One-Time?	Results in Public Debt?	Funds Operations and Maintenance, or Capital?	Local Control?	Funded by County Property Owners or by All Sales Tax Payers?	Public Vote Required?	Defined Sunset?
Transaction, Use, or Impact Fees	Minimal with Respect to Need	Recurring	No	Both	No: State Action Required	Individual Permitees	No	Defined by State Legislature
Grants	Average of $1.4 Million/Yr Secured over Last 10 Years	One-Time	No	Capital Only	No	Matching Funds Provided by County	No	Defined by Grant Term
Property Tax Overide	Approximately $800,000/Yr	Recurring	No	Both	Yes	County Property Owners	Yes	7 Years
Capital Projects Sales Tax	Tied to Specific Capital Projects	One-Time	No	Capital only	Yes	All Sales Tax Payers	Yes	Once Total Amount Collected
General Obligation Bonds	Approximately $264 Million	One-Time	Yes	Capital Only	Yes	County Property Owners	Yes	Once Debt Service is Paid in Full
County Transportation Sales Tax	Annual Average Over 10 Years: 1/4 Cent = $6.1M 3/8 Cent = $9.1 1/2 Cent = $12.2M	Recurring	No	Both	Yes	All Sales Tax Payers	Yes	Approved by Voters (Generally 15 to 30 Years)

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Great Recession Strategies

- Insulating the Public: Short-Term Strategies
  - Salary Savings through Holding of 15% to 28% Vacancies (31.8 FTE's)
  - Deferred Equipment Replacement
  - Deferred Capital Investment
- Provided Short-Term Ability to Extend Fund Balance

What Have We Done to Lower Costs Long-Term

- Long-Term Permanent Efficiency Strategies Being Implemented:
  - Extended equipment replacement life cycle
  - Balanced equipment utilization
  - Reduced fleet size
  - Strategic deployment of human resources (load leveling)
  - 2013/2014 Snow Plan
  - Strategies above create approximately $1M/year in cost reductions

Strategies for Addressing the Transportation Financial Issue

Strategies for Addressing the Transportation Financial Issue

Align Future Expenditures to Future Revenues

- Reduce Service Levels
- Develop Potential Revenue Opportunity

Industry Standard Service Levels

Industry Standard Includes:

- Preventative maintenance activities on all paved roads every 4 to 7 years
  - Fog seal
  - Crack fill
  - Crack patch
  - Chip seal
- Pavement rehabilitation/reconstruction on 4% of all paved roads annually (approximately 13 miles per year in Coconino County)
  - Mill and fill, or Overlay

Asset Replacement Value

Pavement Maintenance Investments:

- 1% Equates to Replacing the Asset in 100 Years
- 2% Equates to Replacing the Asset in 50 Years
- 3% Equates to Replacing the Asset in 33 Years
- 4% Equates to Replacing the Asset in 25 Years

Roads in the County Last

Approximately 20 to 30 Years with

Preventive Maintenance

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Scenarios Comparing Development of New Revenue to Service Levels

Revenue Scenarios:

- No New Revenue
- ¼ cent County Transportation Sales Tax
- ⅜ cent County Transportation Sales Tax
- ½ cent County Transportation Sales Tax

Scenarios Comparing Development of New Revenue to Service Levels

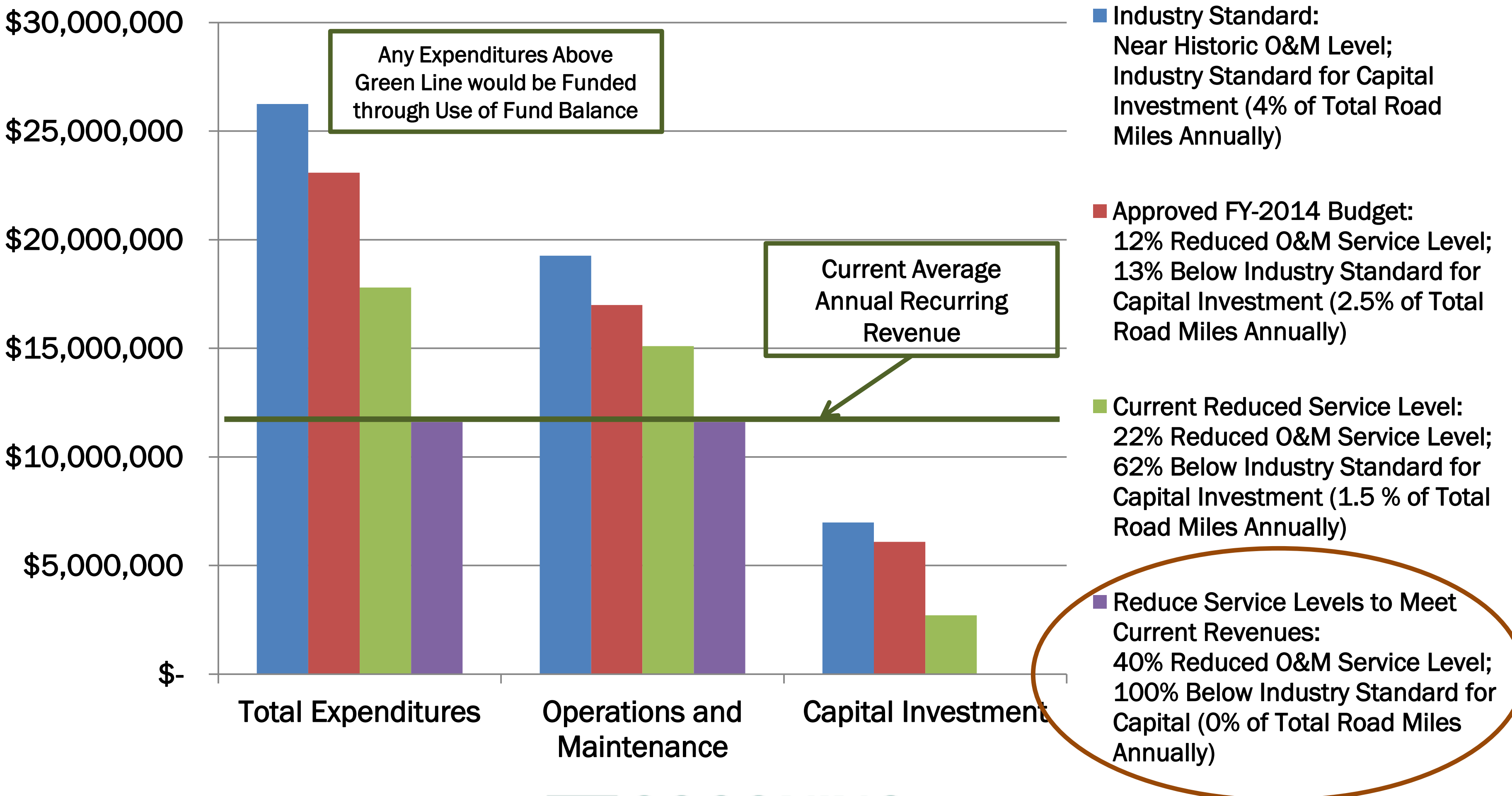
Expenditure Service Level Scenarios:

