SECTION 5

Financial Analysis and Funding Plan

REGIONAL FUNDING OPPORTUNITIES

This section identifies various funding and financing mechanisms that can or could be available for the transportation improvements listed in Section 6 of this Plan. These mechanisms include sources provided through local, state and federal legislation. Before considering funding transportation improvements contained in the MTP, it is important to understand how the current transportation system is financed and operated.

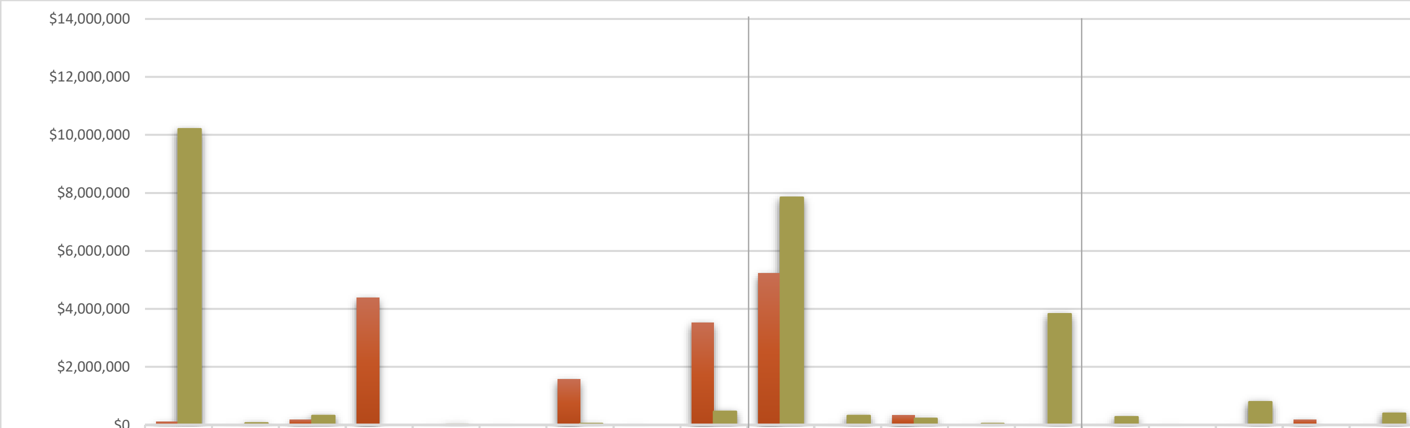
Since local jurisdictions and highway districts must adopt a balanced budget each year, they must rely on reliable revenue sources to operate and maintain their roads and streets. Generally speaking, expenditures are prioritized, with day-to-day operations and maintenance being first priority, reconstruction being second priority, capital replacement third priority, and then new construction. This is based on the recognition that it is important to adequately protect what exists. Sometimes, however, weather conditions or dramatic changes in road usage can interrupt normal budget cycles in order to address an immediate need that requires attention.

KMPO AREA TOTAL TRANSPORTATION REVENUE AND EXPENDITURES

When considering the funding for the region's local transportation system, it is important to recognize that revenues available to local jurisdictions and highway districts can come from different enabling legislation. As an example, highway districts rely extensively on a restricted local property tax levy and the highway distribution account (HDA), while cities rely more on the HDA and transfers from agencies, such as urban renewal districts, which can finance transportation related infrastructure investments. Figures 5.1 and 5.2 provide the detailed and cumulative breakdown of revenues received by local jurisdictions and highway districts within the KMPO area. T**he agencies collectively received $40,295,066 in revenue in 2018**. Of that total, over 50% of the revenue was derived from locally-generated sources.

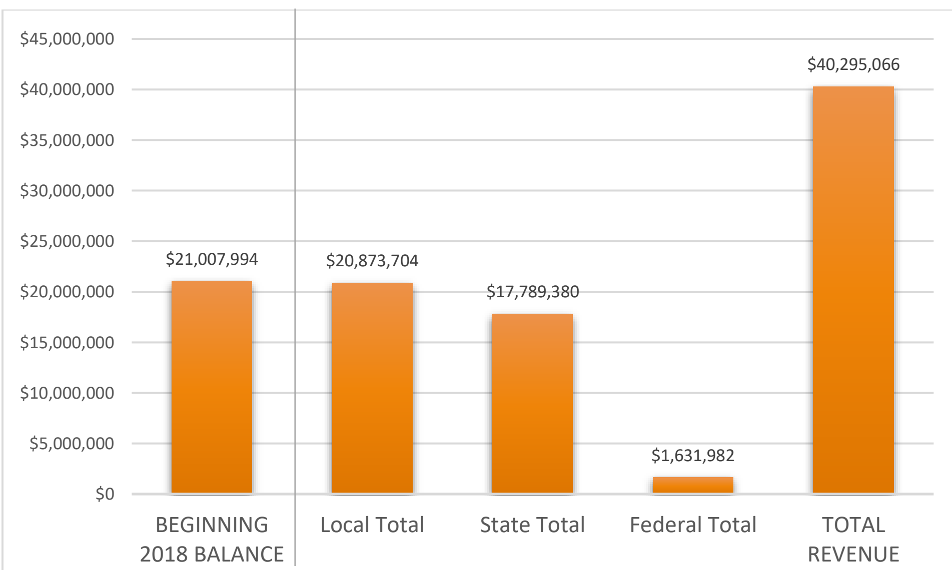

Source: Welch Comer

Figure 5.1 KMPO Area Local Transportation Revenue, All Sources - 2018



	LOCAL									STATE					FEDERAL				
	Local Road Tax Levy	Sale Income	Non-RHF Interest Income	Trans in Non-Hwy Accounts	Proceeds: Bonds & LIDs	Proceeds: Loans & Notes	Impact Fees	Option Regis. Fees	All Local Receipts	HWY User Revenue	Inventory Replac. Tax	Tax Sharing	F.A.S. Exchange	Other State Receipts	Rural Schools	Critical Bridge	Secondary Aid	Urban Aid	Other Federal Receipts
CITIES	103,331	5,874	171,172	4,386,823	0	0	1,580,377	0	3,524,602	5,228,862	3,243	325,354	0	0	0	0	0	173,911	0
HIGHWAY DISTS	10,206,672	64,406	314,880	0	6,172	0	44,923	0	464,473	7,846,702	313,641	214,210	36,531	3,820,837	277,173	0	792,243	0	388,655
TOTAL	10,310,003	70,280	486,052	4,386,823	6,172	0	1,625,300	0	3,989,075	13,075,564	316,884	539,564	36,531	3,820,837	277,173	0	792,243	173,911	388,655

Figure 5.2 KMPO Area Local Transportation Revenue Totals, All Sources - 2018



It is also important to know that, in order for the regional transportation system to work seamlessly, four main activities must occur simultaneously. They are operations and maintenance, reconstruction, capital acquisitions (land, buildings, and equipment replacement), as well as new construction. In 2018, collectively, local agencies expended $34,570,815 in General Operations funds. Of that amount:

Routine Maintenance	$11,264,395
Reconstruction of Existing	$9,144,211
Maintain Equipment/Fleet	$5,954,709
New Construction	$1,473,876
Employees and Facilities	$3,182,168
Total	**$31,019,359**

Other expenses, such as professional services and retaining funds for local match to support State and Federal grants, generally make up the balance of the costs. Expenditures are broken down in Figures 5.3 and 5.4.

Interestingly, the data also shows the financial impact of operating and maintaining a transportation system in the Inland Northwest. Inclement weather associated with cold winters, short daylight hours, as well as winter conditions with snow and ice, can place a disproportionate additional cost on otherwise normal operating conditions for other areas of the State and Country. In 2018, local agencies expended $1,752,889 in snow removal and $1,041,000 for street lighting. Each expense item is comparable to the entire amount of general operating funds spent on new construction in 2018.

