Chapter 9
Financial Analysis

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9.1 Introduction

The Montana Department of Transportation (MDT) administers a number of programs that are funded from state and federal sources. In most cases, the funds are administered by the MDT at the State level and MDT staff work with local governments in the planning and design of projects, whatever the specific funding source.

Each year, in accordance with 60-2-127, MCA the Montana Transportation Commission allocates a portion of available federal-aid highway funds for construction purposes and for projects located on the various systems in the state as described throughout this chapter

9.2 Federal Funding Sources

The following summary of major Federal transportation funding categories received by the State through the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU)-enacted on August 10, 2005, includes state developed implementation/sub-programs. In order to receive project funding under these programs, projects must be included in the State Transportation Improvement Program (STIP).

9.2.1 National Highway System (NHS)

The purpose of the National Highway System (NHS) is to provide an interconnected system of principal arterial routes which will serve major population centers, international border crossings, intermodal transportation facilities and other major travel destinations; meet national defense requirements; and serve interstate and interregional travel. The National Highway System includes all Interstate routes, a large percentage of urban and rural principal arterials, the defense strategic highway network, and strategic highway connectors.

<u>Allocations and Matching Requirements</u>

NHS funds are Federally apportioned to Montana and allocated based on system performance by the Montana Transportation Commission. The Federal share for NHS projects is 86.58% and the State is responsible for the remaining 13.42%. The State share is funded through the Highway State Special Revenue Account.

Eligibility and Planning Considerations

Activities eligible for the National Highway System funding include construction, reconstruction, resurfacing, restoration, and rehabilitation of segments of the NHS. Operational improvements as well as highway safety improvements are also eligible. Other miscellaneous activities that may qualify for NHS funding include research, planning, carpool projects, bikeways, and pedestrian walkways. The Transportation Commission establishes priorities for the use of National Highway System funds and projects are let through a competitive bidding process. US 93 is on the National Highway System.

9.2.2 Surface Transportation Program (STP)

Surface Transportation Program (STP) funds are Federally apportioned to Montana and allocated by the Montana Transportation Commission to various programs including the Surface Transportation Program Primary Highways (STPP), Surface Transportation Program Secondary Highways (STPS), and the Surface Transportation Program Urban Highways (STPU).

9.2.2.1 Secondary Highway System (STPS)*

The Federal and State funds available under this program are used to finance transportation projects on the state-designated Secondary Highway System. The Secondary Highway System highways that have been functionally classified by the MDT as either rural minor arterials or rural major collectors and that have been selected by the Montana Transportation Commission in cooperation with the boards of county commissioners, to be placed on the secondary highway system [MCA 60-2-125(4)].

Allocations and Matching Requirements

Secondary funds are distributed statewide (MCA 60-3-206) to each of five financial districts, including the Missoula District, based on a formula, which takes into account the land area, population, road mileage and bridge square footage. Federal funds for secondary highways must be matched by non-federal funds. Of the total received 86.58% is Federal and 13.42 % is non-federal match. Normally, the match on these funds is from the Highway State Special Revenue Account.

Eligibility and Planning Considerations

Eligible activities for the use of Secondary funds fall under three major types of improvements: Reconstruction, Rehabilitation, and Pavement Preservation. The Reconstruction and Rehabilitation categories are allocated a minimum of 65% of the program funds with the remaining 35% dedicated to Pavement

Preservation. Secondary funds can also be used for any project that is eligible for STP under Title 23, U.S.C.

MDT and county commissions determine Secondary capital construction priorities for each district with final project approval by the Transportation Commission. By state law the individual counties in a district and the state vote on Secondary funding priorities presented to the Commission. The Counties and MDT take the input from citizens, small cities, and tribal governments during the annual priorities process. Projects are let through a competitive bidding process.

Secondary highways in the study area boundary are: S-269 Eastside Highway and S-531 Westside Road.

9.2.2.2 Community Transportation Enhancement Program (CTEP)*

Federal law requires that at least 10% of STP funds must be spent on transportation enhancement projects. The Montana Transportation Commission created the Community Transportation Enhancement Program in cooperation with the Montana Association of Counties (MACO) and the League of Cities and Towns to comply with this Federal requirement.

<u>Allocations and Matching Requirements</u>

CTEP is a unique program that distributes funding to local and tribal governments based on a population formula and provides project selection authority to local and tribal governments. The Transportation Commission provides final approval to CTEP projects within the State's right-of-way. The Federal share for CTEP projects is 86.58% and the Local and tribal governments are responsible for the remaining 13.42%.