- Reduce Service Level to Meet Current Revenue
- Current Reduced Service Level
- Approved FY-14 Budget
- Industry Standard

Scenario	Expenditure/Service Level	Costs Beyond Revenues (Annual Average Over Ten Years)	Revenue Generated: 1/4 Cent Sales Tax (Annual Average Over Ten Years)	Revenue Generated: 3/8 Cent Sales Tax (Annual Average Over Ten Years)	Revenue Generated: 1/2 Cent Sales Tax (Annual Average Over Ten Years)
Industry Standard	Near Historic O&M Service Level Industry Standard for Capital Investment (4% of Total Paved Road Miles Annually)	$14.6 Million	$6.1 Million $1 Million Deficit in FY-2015 $71 Million Deficit by FY-2023	$9.1 Million $5.6 Million Deficit in FY-2016 $45.5 Million Deficit by FY-2023	$12.2 Million $1.9 Million Deficit in FY-2016 $20 Million Deficit by FY-2023
Approved FY-2014 Budget	12% Reduced O&M Service Level 13% Below Industry Standard for Capital Investment (3.5% of Total Paved Road Miles Annually)	$11.5 Million	$6.1 Million $5.4 Million Deficit in FY-2017 $37.8 Million Deficit by FY-2023	$9.1 Million $2.4 Million Deficit in FY-2017 $16.8 Million Deficit by FY-2023	$12.2 Million No Deficit Capital Investment at Industry Standard
Current Reduced Service Level	22% Reduced O&M Service Level 62% Below Industry Standard for Capital Investment (1.5% of Total Paved Road Miles Annually)	$6.1 Million	$6.1 Million No Deficit $5 Million Fund Balance Generated by FY-2023 Capital Investment at 1.5% of Total Paved Road Miles Annually	$9.1 Million No Deficit $30 Million Fund Balance Generated by FY-2023 Capital Investment at 3.5% of Total Paved Road Miles Annually	$12.2 Million No Deficit $55 Million Fund Balance Generated by FY-2023 Capital Investment at Industry Standard $1.8 Million Annual Capacity to Increase O&M Service Level
Reduce Service to Meet Current Revenues	40% Reduced O&M Service Level 100% Below Industry Standard for Capital Investment (0% of Total Paved Road Miles Annually)	$0	$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth

Scenario 1:
No New Revenues

No New Revenue Scenario Summary



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No New Revenue Impacts

- 44%+ Expenditure Reductions (35% additional reduction from current reduced costs)
- 40% Vacancy Rate would be required
- Equipment replacement *Only* upon failure
- Defer all capital investment except grant funded projects

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No New Revenue Impacts: Snow Plowing

SERVICES REDUCED IN ADDITION TO 2013/2014 SNOW PLAN

- Local roads and cul de sacs will see service after a storm
- Only plow and cinder priority roads during daylight hours - 7AM to 4PM
- Concentrate on priority roads
- Snow packed roads will be the rule – potholes and ruts
- Close very low ADT roads or roads with alternate routes
- Traffic delays will be longer and more common
- Commute times will be increased due to poor condition & increased accidents
- Chains or 4-wheel drive will be recommended on some roads