This should provide a glimpse of how important it is for local agencies to successfully compete for State and Federal grant programs if they are to reconstruct or widen existing roads. Grant in-aid programs are essential to leverage the limited resources that currently exist to provide for new construction and to address the back log of projects identified in the MTP that are necessary to address travel time reliability across the region.

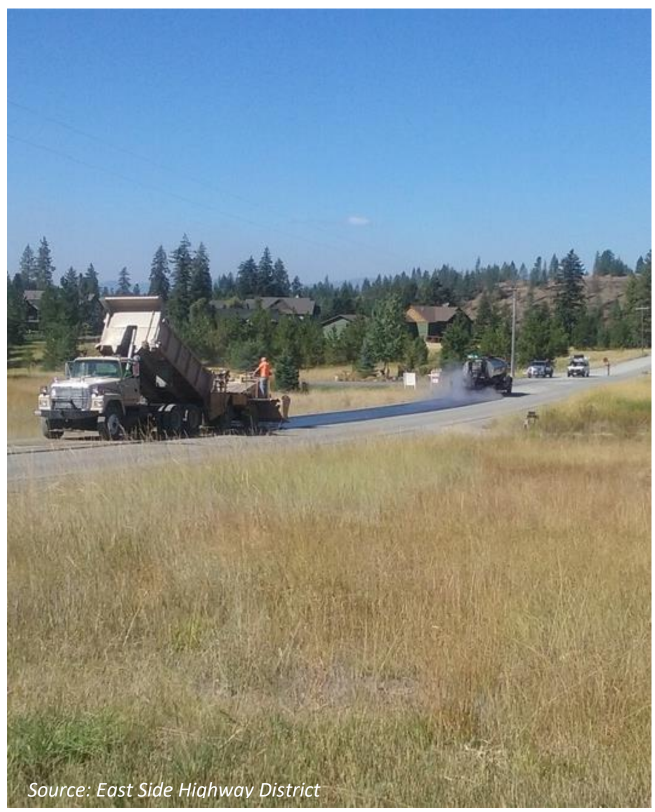
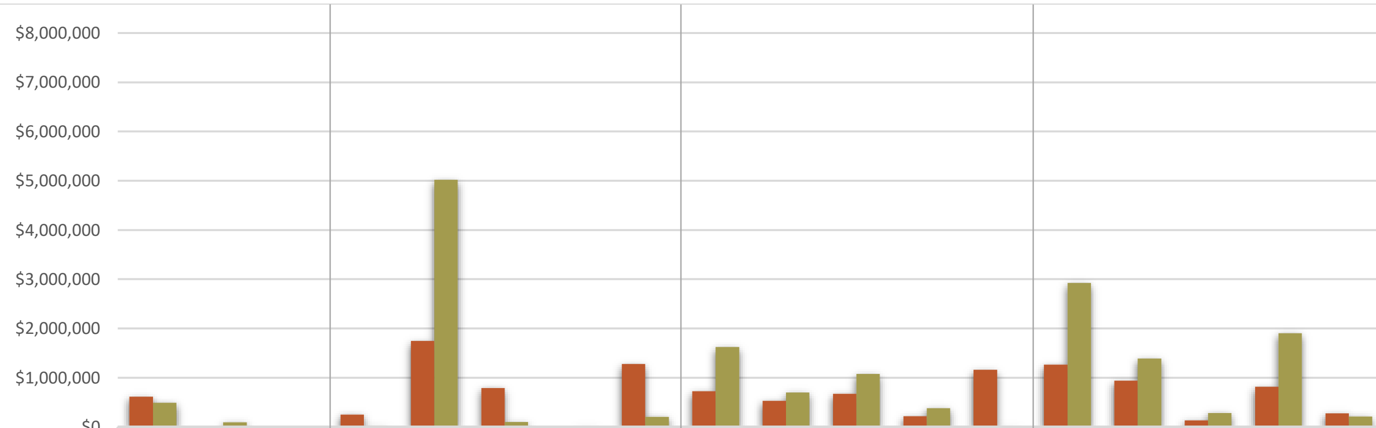
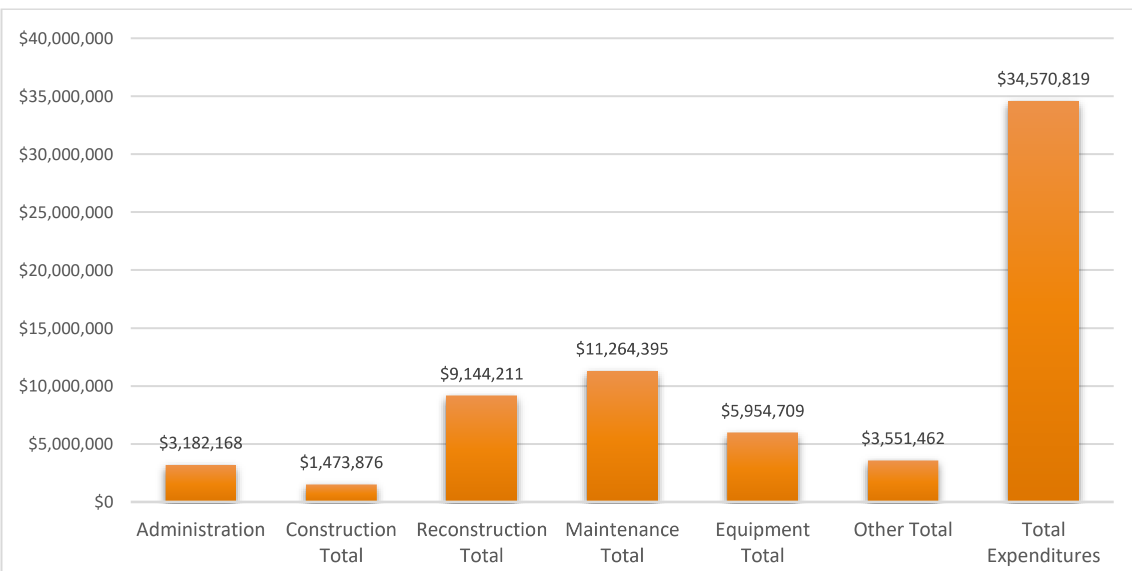

Source: East Side Highway District

Figure 5.3 KMPO Area Annual Expenditures by Cost Item, 2018



	CONSTRUCTION				RECONSTRUCTION				ROUTINE MAINTENANCE					EQUIPMENT					
	Roads	Bridges & Culverts	Railway Crossing	Other	Roads	Bridges & Culverts	Railway Crossing	Other	Chip Seal or Seal Coat	Patching	Snow Removal	Grading/ Blading	Railway Crossing	Other	New Purchase	Leased	Maint.	Other
CITIES	616,353	0	0	248,755	1,749,203	789,019	0	1,279,739	721,634	528,167	675,313	215,206	1,158,243	1,264,383	941,375	129,890	813,712	278,461
HIGHWAY DISTS	493,286	94,432	0	21,050	5,018,267	100,416	6,449	201,118	1,620,341	695,387	1,077,576	382,322	1,459	2,924,363	1,389,138	283,621	1,904,900	213,610
TOTAL	1,109,639	94,432	0	269,805	6,767,470	889,435	6,449	1,480,857	2,341,975	1,223,554	1,752,889	597,528	1,159,702	4,188,746	2,330,513	413,511	2,718,612	492,071

Figure 5.4 KMPO Area Annual Expenditures Totals, 2018



CITY/COUNTY/HIGHWAY DISTRICT FUNDS

City/county/highway district revenue resources can be categorized as either restricted or unrestricted. Unrestricted revenue is available for transportation to the extent that transportation needs can successfully compete with the many other local government needs. Restricted revenue is funding collected through specific enabling legislation, which limits how much can be collected, as well as how it can be spent. Idaho State Gas Tax is a restricted revenue, where funds are limited to transportation purposes authorized in Idaho Code.

