



5. Financial Resources Plan

INTRODUCTION

Federal MAP-21 legislation requires a financial plan be performed as part of a Metropolitan Planning Organization’s (MPO) Metropolitan Transportation Plan. The Financial Resources Plan identifies proposed investments that are realistic in the context of reasonably anticipated future revenues over the life of the plan and for future network years, set for the purpose of the Sherman-Denison MPO 2040 Metropolitan Transportation Plan as 2025 (short-range) and 2040 (long-range). Meeting this test is referred to as “financial constraint.”

This document, the Financial Resources Plan, describes the methodology used to develop revenue forecasts. The revenue forecasts involved a review of the TRENDS model, previous state and local expenditures, current funding trends, and likely future funding levels, as well as consultation with TxDOT and SDMPO. The TRENDS model, an online tool developed by the Texas A&M Transportation Institute, enables users to generate preliminary projections of revenues and expenses for TxDOT from 2012 to 2040. As part of this financial plan, the model initially guided the development of more detailed revenue forecasts specific to SDMPO. All dollar figures discussed in this section initially were analyzed in current year dollars (i.e. 2014) and then inflated to reflect projected year of funding or implementation. Based on current national standards, an annual inflation rate of 4% was used to forecast revenues.

The Financial Resources Plan will include probable cost estimates of transportation recommendations proposed to meet metropolitan transportation needs over the next 25 years, consistent with the revenue forecasts described in the summary.

FUNDING REVENUE PROJECTION METHODOLOGY

The Sherman-Denison MPO currently obtains the majority of its funding through federal programs, the State Highway Fund, and non-traditional funding sources including the Transportation Mobility Fund (TMF), transportation bonds, and local funds. This funding amount is determined largely by current and projected regional population and vehicle miles traveled compared to other regions of the state. As a result, funding levels are not expected to increase substantially over the life of this plan. These low funding levels will not be sufficient to implement many of the projects identified as a part of this study, thereby leaving many deficiencies unaddressed across all modes of transportation.

In order to mitigate this funding shortage, alternative funding sources that can be generated using other methods need to be identified. These funding sources will be discussed in greater detail at the end of this document.

It is important to note that the purpose of the *Sherman-Denison MPO 2040 MTP* is only to provide a reasonable expectation of future funding. The composition of any future voter referenda to support transportation improvements will be a topic of discussion for the MPO and its municipalities, and will ultimately be decided on by voters.

HIGHWAY REVENUES

Every year, TxDOT develops a 10-year planning document to guide the state’s transportation development, called the Unified Transportation Program (UTP). The UTP is intended to provide a connection between the Statewide Transportation Improvement Program (STIP) and the Statewide Long Range Transportation Plan (SLRTP), and authorizes projects for construction, development, and planning activities. The UTP lists projects that have been planned for construction or development within the first 10 years of the 24-year SLRTP.

Available funding for fiscal years 2014-2023 totals approximately \$33.7 billion, which is allocated to 12 different categories as shown in **Table 5-1**. Categories 2, 3, 4, parts of 10, and 12 are project-specific, while categories 1, 5, 6, 7, 8, 9, parts of 10, and 11 are allocation-based. Projects funded through category 2 are categorized into metropolitan and urban projects and are denoted as 2M and 2U, respectively.



Table 5-1. FY 2014-2023 UTP Statewide Funding Availability by Funding Category

Funding Category	Available Funding
1 – Preventative Maintenance and Rehabilitation	\$11,797,220,000
2 – Metropolitan and Urban Area Corridor Projects	\$1,703,430,000
3 – Non-Traditionally Funded Transportation Projects	\$7,268,830,000
4 – Statewide Connectivity Corridor Projects	\$0
5 – Congestion Mitigation and Air Quality Improvement (CMAQ)	\$1,521,430,000
6 – Structures Replacement and Rehabilitation	\$2,500,000,000
7 – Metropolitan Mobility and Rehabilitation	\$2,847,270,000
8 – Safety	\$1,711,310,000
9 – Transportation Enhancements	\$633,310,000
10 – Supplemental Transportation Projects	\$746,060,000
11 – District Discretionary	\$623,810,000
12 – Strategic Priority	\$2,305,730,000
Total	\$33,658,400,000

Based on the listing of projects within the current UTP, the MPO can anticipate a total of \$19.7 million in capital and operating funding over the next 10 years for 8 projects through funding categories 1, 2, 6, and 11. These projects and their descriptions are shown in **Table 5-2**.

