



**Rogue Valley Transportation District Boundary Analysis  
Technical Memo #6 Revenue and Cost Model Analysis**

To: Rogue Valley Transportation District

Date: March 6, 2010

Subject: Revenue Impacts of Boundary Expansion, Payroll Tax and Change of Organization;  
Cost Estimates

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## Executive Summary

This analysis presents a summary of existing and historic funding sources for RVTD and investigates the potential for increasing revenue through changes to the boundary of the service district and changes to the taxation structure within the boundary. Potential for revenues are compared to cost estimates for different geographies and levels of service that RVTD may consider providing in future years. The analysis is an important part of creating a financial plan for the district pursuant to the goals laid out in the RVTD Long Range Plan and the RVTD Strategic Plan. Estimates are subject to detailed accounting of specific policy scenarios.

Certain areas adjacent to the RVTD boundary are expected to receive substantial growth over the planning horizon, between 2010 and 2030, particularly the areas around Tolo Road, the western portion of White City and Eagle Point. Other areas within the boundary are expected to become more densely developed. This increasing density is expected to result in increased revenue to RVTD through its property tax of \$0.1772 per thousand dollars of assessed value. A sometimes discussed payroll tax would also increase over time due to the same increases in density.

By 2030 revenues from property taxes within the existing boundary and at existing rates can be expected to rise by \$1.25 million in current dollars. Scenarios for a modified property tax rate are evaluated below and have the potential to increase revenue by up to \$3.5 million when enacted and as much as \$7.0 million by 2030. A modified property tax scenario assumes that substantial obstacles to doing so can be overcome.

A payroll tax at various levels is also considered for each of the areas adjacent to the boundary and for the existing district. The payroll tax also varies with density of development and development over time. A payroll tax could generate as much as \$10.3 million at \$0.6% when enacted, \$13.3 million by 2030.

The three specific scenarios for increased service, Eagle Point, West White City and the Tolo Rd. area have cost associated with their service and also associated revenues. Table 1 below shows estimated costs of providing service at three different levels of service and the revenues associated with property taxes, grants and operating revenues which would be gained from instituting service in each geography.

**Table 1  
Boundary Expansion Summary**

	Existing Service Levels	Saturday Service	Extended Hours	Total Cost	Increased Revenues
<b>Existing Routes</b>		\$ 924,791	\$ 1,511,782	\$ 2,436,573	
<b>West White City Expansion</b>	\$ 30,973	\$ 5,242	\$ 14,295	\$ 50,509	\$ 32,172
<b>Eagle Point Expansion</b>	\$ 142,681	\$ 24,146	\$ 65,853	\$ 232,679	\$ 219,286
<b>Tolo Expansion</b>	\$ 419,163	\$ 70,935	\$ 193,460	\$ 683,558	\$ 63,827
<b>Total Marginal Cost</b>	\$ 592,816	\$ 1,025,114	\$ 1,785,389	\$ 3,403,319	\$ 315,285
<b>Total Costs</b>	\$ 5,606,741	\$ 6,631,855	\$ 7,392,130	\$ 9,010,060	

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A route cost model has been provided to RVTD to estimate costs associated with specific levels of service on any combination of geographic areas to be served. The route cost model separates the many variables involved with transit route cost planning so that planners can manipulate each variable in isolation. This route cost planning tool may help RVTD planners to quickly isolate preferred service alternatives in the future. The variables break down generally as follows:

1. Geographic area to be served, route length
2. Frequency and duration of service, service level

Similarly, revenues can be separated generally into the following categories:

1. Geographic Area
2. Level of taxation
3. Federal and State Funding Levels
4. Business Revenues

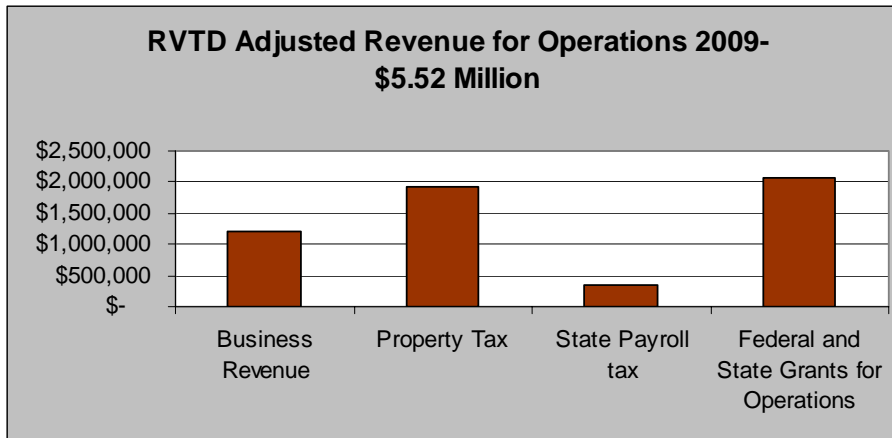
The distinction between costs and revenues associated with geographic areas to be served, potential routes, and service levels on given routes are important for isolating specific cost and revenue from future policy choices. Policy makers seek to optimize the many factors that go into RVTD costs and revenues so as to provide the most service to residents of the valley at the least cost to taxpayers.

The estimates provided in Table 1 and throughout this document are held constant for inflation. They are reported in 2010 dollars for the convenience of the reader.

## RVTD Budget

Figure 1 below shows the distribution of revenue by source of funds during the 2009 fiscal year. Planning for future services is complicated by the proportion of revenues which come from highly volatile Federal and State grants. From year to year these funds change based upon the actions of Congress. The unpredictable nature of Federal and State grant funds can lead to wide variance between budgeted and actual revenue and expenditure.

**Figure 1:**  
RVTD Revenue by Source



## Budget History

Since the middle of the 1990's RVTD has grown. Major changes have occurred with the advent of State Translink service administered by RVTD, the requirement for Para-transit services in 1996 and also a doubling of fares in 2007 which temporarily reduced ridership but increased revenue by about \$100,000 dollars per year.

**Table 2:**  
RVTD Revenue History- Adjusted to 2009 Dollars

	Business Revenue	Property Tax	State Payroll tax	Federal and State Grants	Misc.	In Kind	Total
1996	\$ 656,480	\$ 1,530,480	\$ -	\$ 1,566,193	\$ 77,563	\$ -	\$ 3,830,716
1997	\$ 446,535	\$ 1,572,612	\$ -	\$ 1,899,992	\$ 106,043	\$ -	\$ 4,025,182
1998	\$ 484,251	\$ 1,424,713	\$ -	\$ 3,467,238	\$ 148,629	\$ -	\$ 5,524,831
1999	\$ 502,402	\$ 1,440,091	\$ -	\$ 3,414,041	\$ 99,729	\$ -	\$ 5,456,262
2000	\$ 486,552	\$ 1,481,502	\$ -	\$ 2,559,734	\$ 98,813	\$ -	\$ 4,626,601
2001	\$ 838,794	\$ 1,543,942	\$ -	\$ 3,384,226	\$ 113,564	\$ -	\$ 5,880,526
2002	\$ 829,271	\$ 1,629,497	\$ -	\$ 7,979,523	\$ 17,605	\$ -	\$ 10,455,897
2003	\$ 857,862	\$ 1,599,502	\$ -	\$ 10,790,311	\$ 97,688	\$ -	\$ 13,345,363
2004	\$ 835,713	\$ 1,688,042	\$ 277,734	\$ 7,695,497	\$ 95,177	\$ -	\$ 10,592,162
2005	\$ 978,628	\$ 1,666,977	\$ 254,288	\$ 12,127,449	\$ 1,583,972	\$ 225,090	\$ 16,836,405
2006	\$ 1,044,513	\$ 1,729,902	\$ 330,858	\$ 11,216,881	\$ 1,157,600	\$ 239,082	\$ 15,718,837
2007	\$ 1,163,277	\$ 1,769,445	\$ 342,560	\$ 9,552,484	\$ 53,369	\$ 188,643	\$ 13,069,778
2008	\$ 1,161,639	\$ 1,831,117	\$ 335,859	\$ 9,233,406	\$ 138,001	\$ 228,081	\$ 12,928,103
2009	\$ 1,192,922	\$ 1,912,460	\$ 356,076	\$ 9,918,726	\$ 1,045,062	\$ 197,298	\$ 14,622,544