GENERAL FUNDS

General funds include all local funds subject to appropriation by the governing body—property taxes, sales tax, utility tax, general state shared revenues, business license fees, etc. These funds may also be used for transportation purposes, unless approved only for a specific purpose.

RESTRICTED FUNDS

The State of Idaho enables local jurisdictions and highway districts to impose various local revenue options. These are considered **Restricted Funds**, as their use is restricted by Idaho Code:

- **A local option vehicle registration fee.** These funds must be used by the jurisdictions with public roads for operating, maintaining, or making improvements to the road system. Subject to a simple majority public vote.

- **Local property tax levy for highway districts.** These funds are required to be used by the districts for operating, maintaining, or making improvements to the highway district road system.

- **Impact fees.** These are generally imposed as a condition for development to ensure adequate capital facilities are built. The fees must follow an established procedure and criteria that guard against duplication of fees for the same impact. The fees are only for system improvements that are "reasonably" related to the development, and they are set to reflect the proportionate share of the system improvements costs directly impacted by the development.

- **Transfers from other agencies.** This would include funding from urban renewal agencies to support transportation infrastructure investments in redeveloping areas of their community

The primary funding sources available to local public agencies are special levies. Table 5.1 depicts the available City, County and Highway District funding options and the most common types of projects. The table is meant to be an informative guide as to funding possibilities.

Table 5.1 City/County/Highway District Funding Options

Primary Project Type		Property Tax	Liability Insurance Tort	Special Levy Taxes	Sale of Property or Equipment	Interest Income	General Fund Transfer	Proceeds Bond Sales & LIDs	Receipts from other Local Government	Receipts from Local Government Contracts	Local Impact Fees	Local Option Registration	All Other Local
Roadway	New Construction	⊗	X	⊗			X	X	X	X	X	X	X
	Major Rehabilitation	⊗	⊗	⊗			X	X	X	X	X	X	X
	Widening	⊗	⊗	⊗			X	X	X	X	X	X	X
	Resurfacing	⊗	⊗	⊗			X	⊗	X	X	X	X	X
	Intersection Improvements	⊗	⊗	X			X	X	X	X	X	X	X
Bridge	New Construction	X	X				X	⊗			X	X	X
	Replace	X	X				X	⊗			X	X	X
	Rehabilitation	X	X				X	⊗			X	X	X
Signal			⊗	X			X	X			X	X	X
Congestion			⊗	⊗			X	X			X	X	X
Railroad			X	⊗				⊗					
Path/Trail				⊗			X	X				X	
Curb, Gutter, Sidewalk				⊗			X	X	X	X	X	X	X
Landscaping		X		⊗			X	X		X	X		X
Public Transportation		X		⊗	X	⊗	X	X	X		X		X
Safety		X	X	⊗			X		X	X	X	X	X

Notes:

⊗ Typical funding source for this type of project. Most projects of this type are funded in this source.

X possible funding sources.

* ST, IM, NHS, STR-State, and STP-State funding is not directly available to Local Public Agencies. Local Public Agencies (LPA) may partner with ITD on State routes for these funds. A typical example of partnering with ITD would be to include LPA work with an ITD project on a State route.

SPECIAL PROPERTY TAXES

Additional taxes can be authorized by voters, usually to finance projects through the purchase of general obligation bonds, revenue bonds, or other debt instruments. If the proposed amount is above the statutory limitation for a jurisdictions' taxing rate, it must be approved by 66 percent of voters with a 40 percent turnout. If it is below the legal limitation, a simple majority is sufficient (usually called a "lid lift"). The tax may be temporary or permanent.

OTHER DEDICATED GOVERNMENTAL FUNDS FOR TRANSPORTATION PURPOSES

Local Improvement Districts

Special taxing districts for transportation purposes can also be created by cities, counties, and highway districts. This allows for acquiring, constructing, improving, providing, and funding of any city street, highway district, or state highway improvement within the District. With voter approval, the District would have authority to levy additional property tax that could then be used to finance specific projects over time using various types of debt instruments.

FEDERAL AND STATE FINANCIAL ASSISTANCE

FAST ACT

The Fixing America's Surface Transportation (FAST) Act provides $286.4 billion in guaranteed funding for federal surface transportation programs over five years through FY 2020. While the Act provides authorization levels for all programs, actual funding levels are subject to annual appropriations. These can be impacted by a myriad of activities and subject to Congressional adjustments.

The Idaho Transportation Department (ITD) administers the allocation of FAST Act and State funds through a distribution formula approved by the ITD Board. Metropolitan areas select urban projects for funding through a competitive basis. Areas under 50,000 population and smaller towns outside the federally designate urbanized areas compete for funds through the Local Highway Technical Assistance Council (LHTAC). ITD administers their own project selection processes for USDOT funds retained by ITD, as well as ITD's portion of State transportation revenues (60%).

USDOT COMPETITIVE GRANT PROGRAMS

Presently, two main competitive grant programs exist to address nationally and regionally significant transportation projects. These are the BUILD and INFRA programs. Established by Congress, these two nationally competitive programs seek to provide substantial funding to regionally significant projects that are above and beyond the normal grant-in-aid program. The most successful areas around the nation are those where State and local transportation agencies have worked together to address a well-documented and demonstrated need.

The **BUILD** program (formerly the TIGER program) is a more broadly-based competitive capital grant program that can be used to address a wide range of infrastructure needs. This includes nationally or regionally significant highways and roads; port districts, airports, bridges, public transportation, sewer, water, fiber optic cable routes to rural areas, and inland waterways.

With these grants, Projects can be as small as $10 million or larger than $100 million depending on the category of funding. Under the rules, the grant can provide no more than 80% Federal funding to a project, with the remaining funds derived generally from local, state, port district or tribal sources. ITD received a TIGER/BUILD grant to construct the remaining improvements on the US-95 Worley North Project.

The **INFRA** (formerly FASTLANE) project grant program was created to address the specific and extensive need for freight related improvements across the U.S. highway system. INFRA grants provide funding similar to the BUILD program; however, INFRA grants must be no more the 60% of the project cost. The remaining project funding can be derived from up to 20% more in other Federal funding, with the remaining 20% from local, state, port district, tribal resources. The amounts available through this highly-competitive, nationwide program can range from $10 million to $250 million.

ITD, in partnership with KMPO, the City of Coeur d' Alene and the City of Hayden received a FASTLANE grant to make operational improvements on U.S. 95 from I-90 to SH-53. These improvements are designed to improve traffic flow and improve freight and goods movement in the region. The funding was 60% FASTLANE grant, 20% Idaho State's Federal Freight Formula Funds, 10% ITD, and 10% local jurisdiction funding.

USDOT SPONSORED PROJECT FINANCING PROGRAMS

USDOT Project financing programs are not grant programs, but rather debt financing tools that are generally expected to be used in conjunction with other federal formula and competitive grant programs. These programs were put in place by Congress in order to provide States and local agencies long term debt financing capabilities that can take advantage of very favorable low interest loan rates and longer terms, due to access to the full faith and credit of United States Government.

The repayment of the debt instrument varies from program to program; however, they all require the state, regional and/or local participants to provide a reliable, dedicated funding source that is capable of repaying the debt and obtaining an acceptable rating. These programs are administered by the USDOT in Washington D.C.