Table 5-2. 2014 UTP Projects in Sherman-Denison MPO

MPO ID#	Control Section Job Number	Route, Location, and Description	Category	Amount	Letting FY
SDHWY138	0047-18-071	US 75 from Loy Lake Rd to US 82 Add weaving lane	2U	\$500,000	2015
SDHWY086	0729-01-039	FM 121 from Jim Jones Rd to FM 3356 Widen non-freeway	2U	\$800,000	2015
			1	\$3,500,000	
			11	\$300,000	
SDHWY086	0729-01-040	FM 121 from 3.03 mi east of SH 289 to 1.70 mi west of FM 3356 Improve alignment	2U	\$1,600,000	2015
SDHWY015	0047-03-067	US 75 at Post Oak Creek (SB) Replace bridge and approaches	6	\$357,480	2016
SDHWY015	0047-03-068	US 75 at Post Oak Creek (NB) Replace bridge and approaches	6	\$357,480	2016
SDHWY117	0202-08-054	FM 131 from Lamberth St to Taylor St Widen from 2-lane to 4-lane	2U	\$2,158,000	2018
SDHWY117	0202-08-056	FM 131 from US 82 to Lamberth St Widen from 2-lane to 4-lane	2U	\$2,920,000	2018
SDHWY126	0047-18-069	US 75 from Loy Lake Rd to FM 691 Build new ramps	2U	\$7,230,000	2019
			Total	\$19,722,960	

Category 2 funding is allocated to specific projects based on a prioritization process conducted by the MPOs and TxDOT. This financial analysis assumes that the Sherman-Denison MPO will receive only the funds shown in the TRENDS model. The TRENDS model shows funding distributions in increments of \$100,000. Both the cities of Sherman and Denison include street maintenance in their annual budget reports. Future maintenance funds for these municipalities are included in the projected revenues. Short-range and long-range anticipated funding revenues for the Sherman-Denison MPO, adjusted by a 4% inflation rate, are shown in **Table 5-3** and **Table 5-4**, respectively.

Table 5-3. Short-Range Projected Highway Funding Revenues for Sherman-Denison MPO

Year	Category 2U	Category 11	Municipal Maintenance Funding
2015	\$2,900,000	\$100,000	\$6,780,213
2016	\$0	\$100,000	\$3,411,421
2017	\$0	\$100,000	\$3,547,878
2018	\$5,600,000	\$100,000	\$3,689,793
2019	\$7,200,000	\$100,000	\$3,837,385
2020	\$0	\$100,000	\$3,990,880
2021	\$0	\$100,000	\$4,150,515
2022	\$0	\$100,000	\$4,316,536
2023	\$0	\$100,000	\$4,489,197
2024	\$0	\$100,000	\$5,018,765
2025	\$0	\$100,000	\$5,219,516
Total	\$15,700,000	\$1,100,000	\$48,452,098

Table 5-4. Long-Range Projected Highway Funding Revenues for Sherman-Denison MPO

Year	Category 2U	Category 11	Municipal Maintenance Funding
2026	\$0	\$100,000	\$5,428,296
2027	\$0	\$100,000	\$5,645,428
2028	\$0	\$100,000	\$5,871,245
2029	\$0	\$100,000	\$6,106,095
2030	\$0	\$100,000	\$6,350,339
2031	\$0	\$100,000	\$6,604,353
2032	\$0	\$100,000	\$6,868,527
2033	\$0	\$100,000	\$7,143,268
2034	\$0	\$100,000	\$7,428,999
2035	\$0	\$100,000	\$7,726,158
2036	\$0	\$100,000	\$8,035,205
2037	\$0	\$100,000	\$8,356,613
2038	\$0	\$100,000	\$8,690,877
2039	\$0	\$100,000	\$9,038,513
2040	\$0	\$100,000	\$9,400,053
Total	\$0	\$1,500,000	\$108,693,969

