

FINANCE

The Growth Management Act (GMA) requires the Transportation Element of the Comprehensive Plan to include a multi-year financing plan based on the identified improvement needs in the transportation systems plan. The financing plan is to be the basis in developing the required six-year Transportation Improvement Program (TIP). If probable funding is less than the identified needs, then the transportation financing program will have to balance several goals, including financial solvency, maintenance, and operations of the existing system, and supporting an appropriate transportation level of service.

To understand this balance, Skagit County has evaluated its future revenues against its existing TIP and 20-year transportation project list. These projects, identified to address existing and future transportation system needs in Skagit County, are then compared to those future revenues. This comparison contained in the Transportation Technical Appendix demonstrates the County's ability to implement its Transportation Element.

As with most local agencies, existing transportation revenues will not allow Skagit County to fund all of its needed maintenance, operations, or capital improvements. The Transportation Element identifies ways to balance the transportation budget, including through prioritization of capital improvement projects and new policies that could generate additional revenue. Any funding strategy must balance the County's transportation goals against its system of sustainable revenue sources. This is even more pressing given the limited policy mechanisms counties have at their disposal for raising revenue.

Financial Capacity for Transportation Capital Investments

The County already has a highly detailed, fully-funded TIP for 2016 to 2021. This TIP relies on some large, already dedicated grants as well as other, more regular revenues. Revenues for the 7 to 21 year capital program are less certain since it has a longer horizon.

The 2016-2021 TIP also documents expected dedicated capital revenues as well as one-time revenues not included in the 20-year revenue projections. To reconcile these two different accountings of transportation revenues and expenditures, and present a holistic picture of Skagit County's available transportation funding for 2016 to 2036, we calculated the difference attributable to one-time revenues and added it as a revenue source in Exhibit 4, below. These projected future revenues are presented in inflation-adjusted 2015 dollars to show the relative purchasing power of transportation revenues through time.

Exhibit 4. Skagit County Future Transportation Revenues, 2016 to 2036 (2015\$)

	2016-2021	2016 - 2021 with Expected One-time Revenues	2022 - 2036	Total, 2016 - 2036
Property Taxes	\$ 70,921,106	\$ 70,921,106	\$ 140,299,618	\$ 211,220,724
Other Local Receipts	\$ 13,206,982	\$ 13,206,982	\$ 23,660,106	\$ 36,867,089
State Fuel Tax Distributions	\$ 22,265,258	\$ 22,265,258	\$ 37,034,705	\$ 59,299,963
Other State Funds	\$ 15,887,619	\$ 15,887,619	\$ 40,624,933	\$ 56,512,552
Federal Revenues	\$ 22,420,937	\$ 22,420,937	\$ 78,812,066	\$ 101,233,002
Ferry Tolls	\$ 6,515,667	\$ 6,515,667	\$ 22,903,287	\$ 29,418,954
One-Time Revenues (estimate)		\$ 116,155,250	N/A	\$ 116,155,250
Total Revenues	\$ 151,217,568	\$ 267,372,818	\$ 343,334,715	\$ 610,707,534

Source: Skagit County, 2015; WSDOT, 2015; BERK Consulting, 2015.

To understand Skagit County's ability to accomplish its desired capital projects, programmatic expenditures (from administration, maintenance, and operations) are subtracted from total revenues. This is presented in Exhibit 5, below. The County has insufficient local funds to fund the planned administration, operations, and maintenance costs over the next twenty years. When one-time revenue

sources are accounted for the County still has a deficit in funding the administration, maintenance, and operation costs between 2022 and 2036. Some one-time revenues are restricted and cannot fund administration, operations, and maintenance costs and may only be used for capital expenditures.

Exhibit 5: Skagit County Revenues Available for Capital Projects under Desired Future State Maintenance and Operations, 2016 to 2036 (2015\$)

	2016-2021	2016 - 2021 with Expected One-time Revenues	2022 - 2036	Total, 2016 - 2036
Total Revenue	\$ 151,217,568	\$ 267,372,818	\$ 343,334,715	\$ 610,707,534
Administration	\$ 41,237,258	\$ 41,237,258	\$ 105,444,426	\$ 146,681,684
Operations and Maintenance	\$ 68,386,171	\$ 68,386,171	\$ 170,965,429	\$ 239,351,600
Ferry Operations and Maintenance	\$ 17,616,391	\$ 17,616,391	\$ 61,923,558	\$ 79,539,949
Bridge Annual Maintenance	\$ 2,571,429	\$ 2,571,429	\$ 6,428,571	\$ 9,000,000
Total Programmatic Expenditures	\$ 129,811,249	\$ 129,811,249	\$ 344,761,984	\$ 474,573,233
Remaining Revenue for Capital Projects <i>(Total Revenue Minus Total Programmatic Expenditures)</i>	\$ 21,406,319	\$ 137,561,569	\$ (1,427,268)	\$ 136,134,301

Source: Skagit County, 2015; WSDOT, 2015; BERK Consulting, 2015.