Debt financing, such as this, would be similar to a home mortgage, where the regionally significant investment can be financed up to 30+ years, in order to address both immediate and long-term transportation needs sooner than through traditional programs. Local non-federal examples include school capital bond levies, jail construction projects, or urban renewal district projects (e.g. Greensferry Overpass), where the immediate investments are made and then repaid over time from a dedicated funding source that can receive an acceptable financial rating.

The Grant Anticipation Revenue Vehicle (**GARVEE)** program is a financing mechanism used by many states and some regional governments to finance highway projects. Specific to Federal Highway Administration managed transportation funding, a GARVEE is a grant-anticipated note used as a term for a debt instrument that has a pledge of future Title 23 Federal-aid funding. Significantly, it is authorized for Federal reimbursement of debt service and related financing costs. States can thus receive Federal-aid reimbursements for a wide array of debt-related costs incurred in connection with an eligible debt financing instrument, such as a bond, note, certificate, mortgage, or lease; the proceeds of which are then used to fund a project eligible for assistance under Title 23. Each of these instruments is considered a GARVEE when backed by future Federal-aid highway funding, but most frequently, a bond is the debt instrument used. Specifically, as stated in Section 122 of Title 23, debt financing instrument-related costs eligible for Federal-aid reimbursement include interest payments, retirement of principal, and any other cost incidental to the sale of an eligible debt issue. The issuer may be a state, political subdivision, or a public authority.

GARVEEs enable a state or region to accelerate construction timelines and spread the cost of a transportation facility over its useful life rather than just the construction period. The use of GARVEEs expands access to capital markets as an alternative or in addition to potential general obligation or revenue bonding capabilities. The upfront monetization benefit of these techniques needs to be weighed against consuming a portion of each future years' Federal apportionment to pay debt service. This approach is generally appropriate for large, long-lived, non-revenue generating infrastructure projects, such as bridges, interstate widening, or major highway reconstruction.

Again, these investment grade securities are guaranteed by future federal transportation funds from the federal highway trust fund, which is funded from motor fuel taxes that are levied at the federal level. ITD has utilized the GARVEE program on U.S. 95 Improvements in

North Idaho and throughout Kootenai County. This includes the current improvements at the U.S. 95/SH-53 Interchange, as well as the continuation of the U.S. 95 widening north towards Sandpoint, ID. They may also be used on I-90 widening in the metropolitan area.[1]

The Transportation Infrastructure Finance and Innovation Act (**TIFIA**) program[2] provides Federal credit assistance in the form of direct loans, loan guarantees, and standby lines of credit to finance surface transportation projects of national and regional significance. The strategic goal of TIFIA is to leverage limited Federal resources and stimulate capital market investment in transportation infrastructure by **providing credit assistance in the form of direct loans, loan guarantees, and standby lines of credit** (rather than grants) to projects of national or regional significance.

The key objectives of the program are: to facilitate projects with significant public benefits; Encourage new revenue streams and private participation; fill capital market gaps for secondary/subordinate capital; Be a flexible, "patient" investor willing to take on investor concerns about investment horizon, liquidity, predictability and risk; and limit Federal exposure by relying on market discipline.

TIFIA Requirements

Minimum Anticipated Project Costs -

- $10 million for Transit-Oriented Development, Local, and Rural Projects
- $15 million for Intelligent Transportation System Projects
- $50 million for all other eligible Surface Transportation Projects

TIFIA Credit Assistance Limit – Credit assistance limited to 33 percent of reasonably anticipated eligible project costs (unless the sponsor provides a compelling justification for up to 49 percent).

Investment Grade Rating – Senior debt and TIFIA loan must receive investment grade ratings from at least two nationally recognized credit rating agencies (only one rating required if less than $75 million).

Dedicated Repayment Source – The project must have a dedicated revenue source pledged to secure both the TIFIA and senior debt financing.

Applicable Federal Requirements – Including, but not limited to: Civil Rights, NEPA, Uniform Relocation, Buy America, Titles 23 and 49.

Eligible Applicants Include – State Governments; State Infrastructure Banks; Private Firms; Special Authorities; Local Governments; and Transportation Improvement Districts.

[1] *Source:* https://www.fhwa.dot.gov/ipd/finance/tools_programs/federal_debt_financing/garvees/

[2] *Source*: https://www.transportation.gov/tifia/tifia-credit-program-overview

COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)

These federal funds are available to cities and counties for a variety of public facilities (including housing and economic development projects, which benefit low to moderate income households). This can include transportation-related investments for transit or ridesharing opportunities.

Table 5.2 depicts the available funding categories for Federal-aid Formula Programs that work for the most common types of projects under $10 million. The primary sources open to the Local Public Agencies are STP Block Grant, TAP, Bridge and RHF. This table is meant to be an informative guide as to funding possibilities.

STATE OF IDAHO HIGHWAY DISTRIBUTION ACCOUNT

The Highway Distribution Account (HDA) was established by the Idaho State Legislature to distribute revenues derived from user fees such as vehicle registration and fuel consumption (gas tax). The Legislature establishes the revenue rates and the allocation of those funds, first, between the Idaho Transportation Department (ITD) and local jurisdictions with public roads. The funds are then further sub-allocated between various local jurisdictions, counties and highway districts. In Kootenai County, local jurisdictions and highway districts receive distributions from the HDA to support operations, maintenance, and capital programs. Figures 5.5 through 5.7 show how those funds are distributed to agencies and the amounts allocation in Kootenai County over the past 12 years.

Source: igniteCDA

Table 5.2 Funding Categories for Federal-Aid Formula Programs

Primary Project Type		STP-Local Rural	STP-Local Urban	STP-Safety	STP- Transp. Alternatives	CM/AQ	Bridge	RHF-Local	*ST-State	*IM-Interstate Maintenance	*NHS-National Highway System	*STR(RHF)-State	*STP-State
Roadway	New Construction	⊗	⊗						X	X	X		X
	Major Rehabilitation	⊗	⊗						X	X	X		X
	Widening	⊗	⊗						X	X	X		X
	Resurfacing	⊗	⊗					⊗	X	X	X	X	X
	Intersection Improvements	⊗	⊗	X		X			X	X	X		X
Bridge	New Construction	X	X				⊗	⊗		X	X	X	X
	Replace	X	X				⊗	⊗		X	X	X	X
	Rehabilitation	X	X				⊗	⊗		X	X	X	X
Signal			⊗	X		X				X	X		X
Congestion			⊗			⊗				X	X	X	X
Railroad				⊗				⊗					
Path/Trail					⊗	X							
Curb, Gutter, Sidewalk			X		X				X	X	X		X
Landscaping		X	X		⊗					X	X		X
Public Transportation - related			X		X								X
Safety		X	X	⊗					X	X	X	X	X