No New Revenue Impacts: Paved Roads

- Potholes, cross-road cracks and ‘alligatoring’ will be extensive and combined with the freeze/thaw cycle will deteriorate roads faster
- Shoulder maintenance will be eliminated
- Shoulder drop offs will contribute to unsafe conditions, road deterioration & create potential liability issues
- Some paved roads will be returned to dirt/gravel
- Road striping will fade
- Will only maintain cross-road culverts – no parallel ditches
- Drainage issues will damage roads
- Road failure risk very high
- Property values may decline reflective of local road condition
- Speed limits reduced for safety reasons

No New Revenue Impacts: Dirt/Gravel Roads

- Potholes, washboards and large protruding rocks will litter the surfaces
- Potentially increased health impacts from increased dust
- Re-surfacing frequency extended from 7 to 14 years
- Some USFS roads will see significantly reduced grading – one time per year
- Will only maintain cross-road culverts – no parallel ditches
- Drainage issues will damage roads
- Road failure risk very high
- 4-wheel drive vehicles would be advisable
- Lower speed limits will be established
- Property values may decline reflective of local road condition

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No New Revenue Impacts: Traffic Issues

- Speed limits on paved and dirt/gravel roads will be reduced for safety
- Increased traffic delays
- Increased commute times
- Increased vehicle maintenance costs
- Accident frequency could increase
- Reduced vehicle efficiency = impacts to operation costs & impacts to air quality

Some Specific Examples: Dirt Roads

Road Blading Current Level Based on Recent 3-Year Average			
Road Name	Average Times Graded Per Year	No New Revenue Service Level Per Year	ADT
Hutton Ranch Road	29	15	499
Herold Ranch Road	11	6	512
Stoneman Lake Road	36	19	448
Garland Prairie Road	51	28	582
Pronghorn Ranch Road	30	16	162

** As dirt Roads, General Speed Limit Ranges Between 25-35 MPH – Speed Limits Will be Reduced*

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Some Specific Examples:
Paved Roads

Slayton Ranch Road

Pavement Condition Rating: Fair
ADT: 810

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Townsend Winona Road

Pavement Condition Rating: Severe
ADT: 7,234

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Spring Valley Road

Pavement Condition Rating: Fair
ADT: 524

Double A Ranch Road

Pavement Condition Rating: Fair

ADT: 143

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East Copeland Lane

Pavement Condition Rating: Fair
ADT: 620

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Perkinsville Road

Pavement Condition Rating: Poor
ADT: 1,114

No New Revenue Impacts: Capital Investment Projects

Most Projects Cancelled or Significantly Delayed :

- Pinewood Blvd: I-17 to Munds Wash Bridge
- Munds Wash Bridge
- Townsend-Winona: Rio Rancho to I-40
- Kachina Trails: “T” Intersection to Pumphouse Wash Bridge
- Rt. 66 Bridge Replacement – Bellemont
- Leupp Road
- Double A Ranch Road
- Flagstaff Meadows Unit 1

Overall Chip Seal Plan Cut by 40%

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No New Revenue: Road Service Impacts

Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Dirt/Gravel Road Maint.	Reduce Grading Frequency by +-50%			
Paved Road Conditions	Potholes and Alligatoring			
Snow Plowing	Daylight Only - Priority Roads			
Staffing	Minus 9 More Positions (40% Vacancy Rate)			
Equipment	Only Replace when Fails			
Paved Capital	0 Investment			
Chip Seal	+- $500,000			
Road Failure Risk	Very High			