Exhibit 6 shows the limited revenues available for capital projects beyond the 2016-2021 TIP. Skagit County’s current capital project list over the next 21 years, 2016 to 2036, is almost \$250 million. However, as Exhibit 6 shows, the County is currently projecting only about \$135 million in available revenues for capital projects, leaving a gap of about \$110 million dollars in unfunded capital projects between 2022 and 2036. It is important to note, however, that one-time revenues are a significant revenue source for the 2016-2021 TIP, which supports the expectation that the County may have access to one-time revenues to fund its 2022 to 2036 capital projects. It is difficult to predict the magnitude of one-time revenues that may be available in the future, so the County should also consider additional policies that could generate additional revenues.

Exhibit 6: Skagit County Capital Project Summary, 2016 to 2036 (2015\$)

	2016-2021	2016 - 2021 with Expected One-time Revenues	2022 - 2036	Total, 2016 - 2036
Remaining Revenue for Capital Projects	\$ 21,406,319	\$ 137,561,569	\$ (1,427,268)	\$ 136,134,301
Capital Projects	\$ 137,561,569	\$ 137,561,569	\$ 106,897,000	\$ 244,458,569
Revenue Deficit <i>(Total Remaining Revenue Minus Capital Projects)</i>	\$ (116,155,250)	\$ 0	\$ (108,324,268)	\$ (108,324,268)

Source: Skagit County, 2015; WSDOT, 2015; BERK Consulting, 2015.

Because none of the 2022 to 2036 projects are necessary to meet concurrency, the County can fully consider additional prioritization or new revenues to help it accomplish its capital project goals. This is described below.

Prioritization and Funding Options

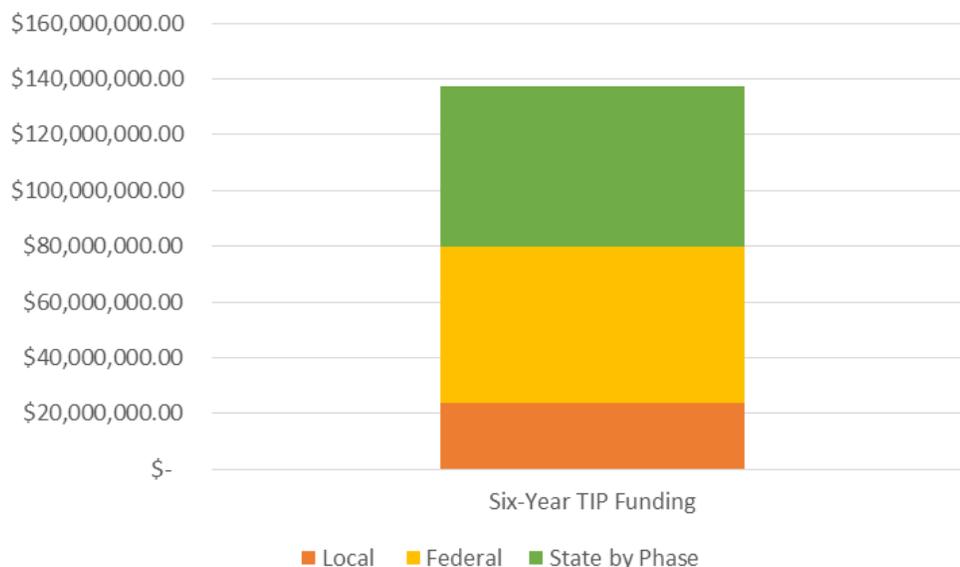
Ongoing program costs over 20-years would be fully funded. Additionally, the County fully funds its six-year TIP with both dedicated capital revenue and one-time funds. However, carrying forward current revenue policies shows that the County would only be able to fund about one half of its desired transportation capital improvement projects for the 2022-2036 period. The County could address this shortfall in several ways:

1. **Prioritizing Capital Projects.** The County can prioritize its capital projects, such that projects are funded on an as-funds-are-available basis. This would result in a delay in implementation of some projects, especially lower priority improvements.
2. **Generating Additional Revenue.** The County could increase funding for capital transportation projects through several policy changes that would generate additional transportation revenues. These include partnering with other agencies or additional grants.
3. **Restructuring the Ferry System.** The County may consider restructuring the ferry system as an enterprise such that the ferry would no longer be subsidized by the County's overall transportation program.

Each option to address potential 2022-2036 shortfalls is further described below.

The County has been successful in securing significant federal and state funds for the current TIP. The total cost for the current TIP is approximately \$137.5 million including approximately \$58 million in state funds and \$56 million on federal funds as shown in **Exhibit 7**. The revenue projections are based on WSDOT data and the State may classify transportation revenues differently than the County resulting in revenue projections that are lower than revenues for the current six-year TIP period. If the County has similar success in securing state and federal funds the additional funding would make up the funding gap shown in **Exhibit 6**.

Exhibit 7: 2016-2021 TIP Revenues



Source: Skagit County, 2015; BERK, 2015