TRANSIT REVENUES

The Texoma Area Paratransit System provides demand-response transportation through an FTA Section 5311 contract with TxDOT. The majority of transit funding is provided through FTA Section 5307 (Urbanized Formula for Areas with Less than 200,000 Population) and FTA Section 5309 (Discretionary) grants with state and local matches. Based on the FY 2013-2016 Statewide Transportation Improvement Program (STIP), Texoma Area Paratransit System is programmed to receive the funding shown in **Table 5-5**.



Table 5-5. FY 2013-2016 STIP Transit Funding for Sherman-Denison MPO

Year	Federal		State/Local		Total
	Section 5307	Section 5309	Section 5307	Section 5309	
2013	\$893,000	\$5,006,000	\$760,750	\$194,000	\$6,853,750
2014	\$893,000	\$0	\$760,750	\$0	\$1,653,750
2015	\$893,000	\$0	\$760,750	\$0	\$1,653,750
2016	\$893,000	\$0	\$760,750	\$0	\$1,653,750
Total	\$3,572,000	\$5,006,000	\$3,043,000	\$194,000	\$11,815,000

Given that Section 5309 grants are discretionary and to be conservative in estimating future transit revenues, only Section 5307 funding was projected for the SDMPO region. Short-range and long-range transit revenues, adjusted for an inflation rate of 4%, are shown in **Table 5-6** and **Table 5-7**, respectively.

Table 5-6. Short-Range Projected Transit Funding Revenues for Sherman-Denison MPO

Year	Federal	State/Local	Total
2015	\$893,000	\$760,750	\$1,653,750
2016	\$893,000	\$760,750	\$1,653,750
2017	\$928,720	\$791,180	\$1,719,900
2018	\$965,869	\$822,827	\$1,788,696
2019	\$1,004,504	\$855,740	\$1,860,244
2020	\$1,044,684	\$889,970	\$1,934,654
2021	\$1,086,471	\$925,569	\$2,012,040
2022	\$1,129,930	\$962,591	\$2,092,521
2023	\$1,175,127	\$1,001,095	\$2,176,222
2024	\$1,222,132	\$1,041,139	\$2,263,271
2025	\$1,271,017	\$1,082,784	\$2,353,802
Total	\$11,614,454	\$9,894,396	\$21,508,850

Table 5-7. Long-Range Projected Transit Funding Revenues for Sherman-Denison MPO

Year	Federal	State/Local	Total
2026	\$1,321,858	\$1,126,096	\$2,447,954
2027	\$1,374,732	\$1,171,140	\$2,545,872
2028	\$1,429,722	\$1,217,985	\$2,647,707
2029	\$1,486,911	\$1,266,705	\$2,753,615
2030	\$1,546,387	\$1,317,373	\$2,863,760
2031	\$1,608,243	\$1,370,068	\$2,978,310
2032	\$1,672,572	\$1,424,870	\$3,097,443
2033	\$1,739,475	\$1,481,865	\$3,221,340
2034	\$1,809,054	\$1,541,140	\$3,350,194
2035	\$1,881,416	\$1,602,786	\$3,484,202
2036	\$1,956,673	\$1,666,897	\$3,623,570
2037	\$2,034,940	\$1,733,573	\$3,768,513
2038	\$2,116,337	\$1,802,916	\$3,919,253
2039	\$2,200,991	\$1,875,032	\$4,076,023
2040	\$2,289,031	\$1,950,034	\$4,239,064
Total	\$26,468,342	\$22,548,479	\$49,016,821



BICYCLE AND PEDESTRIAN REVENUES

Prior to MAP-21, bicycle and pedestrian projects were constructed using funds from Texas’ Transportation Enhancements (TE) Program, Category 9 of TxDOT’s 12 funding categories. The TE Program was federally funded through FHWA’s program of the same name under the legislation of SAFETEA-LU. With the authorization of MAP-21, the federal TE program was replaced by the Transportation Alternatives Program (TAP), and TxDOT’s Category 9 was modified to reflect this change.