No New Revenue: Road Services Impacts

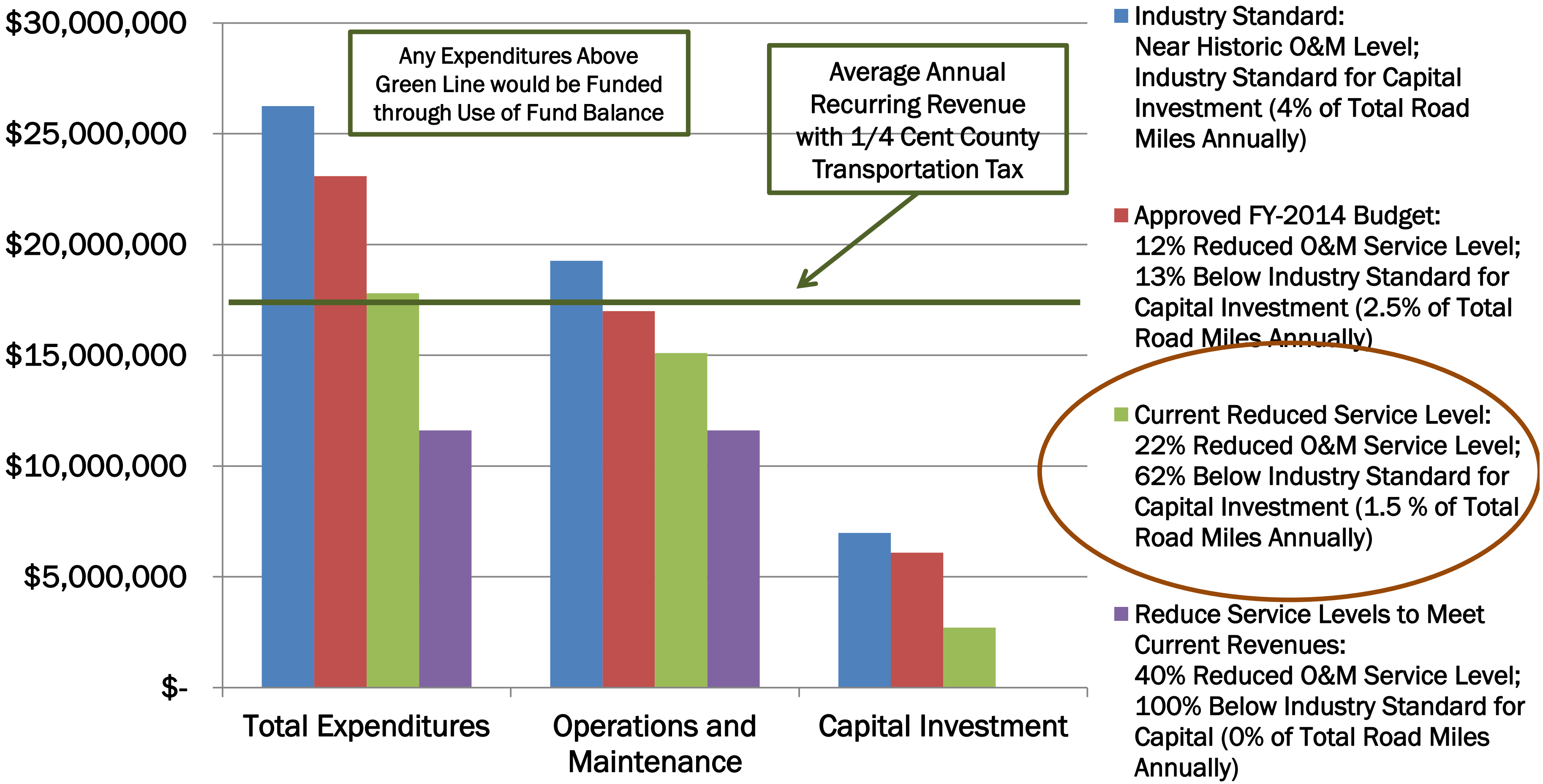
Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Crisis Response Capacity	Very Limited			
Commute Time	Significantly Increased			
Actual Speeds	Slowest			
Road Striping	Very Faded			
Car Repair	Very Expensive			

Summary:
No New Revenue

- Public Works estimates that a 44%+ reduction in road maintenance service levels is needed to stay within the current level of funding
- In addition, there would be no funding for capital projects except grant funded projects
- Revenues will generally decline over the long term due to reduction in gasoline sales reflecting more efficient vehicles
- Rate of cost growth exceeds rate of revenue growth
- Last two items equal further service level reductions over the long term

Scenario 2:
¼ Cent
County Transportation Tax

¼ Cent - County Transportation Tax



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¼ Cent - Service Level Impacts

- Operations and Maintenance
  - 22% below industry standard
    - preventative maintenance activities on all paved roads every 8 to 12 years
- Capital Investment
  - 62% below industry standard
  - Pavement rehabilitation/reconstruction on 1.5% of paved roads annually
    - 4.75 miles per year in Coconino County
    - Roads replaced approximately every 75 years
    - Roads will decline and will not improve

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¼ Cent - Service Level Impacts

Current Service Level:

- 32% vacancy rate
- Limited equipment replacement
- Limited capital investment
- Current reduced Snow Plan and some additional service reduction
- Dirt and gravel roads resurfaced every 9 to 15 years on average
- Paved roads chip sealed every 8 to 12 years on average

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¼ Cent - Road Services Impacts

Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Dirt/Gravel Road Maint.	Reduce Grading Frequency by +-50%	Reduce Grading Frequency by +-25%		
Paved Roads Conditions	Potholes and Alligatoring	Potholes and Alligatoring		
Snow Plowing	Daylight Only Priority Roads	Current Reduced Plan		
Staffing	Minus 9 More Positions (40% Vacancy Rate)	Current Level – 76 positions (32% Vacancy Rate)		
Equipment	Only Replace when Fails	+- $1,000,000		
Paved Capital	0 Investment	+- $2.4 Million		
Chip Seal	+-$500,000	+-$1.5 Million		
Road Failure Risk	Very High	High		

¼ Cent - Road Services Effects

Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Crisis Response Capacity	**Very limited**	**Limited**		
Commute Time	**Significantly Increased**	**Increased**		
Actual Speeds	**Slowest**	**Slow**		
Road Striping	**Very Faded**	**Faded**		
Car Repair	**Very Expensive**	**Expensive**		

Transition Options May be Applicable in Some Cases

- Special Districts:
  - County Road Districts – improve to County road standard then County maintains = higher County road maintenance costs
  - Road Maintenance Districts – improve to State fire code & then district maintains = lower County road maintenance costs (if maintained by the County Now)
  - Community Facility Districts – new developments only

Limited Applications – Will Not Solve Issue

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¼ Cent - Opportunities and Risks

- Opportunities
  - Maintain current reduced operations and maintenance service levels and maintain capital investment at 62% ***Below*** industry standard
- Risks
  - Increased risk of road failures (replacement +-75 years)
  - Public safety impacts and increased liability
  - Impacts to commerce, economy and productivity
  - Increased vehicle maintenance costs
  - Increased commute times
  - Need for appropriate labor and equipment resources to deliver projects - promises made, promises kept

