

5 FINANCIAL CAPACITY ANALYSIS

Title 23 of the United States Code and 23 CFR Part 450.322(d) (10) require that Metropolitan Planning Organizations have a financial plan leading to implementation of the transportation plan. The intent of this requirement is to keep local governments from producing "wish list" transportation plans that cannot be implemented.

The financial plan has three sections: a summary, a discussion of revenue projection, a discussion of cost estimates, and a discussion of funding sources.

STRATEGIC TRANSPORTATION INVESTMENT (STI)

Passed in 2013, the Strategic Transportation Investments Law (STI) allows NCDOT to use funding more efficiently and effectively to enhance the state’s infrastructure, while supporting economic growth, job creation and a higher quality of life. This process encourages thinking from a statewide and regional perspective while also providing flexibility to address local needs.

STI also establishes the Strategic Mobility Formula, a new way of allocating available revenues based on data-driven scoring and local input.

NCDOT used the Strategic Mobility Formula for the first time to develop a draft of its 2016-2025 State Transportation Improvement Program (STIP) - a state- and federal-mandated requirement that identifies the construction funding for and scheduling of transportation projects throughout the state which was approved by the NCDOT Board in June, 2015.

This section estimates the revenues and expenditures that the High Point MPO expects to be see between now and 2045. *Although Table 5-1 implies a large surplus on both the highway and transit side the competition from adjacent MPOs and RPOs is a reality: we need to select and advocate strongly for our best projects.*

REVENUES VS. NEEDS

EXPECTED REVENUE

This section discusses the amount of revenue that the MPO assumes will be available between now and 2045. Table 5-2 shows the expected revenue by major category.

Table 5-1 Expected Revenues

	2020-2025	2026-2035	2036-2045	2020-2045
Highway	\$380,199,144.73	\$686,349,824.30	\$758,157,201.70	\$1,824,706,170.73
Non-Highway	\$110,874,871.54	\$192,326,523.51	\$202,162,127.31	\$505,363,522.36
Powell Bill	\$28,578,000.00	\$47,630,000.00	\$47,630,000.00	\$123,838,000.00
Municipal Bonds	\$22,000,000.00	\$25,000,000.00	\$25,000,000.00	\$72,000,000.00
Transit Fares	\$3,050,102.00	\$5,083,504.00	\$5,083,504.00	\$13,217,110.00
	\$544,702,018.27	\$956,389,851.81	\$1,038,032,833.01	\$2,539,124,803.09

HIGHWAY

In order to determine revenue for the High Point MPO over the next 25 years, staff looked at funding levels in the first four years of the North Carolina 2020-2029 State Transportation Improvement Program (STIP) for the High Point area. Over the first four years of the STIP, there is \$247,203,000 allocated in the Highway program. These funds include federal funds, state funds, and local funds used to match the federal and state funds. The average allocation per year is approximately \$61,800,750. That yearly allocation was then used as the basis for generating the allocated funding available for highway projects over the next 25 years to be approximately \$1,824,706,171. This

allocation includes an increase in funding of 1% per year. Table 5-1 also shows the anticipated revenues for non-highway projects, Powell bill funding, municipal bonds, and transit fares. Revenues over the life of this plan for all programs is anticipated to be approximately 2.5 billion dollars.

NON-HIGHWAY

Non-highway revenues include funding for public transportation, bicycle, and pedestrian projects. Over the first four years of the STIP there is \$36,499,000 allocated in the Non-Highway program with the average allocation per year of \$18,249,500. This allocation is only federal and state funding and required local matching funds. It does not include funding for projects that the individual jurisdictions may wish to pay for from their individual budgets.

POWELL BILL

The 2013 General Assembly revised the annual amount appropriated out of the State Highway Fund to a sum equal to 10.4% of the net amount after refunds that was produced during the fiscal year. This rate became effective for the 2013 allocation. Effective for fiscal year 2015-2016, the General Assembly ratified SL 2015-241, which stabilized the program’s funding by appropriating the amount of funds to be disbursed.