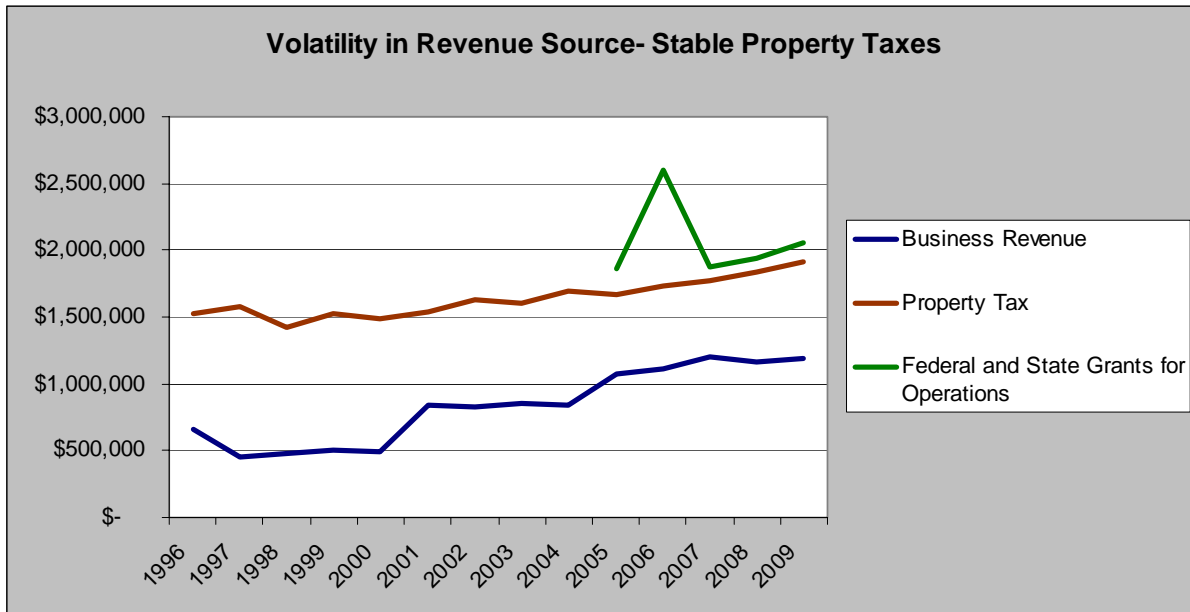
Source: RVTD Annual Audit Reports 2009, 2005. Bureau of Labor Statistics, [ftp://ftp.bls.gov](http://ftp.bls.gov), internal charges removed

Total revenues to the district have climbed from almost \$4 million in 1996 to \$14.6 million at the end of 2009. The increase in revenues marks an increase in the size of the organization as paratransit and Translink services have been added to the mission of RVT. TransLink provides transportation services to eligible Oregon Health Plan and eligible Medicaid clients traveling to authorized medical services. Paratransit is a requirement that was added to the Americans with Disabilities act in 1996 which forces transit systems to operate door to door service for disabled people within ¼ mile of every fixed route. In size, the fixed route bus system has become only a fraction of RVT operations. The fixed routes remain by far the most heavily used part of the system.

When capital costs and the cost of special transportation services through the translink service, miscellaneous revenues such as the recent donation of the Greyhound Station property and in-kind revenues are removed from the historical account, the revenue picture is shown in Figure 2 below.

Revenue that can be used for operations increased from just over \$2 million in 1996 to about \$5.5 million in 2009, adjusted to 2009 dollars. The increase is primarily attributable to increases in federal funding for transit and increases in the revenues generated from RVT revenue generating activities which include but are not limited to the fare-box. In contrast to grants funding, revenue from property taxes and charges for services are very stable.

**Figure 2:  
Revenue Volatility**



Note: Data for Federal and State Grant revenues are not available prior to 2005

Although data previous to 2005 are not available for Federal and State grant funding, the spike in 2005 shown on the graph is an indication of the relative volatility.

RVT has less ability to manage variation in operating funds than it does variation in State and Federal revenue for capital projects. This is because RVT has some ability to defer capital expenses until funds become available while this is not true for operating expenses.

Operational funding affects the ability of the district to provide bus service on a day to day basis and volatility in any one revenue source may affect service or even cause the cancellation of routes.

**Table 3:  
Operations Only Revenue**

	<b>Business Revenue</b>	<b>Property Tax</b>	<b>State Payroll tax</b>	<b>Federal and State Grants for Operations</b>	<b>Total</b>
<b>1996</b>	\$ 656,480	\$ 1,530,480	\$ -		\$ 2,186,961
<b>1997</b>	\$ 446,535	\$ 1,572,612	\$ -		\$ 2,019,147
<b>1998</b>	\$ 484,251	\$ 1,424,713	\$ -		\$ 1,908,963
<b>1999</b>	\$ 503,199	\$ 1,532,190	\$ -		\$ 2,035,388
<b>2000</b>	\$ 486,552	\$ 1,481,502	\$ -		\$ 1,968,054
<b>2001</b>	\$ 838,794	\$ 1,543,942	\$ -		\$ 2,382,736
<b>2002</b>	\$ 829,271	\$ 1,629,497	\$ -		\$ 2,458,768
<b>2003</b>	\$ 857,862	\$ 1,599,502	\$ -		\$ 2,457,364
<b>2004</b>	\$ 835,713	\$ 1,688,042	\$ 277,734		\$ 2,801,489
<b>2005</b>	\$ 1,075,023	\$ 1,666,977	\$ 254,288	\$ 1,867,006	\$ 4,863,294
<b>2006</b>	\$ 1,111,541	\$ 1,729,902	\$ 330,858	\$ 2,596,291	\$ 5,768,593
<b>2007</b>	\$ 1,203,644	\$ 1,769,445	\$ 342,560	\$ 1,879,553	\$ 5,195,202
<b>2008</b>	\$ 1,157,507	\$ 1,831,117	\$ 335,859	\$ 1,944,990	\$ 5,269,472
<b>2009</b>	\$ 1,192,922	\$ 1,912,460	\$ 356,076	\$ 2,060,645	\$ 5,522,103
<b>Percent</b>	22%	35%	6%	37%	100%

Source: RVTB CAFR

Note: Data for Business revenue and Federal and State grants changed due to accounting procedures in 2005

Revenue generated from RVTB business activities includes revenue from the fare box but also includes monthly bus passes, agreements with major users of the system and advertising.

When revenue from capital expenses gifts, in-kind bargains and other non-cash sources are removed from the data, revenue from business operations generated 22% of revenue available for operating expenses. Property taxes were 35% of revenues available for operations.

### **Federal and State Funds**

The Federal Transit Administration has a number of grant programs which may apply to RVTB programs at different times. The criteria for each program may change from year to year. RVTB proposals may also match program criteria differently depending upon when and how they are proposed. Table 4 on page 7 contains a list of 20 such programs. Only four programs are listed in technical memo #2 as major sources of RVTB funding, although at different times and circumstances most could be relevant to RVTB financial planning, particularly with regard to service expansion and change of boundary decisions.

One important source of revenue are 5307 formula grants. These funds will be drastically reduced when the District reaches 200,000 in population. Estimates by REMI Northwest and CSA Planning indicate that by 2030, the population of the existing RVTB district and the

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three study areas is expected to be 187,455 people. The current population of the district and the study areas is estimated to be 151,719 people.

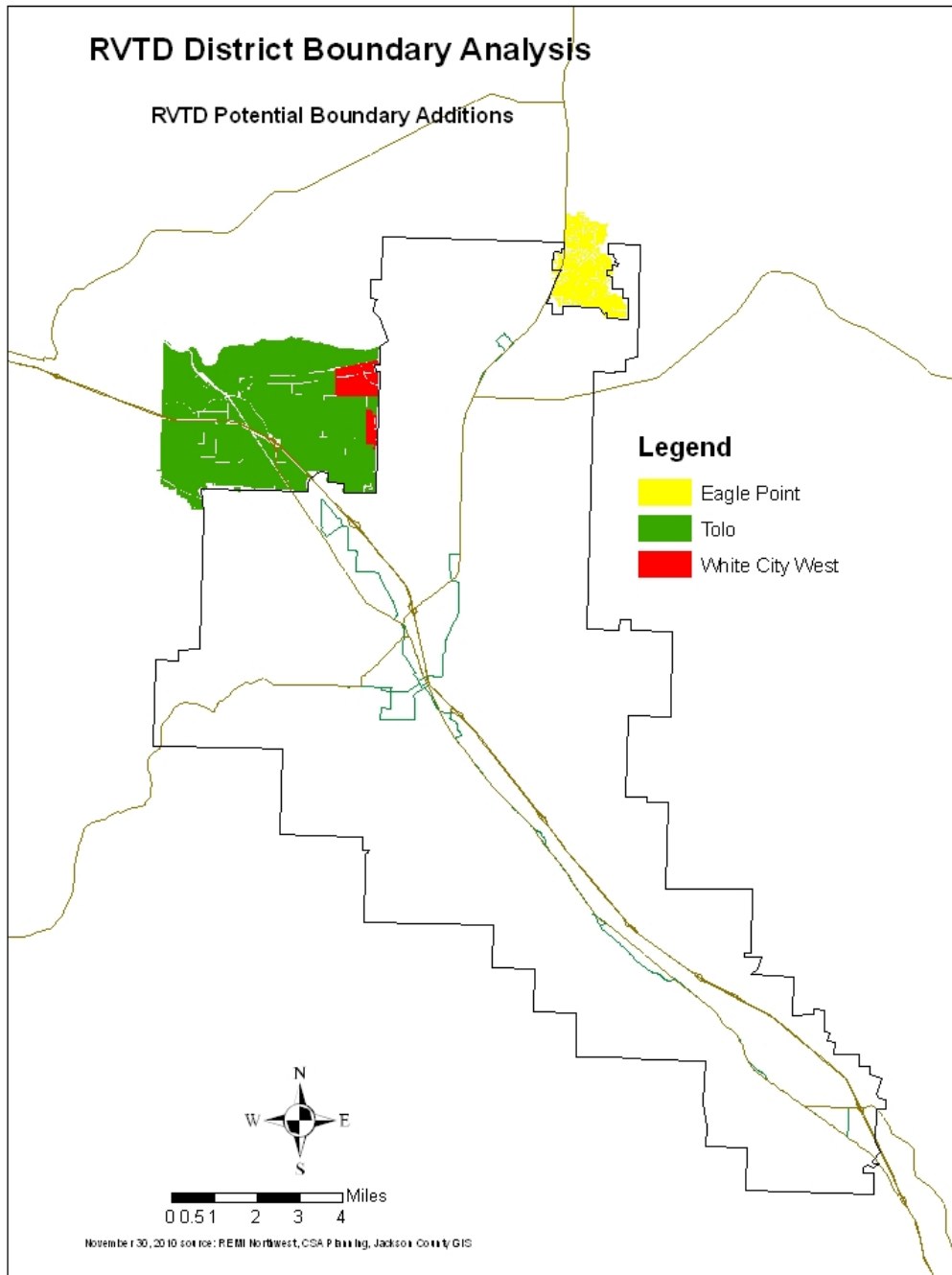
**Table 4:**  
**Federal Transit Administration- Major Grant Programs**