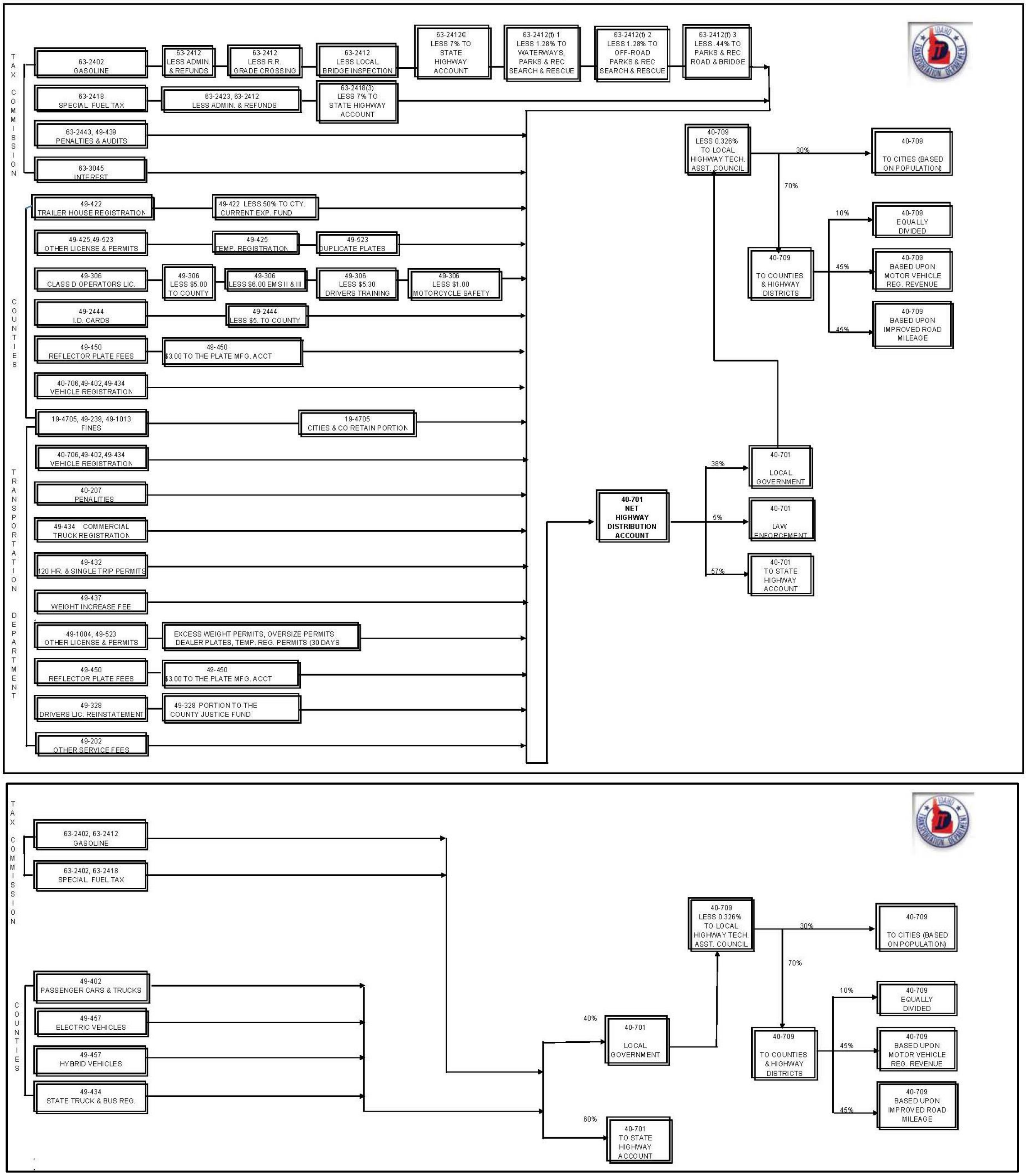
Notes:

⊗ Typical funding source for this type of project. Most projects of this type are funded in this source.

X Possible funding source.

* ST, IM, NHS, STR-State, and STP-State funding is not directly available to Local Public Agencies. Local Public Agencies may partner with ITD on State routes for these funds. A typical example of partnering with ITD would be to include LPA work with an ITD project on a State route.

Figure 5.5 Idaho Highway Distribution Account Sources and Distribution



Source: Idaho Transportation Department; https://itd.idaho.gov/funding/?target=hda-revenue

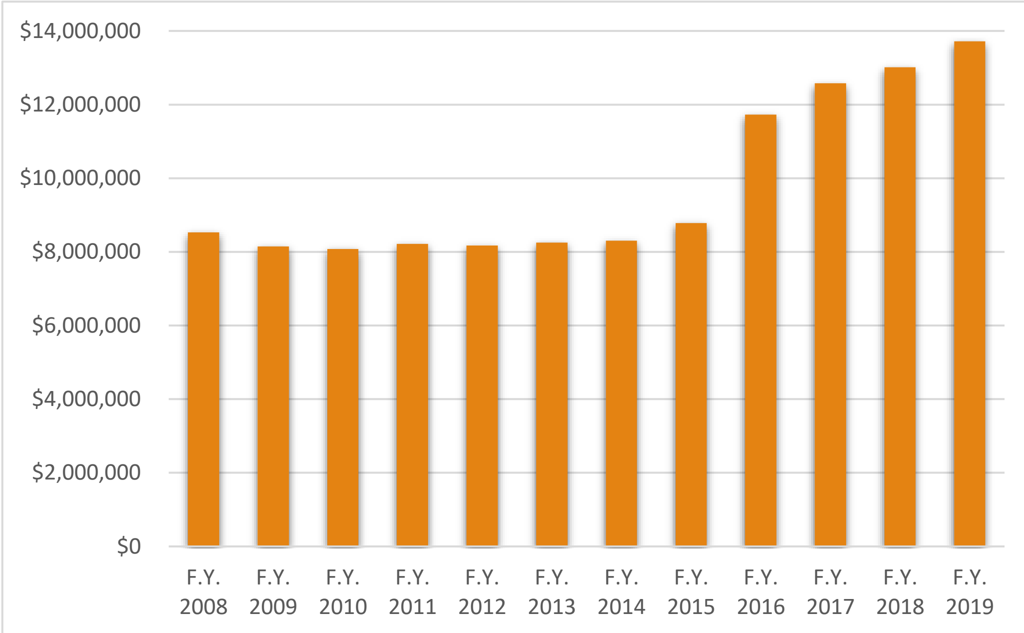
Figure 5.6 Kootenai County Highway Distribution Account Annual Distributions, 2008 to 2019

FISCAL YEAR TOTALS
IDAHO TRANSPORTATION DEPARTMENT
FROM THE HIGHWAY DISTRIBUTION AND RESTRICTED HIGHWAY ACCOUNTS
Within Kootenai County

