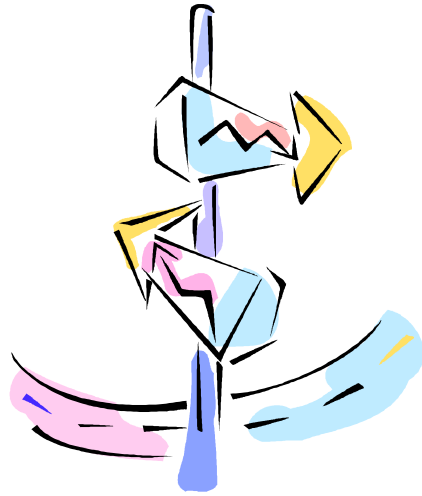


IV. Revenue Scenarios



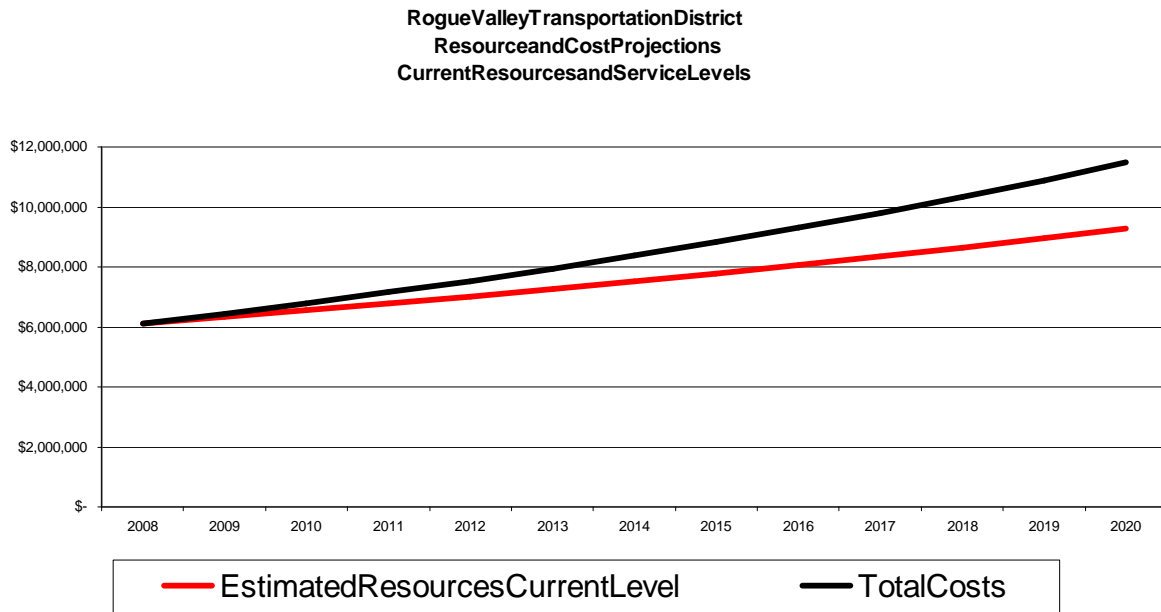
Trends in Transit Service Cost

- Costs are outpacing locally generated revenue.
- Federal grant funding is not likely to continue past growth rates.

Over the past decade, total cost for transit services has been increasing much more rapidly than the locally generated revenue streams for transit. As Figure 4.1 shows, the cost analysis projects that service costs will rapidly diverge from the revenue available with the current funding structure, beginning from the point in time when federal grant funding levels off.

To make up the difference, RVTD staff has worked hard to identify and acquire funding from federal and state sources, see Figure 4.3 for current resources. Federal and state grants have begun to level off and to be limited as to what they can be used for.