- \* Metropolitan & Statewide Planning (5303, 5304, 5305)
- \* Urbanized Area Formula Program (5307)
- \* Clean Fuels Grant Program (5308)
- \* Major Capital Investments (New Starts & Small Starts) (5309(b)(1))
- \* Fixed Guideway Modernization (5309 (b)(2))
- \* Bus and Bus Facilities (5309, 5318)
- \* Transportation for Elderly Person and Persons with Disabilities (5310)
- \* Formula Grants for Other than Urbanized Areas (5311)
- \* Rural Transit Assistance Program (5311(b)(3))
- \* Public Transportation on Indian Reservations (5311(c))
- \* Over-the-Road Bus Program
- \* Transit Cooperative Research Program (5313)
- \* National Research & Technology Program (5314)
- \* Job Access and Reverse Commute Program (5316)
- \* New Freedom Program (5317)
- \* Paul S. Sarbanes Transit in Parks Program (5320)
- \* Alternatives Analysis (5339)
- \* University Transportation Centers Program (TEA-21 5505)
- \* Flexible Funding for Highway and Transit
- \* TIGGER Program

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# Boundary Choices

Map 1  
Potential Expansion Areas



Three major boundary changes were identified by CSA Planning in their inventory of the areas served by RVTB and the areas that may one day be served. Total revenue was estimated based upon actual assessed values of property, the RVTB tax rate and the percentage of total RVTB funding made up by property taxes within the existing service

territory. Adding lands by making changes to the existing district would result in small initial increases in revenue, most notably in Eagle Point. By 2030 development in these areas would increase revenue to approximately \$250,000 dollars per year. In tables 6 and 7 the direct property tax impacts are shown followed by estimated total revenue impacts of the three boundary changes.

Map 1 shown above indicates the areas considered for expansion in this analysis. Three other very small areas are mentioned by CSA planning for consideration as areas where expansion by annexation is recommended although these small groups of properties are not expected to have significant impacts to the RVTD budget due to their small size.

Table 5 shows the population impacts of adding the three new territories.

**Table 5:  
Population Estimates for RVTD Boundary and Expansion Areas**

	2010	2030
<b>Current Boundary</b>	141,657	174,743
<b>Eagle Point, White City, Tolo</b>	10,062	12,702
<b>Current Boundary + Three Areas</b>	151,719	187,445

Source: CSA Planning

One concern voiced by RVTD staff has been that the population of the existing boundary may approach 200,000 during the planning horizon, a critical threshold which will reduce Federal funding. By 2030, population estimates by REMI Northwest and CSA Planning, shown in table 5 above do not indicate a threat to Federal funding due to growth of the District or growth of the three expansion areas considered for this analysis.

**Table 6:  
Property Tax Impacts from Boundary Additions- Existing RVTD tax rate is \$0.1772 per \$1,000 assessed value**

	Eagle Point		Tolo		West White City	
	2010	2030	2010	2030	2010	2030
<b>\$0.1772 per thousand</b>	\$ 89,531	\$ 141,227	\$ 26,060	\$ 83,866	\$ 14,899	\$ 23,395
<b>\$0.25 per thousand</b>	\$ 126,313	\$ 199,247	\$ 36,766	\$ 118,321	\$ 21,019	\$ 33,007
<b>\$0.30 per thousand</b>	\$ 151,576	\$ 239,097	\$ 44,119	\$ 141,985	\$ 25,223	\$ 39,608
<b>\$0.35 per thousand</b>	\$ 176,839	\$ 278,946	\$ 51,472	\$ 165,649	\$ 29,427	\$ 46,209
<b>\$0.40 per thousand</b>	\$ 202,102	\$ 318,796	\$ 58,825	\$ 189,313	\$ 33,631	\$ 52,811
<b>\$0.45 per thousand</b>	\$ 227,364	\$ 358,645	\$ 66,178	\$ 212,977	\$ 37,835	\$ 59,412
<b>\$0.50 per thousand</b>	\$ 252,627	\$ 398,495	\$ 73,531	\$ 236,641	\$ 42,039	\$ 66,013

Total revenues depend upon several factors. In Table 7 below the total revenue impacts are estimated assuming that existing non-property tax revenues will grow proportionately with the increase in property taxes.

**Table 7:  
Estimated Total Revenue Impacts from Boundary Additions- Property Tax Scenarios**

	Eagle Point		Tolo		West White City	
	2010	2030	2010	2030	2010	2030
<b>\$0.1772 per thousand</b>	\$ 219,286	\$ 345,903	\$ 63,827	\$ 205,410	\$ 32,172	\$ 50,520
<b>\$0.25 per thousand</b>	\$ 262,556	\$ 414,157	\$ 76,422	\$ 245,942	\$ 39,157	\$ 61,488
<b>\$0.30 per thousand</b>	\$ 294,631	\$ 464,752	\$ 85,758	\$ 258,240	\$ 44,268	\$ 69,513
<b>\$0.35 per thousand</b>	\$ 327,047	\$ 515,885	\$ 95,193	\$ 271,152	\$ 49,424	\$ 77,610
<b>\$0.40 per thousand</b>	\$ 359,820	\$ 567,581	\$ 104,732	\$ 284,709	\$ 54,627	\$ 85,781
<b>\$0.45 per thousand</b>	\$ 392,968	\$ 619,870	\$ 114,380	\$ 298,945	\$ 59,881	\$ 94,031
<b>\$0.50 per thousand</b>	\$ 426,511	\$ 672,780	\$ 120,099	\$ 313,892	\$ 65,187	\$ 102,363

## Eagle Point

Eagle point is notable on the map of the RVTB district because the land right up to the border of the City is included in the District while the city itself is excluded as an island. The City has experienced substantial growth in recent years and is often considered a candidate for service expansion. Service expansion to Eagle Point is made difficult or impossible however due to its current exclusion from the district. An analysis of the benefits and costs of including Eagle Point in the District suggests that potential revenues likely do cover costs associated with some level of service.

Under the current tax structure, the addition of Eagle Point would add modestly to revenues of the district and such revenues could be expected to increase with time as development continues to occur in Eagle Point. In Table 8, shown below, revenues are projected to grow with population density, but both costs and revenues are held constant for inflation, as are all of the estimates in this document. Revenue over time can be shown to grow beyond even the highest cost projections over the planning horizon. Revenues from the addition of Eagle Point in the near term can be expected to cover service levels which include Saturday and Extended hours.

Potential property taxes if Eagle Point were brought into the district range from about \$89,000 under the current property tax of \$0.1772 per thousand dollars of assessed value to as much as \$252,627 if the maximum tax rate under the law were charged.

Opportunities for service to Eagle Point are not limited to simply including the City in the district. Inclusion is only one alternative. Due to the current inability of RVTB as it is currently constituted to increase property taxes, it may be an advantage to think of Eagle Point as a separate transit district which operates service under contract with RVTB. The distinction would allow a separate property tax rate to be set for the district and may enable Federal grant funding opportunities that would otherwise be unavailable.