<u>Eligibility and Planning Considerations</u>

Eligible CTEP categories include:

- Pedestrian and bicycle facilities
- Historic preservation
- Acquisition of scenic easements and historic or scenic sites
- Archeological planning and research
- Mitigation of water pollution due to highway runoff or reduce vehicle-caused
- Wildlife mortality while maintaining habitat connectivity

- Scenic or historic highway programs including provisions of tourist and welcome center facilities
- Landscaping and other scenic beautification
- Preservation of abandoned railway corridors (including the conversion and use for bicycle or pedestrian trails)
- Control and removal of outdoor advertising
- Establishment of transportation museums
- Provisions of safety and educational activities for pedestrians and bicyclists

Projects addressing these categories and that are linked to the transportation system by proximity, function or impact, and where required, meet the "historic" criteria, may be eligible for enhancement funding.

Projects must be submitted to the local government to the MDT, even when the project has been developed by another organization or interest group. Project proposals must include evidence of public involvement in the identification and ranking of enhancement projects. Local governments are encouraged to use their planning boards, where they exist, for the facilitation of public participation; or a special enhancement committee. The MDT staff reviews each project proposal for completeness and eligibility and submits them to the Transportation Commission and the federal Highway Administration for approval.

The City of Hamilton has a current balance of $38,581 and the estimated 2009 allocation is $ 17,500 (Federal). Ravalli County is allocated approximately $153,000 annually (Federal). There is currently a balance of $461,344 for this program. The balances represent funds not obligated towards a selected project.

*State funding programs developed to distribute Federal funding within Montana

9.2.3 Highway Safety Improvement Program (HSIP)

<u>Allocations and Matching Requirements</u>

HSIP is a new core funding program established by SAFETEA-LU. HSIP funds are Federally apportioned to Montana and allocated to safety improvement projects identified in the strategic highway safety improvement plan by the Commission. Projects described in the State strategic highway safety plan must correct or improve a hazardous road location or feature, or address a highway safety problem. The Commission approves and awards the projects which are let through a competitive bidding process. Generally, the Federal share for the HSIP projects is 90% and the State is responsible for 10%.

Eligibility and Planning Considerations

There are two set aside programs that receive HSIP funding: the Highway – Railway Crossing Program and the High Risk Rural Roads Program.

9.2.3.1 High Risk Rural Roads Program (HRRR)

Funds are set aside from the Highway Safety Improvement Program funds apportioned to Montana for construction and operational improvements on high-risk rural roads. These funds are allocated to HRRRP projects by the Commission. If Montana certifies that it has met all of the needs on high risk rural roads, these set aside funds may be used on any safety improvement project under the HSIP. Montana's set aside requirement for HRRRP is approximately $700,000 per year.

9.2.4 Highway – Railway Crossing Program (RRX)

Funds are Federally apportioned to Montana and allocated by the Commission for projects that will reduce the number of fatalities and injuries at public highway-rail grade crossings; through the elimination of hazards and/or the installation/upgrade of protective devices.

9.2.5 Highway Bridge Replacement and Rehabilitation Program (HBRRP)

Allocations and Matching Requirements

HBRRP funds are Federally apportioned to Montana and allocated to two programs by the Montana Transportation Commission. In general, projects are funded with 86.58% Federal and the State is responsible for the remaining 13.42%. The State share is funded through the Highway State Special Revenue Account. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process.

Eligibility and Planning Considerations

9.2.5.1 On-System Bridge Replacement and Rehabilitation Program

The On-System Bridge Program receives 65% percent of the Federal HBRRP funds. Projects eligible for funding under the On-System Bridge Program include all highway bridges on the State system. The bridges are eligible for rehabilitation or replacement. In addition, painting and seismic retrofitting are also eligible under this program. MDT's Bridge Bureau assigns a priority for replacement or rehabilitation of structurally deficient and functionally obsolete structures based upon sufficiency ratings assigned to each bridge. A structurally deficient bridge is eligible for rehabilitating or replacement; a functionally obsolete bridge is eligible only for rehabilitation; and a bridge rated as sufficient is not eligible for funding under this program.

9.2.5.2 Off-System Bridge Replacement and Rehabilitation Program

The Off-System Bridge Program receives 35% percent of the Federal HBRRP funds. Projects eligible for funding under the Off-System Bridge Program include all highway bridges not on the State system. Procedures for selecting bridges for inclusion into this program are based on a ranking system that weighs various elements of a structures condition and considers local priorities. MDT Bridge Bureau personnel conduct a field inventory of off-system bridges on a two-year cycle. The field inventory provides information used to calculate the Sufficiency Rating (SR).

9.2.6 Congestion Mitigation & Air Quality Improvement Program (CMAQ)

Federal funds available under this program are used to finance transportation projects and programs to help improve air quality and meet the requirements of the Clean Air Act. Montana's air pollution problems are attributed to carbon monoxide (CO) and particulate matter (PM10 and PM2.5).