Currently, the Texas Transportation Commission coordinates with the state’s TMAs to prioritize bicycle and pedestrian projects for TAP funding. The TAP funding state allocations for 2013 and 2014 are shown in **Table 5-8**.

Table 5-8. FY 2013-2014 TAP Funding

	2013	2014
Texas TAP Funding after RTP Set-aside	\$73,706,155	\$74,926,164

SDMPO will be expected to compete with the rest of the state for TAP funding. The cities of Sherman and Denison do not have any bicycle or pedestrian projects programmed in the 2014 UTP. However, they may choose to pursue TAP funding in the future. To account for this potential revenue source and to project reasonable funding amounts for the life of the MTP, this financial plan assumes an estimation of TAP funding based on SDMPO’s population. Sherman-Denison MPO makes up approximately 3.5% of Texas’ total population. Based on population, and adjusted for an inflation rate of 4%. short-range and long-range bicycle/pedestrian TAP funding projections for SDMPO are shown in **Table 5-9** and **Table 5-10**, respectively.

Table 5-9. Short-Range Projected TAP Funding Revenues for Sherman-Denison MPO

Year	TAP
2015	\$133,443
2016	\$138,780
2017	\$144,332
2018	\$150,105
2019	\$156,109
2020	\$162,354
2021	\$168,848
2022	\$175,602
2023	\$182,626
2024	\$189,931
2025	\$197,528
Total	\$1,799,656

Table 5-10. Long-Range Projected TAP Funding Revenues for Sherman-Denison MPO

Year	TAP
2026	\$205,429
2027	\$213,646
2028	\$222,192
2029	\$231,080
2030	\$240,323
2031	\$249,936
2032	\$259,933
2033	\$270,331
2034	\$281,144
2035	\$292,390
2036	\$304,085
2037	\$316,249
2038	\$328,898
2039	\$342,054
2040	\$355,737
Total	\$4,113,426



ALTERNATIVE FUNDING SOURCES

As a part of the financial plan for the SDMPPO 2040 MTP, several funding mechanisms were investigated as potential alternative sources of revenue for SDMPPO and the region.

COUNTY SALES AND USE TAX

The current state sales tax is set at 6.25%. Counties may impose an additional sales and use tax up to 1.5% after a successful voter referendum and approval by county commissioners. However, the sum of all local sales taxes may not exceed 2%. By law, tax revenues must be used to first replace any property tax revenue lost resulting from the adoption of the sales and use tax, and second, reduce the county's debt. Any revenues in excess may be used to fund anything which the county's general revenue may fund. In counties that are pursuing a county sales and use tax, county commissioners should be encouraged early on to develop a plan to allocate excess tax revenues to address transportation needs, e.g. county road maintenance.

In Grayson County, Dorchester and Sadler are the only two municipalities that have imposed a 1.0% city sales and use tax, while all of the other municipalities have imposed a 2% city sales and use tax. Unless the municipalities lower their city sales and use tax rates, Grayson County will not be able to consider increasing the sales and use tax rate in the county to generate additional funds.

TRANSPORTATION UTILITY FEES

Transportation utility fees are charged to residences and businesses based on estimated usage of, or impact to, the adjacent transportation system, similar to how stormwater utility fees are billed. While the implementation of transportation utility fees does not require any changes in Texas legislation, it requires significant public education to ensure that residents, business owners, and elected officials understand the fee and the projects that the fee will fund.

Transportation utility fees have been successfully implemented in Austin, Bryan, and Corpus Christi. While Corpus Christi has implemented a "street maintenance fee" for the sole purpose of maintaining city streets, revenues from transportation utility fees may be used for both capital and maintenance projects within the municipality's jurisdiction.