**Table 8:  
Eagle Point- Revenue and Total Operating Cost for 3 Scenarios**

	<b>Projected Revenue</b>	<b>Existing Service</b>	<b>Extended Hours</b>	<b>Extended Hours+Saturday</b>
2010	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2011	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2012	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2013	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2014	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2015	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2016	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2017	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2018	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2019	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2020	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2021	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2022	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2023	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2024	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2025	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2026	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2027	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2028	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2029	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679
2030	\$ 219,286	\$ 142,681	\$ 208,533	\$ 232,679

**Table 9:  
Eagle Point Property Tax and other Revenue**

	<b>Property Tax</b>		<b>Other Revenue</b>		<b>Total</b>	
	<b>2010</b>	<b>2030</b>	<b>2010</b>	<b>2030</b>	<b>2010</b>	<b>2030</b>
<b>\$0.1772 per thousand</b>	89,531	141,227	\$ 129,755	\$ 204,676	\$ 219,286	\$ 345,903
<b>\$0.25 per thousand</b>	126,313	199,247	\$ 136,243	\$ 214,910	\$ 262,556	\$ 414,157
<b>\$0.30 per thousand</b>	151,576	239,097	\$ 143,055	\$ 225,655	\$ 294,631	\$ 464,752
<b>\$0.35 per thousand</b>	176,839	278,946	\$ 150,208	\$ 236,938	\$ 327,047	\$ 515,885
<b>\$0.40 per thousand</b>	202,102	318,796	\$ 157,718	\$ 248,785	\$ 359,820	\$ 567,581
<b>\$0.45 per thousand</b>	227,364	358,645	\$ 165,604	\$ 261,224	\$ 392,968	\$ 619,870
<b>\$0.50 per thousand</b>	252,627	398,495	\$ 173,884	\$ 274,286	\$ 426,511	\$ 672,780

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## Tolo

The Tolo area is shown in green on Map 1. This area is expected to receive substantial growth over the planning horizon. It includes the area adjacent to Central Point as well as the Tolo Road area, mentioned in Tech Memo #5.

Table 10, shown below indicates that the area considered for expansion would be expensive to serve in even the lowest cost scenario while revenues generated from the additional population and business activity would at no point match increased costs.

**Table 10:**  
**Tolo Road- Revenue and Total Operating Cost for 3 Scenarios**

	<b>Projected</b>	<b>Existing</b>	<b>Extended</b>	<b>Extended</b>
	<b>Revenue</b>	<b>Service</b>	<b>Hours</b>	<b>Hours+Saturday</b>
2010	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2011	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2012	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2013	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2014	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2015	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2016	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2017	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2018	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2019	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2020	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2021	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2022	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2023	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2024	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2025	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2026	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2027	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2028	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2029	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558
2030	\$ 63,827	\$ 419,163	\$ 612,623	\$ 683,558

The analysis assumes that service would be provided to the affected area. If service is not provided then revenues from business activities would not materialize.

**Table 11:  
Tolo**

	Property Tax		Other Revenue		Total	
	2010	2030	2010	2030	2010	2030
<b>\$0.1772 per thousand</b>	26,060	83,866	\$ 37,767	\$ 121,545	\$ 63,827	\$ 205,410
<b>\$0.25 per thousand</b>	36,766	118,321	\$ 39,656	\$ 127,622	\$ 76,422	\$ 245,942
<b>\$0.30 per thousand</b>	44,119	141,985	\$ 41,639	\$ 134,003	\$ 85,758	\$ 258,240
<b>\$0.35 per thousand</b>	51,472	165,649	\$ 43,721	\$ 140,703	\$ 95,193	\$ 271,152
<b>\$0.40 per thousand</b>	58,825	189,313	\$ 45,907	\$ 147,738	\$ 104,732	\$ 284,709
<b>\$0.45 per thousand</b>	66,178	212,977	\$ 48,202	\$ 155,125	\$ 114,380	\$ 298,945
<b>\$0.50 per thousand</b>	73,531	236,641	\$ 50,612	\$ 162,881	\$ 120,099	\$ 313,892

**Property Tax and other Revenue**

**West White City**

The West White City area is small in comparison to the other two proposed geographies. Employment within the area is relatively large however accounting for the relatively high impact that inclusion of the area has in a payroll tax scenario. The impact of the West White City area is smaller than Tolo and Eagle Point because the area being considered is only a fraction of the size of the other two. The West White City area is the most proximate to existing RVTD services and has the highest density of employment and property values.\

Expansion of the district to the West White City area could be justified based on revenues if service levels similar to what RVTD offers on most of its routes are provided. Revenues would not be adequate to cover Saturday service or planned extended hours unless substantial economies become apparent in the process of detailed financial planning for the route.

Expansion of the District to the Western portion of White City which is not already included in the District, and providing service there, is assumed to follow an extension of service to White City from Highway 62. It is therefore probable that detailed financial planning will show that the same level of service to the added territory as what is provided to the rest of White City is most economical.

**Table 12:  
West White City- Revenue and Total Operating Cost for 3 Scenarios**

	Projected Revenue	Existing Service	Extended Hours	Extended Hours+Saturday
2010	\$ 32,172	\$ 30,973	\$ 45,268	\$ 50,509
2011	\$ 33,090	\$ 30,973	\$ 45,268	\$ 50,509
2012	\$ 34,007	\$ 30,973	\$ 45,268	\$ 50,509
2013	\$ 34,924	\$ 30,973	\$ 45,268	\$ 50,509
2014	\$ 35,842	\$ 30,973	\$ 45,268	\$ 50,509
2015	\$ 36,759	\$ 30,973	\$ 45,268	\$ 50,509
2016	\$ 37,677	\$ 30,973	\$ 45,268	\$ 50,509
2017	\$ 38,594	\$ 30,973	\$ 45,268	\$ 50,509
2018	\$ 39,511	\$ 30,973	\$ 45,268	\$ 50,509
2019	\$ 40,429	\$ 30,973	\$ 45,268	\$ 50,509
2020	\$ 41,346	\$ 30,973	\$ 45,268	\$ 50,509
2021	\$ 42,263	\$ 30,973	\$ 45,268	\$ 50,509
2022	\$ 43,181	\$ 30,973	\$ 45,268	\$ 50,509
2023	\$ 44,098	\$ 30,973	\$ 45,268	\$ 50,509
2024	\$ 45,016	\$ 30,973	\$ 45,268	\$ 50,509
2025	\$ 45,933	\$ 30,973	\$ 45,268	\$ 50,509
2026	\$ 46,850	\$ 30,973	\$ 45,268	\$ 50,509
2027	\$ 47,768	\$ 30,973	\$ 45,268	\$ 50,509
2028	\$ 48,685	\$ 30,973	\$ 45,268	\$ 50,509
2029	\$ 49,603	\$ 30,973	\$ 45,268	\$ 50,509
2030	\$ 50,520	\$ 30,973	\$ 45,268	\$ 50,509

**Table 13:  
West White City Property Tax and other Revenue**

	Property Tax		Other Revenue		Total	
	2010	2030	2010	2030	2010	2030
<b>\$0.1772 per thousand</b>	14,899	23,395	\$ 17,274	\$ 27,125	\$ 32,172	\$ 50,520
<b>\$0.25 per thousand</b>	21,019	33,007	\$ 18,137	\$ 28,481	\$ 39,157	\$ 61,488
<b>\$0.30 per thousand</b>	25,223	39,608	\$ 19,044	\$ 29,905	\$ 44,268	\$ 69,513
<b>\$0.35 per thousand</b>	29,427	46,209	\$ 19,996	\$ 31,400	\$ 49,424	\$ 77,610
<b>\$0.40 per thousand</b>	33,631	52,811	\$ 20,996	\$ 32,970	\$ 54,627	\$ 85,781
<b>\$0.45 per thousand</b>	37,835	59,412	\$ 22,046	\$ 34,619	\$ 59,881	\$ 94,031
<b>\$0.50 per thousand</b>	42,039	66,013	\$ 23,148	\$ 36,350	\$ 65,187	\$ 102,363

## Property Tax

Property tax revenues are affected by a number of factors outside of the control of RVTD. Most important among the factors is the system in Oregon of limiting the assessment upon which property taxes are based. Because the increase in property tax assessments are limited to 3% per year, property taxes are not linked to real estate market fluctuations. During the period of rapid real estate market inflation of the previous decade, property taxes still increased at only 3% per year. Conversely, during the recent downturn in real estate market prices, property tax assessments were unaffected and continued to increase at 3% per year. This system creates stability for jurisdictions that are dependent upon the property tax and allows confident long range plans to be put in place for programs based on the property tax. See the Jackson County tax assessor website for more information on property tax limitation, **“FALLING MARKET VALUES AND YOUR 2009 TAXES.”**