Seventy-five percent (75%) of the funds allocated or \$110,658,432.01 was divided among all qualified municipalities statewide based on relative 2019 estimated population. The \$110,658,432.01 was divided by 5,718,347 (i.e., population of all eligible and qualified municipalities as estimated by the State Planning Officer) to produce a per capita rate of \$19.35. Twenty-five percent (25%) of the funds allocated or \$36,886,144.00 was divided among all qualified municipalities across the state based on relative mileage of non-State System or local streets complying with the Act. The \$36,886,144.00 was divided by 23,186.62 miles (i.e., the total length of all eligible streets as furnished by the municipalities) to produce a per mile rate of \$1,590.84.

In the financial plan, the MPO has assumed that the annual Powell Bill allocations from NCDOT will remain unchanged.

Table 5-2: Estimated Powell Bill Revenues

Municipality	2019	2020-2025	2026-2035	2036-2045	2020-2045
Archdale	\$320,000	\$1,920,000	\$3,200,000	\$3,200,000	\$8,320,000
Denton	\$51,000	\$306,000	\$510,000	\$510,000	\$1,326,000
High Point	\$2,901,000	\$17,406,000	\$29,010,000	\$29,010,000	\$75,426,000
Jamestown	\$110,000	\$660,000	\$1,100,000	\$1,100,000	\$2,860,000
Lexington	\$550,000	\$3,300,000	\$5,500,000	\$5,500,000	\$14,300,000
Thomasville	\$684,000	\$4,104,000	\$6,840,000	\$6,840,000	\$17,784,000
Trinity	\$147,000	\$882,000	\$1,470,000	\$1,470,000	\$3,822,000
Wallburg	\$0	\$0	\$0	\$0	\$0
	\$4,743,000	\$28,578,000	\$47,630,000	\$47,630,000	\$123,838,000

MUNICIPAL BONDS

Each member jurisdiction can issue bonds for transportation related needs. High Point citizens approved a bond referendum in 2019 and had previously approved one on 2004. For this plan it was assumed that member jurisdictions would receive approximately \$71,000,000 over 25 years of bond revenue.

TRANSIT FARES

Most revenue for our transit systems are included in Non-Highway funding shown in Table 5-1 above, with transit fares shown in the last row of Table 5-1. The HPMPO currently has five systems that operate within our boundary. They include High Point Transit System, Davidson County Transportation, Guilford County Transportation, RCATS serving Randolph and Montgomery Counties, and the Piedmont Authority for Regional Transportation (PART). While all systems collect fares we only considered High Point Transit System and Davidson County Transportation because both of those systems