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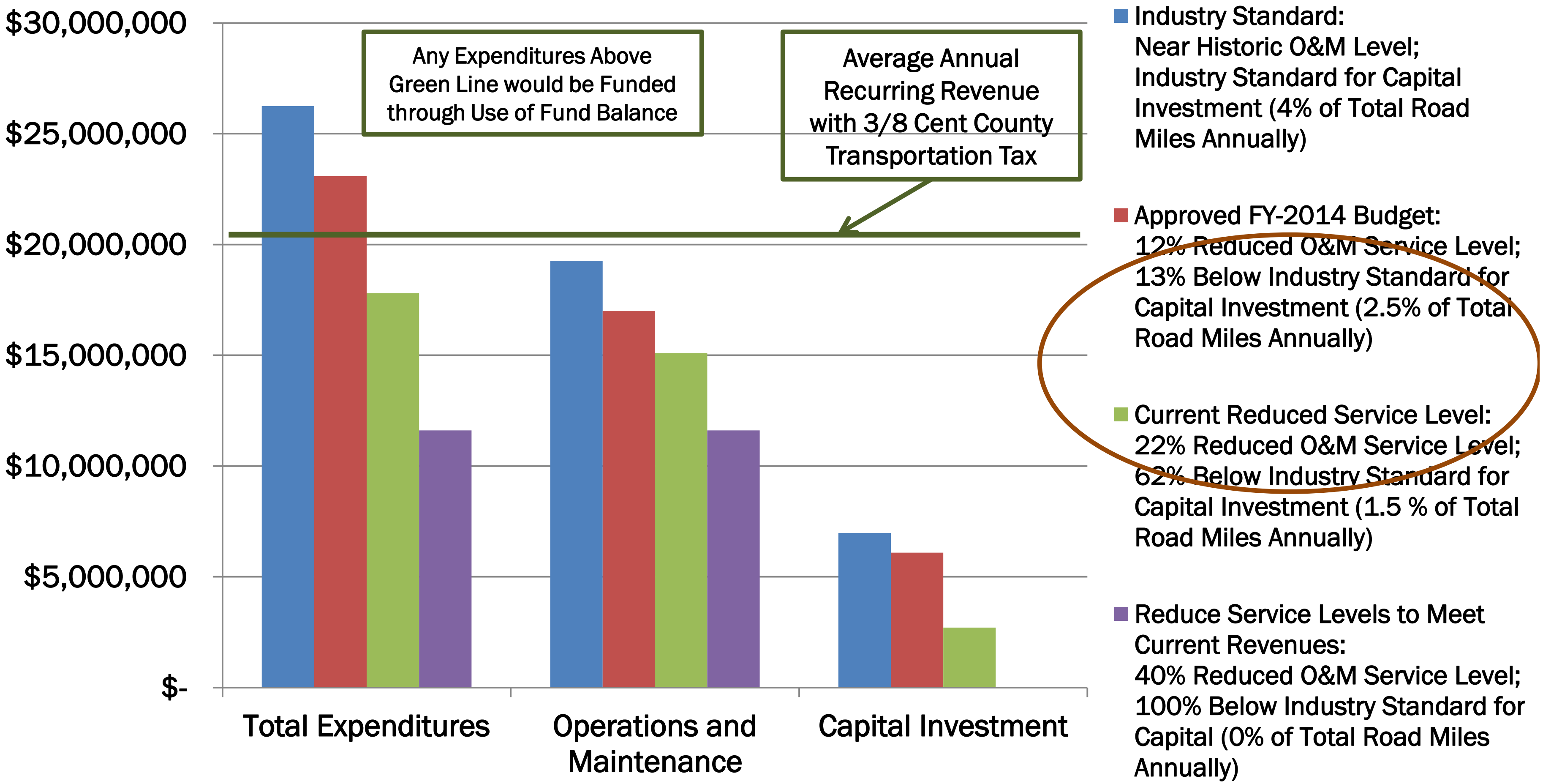
Scenario 3:
3/8 Cent
County Transportation Tax

⅜ Cent - County Transportation Tax



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⅜ Cent - Service Level Impacts

- Operations and Maintenance
  - 15% below industry standard
    - Preventative maintenance activities on all paved roads every 7 to 9 years
- Capital Investment
  - 38% below industry standard
  - Pavement rehabilitation/reconstruction on 2.5% of paved roads annually
    - 8 miles per year in Coconino County
    - Roads replaced approximately every 40 years

⅜ Cent - Service Level Description

- Some Flexibility to Scale Staff Size When Needed
- $1.5 Million for Equipment Replacement
- $4.0 Million for Pavement Maintenance/Capital Investment
- Dirt and gravel roads resurfaced every 7 to 10 years on average
- Paved roads chip sealed every 7 to 9 years on average
- Current snow plan service levels would remain with some slight improvement and some ability to scale up for large events

⅜ Cent - Road Services Impacts

Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Dirt/Gravel Road Maint.	Reduce Grading Frequency by +-50%	Reduce Grading Frequency by +-35%	Limited/Targeted Reduction in Grading Level	
Paved Roads Conditions	Potholes and Alligatoring	Potholes and Alligatoring	Smoother Driving Surface	
Snow Plowing	Daylight Only Priority Roads	Current Reduced Plan	Current Plan & Some Capacity	
Staffing	Minus 9 More Positions (40% Vacancy Rate)	Current Level - 76 Positions (32% Vacancy Rate)	Largely Contract Out When Needed	
Equipment	Only Replace when Fails	+- $1,000,000	+- $1.5 M	
Paved Capital	0 Investment	+- $2.4 Million	+- $4.0 M	
Chip Seal	$500,000	+- $1.5 Million	+- $1.75 M	
Road Failure Risk	Very High	High	Moderate	