Figure 4.1 Resources and Cost Projections



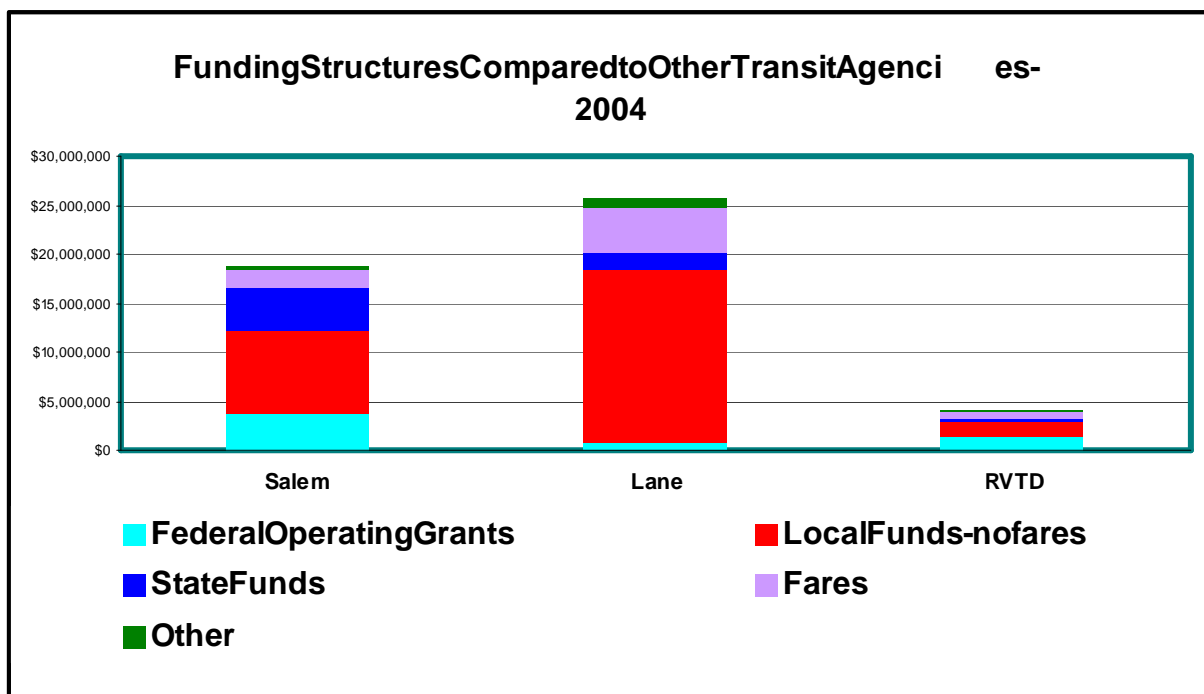
The cost analysis for maintaining the current level of service assumed the following:

- 5% annual inflation
- Real cost per passenger trip (calculated separately for bus service and for Valley Lift) would not change.
- Ridership would increase at the same average rate we've seen over the last decade. As mentioned above, this rate of increase far outpaces the rate of population growth.

These assumptions are quite conservative. Service costs may well exceed the general inflation rate, since fuel is an important component of the overall cost. Inflation rates have been stable since 1981, but could change. And ridership growth could increase radically given any number of factors, such as the wage structure of the economy, fuel costs, changes in land use patterns, etc.

It is reasonable to expect that federal grants to RVTM will reach a maximum soon, based on the experience of other transit systems. Small systems are typically heavily supported by federal grants, but that funding diminishes in importance as the systems grow. By way of comparison, Figure 4.3 depicts the 2004 revenue breakdown for the Salem-Keizer Cherriots system, and for the Lane Transit District (LTD) compared to RVTM (excluding federal capital grants).