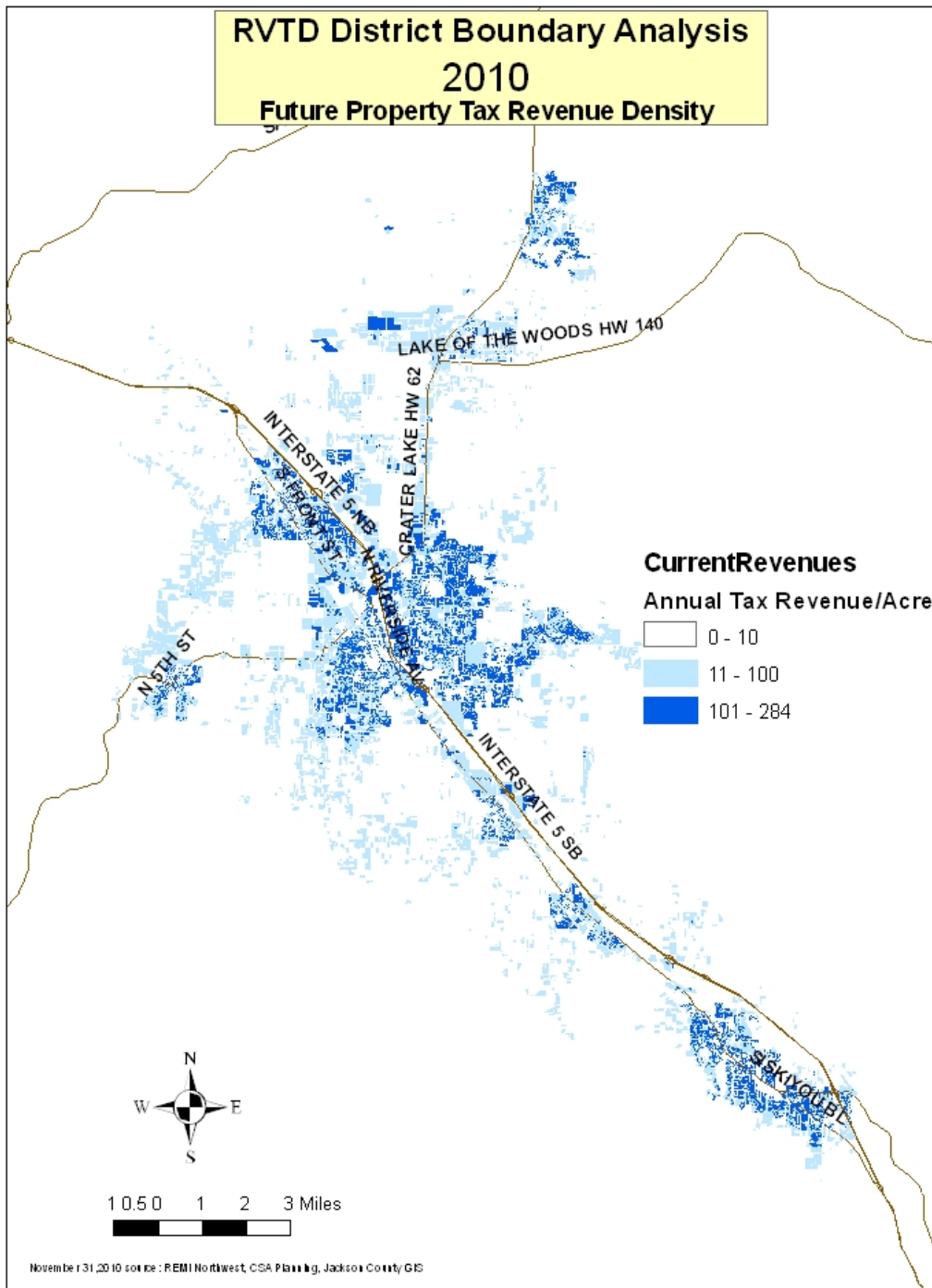
Other factors which affect the property tax are Urban Renewal Areas, properties designated as historic in the National Register of Historic Places and the e-commerce zone which provides tax exemptions for certain types of investment. Taken together, exemptions and exclusions reduce the potential revenue to RVTD of the property tax by about 5.5%. This diversion of revenue from RVTD is factored into estimates for property tax revenues in all of the scenarios.

**Table 14:**  
**Range of Property Tax Revenues- Entire District**

Existing District	Tax Increment		Total Revenue for Operations	
	2010	2030	2010	2030
Existing Property Tax	\$ -	\$ 1,250,081	\$ 5,522,103	\$ 6,772,184
<b>\$0.25 per thousand</b>	\$ 785,706	\$ 2,549,364	\$ 6,307,809	\$ 8,071,467
<b>\$0.30 per thousand</b>	\$ 1,325,339	\$ 3,441,728	\$ 6,847,442	\$ 8,963,831
<b>\$0.35 per thousand</b>	\$ 1,864,972	\$ 4,334,093	\$ 7,387,075	\$ 9,856,196
<b>\$0.40 per thousand</b>	\$ 2,404,605	\$ 5,226,458	\$ 7,926,708	\$ 10,748,561
<b>\$0.45 per thousand</b>	\$ 2,944,239	\$ 6,118,823	\$ 8,466,342	\$ 11,640,926
<b>\$0.50 per thousand</b>	\$ 3,483,872	\$ 7,011,187	\$ 9,005,975	\$ 12,533,290

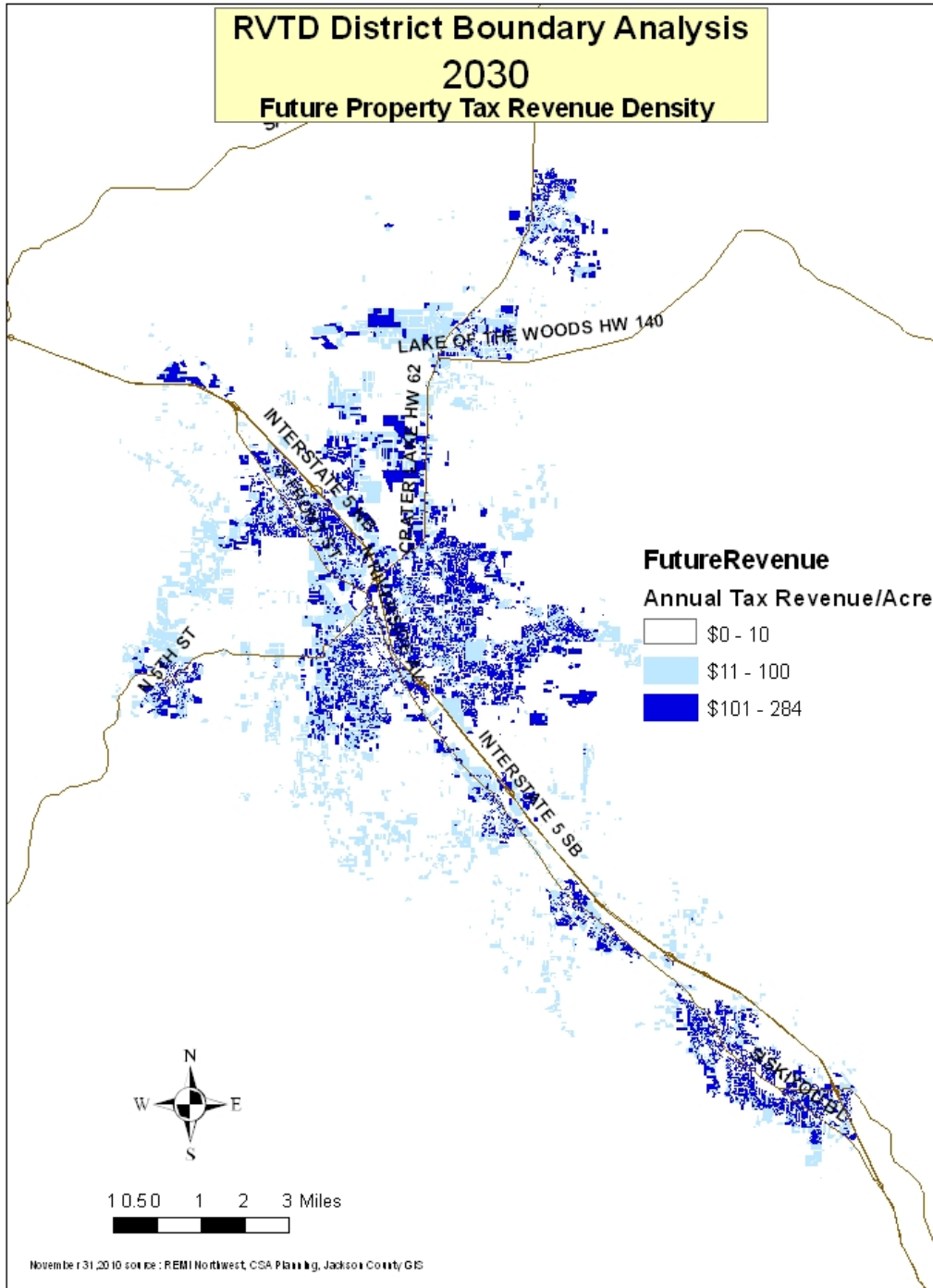
The locations where property tax revenues come from are not evenly spread across the district due to variation in the density of development. Areas outside the district also do not have equal potential contributions to property tax revenues in the event that they are brought into the district. In Map 2 properties are shown which provide between \$10 and \$100 per acre of revenue to RVTD in light blue and those that provide more than \$100 per acre in darker blue. Property tax revenues are shown to be derived primarily from urban areas. Revenues from more rural areas are relatively small. The Eagle Point area is shown as potentially providing revenues similar to urban areas of Medford and other cities of the region while the rural areas around Tolo Road are shown to be of little immediate value to the transit district as a potential generator of property tax revenue.