⅜ Cent - Road Services Impacts

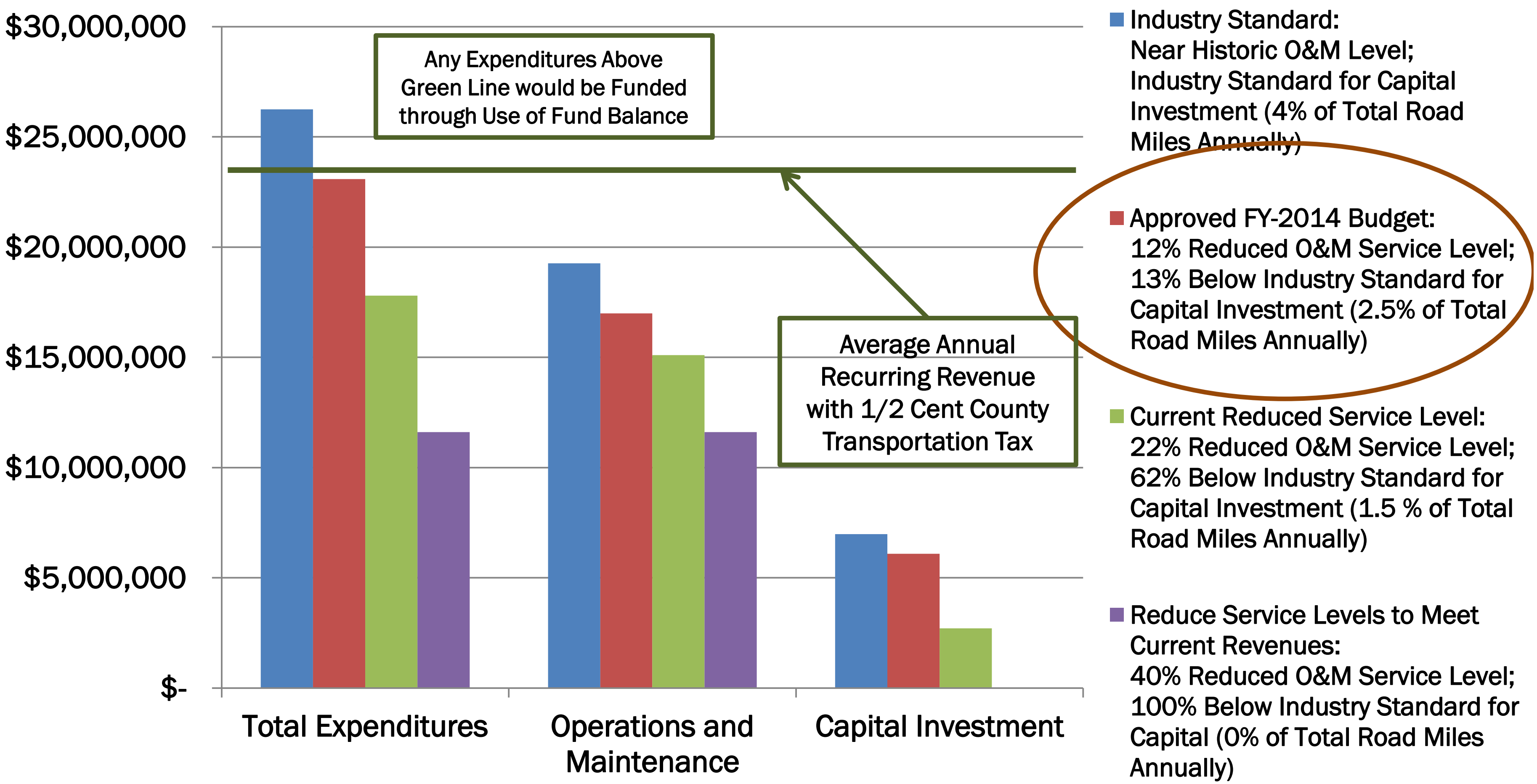
Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Crisis Response Capacity	**Very limited**	**Limited**	**Moderate**	
Commute Time	**Significantly Increased**	**Increased**	**Reasonable**	
Actual Speeds	**Slowest**	**Slow**	**Faster**	
Road Striping	**Very Faded**	**Faded**	**Some Fading**	
Car Repair	**Very Expensive**	**Expensive**	**Increased**	

⅜ Cent - Opportunities and Risks

- Opportunities
  - Increase operations and maintenance service levels from current state
  - Increase capital investment to 62% of industry standard
  - Improve longevity of paved road assets
  - Improve commerce, economy and productivity
- Risks
  - Somewhat elevated risk of road failures
    - Road replacement approximately every 40 years
  - Need for appropriate labor and equipment resources to deliver projects
  - Promises made, promises kept

Scenario 4:
½ Cent
County Transportation Tax

½ Cent County Transportation Tax



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½ Cent - Service Level Impacts

Given Additional Revenue, the Board has Allocation Options:

- Possible Operations and Maintenance Allocation
  - 12% below industry standard
    - Preventative maintenance activities on all paved roads every 5 to 8 years
- Possible Capital Investment Allocation
  - Capital investment at industry standard
  - Pavement rehabilitation/reconstruction on 4% of paved roads annually
    - 13 miles per year in Coconino County
    - Roads replaced approximately every 25 years

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½ Cent - Service Level Description

- Still Will Not Fill All Vacant Positions but will have Flexibility
- +- $2.0 Million in Equipment Replacement
- +- $6.5 Million in Pavement Maintenance/Capital Investment
- Dirt and gravel roads resurfaced every 5 to 8 years on average
- Paved roads chip sealed no less than every 7 years on average
- Snow Plan service level improves with greater flexibility to respond to events

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½ Cent - Road Services Impacts

Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Dirt/Gravel Road Maint.	Reduce Grading Frequency by +-50%	Reduce Grading Frequency by +-35%	Limited/Targeted Reduction in Grading Level	Grade and Surface – Near Industry Standard
Paved Road Condition	Potholes and Alligatoring	Potholes and Alligatoring	Smoother Driving Surface	Near Industry Standard
Snow Plowing	Daylight Only Priority Roads	Current Reduced Plan	Current Plan & Some Capacity	Creates Flexibility
Staffing	Minus 9 More Positions (40% Vacancy Rate)	Current – 76 positions (32% Vacancy Rate)	Largely Contract Out When Needed	Scale & Flexible
Equipment	Only Replace when Fails	+- $1.0 M	+- $1.5 M	+- $2.0 Million
Paved Capital	0 Investment	+- $2.4 M	+- $4.0 M	+- $6.5 Million Near Industry Standard*
Chip Seal	+- $500,000	+- $1.5 M	+- $1.75 M	+- $2.0 Million
Road Failure	Very High	High	Moderate	Low (Over Long Term)

½ Cent - Road Services Impacts

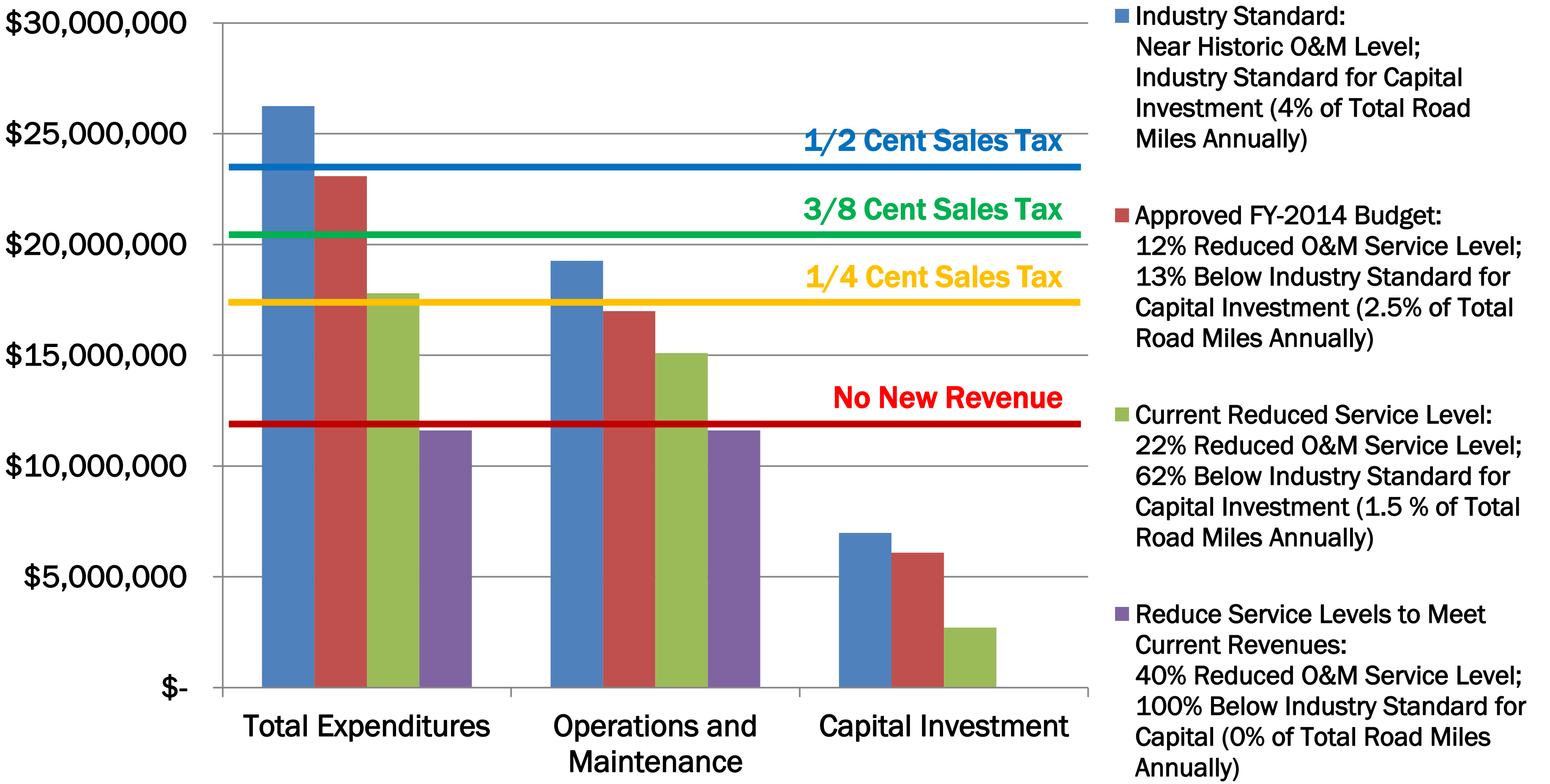
Activity	No Revenue	¼ cent Today	⅜ cent	½ cent
Crisis Response Capacity	**Very Limited**	**Limited**	**Moderate**	**Good**
Commute Time	**Increased**	**Increased**	**Reasonable**	**Improved**
Actual Speeds	**Slowest**	**Slow**	**Faster**	**Fastest**
Road Striping	**Very Faded**	**Faded**	**Some Fading**	**Striped Before Fading**
Car Repair	**Very Expensive**	**Expensive**	**Increased**	**Normal Wear & Tear**