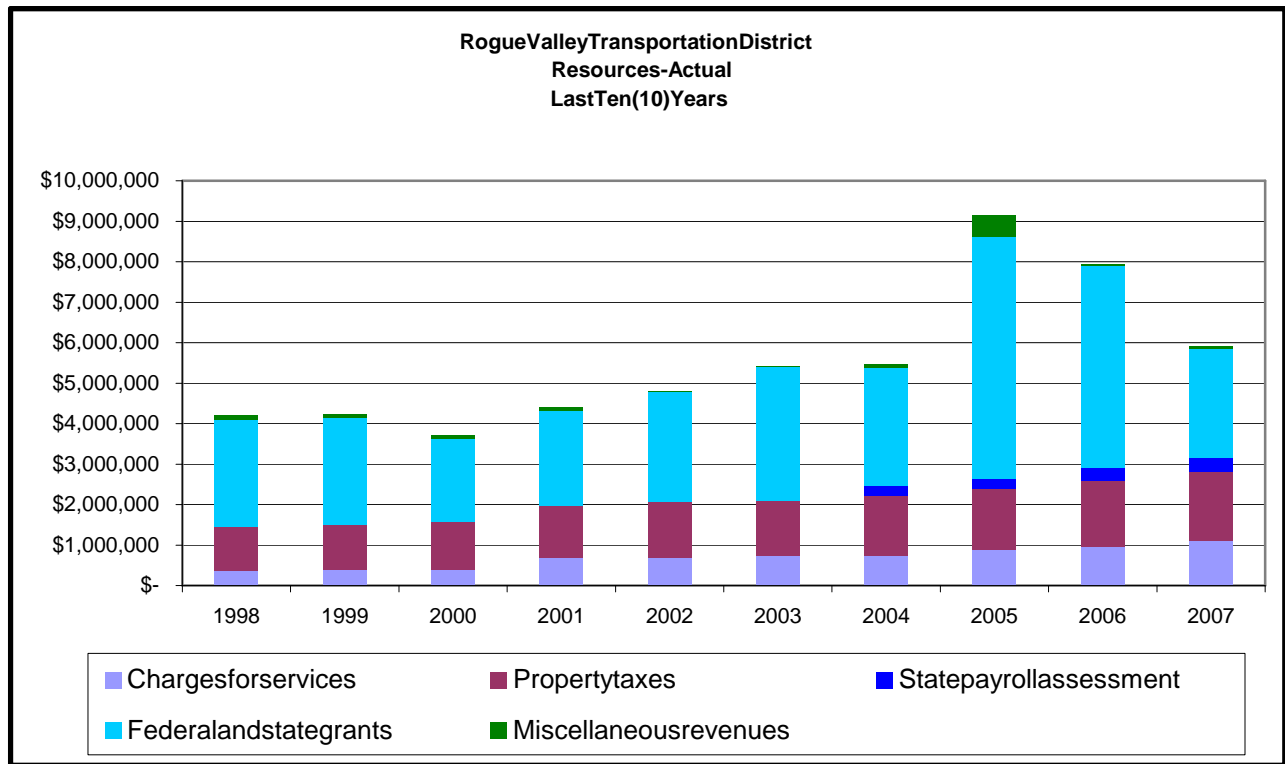
Figure 4.2 Transit Agency Revenue Comparison



The budget for Cherriots is more than 4½ times that of RVTM, and LTD’s budget is almost 6½ times that of RVTM. For these agencies, federal assistance is about 20% and 3.5% of the overall budget respectively, and locally generated funds account for 55.9% and 84.9% of the budget. Cherriots receives about 2½ times the level of federal funding as RVTM. In 2004 RVTM received more than 1/3rd of its revenue from federal grants, whereas local support, including fares, accounted for 55.5% in 2004.

The following chart shows the total revenues by major source for RVTD over the last 10 years, including grants designated for capital outlay expenditures.

Figure 4.3 Current Resources



With the exception of 2005 and 2006 when RVTD received significant capital grant funding to acquire new natural gas powered buses the overall revenues have stayed fairly consistent from year to year.