		TOTAL F.Y. 2008	TOTAL F.Y. 2009	TOTAL F.Y. 2010	TOTAL F.Y. 2011	TOTAL F.Y. 2012	TOTAL F.Y. 2013	TOTAL F.Y. 2014	TOTAL F.Y. 2015	TOTAL F.Y. 2016	TOTAL F.Y. 2017	TOTAL F.Y. 2018	TOTAL F.Y. 2019	12-Year Total
KOOTENAI														
	Post Falls HD	$1,487,666	$1,430,780	$1,411,955	$1,431,869	$1,431,482	$1,449,622	$1,474,777	$1,556,371	$2,070,257	$2,238,069	$2,345,591	$2,506,925	**$20,835,364**
	Lakes HD	$1,880,494	$1,798,724	$1,784,583	$1,817,745	$1,817,716	$1,823,396	$1,834,109	$1,956,740	$2,611,521	$2,794,007	$2,894,855	$3,076,199	**$26,090,089**
	Eastside HD	$975,414	$932,682	$922,029	$936,319	$930,869	$931,580	$930,336	$981,090	$1,303,935	$1,388,774	$1,425,987	$1,492,072	**$13,151,087**
	Worley HD	$757,913	$728,122	$721,400	$729,972	$725,459	$729,105	$731,596	$778,530	$1,045,247	$1,121,067	$1,147,314	$1,189,875	**$10,405,600**
	ATHOL	$25,979	$23,889	$22,962	$23,212	$22,955	$23,268	$22,694	$23,314	$30,702	$32,350	$34,459	$36,102	**$321,886**
	COEUR D ALENE	$1,551,527	$1,467,599	$1,455,601	$1,477,929	$1,462,836	$1,481,827	$1,490,432	$1,570,142	$2,119,556	$2,283,193	$2,338,400	$2,432,719	**$21,131,761**
	DALTON GARDENS	$89,425	$82,812	$80,199	$80,703	$78,646	$78,471	$76,943	$79,891	$104,845	$110,901	$111,793	$115,495	**$1,090,124**
	FERNAN LAKE	$6,945	$6,389	$6,143	$6,174	$5,859	$5,636	$5,592	$5,820	$7,609	$8,041	$8,092	$8,313	**$80,613**
	HARRISON	$10,587	$10,035	$9,534	$9,717	$8,187	$6,822	$6,802	$7,106	$9,511	$10,040	$10,184	$10,506	**$109,031**
	HAUSER	$26,467	$27,674	$26,554	$25,979	$24,108	$22,806	$22,171	$22,739	$30,082	$32,025	$32,692	$34,587	**$327,884**
	HAYDEN	$463,603	$438,887	$432,148	$445,015	$440,537	$446,572	$443,052	$462,935	$613,588	$656,902	$667,038	$699,801	**$6,210,078**
	HAYDEN LAKE	$20,761	$19,444	$18,799	$19,029	$18,928	$19,445	$19,129	$19,930	$26,101	$27,842	$28,553	$29,567	**$267,528**
	HUETTER	$3,679	$3,368	$3,256	$3,273	$3,276	$3,362	$3,303	$3,418	$4,468	$4,741	$4,883	$5,158	**$46,185**
	POST FALLS	$920,337	$880,483	$888,266	$907,878	$906,171	$926,232	$936,887	$993,377	$1,322,555	$1,415,457	$1,481,816	$1,570,416	**$13,149,875**
	RATHDRUM	$236,814	$229,617	$228,982	$234,417	$229,158	$229,680	$229,685	$239,910	$322,189	$350,367	$368,350	$390,515	**$3,289,684**
	SPIRIT LAKE	$60,855	$59,062	$58,076	$59,212	$61,506	$65,321	$65,335	$67,709	$90,247	$96,957	$100,772	$108,114	**$893,166**
	WORLEY	$8,259	$7,570	$7,352	$8,232	$8,331	$8,635	$8,502	$8,595	$11,237	$11,899	$12,091	$12,555	**$113,258**
	Total	**$8,526,725**	**$8,147,137**	**$8,077,839**	**$8,216,675**	**$8,176,024**	**$8,251,780**	**$8,301,345**	**$8,777,617**	**$11,723,650**	**$12,582,632**	**$13,012,870**	**$13,718,919**	
	% of Previous Yr. Total		95.5%	99.1%	101.7%	99.5%	100.9%	100.6%	105.7%	133.6%	107.3%	103.4%	105.4%	

Source: Idaho Transportation Department, Transportation Program: HDA Revenue; **https://itd.idaho.gov/funding/?target=hda-revenue**

Figure 5.7 Total Revenue from Idaho Highway Distribution Account, Jurisdictions in Kootenai County, 2008-2019



PRIVATE DEVELOPMENT AND LIMITED PURPOSE SOURCES

TOLLS

Tolls are paid by users and limited to repayment of, typically, revenue bonds to finance construction and operations of the facility.

PARKING FEES

Parking fees can be implemented for use of right-of-way (i.e. street parking) or construction of a special facility (i.e. parking garage).

DEVELOPMENT REGULATIONS

Various development regulations (especially subdivision ordinances) may require that certain facilities be constructed. These regulations typically require developers to finance the construction of facilities needed to mitigate the traffic impacts of development.

SPECIAL ASSESSMENTS

Local Improvement Districts (LIDs) or Road Improvement Districts (RIDs) may be formed to finance street improvements through a special assessment for benefited property owners.

INDUSTRIAL REVENUE BONDS (IRBS)

IRBs are a special debt instrument under the IRS code allowing tax-free interest. Bonds are retired by revenue generated from the benefited property and can be used for street improvements. This power is limited by requirements in the IRS code.

ENVIRONMENTAL MITIGATION

Public facilities, including streets, traffic signals, or additional lanes may be required to mitigate adverse environmental impacts from development. As part of the development approval process, the municipality can require that the developer mitigate the impacts on the public facilities caused by the development. The two parties may agree to negotiate an agreement that determines the appropriate share of the funding, and establishes the developer's methods of payment for mitigation of direct impacts. A developer may agree to pay a monetary fee or to mitigate through donation of right-of-way or completed facilities. Negotiated agreements are entered into voluntarily and are enforceable by the municipality.

VOLUNTARY CONTRIBUTIONS

Voluntary contributions can be made by the developer to facilitate their development. Contributions can be in the form of money, but often are in the form of donated right-of-way or even a completed facility. Contributions are subject to the same stipulations as a negotiated agreement; however, they are not enforceable by law.

FINANCIAL CAPACITY ANALYSIS

APPROACH

When considering the ability to adequately finance the regional transportation system through 2040, KMPO considered the region's financial performance over the past 12 years. Using a 12-year rolling average approach, the region is predicting the ability to sustain its historical percentage of funding from local, state and federal sources. This takes into account that while annual performance may vary by year and funding source, the overall funding levels should be fairly reliable. Funding analysis covered revenues and expenditures by category with forecasts to 2040 consistent with the planning horizon.

The KMPO staff developed the financial forecasts for local, state and federal revenue sources, which had sufficient historical data from which to develop a rolling average methodology. This included local property taxes, impact fees, special levies, State Highway Distribution Accounts, and Federal Surface Transportation Program funding. For Idaho Transportation Department funding, KMPO assumed a similar investment level for the planning horizon.

CITIES

According to the 2018 Idaho Local Street and Highway Report, cities in the State of Idaho, as a group, reported up to $169 million per year in various revenue sources. During 2018, of the $166,383,122 in reported income, 63.3% was derived from local funding sources, while 32.3% and 4% where derived from state and federal programs, respectively. The local share of revenue has increased, while there has been a shift in the past five years between state and federal funding, with local jurisdictions deriving a slightly lower percentage than the ten-year average. The most significant source of local funding for transportation has been derived from property taxes, general fund transfers, and sales tax, as well as Urban renewal and Local Improvement Districts. Local impact fees still have had limited application with local jurisdictions in the State; however, in Kootenai County most local, mid-size and larger jurisdictions have adopted impact fee programs.

The change in state and federal funding is primarily a result of three factors; the Boise metropolitan area becoming a federally recognized Transportation Management Area (TMA) that receives a direct annual allocation of funding from the Federal Highway Administration, the additional Urbanized areas receiving FTA funding for public transportation, and local agencies and jurisdictions receiving benefits from competitive grant program funds (TIGER, BUILD, and INFRA). The overall amounts, however, have a very small impact on the forecast of future funding. Table 5.3 provides the percentage of local projected revenue by category from 2020-2040.

Table 5.3 Percentage of Local Jurisdiction Revenue by Category

Year	Revenue	Year	Revenue
2015	**$14,811,470**	2028	$19,461,999
2016	**$16,652,510**	2029	$19,909,624
2017	**$17,844,100**	2030	$20,367,546
2018	**$15,503,548**	2031	$20,835,999
2019	**$15,860,130**	2032	$21,315,227
2020	$16,224,913	2033	$21,805,478
2021	$16,598,086	2034	$22,307,004
2022	$16,979,842	2035	$22,820,065
2023	$17,370,378	2036	$23,344,926
2024	$17,769,897	2037	$23,881,859
2025	$18,178,604	2038	$24,431,142
2026	$18,596,712	2039	$24,993,059
2027	$19,024,436	2040	$25,567,899
		20-Year Total:	**$447,644,824**

Source: Local Street and Highway Report

Within Kootenai County, cities are expected to maintain their proportionate share of funding (14.6%) in relationship to other cities within the State of Idaho. While they are expected to increase in population, employment, and geographically, it is anticipated that other areas around the State, such as Lewiston, Boise, Twin Falls and the Treasure Valley area will grow, as well. As such, a rolling average of historical funding levels have been extrapolated to 2040 to derive a reasonable estimate of funding to support operations, maintenance and capital improvements through the Plan's planning horizon.