½ Cent - Opportunities and Risks

- Opportunities
  - Increase operations and maintenance service levels from current state
    - Ability to provide greater flexible snow removal services
  - Increase capital investment to industry standard
  - Significantly reduce risk of road failures
  - Improve longevity of paved road assets
  - Improve commerce, economy and productivity
- Risks
  - Need for appropriate labor and equipment resources to deliver projects
  - Promises made, promises kept

Summary

Revenue and Service Level Scenario Summary



Scenario	Expenditure/Service Level	Costs Beyond Revenues (Annual Average Over Ten Years)	Revenue Generated: 1/4 Cent Sales Tax (Annual Average Over Ten Years)	Revenue Generated: 3/8 Cent Sales Tax (Annual Average Over Ten Years)	Revenue Generated: 1/2 Cent Sales Tax (Annual Average Over Ten Years)
Industry Standard	Near Historic O&M Service Level Industry Standard for Capital Investment (4% of Total Paved Road Miles Annually)	$14.6 Million	$6.1 Million $1 Million Deficit in FY-2015 $71 Million Deficit by FY-2023	$9.1 Million $5.6 Million Deficit in FY-2016 $45.5 Million Deficit by FY-2023	$12.2 Million $1.9 Million Deficit in FY-2016 $20 Million Deficit by FY-2023
Approved FY-2014 Budget	12% Reduced O&M Service Level 13% Below Industry Standard for Capital Investment (3.5% of Total Paved Road Miles Annually)	$11.5 Million	$6.1 Million $5.4 Million Deficit in FY-2017 $37.8 Million Deficit by FY-2023	$9.1 Million $2.4 Million Deficit in FY-2017 $16.8 Million Deficit by FY-2023	$12.2 Million No Deficit Capital Investment at Industry Standard
Current Reduced Service Level	22% Reduced O&M Service Level 62% Below Industry Standard for Capital Investment (1.5% of Total Paved Road Miles Annually)	$6.1 Million	$6.1 Million No Deficit $5 Million Fund Balance Generated by FY-2023 Capital Investment at 1.5% of Total Paved Road Miles Annually	$9.1 Million No Deficit $30 Million Fund Balance Generated by FY-2023 Capital Investment at 3.5% of Total Paved Road Miles Annually	$12.2 Million No Deficit $55 Million Fund Balance Generated by FY-2023 Capital Investment at Industry Standard $1.8 Million Annual Capacity to Increase O&M Service Level
Reduce Service to Meet Current Revenues	40% Reduced O&M Service Level 100% Below Industry Standard for Capital Investment (0% of Total Paved Road Miles Annually)	$0	$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth	$0 Reduced O&M Service Level Annually as Rate of Cost Growth Exceeds Rate of Revenue Growth

Variables Influencing Scenarios

- Snow Season Severity
- Unanticipated Road and/or Bridge Failures
- New Mandated Programs
- Increased Traffic Volumes
- Increased Truck Traffic (4FRI)
- New Subdivisions and Road Assets
- Competitive Wages/Cost of Turnover
- Natural Disasters
- Economic Downturns and Commodity Cost Fluctuations
- Increased Vehicle Fuel Efficiency
- Decisions Regarding Revenue Allocation
- Respond to Crisis Capacity

Key Messages

- Current Revenues are 35% ***Below*** current reduced spending
- Threat to reserves limits ability to respond to natural disasters and road failures
- Taxpayers' $100 million asset at Serious Risk
- Transportation Sales Tax - only revenue option that produces significant funding capacity
- Some tax capacity created by expiration of County Parks & Open Space Capital Sales Tax of 1/8 cent in Fall 2014

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Key Messages

- Reducing service levels to meet current revenues would require 44% cut to current, already reduced service levels
  - Additional cuts would be required annually as rate of cost growth exceeds rate of revenue growth
- 1/4 cent County Transportation Sales Tax could sustain current reduced service levels, but with long-term risks to road assets, economy and productivity

Key Messages

- ⅜ cent County Transportation Sales Tax allows for increased O&M and pavement maintenance levels, but risk to asset remain
- ½ cent County Transportation Tax allows for increased O&M and pavement maintenance to near industry standards
- No County Transportation Sales Tax revenue scenario provides enough additional revenue to meet and <u>*sustain*</u> industry standard service levels

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Questions & Discussion