**Map 2**  
**Current Property Tax Revenue**



Map 3 shows the relative concentration of property tax revenues by the properties from which they are assessed. Darker colors indicate very dense property tax revenue while an absence of color indicates very little or no revenue when calculated on a per acre basis.

**Map 3:  
Future Property Tax Revenue- 2030**



Map 3, like map 2, shows the relative density of property tax revenue but as it is concentrated in 2030. Revenue are expected to be concentrated in much the same way as they are in 2010 although in both maps 2 and 3, property taxes can be seen to be much more dispersed than potential payroll taxes in terms of the number of actual payers.

By 2030 the source of property tax revenues will continue to be concentrated in urban areas with increases in revenues coming from higher densities within urban areas much more so than expansion into rural areas. One notable exception is north of Central Point in the Tolo Road area, a subject of this analysis.

Changes to the property tax rate are complicated by the requirement for a change of organization under ORS 198.705-198.775. The dissolution and reconstitution of the RVTB Service District would require a ballot measure just as the proposed payroll tax would.

## Payroll Tax

Another commonly talked about funding solution for RVTB is instituting a payroll tax. A payroll tax is different than a property tax in several ways. As a tax on annual earnings, the payroll tax is measured as a percent of annual earnings. This is different than a property tax which is measured in mills, or dollars per thousand dollars of assessed value of a property. The payroll tax therefore varies with the amount of total earnings by wage and salaried employees of the region.

Table 14 below shows revenue scenarios in which a payroll tax from 0.1% to 0.8% are instituted for the district as a whole. In the existing district a payroll tax between 0.3% and 0.4% would accommodate the needs of programs in tier one plan of the RVTB Long Range Plan. Estimates are adjusted for exemptions and collection costs and are listed in 2009 dollars. Forecasts for 2030 should therefore not be adjusted for inflation.

As with the property tax revenues, revenues from the existing district dwarf potential revenues from any expansion. Payroll tax scenarios are not assumed to replace current revenue sources, they are assumed to augment them. Total operating revenue in payroll tax scenarios are therefore the sum of payroll taxes, property taxes at current rates, Federal and State funds and estimated revenues from business activities. Oregon law allows the District to have a payroll tax of up to 0.8%. Table 15 shows payroll taxes in isolation from these other revenue sources.

**Table 15:  
Payroll Tax Scenarios for Existing District**

Payroll Tax Scenario	Tax Revenue		Total Revenue	
	2010	2030	2010	2030
<b>1/10th Percent</b>	\$ 1,997,089	\$ 1,997,089	\$ 7,519,192	\$ 7,519,192
<b>2/10th Percent</b>	\$ 3,994,178	\$ 3,994,178	\$ 9,516,281	\$ 9,516,281
<b>3/10th Percent</b>	\$ 5,991,268	\$ 5,991,268	\$ 11,513,371	\$ 11,513,371
<b>4/10th Percent</b>	\$ 7,988,357	\$ 7,988,357	\$ 13,510,460	\$ 13,510,460
<b>5/10th Percent</b>	\$ 9,985,446	\$ 9,985,446	\$ 15,507,549	\$ 15,507,549
<b>6/10th Percent</b>	\$ 11,982,535	\$ 11,982,535	\$ 17,504,638	\$ 17,504,638
<b>7/10th Percent</b>	\$ 13,979,625	\$ 13,979,625	\$ 19,501,728	\$ 19,501,728
<b>8/10th Percent</b>	\$ 15,976,714	\$ 15,976,714	\$ 21,498,817	\$ 21,498,817

Map 2 shows the distribution of payroll throughout the district and possible expansion areas. Payroll can be seen to be more geographically concentrated than property tax revenue and that concentration is centered on the existing and planned fix bus routes of RVTB. Over the

coming 20 years, the development pattern in the district is anticipated to continue with the most concentrated employment in areas currently served by RVTD. Exceptions are West White City, the Tolo Road area and Eagle Point where substantial employment is expected.

As with property tax scenarios, total revenues are not limited to the payroll tax and would include all of the other revenues that currently accrue to RVTD. Table 17 below shows total revenues in each of the payroll tax scenarios considered. Payroll tax scenarios are based on a range of possible tax levels and assume full implementation in the first year. Phasing in of revenues from government payers or phased scenarios implemented by RVTD are not included in the analysis. Generally, payroll taxes would affect the average employer as follows in table 16.

**Table 16:**

<b>Average Payroll \$33,212</b>	<b>Amount of Tax</b>	
	<b>Annually</b>	
<b>1/10th Percent</b>	\$	33
<b>2/10th Percent</b>	\$	66
<b>3/10th Percent</b>	\$	100
<b>4/10th Percent</b>	\$	133
<b>5/10th Percent</b>	\$	166
<b>6/10th Percent</b>	\$	199
<b>6/10th Percent</b>	\$	232
<b>6/10th Percent</b>	\$	266

For the average paying job in Southern Oregon, \$33,212, payroll taxes might range from \$33 per year to \$266 per year at the highest level of taxation considered, 0.8%. All of the scenarios considered are less than one percent of total annual income.

In the public discussion of the payroll tax several different ways of articulating the payroll tax are used. Use of multiple terms to mean the same thing sometimes creates confusion when discussing the payroll tax. The following equation shows the various ways of describing the same level of tax.

**One Tenth = 1/10<sup>th</sup> = 0.1% = 0.10% = \$0.001 per Dollar = \$0.10 per \$100 Dollars = 10 cents per \$100**

**Table 17:**

**Payroll Tax Scenarios- Payroll Taxes Only**

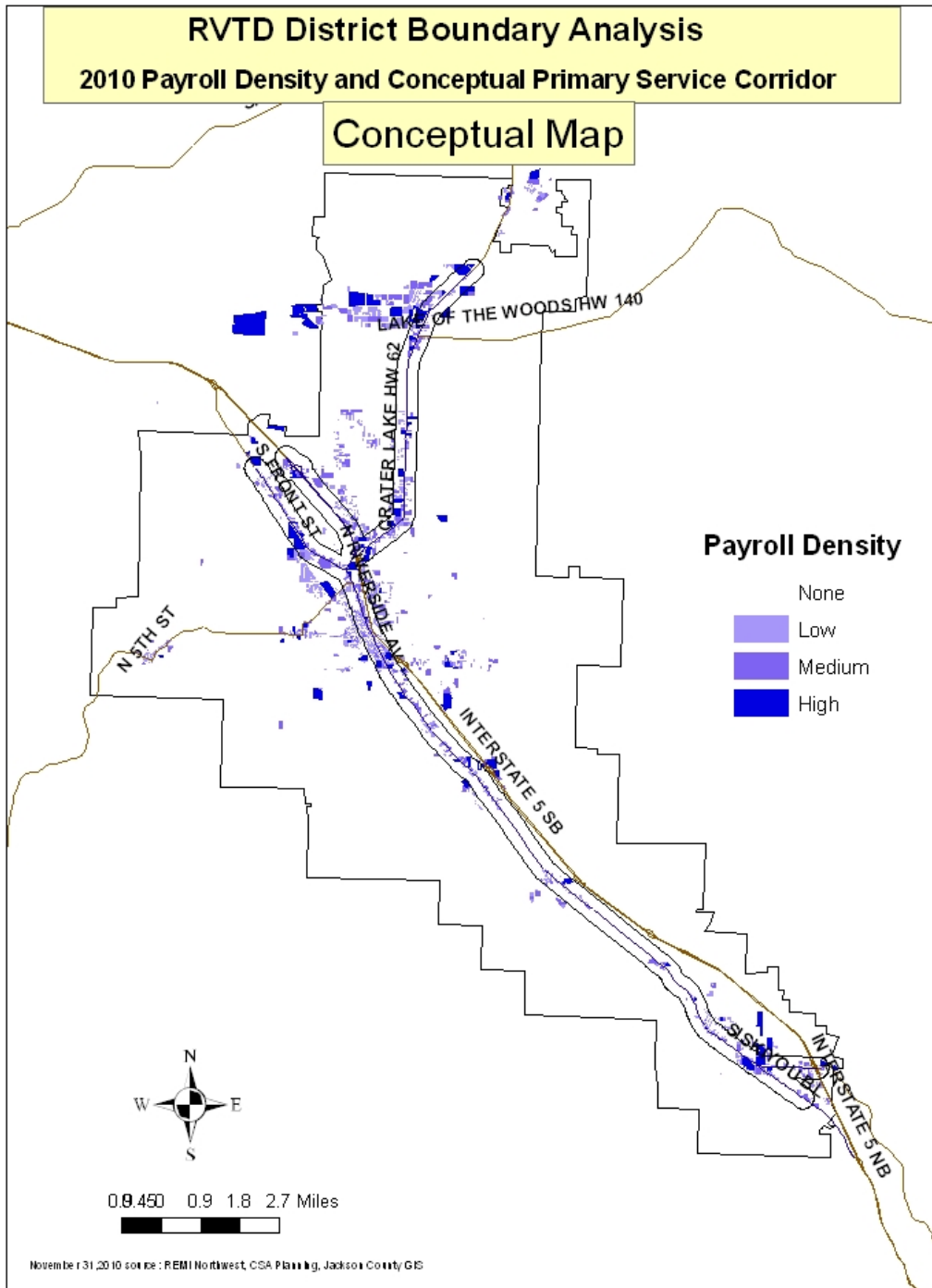
	<b>Eagle Point</b>		<b>Tolo</b>		<b>West White City</b>	
	<b>2010</b>	<b>2030</b>	<b>2010</b>	<b>2030</b>	<b>2010</b>	<b>2030</b>
<b>1/10th Percent</b>	\$ 44,453	\$ 50,248	\$ 2,439	\$ 32,448	\$ 16,506	\$ 13,532
<b>2/10th Percent</b>	\$ 88,907	\$ 100,497	\$ 4,878	\$ 64,897	\$ 33,013	\$ 27,063
<b>3/10th Percent</b>	\$ 133,360	\$ 150,745	\$ 7,317	\$ 97,345	\$ 49,519	\$ 40,595
<b>4/10th Percent</b>	\$ 177,813	\$ 200,993	\$ 9,756	\$ 129,793	\$ 66,025	\$ 54,126
<b>5/10th Percent</b>	\$ 222,267	\$ 251,241	\$ 12,195	\$ 162,241	\$ 82,531	\$ 67,658
<b>6/10th Percent</b>	\$ 266,720	\$ 301,490	\$ 14,634	\$ 194,690	\$ 99,038	\$ 81,190
<b>7/10th Percent</b>	\$ 311,173	\$ 351,738	\$ 17,074	\$ 227,138	\$ 115,544	\$ 94,721
<b>8/10th Percent</b>	\$ 355,627	\$ 401,986	\$ 19,513	\$ 259,586	\$ 132,050	\$ 108,253