Table 5.4 provides the anticipated revenue for cities as a group in the Kootenai County Metropolitan Area during the planning horizon.

Table 5.4 Anticipated Revenue for Cities as a Group 2015-2040

Category	Percent
Local	63.7%
State	32.3%
Federal	4.0%

HIGHWAY DISTRICTS

In 2018, highway districts collectively reported $249,700,775 per year in various revenue sources. Of the $250 million reported, 53% came from local funding sources, followed closely by State funding sources, which averaged 46% of their total revenues. Funds from federal revenue sources averaged 4.9% during the same period.

Within the local funding categories, local property taxes make up the dominant share of the funding (35%) to support roadway improvements and maintenance. Collection of local impact fees (15%) and the implementation of the State-authorized local option vehicle registration fee (8%) by some highway districts make up the majority of the local revenue sources. Highway districts in Kootenai County have not exercised their local option vehicle registration fee.

In terms of State revenue sources to support highway district activities, the Highway Users Revenue account makes up nearly 84% of the 40% derived from all State sources. The Highway Users Revenue account is comprised of gas tax and vehicle registration fees collected in the State and distributed via the Highway Distribution account. The second highest revenue comes from state transfers. Table 5.5 shows the historical (1996-2018) breakdown of revenues and expenditures as a percentage of the total budget by Category.

Table 5.5 Historical Breakdown of Revenues and Expenditures for Highway Distribution Account

Category	Percentage
Local	53.3%
State	40.9%
Federal	5.8%

Federal funding to highway districts is not anticipated to change measurably during the life of the Transportation Plan, unless there are fundamental changes passed by the Idaho legislature, ITD Board, and Congress. Federal programmatic funding levels have seen moderate increases in the past five years. However, unless the Highway Trust fund is replenished through new revenue sources, it is expected the federal share will be a minimal part of the overall budgets of highway districts. Direct appropriations to specific projects, which are difficult to predict, will most likely provide the majority of Federal revenue during the planning horizon.

Within Kootenai County, highway districts, as a group, are also expected to maintain their proportionate share of funding in relationship to other highway districts within the State of

Idaho, with the exception of the Ada County Highway District. While they are expected to see an increase in population and employment, it is anticipated that other areas around the State, such as Lewiston, Boise, and the Treasure Valley area, will grow, as well. As such, rolling averages of historical funding levels have been extrapolated to 2040 to derive a reasonable estimate of funding to support their operations, maintenance and capital improvements through the Plan's planning horizon.

Table 5.6 provides the anticipated revenue for highway districts in the Kootenai County Metropolitan Area during the planning horizon. This assumes local highway districts will also implement local options currently available.

Table 5.6 Anticipated Highway District Revenue 2015-2040

Year	Revenue	Year	Revenue
2015	**$16,711,808**	2028	$31,121,424
2016	**$18,961,468**	2029	$31,837,216
2017	**$18,955,553**	2030	$32,569,472
2018	**$24,791,518**	2031	$33,318,570
2019	$25,361,723	2032	$34,084,897
2020	$25,945,043	2033	$34,868,850
2021	$26,541,779	2034	$35,670,834
2022	$27,152,239	2035	$36,491,263
2023	$27,776,741	2036	$37,330,562
2024	$28,415,606	2037	$38,189,165
2025	$29,069,165	2038	$39,067,516
2026	$29,737,756	2039	$39,966,068
2027	$30,421,724	2040	$40,885,288
		20-Year Total:	**$715,822,901**

PUBLIC TRANSPORTATION

Currently, public transportation in Kootenai County is supported through the use of Federal Transit Administration funding, commonly referred to as Section 5307 and Section 5310 sources. These funding programs require a local contribution that varies based on how the funds are to be used – whether for capital, preventative maintenance, operations, etc. The local match is derived from a variety of sources, such as local jurisdictions or local agencies providing or utilizing public transportation services. Within Kootenai County, the largest local contributor of local match to the public transportation system is the Coeur d'Alene Tribe, which utilizes tribal fuel tax collection to support the public transportation services in both the urban area and southern portion of the County.

In a cooperative arrangement between the Kootenai Metropolitan Planning Organization, Kootenai County, and the Coeur d'Alene Tribe, KMPO programs the Section 5307 funds based on consistency with the adopted Regional Public Transportation Plan and Program of Projects (POP) developed by Kootenai County, as the Section 5307 Designated Recipient for the Coeur d' Alene Urbanized Area. Kootenai County utilizes 5307 funds to contract the Coeur d'Alene Tribe to operate and maintain the Citylink public transportation service. Citylink operates in the urbanized area and southward to Desmet in Benewah County.

While this operation has been a financial and operational success, it is still limited in scope and relies heavily on cooperative agreements with the cities, County, Kootenai Health and the Coeur d'Alene Tribe. The lack of a dedicated revenue stream, or even the opportunity to vote on creating one, necessitates the need to limit opportunities to expand the service during the 20+ year planning horizon of the MTP. As such, the Plan anticipates limited expansion opportunities within the financial forecasts available, with no significant increases in public funding participation.

Table 5.7 provides the anticipated financial resources available during the Plan's horizon for public transportation.

Table 5.7 Anticipated Financial Resources for Public Transportation 2017-2040

Year	Revenue	Year	Revenue
2017	**$2,482,790**	2029	$3,048,686
2018	**$2,374,000**	2030	$3,118,806
2019	$2,428,602	2031	$3,190,538
2020	$2,484,460	2032	$3,263,921
2021	$2,541,602	2033	$3,338,991
2022	$2,600,059	2034	$3,415,788
2023	$2,659,861	2035	$3,494,351
2024	$2,721,037	2036	$3,574,721
2025	$2,783,621	2037	$3,656,939
2026	$2,847,645	2038	$3,741,049
2027	$2,913,140	2039	$3,827,093
2028	$2,980,143	2040	$3,915,116
		20-Year Total:	**$66,117,566**

IDAHO TRANSPORTATION DEPARTMENT

The Idaho Transportation Department (ITD) utilizes a priority programming methodology for developing the list of projects that go into the Statewide Transportation Improvement Program (STIP). As such, it is difficult to assess what projects and subsequent funding will be available to meet the transportation needs in Kootenai County during the 20-year horizon of the Plan. The ITD has, at their discretion, the ability to advance or delay projects contained in existing programs in order to meet financial constraints brought about by the impacts of inflation, project scope changes, or the lack of anticipated revenues. As a result of these, and a multitude of other factors, KMPO has calculated the five-year average of transportation investments by ITD in Kootenai County and have extrapolated that investment through 2040. This approach takes into account federal appropriation to individual projects and the historical funding used for operation and maintenance of the system.

The use of GARVEE bonding and other innovative financing strategies may accelerate the investment in transportation projects within Kootenai County; however, it is anticipated that the overall funding levels will remain in proportionate share with the rest of the State of Idaho.

The five-year investment in Kootenai County by ITD is approximately $231 million in capital improvements from 2020-2026. This equates to $38 million per year. For the purpose of the Plan, the annual amount was maintained at $38 million and has been adjusted with an annual average increase of 3.83% or an anticipated investment by ITD within Kootenai

County of $1.6 billion during the planning horizon.