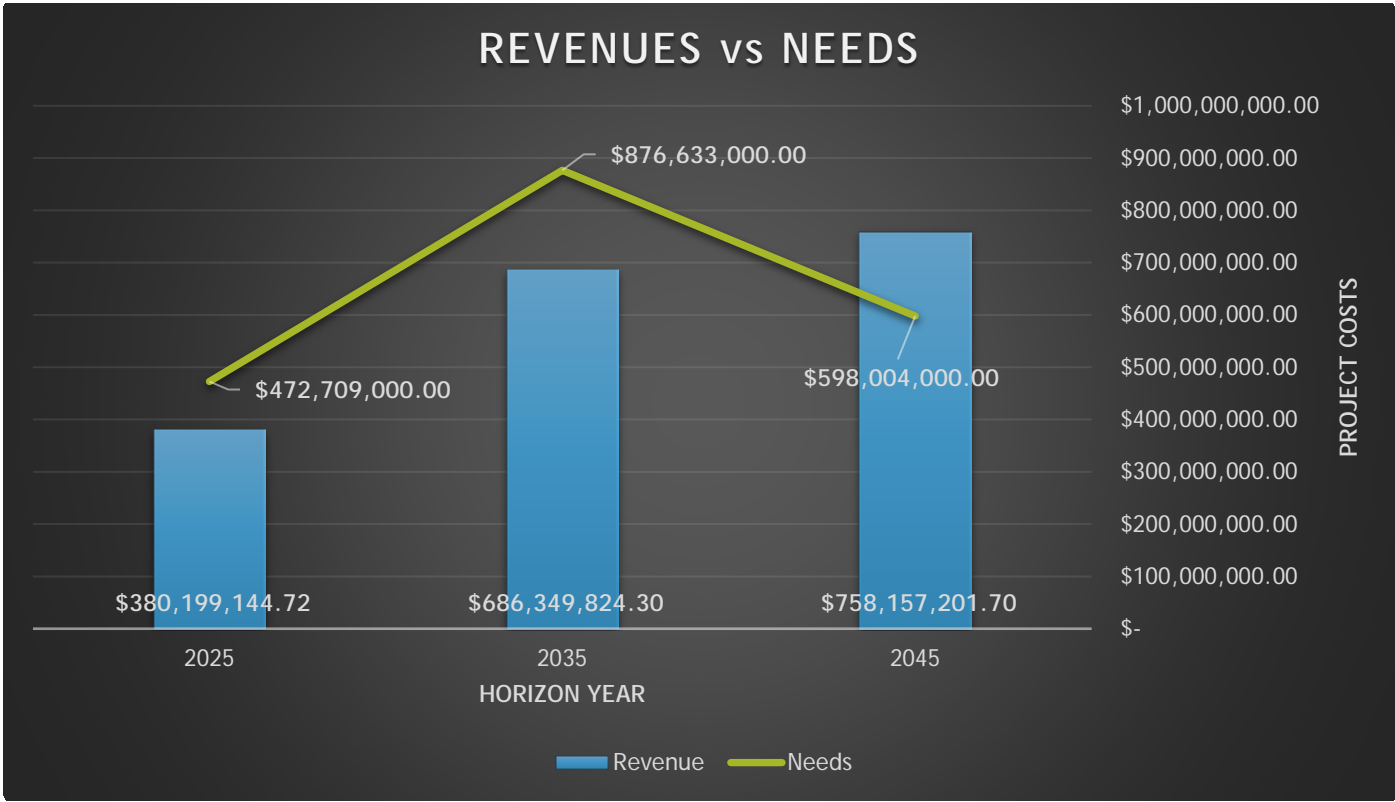
operate entirely within the MPO. In order to determine the anticipated fare revenue over 25 years we used historical data from the past five years from 2014-2018. The average over those five years was \$508,350 which over the life of the plan is \$13,217,110.

EXPECTED NEEDS

This section of the plan documents the dollar value of the needs that the MPO expects to see over the next twenty-five years.

HIGHWAY

By far, the largest amount of expenditures within the High Point MPO are from highway projects. Project costs continue to increase at a rate that makes it difficult for revenues to keep pace. In the graph below it is anticipated that the current needs for the 2025 and 2035 Horizon Years will be higher than the anticipated revenue. Also, the 2045 revenues are able to meet the Needs. One reason for this is we have fewer project in our 2045 Horizon Year because we anticipate there several will be projects that shift from the 2035 Horizon Year to the 2045 Horizon Year.



ASSUMPTIONS

This part of the financial capacity analysis describes the assumptions that drive the estimates of revenues and expenditures. This analysis has several limitations:

- Major changes in public policy and funding streams are likely during the forecast period,
- Major changes in travel behavior are likely during the forecast period,
- Federal, states, and local funds are added together,
- The forecast does not consider limitations on some funding streams,
- Private sector funding is not considered,

- The analysis ignores the business cycle,

FUNDING SOURCES

This section discusses the funding sources, which the Metropolitan Planning Organization believes are reasonably foreseeable and available. Available funding is limited to federal transportation dollars, state transportation dollars, toll revenues, capital funds, Powell bill funds, bonds, impact fees, and grants. However, the MPO cannot assume that all types of funds are reasonably available because the MPO has not used them in the past.