Total revenues in the payroll tax scenarios shown include property taxes at existing rates, revenues from business operations and other State and Federal revenues.

**Table 18:**  
**Total Revenues in Payroll Tax Scenarios- Expansion Areas**

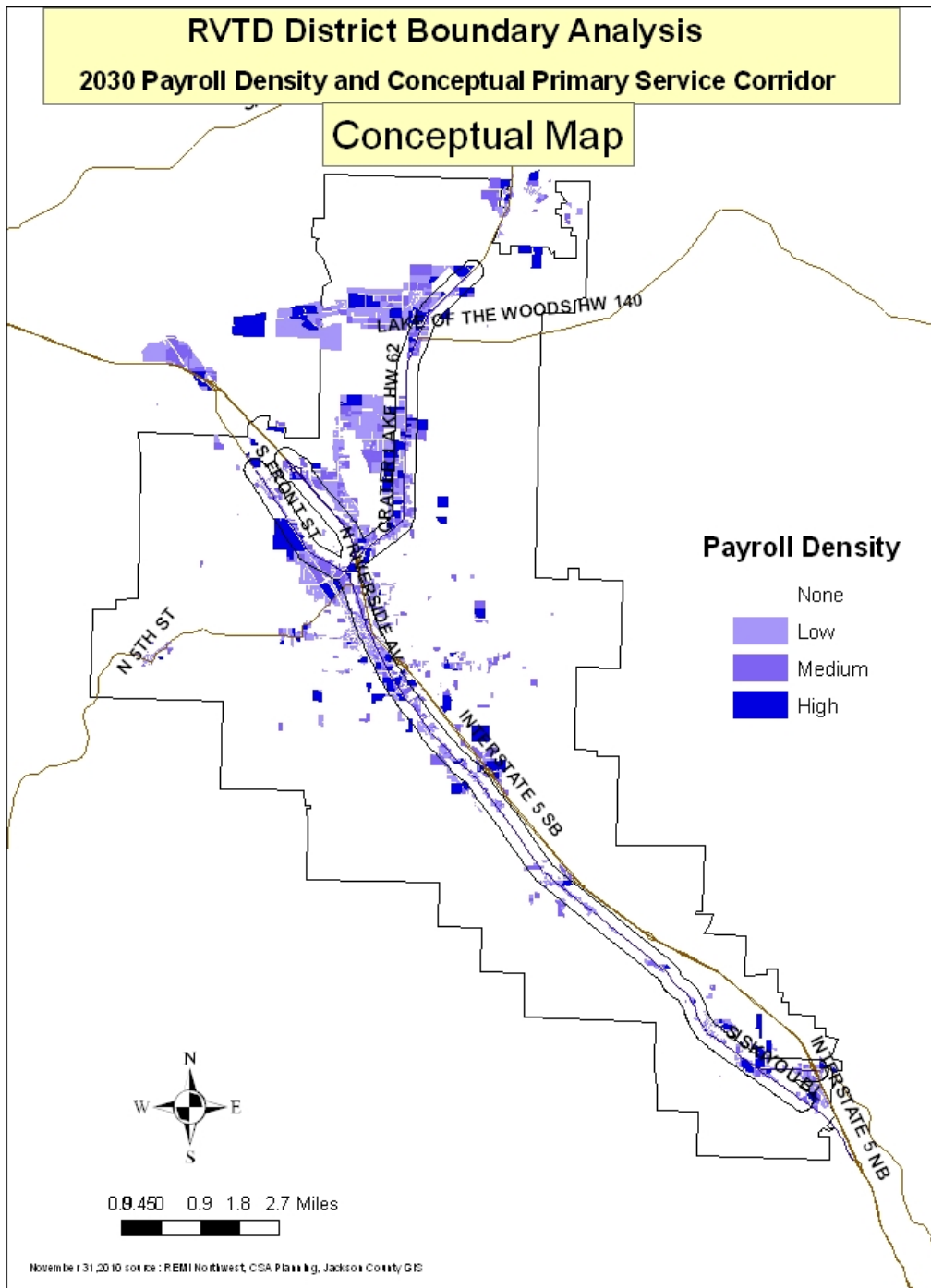
	Eagle Point		Tolo		West White City	
	2010	2030	2010	2030	2010	2030
<b>1/10th Percent</b>	\$ 263,739	\$ 396,151	\$ 66,266	\$ 237,859	\$ 48,679	\$ 64,052
<b>2/10th Percent</b>	\$ 308,193	\$ 446,399	\$ 81,300	\$ 270,307	\$ 65,185	\$ 77,583
<b>3/10th Percent</b>	\$ 352,646	\$ 496,648	\$ 93,075	\$ 302,755	\$ 81,691	\$ 91,115
<b>4/10th Percent</b>	\$ 397,099	\$ 546,896	\$ 104,949	\$ 335,203	\$ 98,197	\$ 104,646
<b>5/10th Percent</b>	\$ 441,553	\$ 597,144	\$ 116,927	\$ 367,652	\$ 114,704	\$ 118,178
<b>6/10th Percent</b>	\$ 486,006	\$ 647,392	\$ 129,015	\$ 400,100	\$ 131,210	\$ 131,710
<b>7/10th Percent</b>	\$ 530,459	\$ 697,641	\$ 137,173	\$ 432,548	\$ 147,716	\$ 145,241
<b>8/10th Percent</b>	\$ 574,913	\$ 747,889	\$ 19,513	\$ 464,997	\$ 164,222	\$ 158,773

**Map 4**  
**Payroll in the RVT District and Study Area**



Maps 4 and 5 show the relative density of annual gross payroll in the region. Annual payroll is approximately \$2.1 billion to wage and salaried workers within the RVT. The map shows how those earnings are spread across the region by place of work. Darker colors indicate more employment per acre while a lack of color indicates no employment at all.

Map 5:  
Payroll in 2030



Map 5 shows density of employment again but for the year 2030 as forecast by CSA Planning and REMI Northwest. The map is similar to Map 4 and indicates that the highest concentrations of payroll in 2030 will be located along the same primary corridors and employment centers as they are currently.

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## Summary

This analysis has presented the revenue implications of bringing 3 areas into the RVTB boundary. Of the three areas, Eagle Point, Tolo Road and West White City, Eagle Point had the greatest immediate impact on revenues of the district, \$89,000. The small portion of White City which is not already in the boundary has the potential to immediately increase property tax revenue by almost \$12,000 per year at current property tax rates.

Because RVTB would be expanding its scope of operations, it is also likely that other revenues like operating revenues, formula funding and even some other grant funding would increase along with increases in property taxes caused by an expansion of the boundary.

The cost of providing service, when juxtaposed with potential revenues shows that among the three alternatives, the Eagle Point expansion would present the least potential burden on the rest of the system, perhaps even contributing modestly to the system as a whole under some service scenarios. The West White City scenario also covers its cost when a low cost per mile assumption is made while the Tolo Road expansion would not cover its cost under any cost or service level scenario during the planning horizon.

The revenue impact of payroll tax scenarios was also analyzed from 0.1% up to 0.8% tax rates. Based upon current and projected employment in the district, a payroll tax could generate between \$1.7 million and \$30 million dollars. If increased revenues lead to expanded service then business revenues will also increase as a result of the payroll tax.