TRANSPORTATION IMPROVEMENT BONDS

TxDOT accelerates funding and construction of capital projects by utilizing bonds. Prior to bond authorization, the bill must pass a voter referendum and legislative approval. Following this, TxDOT, through consultation with MPOs, localities, and corridor associates, identifies and prioritizes projects to be funded through the bonds. The Texas Transportation Commission then has the final vote on bond-funded projects.

In 2008, \$2.8 billion in Proposition 14 bonds, revenue bonds which are backed the state highway fund, were issued by TxDOT. In 2011, \$3 billion in Proposition 12 bonds, backed by general state revenues, were approved by the Texas Transportation Commission. Proposition 14 bonds are funding two projects in the SDMPPO region: a rebuilding of US 75 from FM 902 to Shepherd Drive (\$8.3 million) and the construction of a grade-separated railroad crossing on SH 191 in north Denison (\$6.6 million). One project in SDMPPO is being funded by Proposition 12 bonds: a roadway widening along US 75 at Loy Lake Road (\$5.2 million).

LOCAL VEHICLE REGISTRATION FEES

In addition to the state's annual vehicle registration fees, which vary by vehicle type and weight, Grayson County collects a local vehicle registration fee of \$10. Local vehicle registration fees in Texas range from \$0 in Borden, Gaines, Kennedy, Kent, King, Loving, McMullen, Panola, Sterling, and Ward, to \$21.50 in Bexar. Cameron, El Paso, Hidalgo, and Webb impose a \$20 local vehicle registration fee. However, the majority of Texas municipalities' collect \$10 to \$11.50 for each vehicle registration.

Increasing local vehicle registration fees requires a county commissioner vote and state legislative approval, as was the case in August 2013 when Bexar, El Paso, and Webb Counties raised their registration fees by \$10. Texas lawmakers require that local regional mobility authorities administer the additional revenue, provided only road and bridge projects are funded. Bexar County intends to use their vehicle registration fee revenue to fund stagnating roadway projects.



LOCAL MOTOR FUEL TAXES

The State Highway Fund is funded primarily by state motor fuel taxes, which are currently 20 cents per gallon for gasoline and diesel and 15 cents per gallon for liquefied petroleum gas. Seventy-four percent of the motor fuel tax revenues deposited into the State Highway Fund. Local option motor fuel taxes were proposed as part of the Texas Local Option Transportation Act (TLOTA), proposed in 2009. While TLOTA passed in the Senate, it did not pass in the House.

VEHICLE MILEAGE FEES

Several reports evaluating the performance of vehicle mileage in Texas have been published. The research conducted as a part of these studies identified several challenges and opportunities for vehicle mileage fees. Public acceptance is one of the biggest obstacles to the successful implementation of a vehicle mileage fee system. Public concerns include those related to privacy, administrative costs, and fee enforcement. Additionally, the public is generally adverse to increased taxation, and without adequate outreach efforts, may view vehicle mileage fees as another tax collection mechanism. While significant challenges exist, the research shows that simplifying the fee collection process would work best in Texas. A robust public education effort would also increase the likelihood of public acceptance.

TOLLING

TxDOT has successfully implemented tolling as a project-specific funding source to address the gap between needs for additional roadway capacity and available funding from the State Highway Fund. TxDOT's system of toll roads, called Texas Tollways, includes 90 centerline miles of toll roads in North Texas. The Dallas North Tollway currently ends at US 380 and is proposed to be extended north to FM 121 in Grayson County. The Grayson County Tollway Study, currently under development, is evaluating alternatives for an extension of the Dallas North Tollway from FM 121 to US 75 near Denison.

PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships are a relatively new method of project delivery where the private sector delivers facilities and services that could be provided by the public sector for compensation. These contractual agreements make use of existing funding programs, such as tolling, pursued by private corporations or entities in partnership with the public sector. As a result, the public sector does not incur any borrowing, can utilize the expertise of the private sector, and can accelerate project construction. TxDOT utilizes a version of public-private partnerships called Comprehensive Development Agreements (CDAs). Since 2002, TxDOT has awarded nine CDAs for road construction, tollway, and managed lane projects.