FEDERAL & STATE FUNDING

By far the largest sources of transportation funding in North Carolina are the state and federal funds devoted to transportation projects. There has been an increase in recent years on public private partnerships with regards to funding transportation projects.

FEDERAL FUNDING

Federal transportation funds are generally derived from the federal motor fuels tax collected by the states and returned to them on a formula basis. Federal funds account for a large part of construction and planning funds available in North Carolina. Federal authorizations usually require a twenty percent match. For highways the NCDOT usually provides the matching amounts (80:20) while NCDOT and the local government provide the match for transit money (80:10:10).

The future of transportation funding is uncertain. Fuel tax revenues are losing power as fuel costs force users to forego travel or use more fuel-efficient vehicles while demographic changes may further lower fuel tax revenues. Transportation revenues at all levels are falling because of these trends. So far there is no agreement regarding how to fund transportation going forward.

STATE FUNDING

North Carolina's funding picture mirrors that of the federal government. Costs are increasing as revenues decline.

TOLL AUTHORITY

In 2002, the North Carolina legislature created the North Carolina toll authority. When created, the toll authority had the authority to implement up to five projects using toll financing. Contrary to popular opinion, the fees collected do not fully cover the cost of maintenance and operations. The chief advantage implementing facilities using tolls lies in constructing them earlier than would normally be possible.

North Carolina opened its first toll road of the modern era in 2012. The toll authority is considering more projects in the state, however no toll facilities are currently planned for the Triad area or High Point MPO. Because the North Carolina Turnpike Authority is not considering toll roads in the Triad, the MPO did not include toll revenues as a foreseeable funding source.

LOCAL SOURCES

Cities in North Carolina have a limited menu of options for funding transportation work. They may raise property taxes or in some cases use sales tax revenue to provide transportation services. These funds are then included in the City's capital budget. Most often these funds are used for small construction, maintenance work and sidewalk construction depending upon the desire of local decision makers.

BONDS

The City of High Point has been successful at having bonds approved for many public projects including transportation related bonds. The most recent transportation bond program raised approximately \$22,000,000. In general, High Point asked its citizens for bond approvals every four or five years. The MPO has assumed that High Point will have six bond referenda over the next thirty years.

IMPACT FEES

Impact fees are available to North Carolina cities, and High Point can use impact fees to provide infrastructure associated with large developments. This infrastructure is often in the form of turn lanes or new traffic signals. Most of this infrastructure from impact fees would be localized to the development with which they are associated.

IMPACT TO FUNDING DUE TO UNFORSEEN CIRCUMSTANCES

The expected transportation revenue over the 25-year life of this plan is calculated based on assumption that funding will continue to increase over time. Currently we have experienced a once in a lifetime event that has caused current funding level to decrease dramatically.

During the development of the plan a pandemic was taking place, the 2019 novel coronavirus (COVID-19). In order to keep people safe, a stay-at-home order was implemented in North Carolina. Businesses that were not considered essential were ordered to close so people stayed at home which caused gasoline purchase to drop and with it the tax revenue to decrease.

The NCDOT is fully funded through the Motor Fuels Tax, Highway Use Tax and Division of Motor Vehicles fees. The drop in revenue from these sources due to COVID-19 will result in more than \$300 million in lost revenue for the 2020 fiscal year, which ends June 30. An additional shortfall of more than \$370 million is projected for FY21.

The North Carolina general statutes restrict the department’s ability to enter into agreements that obligate additional funds for transportation projects until cash on hand is above the statutory cash floor, as certified on the last day of the month. According to state law, once the department falls below the cash floor, the department can no longer enter into new contracts that spend money on transportation projects.

Currently Governor Roy Cooper is instituting a phased approach to reopen the economy, get businesses operational, and get people back to work. However the phasing plan will take time to implement and tax revenue shortages will continue. Hopefully over the next several months, as COVID-19 continues to decline tax revenues will increase to a pre COVID-19 level.