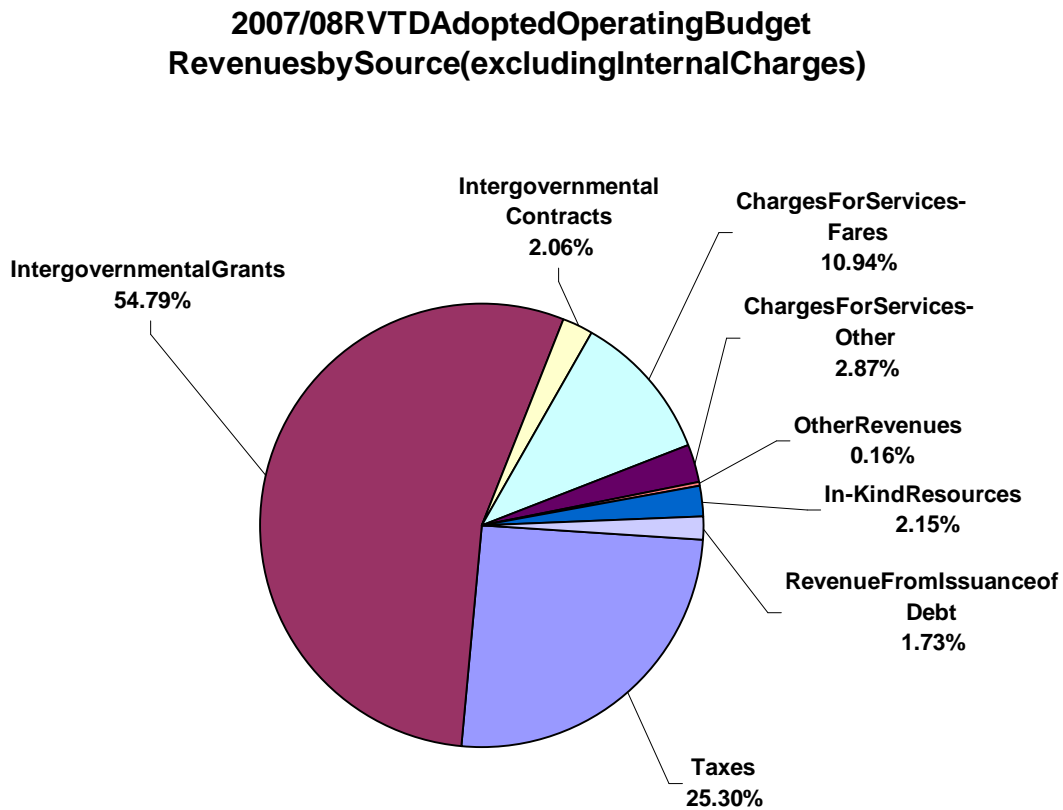
Existing Revenue Structure

All revenues fall into one of two classifications. There are those revenues that can only be used for specific purposes, designated, and those that can be used to fund any part of the operations of the District, undesignated. Examples of designated revenues would include capital acquisition, TDM and CMAQ grants,

and to a lesser degree capitalization of maintenance grants. Undesignated revenues would include fares, federal operating grants (5307), and most other revenues received by the District.

Based on the fiscal year 2007-2008 budget just over 91% of anticipated revenues come from three (3) sources, federal and state grants (54.8%), taxes (25.3%) and fares (10.9%). Of the total federal and state grants only about half can be considered undesignated. Please see Figure 4.4 for a pie graph of depicting RVTD's sources in the 2007-2008 adopted annual budget.

Figure 4.4 2007-2008 Revenue Sources



It is anticipated that the total dollar amounts of grant revenue available for day to day operations of the District in the next five (5) years will at best remain the same and may even decrease. Either of these situations places a greater demand on the locally generated revenues, taxes and fares, to fund the operation of the District. For more information on current revenue please see chapter IX.

Four Future Funding Scenarios:

Potential Funding Sources Available to RVTB:

As a Transportation District, RVTB has the following potential local revenue sources to fund operations:

- Voter approved property taxes
- Voter approved payroll taxes
- Vehicle registration fees
- Service charges and user fees
- Business license fees
- Voter approved income taxes.

These same funding sources are available to Mass Transit Districts. The difference between Transportation Districts and Mass Transit Districts is that Mass Transit Districts can impose property, income and payroll taxes without voter approval. Property and payroll taxes are discussed later in this chapter.

Vehicle registration fees are unavailable to RVTB since the maximum cumulative fee is already charged by other agencies.

An income tax is probably not a viable option because it would require voter approval and RVTB has no mechanism available to collect the tax.

There is a possibility of implementing a business license fee, however, the process of identifying the businesses located within the boundaries of RVTB and collecting the fees is monumental. In addition, the revenue potential is most likely rather small compared to other potential sources.