Currently there are several significant projects planned within the Metropolitan Transportation Plan (MTP) that could be accomplished with the introduction of currently available financing options:

Regionally Significant Transportation Projects Impacting the Movement of People and Goods and Economic Competitiveness	
INTERSTATE 90 WIDENING *Stateline to Sherman Ave*	$ 425,000,000
HUETTER CORRIDOR CONSTRUCTION *I-90 to US-95 @ SH-53*	$ 300,000,000
EAST BOUND I-90 PORT OF ENTRY RELOCATION *From Huetter Rest Area to I-90 @ McGuire Rd.*	$ 35,000,000
KOOTENAI REGIONAL TRAFFIC MANAGEMENT CENTER *Traffic Management Center Construction and Operation*	$ 5,000,000
SH-53 WIDENING & RAILROAD CROSSINGS *+Pleasant View Rd. Interchange*	$ 23,000,000
US 95 WIDENING & SPOKANE RIVER BRIDGE REPLACEMENT *Upriver Dr. to Northwest Blvd.*	$ 60,000,000

FINANCIAL OPTIONS AVAILABLE

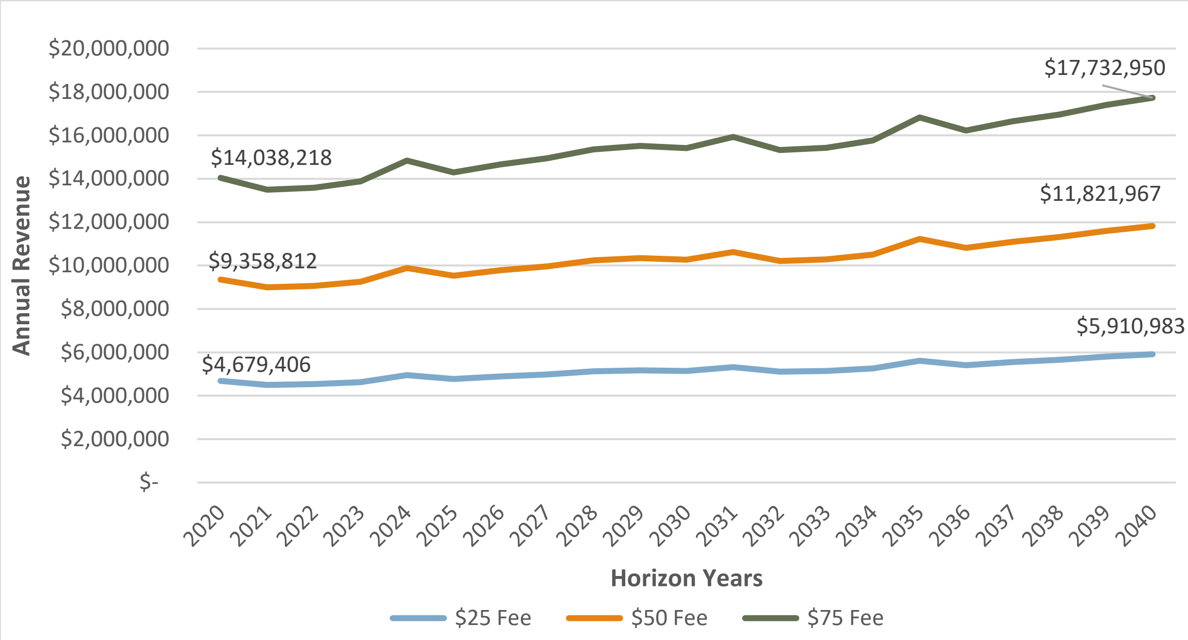
Presently, there is only one local option available to increase local transportation related revenue, in order to provide competitive match to state and national grant programs. The funds would be used to support a program of regionally significant projects (see Appendix E), selected to compete in larger scale Federal grant programs. That option is the **Local Option Vehicle registration fee.**

This local option, as mentioned earlier, allows for up to two times the State rate for the purpose of construction and maintenance of highways and bridges. For the purposes of this analysis, KMPO compiled the actual vehicle registrations in Kootenai County from 2006-2018 and established forecasts to 2040 using a rolling average historical growth rate. The premise being that a rolling average will take into account moderate peaks and valleys in growth, while at the same time be more responsive than a straight trend line projection of historical data.

The analysis looked at a potential revenue stream that could be achieved through a $25.00, $50.00, and $75.00 increase in vehicle registration fees. The results indicate that in current year (2020) dollars, the region could collectively generate ***$108,088,524 ($25), $216,177,014 ($50), and $324,265,571 ($75) during the MTP planning horizon*** (Figure 5.8).

Revenue would be used to finance TIFIA loans and/or provide local match for federal

Figure 5.8 Local Option Vehicle Registration Fee Annual Revenue Forecast (2020-2040)



competitive grants such as BUILD or INFRA. This could also provide the local funds necessary to match with ITD investments on regionally significant roads and highways that would otherwise be beyond the reach of any one jurisdiction and/or the financing capacity of ITD.

DEDICATION OF SOME FOREGONE PROPERTY TAXES

Within Kootenai County, property taxes are based on the assessed value of land and improvements to property, as well as some personal property and lease-holds. Each jurisdiction and highway district have the statutory authority to increase their property tax levy up to 3% annually. They can also go beyond the 3% annual increase; subject to a public vote.

Jurisdictions, who decide not to exercise the full 3% property tax increase, have what is referred to as foregone tax authority. Foregone property tax levies can be reclaimed by jurisdictions, subject to terms and conditions contained in Idaho Code. This local option could be used to support regionally significant transportation investments through the use of foregone property tax capacity.

Revenue would be used to finance TIFIA loans and/or provide local match for federal competitive grants such as BUILD or INFRA. This could also provide the local funds necessary to match with ITD investments on regionally significant roads and highways that would otherwise be beyond the reach of any one jurisdiction and/or the financing capacity of ITD.

It is expected that successful implementation of either local financing option, or combination thereof, would be dependent on clearly defining a program of projects for which the funds would be expended. This would also require a significant, broad-based public education and outreach program on the relationship between regional transportation infrastructure investment and its essential part in providing support to improve safety, capacity, system reliability and economic sustainability for the region.

CONCLUSION

The financial analysis developed for this plan indicates current financial resources to support transportation operations, maintenance, and capital infrastructure in Kootenai County will have a combined revenue estimate of **$2,712,987,332** using existing funding levels and historical performance. This reflects an average increase of 3.2% in vehicles per year and an estimated 4.8% increase in other revenue sources. If voters approved a local option vehicle registration fee at the $50.00 level, the additional revenue would add ***$216,177,014*** making the combined estimate **$2,929,164,346.** For the purposes of this plan, KMPO assumes the local option vehicle registration will be enacted during the early years of the planning horizon.

Revenue in comparison to the estimated financial expenditures during the same time period, shows a near breakeven position during the planning horizon. Based on historical data derived from cities and highway districts, KMPO can expect to experience an overall average annual increase in expenditures of approximately 4.01% per year. However, while some cost categories can expect to see moderate increases, capital construction/reconstruction and administrative costs (salaries, medical insurance, utilities etc.) are expected to increase at nearly twice the average rate per year at 7.95% and 8.31%. Total forecast expenditures for transportation operations, maintenance, and capital improvements are estimated at **$923,436,577.** The Idaho Transportation Department expenditures in Kootenai County are expected to be balanced to historical revenue levels, since projects are managed through a statewide balancing program, and each ITD District does not have the authority to carry-over funds or run a deficit. ITD funding for the planning horizon is estimated to be **$1,532,612,984** or 54% of total revenues.

Based on the financial analysis, the Metropolitan Transportation Plan has a reasonably funded financial scenario that can demonstrate the plans and projects identified have a potential for being implemented during the planning horizon. To be proactive and limit the decline in transportation system performance, it is important that jurisdictions collectively work to construct projects that meet the priority transportation needs identified in this Metropolitan Transportation Plan.

Key to the success of the MTP implementation is to strategically invest in early implementation of the MTP projects that meet recognized regional deficiencies, prior to capacity-increasing projects that are inconsistent with the goals and policies of the comprehensive land use plans being developed by local jurisdictions and Kootenai County.

Source: ITD