An expansion of the boundary which includes reconstitution of the district may also lead to changes in the property tax rate. Property tax rates from \$0.25 per thousand up to \$0.50 per thousand in assessed value were analyzed for the existing boundary as well as the areas considered for possible expansion. Property tax rate changes have the potential to increase revenues by as much as \$3.5 million per year. A modest increase to \$0.25 per thousand would increase revenue by \$785,000 per year.

Other scenarios were considered in which certain properties, mostly farm and forest land, are removed from the district. This scenario resulted in a reduction in revenue of \$118,000 per year. The total amount of land removed for this scenario was 22,810 acres of 92,522 acres in the district, about 25% of the total area.

Finally, scenarios were considered in which the district is divided into two tax zones, a primary service corridor in which a higher tax rate is charged and a second zone comprised of the rest of the district in which rates would remain unchanged.

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## Appendix A- Rural Withdrawal

Having considered the implications of expanding the district boundary in certain locations, boundary contractions were evaluated. A portion of the district is not served by transit and is not expected to develop significantly over the planning horizon. Many of these properties are farm or forest land and pay very few property taxes due to their farm or forest property tax exemptions. An analysis of these properties showed that some revenue reduction in property taxes would occur if these primarily agricultural properties were removed from the boundary. Table 11 below shows the estimated revenue reductions.

**Table 17:**  
**Property Tax Reduction from Withdrawal of Certain Rural Lands**

	<b>2010</b>	<b>2030</b>
<b>\$0.1772 per thousand</b>	(118,144)	(138,852)
<b>\$0.25 per thousand</b>	(166,493)	(195,677)
<b>\$0.30 per thousand</b>	(199,792)	(234,812)
<b>\$0.35 per thousand</b>	(233,091)	(273,947)
<b>\$0.40 per thousand</b>	(266,389)	(313,083)
<b>\$0.45 per thousand</b>	(299,688)	(352,218)
<b>\$0.50 per thousand</b>	(332,987)	(391,353)

Withdrawal is complicated because much farmland in the district is not contiguous to the border of RVTD and in fact is surrounded by non-farm uses which may more appropriately be included in the district.

At existing tax rates, properties which may be most appropriate for withdrawal from the district contribute an estimated \$118,000 in property tax revenue. They may not contribute toward business type revenue however and due to low population density in those areas, formula funding would be affected only slightly. The ultimate amount of property tax and non-property tax reductions would depend on the criteria that the district chooses for withdrawal. 22,510 acres were considered for removal, 25% of the total area of the district but only 6% of property tax collections. The properties are located generally within in the areas of maps 4 and 5 shown in white.

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## Appendix-Primary Service Corridor

### Primary Service Corridor

One alternative that has been discussed is to leave the property tax unchanged for most of the district while establishing a zone along the corridors where RVTD provides the highest level of service as shown below on Map 6. The theory behind the primary service corridor is that property owners who receive the most direct service from RVTD are the ones who are most willing to bear the cost.

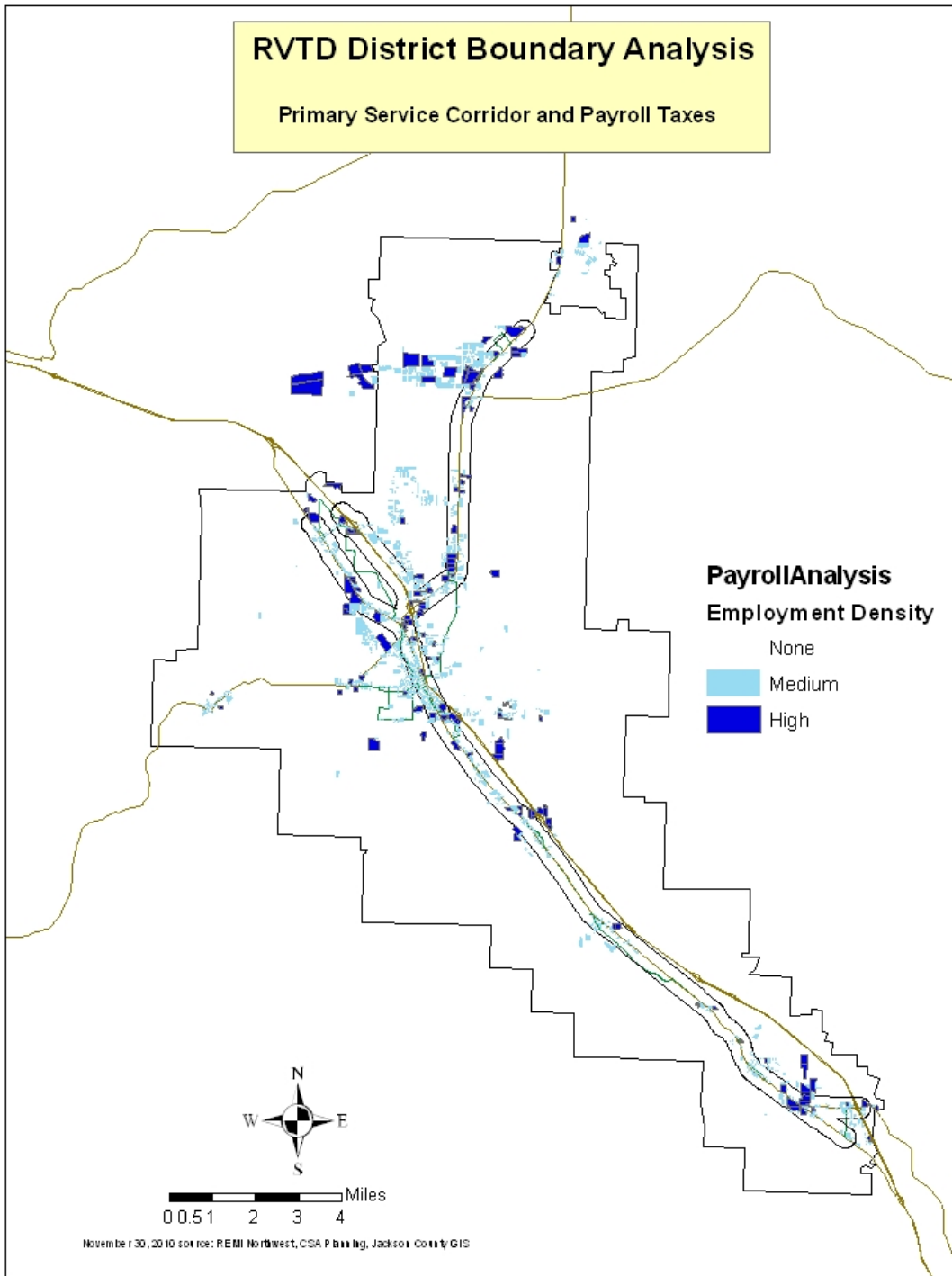
**Table 18:**  
**Primary Service Corridor Scenarios**

	Tax Revenue		Total Revenue	
	2010	2030	2010	2030
<b>Property Tax Scenario @ \$0.50</b>	\$ 1,199,430	\$ 2,929,609	\$ 6,721,533	\$ 8,451,712
<b>Payroll Tax Scenario</b>	<b>2010</b>	<b>2030</b>	<b>2010</b>	<b>2030</b>
1/10th Percent	\$ 910,564	\$ 1,140,913	\$ 6,432,667	\$ 6,663,016
2/10th Percent	\$ 1,821,128	\$ 2,281,826	\$ 7,343,231	\$ 7,803,929
3/10th Percent	\$ 2,731,692	\$ 3,422,739	\$ 8,253,795	\$ 8,944,842
4/10th Percent	\$ 3,642,255	\$ 4,563,652	\$ 9,164,358	\$ 10,085,755
5/10th Percent	\$ 4,552,819	\$ 5,704,565	\$ 10,074,922	\$ 11,226,668
6/10th Percent	\$ 5,463,383	\$ 6,845,478	\$ 10,985,486	\$ 12,367,581
7/10th Percent	\$ 6,373,947	\$ 7,986,390	\$ 11,896,050	\$ 13,508,493
8/10th Percent	\$ 7,284,511	\$ 9,127,303	\$ 12,806,614	\$ 14,649,406

In table 18 above it is assumed that the property tax rate in the primary service corridor would be the maximum allowed, \$0.50 per thousand dollars in assessed value. For payroll tax scenarios the range of payroll tax scenarios shown is 0.1%-0.8%.

In the maps below the regional gross payrolls and property taxes in 2010 and 2030 are shown again but this time with a primary service corridor overlain on the data to show how a primary service corridor might take advantage of the pattern of development in the district. The corridor shown is based upon a ½ mile corridor, other configurations are possible.

**Map 6:**  
**Payroll Taxes and a Primary Service Corridor**



The conceptual maps show how one potential configuration of a primary service corridor might look when compared to the relative density of payroll and property taxes both now and in 2030. The region can be seen to be well concentrated around existing RVTB service and

can be expected to continue to be so in the future, especially with regard to employment and payroll.

**Map 8:**  
**Property Taxes and Primary Service Corridors**