Service fees and charges would include fare revenues and charges for leasing of buses. Both of these sources are basically at their maximum potential since the District has the highest fare rate in the state at \$2 per ride and there are limited opportunities to generate lease revenues because RVTB is not permitted to compete with private transportation entities. In addition, during the last tri-annual review by FTA, bus leasing was frowned on.

Description and Analysis of Funding Sources

Property Tax Assessment Increase

While it is possible to increase the property tax rate from the current \$0.1772 per \$1,000 of assessed value, the reality of doing so is highly in doubt. A doubling of the current rate would generate approximately \$1.8 million. While this would help to maintain the current service levels over the next 4-5 years, there would be no additional resources generated that could be used to expand and enhance services. Another factor that needs to be considered is the possibility that the total assessed values in the District may cease to increase significantly from year to year and may even begin to decline.

Local Payroll Tax Assessment Option

A local payroll tax can be implemented through a vote of the registered voters within the District boundaries, or by ordinance after transitioning from a local

Transportation District to a Mass Transit District. The tax rate has a maximum limit of \$0.007, or \$0.70 per \$100 of wages. Based on current information, a \$0.001 payroll tax rate would generate and an estimated \$1,235,314 per year in additional revenue.

One-time Local Payroll Tax Assessment

A one-time assessment would be semi-permanent, in that, an increase of the assessed rate must be passed again through a vote. This revenue option has some of the same problems that the property tax has, specifically, it is difficult to pass an increase in any tax, but more importantly the year to year increases in available revenues is dependent on the health of the economy, if total payroll in the District levels off or begins to decline the revenues generated could possibly cease to keep up with inflationary operating cost increases.

Full Implementation of Local Payroll Tax Assessment

To implement the local payroll tax at the maximum allowed rate would generate a significant amount of operating revenues for the District. While this would allow the District to provide significant service expansions and enhancements, it would be impossible to implement the levels of service necessary to justify the revenue levels in the near term.

A possibility would be to seek approval for the maximum rate and to implement it in stages over a number of years. This scenario would give the District adequate time to plan for the system expansions and enhancements and to implement these as the additional revenues become available in future years.

For purposes of this plan, preliminary projections have been made to assess the revenue potential that could be generated from a payroll tax. Figure 4.5

below presents these projections at five different tax rates between \$0.003 and \$0.007 for one year.

Figure 4.5 Potential Revenue from Payroll Tax Assessment

ROGUE VALLEY TRANSPORTATION DISTRICT Payroll Tax Revenue Estimates					
	Payroll Tax Rate= \$0.003	Payroll Tax Rate= \$0.004	Payroll Tax Rate= \$0.005	Payroll Tax Rate= \$0.006	Payroll Tax Rate= \$0.007
Total 2006 County Payroll (Employment Department)	\$ 2,778,483,982	\$ 2,778,483,982	\$ 2,778,483,982	\$ 2,778,483,982	\$ 2,778,483,982
Estimated total payroll within District (1)	\$ 1,806,014,588	\$ 1,806,014,588	\$ 1,806,014,588	\$ 1,806,014,588	\$ 1,806,014,588
Less estimated exempt payroll (2)	\$ (361,202,918)	\$ (361,202,918)	\$ (361,202,918)	\$ (361,202,918)	\$ (361,202,918)
Estimated taxable payroll	\$ 1,444,811,671	\$ 1,444,811,671	\$ 1,444,811,671	\$ 1,444,811,671	\$ 1,444,811,671
Estimated payroll taxes levied	\$ 4,334,435	\$ 5,379,247	\$ 7,224,058	\$ 8,668,870	\$ 10,113,682
Less 10% estimated delinquent collections	\$ (433,444)	\$ (517,925)	\$ (722,406)	\$ (866,887)	\$ (1,011,368)
Estimated Taxes Available	\$ 3,900,992	\$ 4,861,322	\$ 6,501,653	\$ 7,801,983	\$ 9,102,314
Administration & Collection Costs (3)	\$ (195,050)	\$ (260,066)	\$ (325,083)	\$ (390,099)	\$ (455,116)
Estimated Taxes Available To District	\$ 3,705,942	\$ 4,601,256	\$ 6,176,570	\$ 7,411,884	\$ 8,647,198
Assumptions:					
(1) Based on 2006 data it is estimated that the total payroll within the District boundaries will be approximately 65% of the total for Jackson County					
(2) It is estimated that 20% of the total payroll will be from organizations which are exempt from the payroll tax.					
(3) The projected cost of collecting the taxes is 5%					

As seen in the figure above, a payroll tax would provide a significant new source of revenue. With implementation of this source, RVTD could expand service to levels that would likely meet the overall community's needs. Furnishing the revenue source through a local payroll tax can also be seen as an equitable way to provide the community with increased transit service. Employers, employees and employee's families will all benefit.

What follows is a list of benefits that transit provides to the economic sector:

- Approximately 30% of all trips are work related. When looking at trips made solely by the employed, work related trips account for a much higher portion of daily trips; a portion of these trips are made by transit.
- Increased transit service along with demand management strategies will allow for many developments to qualify for construction of less parking, thus increasing the buildable land area and improving overall land value.
- High quality transit service is a recruitment tool for soliciting businesses to move and establish in our area.
- Having access to reliable transportation has shown to help provide high retention of employees and less absenteeism. Providing a bus pass program to employees can also be a recruitment tool.
- 74.5% of all jobs are located within ¼ mile of an RVTD transit route.
 - A large portion of transit trips are for shopping and conducting business; 37% of the respondents to the 2005 Passenger Survey were making their trip by bus either for shopping, recreation or medical purposes.

Having a broad understanding of how transit benefits the economy and the greater community is essential. A forecast for zero transit is within Chapter III with careful considerations for what the Rogue Valley would look like without any public transportation including impacts on air quality, workforce transportation and non-conformance with regional planning to name a few.

Individual employers will likely want a greater understanding of how a payroll levy would impact them. Figure 4.6 shows the hourly cost to employers for the payroll tax at rates between \$0.003 and \$0.007. The tax is collected from the

employer, likely through the Department of Revenue or other third party. No direct costs are borne by the employee. With the \$0.003 rate for one employee with an hourly wage of \$12.00, the collected levy would be approximately \$0.036 per hour, or \$74.88 per year. This is less than the workers compensation deduction for this same employee and provides an immediate and direct benefit.

Figure 4.6 Payroll Tax Employer Cost Example

ROGUEVALLEYTRANSPORTATIONDISTRICT PayrollTaxEmployerCostsExampleatVariousWage Rates					
	PayrollTax Rate=\$0.003	PayrollTax Rate=\$0.004	PayrollTax Rate=\$0.005	PayrollTax Rate=\$0.006	PayrollTax Rate=\$0.007
OregonMinimumHourlyWage=\$7.80	\$ 0.023	\$0.031	\$0.039	\$0.047	\$0.055
HourlyWage=\$8.00	\$ 0.024	\$0.032	\$0.040	\$0.048	\$0.056
HourlyWage=\$10.00	\$ 0.030	\$0.040	\$0.050	\$0.060	\$0.070
HourlyWage=\$12.00	\$ 0.036	\$0.048	\$0.060	\$0.072	\$0.084
HourlyWage=\$15.00	\$ 0.045	\$0.060	\$0.075	\$0.090	\$0.105
HourlyWage=\$20.00	\$ 0.060	\$0.080	\$0.100	\$0.120	\$0.140
HourlyWage=\$30.00	\$ 0.090	\$0.120	\$0.150	\$0.180	\$0.210
AverageAnnualEarningsperOregonEmployment Department=\$31,677	\$95.031	\$126.708	\$158.385	\$190.062	\$221.739
HourlyCost(2080hourworkyear)	\$0.046	\$0.061	\$0.076	\$0.091	\$0.107

This chapter described RVTD's current funding sources, potential funding sources and the feasibility of providing additional service. A Strategic Business and Operations Plan is underway where more analysis is being given to the varying funding sources. At this time, the payroll tax seems to be the most promising funding mechanism that could support transit service levels that meet the needs of the community, discussed in the next chapter. The Strategic Business and Operations Plan will take a closer look at what levels of service each funding source could provide and the strategy for implementing service over time.