<u>Allocations and Matching Requirements</u>

CMAQ funds are Federally apportioned to Montana and allocated to various eligible programs by formula and by the Commission. As a minimum apportionment state a Federally required distribution of CMAQ funds goes to projects in Missoula since it is Montana's only designated and classified air quality non-attainment area. The remaining, non-formula funds, referred to as "flexible CMAQ" is directed to areas of the state with emerging air quality issues through various state programs. The Transportation Commission approves and awards both formula and non-formula projects on MDT right-of-way. Infrastructure and capital equipment projects are let through a competitive bidding process. Of the total funding received, 86.58% is Federal and 13.42% is non-federal match provided by the state for projects on state highways and local governments for local projects.

<u>Eligibility and Planning Considerations</u>

In general, eligible activities include transit improvements, traffic signal synchronization, bicycle pedestrian projects, intersection improvements, travel demand management strategies, traffic flow improvements, and public fleet conversions to cleaner fuels. At the project level, the use of CMAQ funds is not constrained to a particular system (i.e. Primary, Urban, and NHS). A requirement for the use of these funds is the estimation of the reduction in pollutants resulting from implementing the program/project. These estimates are reported yearly to FHWA.

9.2.6.1 Montana Air & Congestion Initiative (MACI)–Discretionary Program (flexible)*

The MACI – Discretionary Program provides funding for projects in areas designated non-attainment or recognized as being "high-risk" for becoming non-attainment. Since 1998, MDT has used MACI-Discretionary funds to get ahead of the curve for CO and PM10 problems in non-attainment and high-risk communities across Montana. District Administrators and local governments nominate projects cooperatively. Projects are prioritized and selected based on air quality benefits and other factors. The most beneficial projects to address these pollutants have been sweepers and flushers, intersection improvements and signal synchronization projects. Hamilton has never been designated a "non-attainment" area, but has been considered "at-risk" for particulate matter, especially PM 2.5

*State funding programs developed to distribute Federal funding within Montana

9.2.7 Safe Routes to School (SRTS)

Allocations and Matching Requirements

Safe Routes To School funds are Federally apportioned to Montana for programs to develop and promote a safe environment that will encourage children to walk and bicycle to school. Montana is a minimum apportionment state, and will receive $1-million per year, subject to the obligation limitation. The Federal share of this program is 100%.

Eligibility and Planning Considerations

Eligible activities for the use of SRTS funds fall under two major categories with 70% directed to infrastructure improvements, and the remaining 30% for behavioral (education) programs. Funding may be used within a two mile radius of K-8 schools for improvements or programs that make it safer for kids to walk or bike to school. SRTS is a reimbursable grant program and project selection is done through an annual application process. Eligible applicants for infrastructure improvements include local governments and school districts. Eligible applicants for behavioral programs include state, local and regional agencies, school districts, private schools, non-profit organizations. Recipients of the funds will front the cost of the project and will be reimbursed during the course of the project. For grant cycle information visit: http://www.mdt.mt.gov/pubinvolve/saferoutes/

9.2.8 Federal Lands Highway Program (FLHP)

FLHP is a coordinated Federal program that includes several funding categories.

9.2.8.1 Public Lands Highways (PLH)

9.2.8.1.1 Discretionary

The PLH Discretionary Program provides funding for projects on highways that are within, adjacent to, or provide access to Federal public lands. As a discretionary program, the project selection authority rests with the Secretary of Transportation. However, this program has been earmarked by Congress under SAFETEA-LU. There are no matching fund requirements.

9.2.8.1.2 Forest Highway

The Forest Highway Program provides funding to projects on routes that have been officially designated as Forest Highways. Projects are selected through a cooperative process involving FHWA, the US Forest Service and MDT. Projects are developed by FHWA's Western Federal Lands Office. There are no matching fund requirements. MT 38, the Skalkaho Highway, and also known as Forest Highway 91, is in the planning area boundary.

9.2.9 Congressionally Directed Funds

9.2.9.1 High Priority Projects (HPP)

High Priority Projects are specific projects named to receive Federal funding in SAFETEA-LU Section 1702. HPP funding authority is available until expended and projects named in this section are included in Montana's percent share of the Federal highway funding program. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process. In Montana, the Federal share payable for these projects is 86.58% Federal and 13.42% non-Federal. Montana receives 20% of the total project funding named in each year 2006 thru 2009. These funds are subject to the obligation limitation.

9.2.9.2 Transportation Improvements Projects

Transportation Improvement Projects are specific projects named to receive Federal funding in SAFETEA-LU Section 1934. Transportation Improvement Project funding authority is available until expended and projects named in this section are not included in Montana's percent share of the Federal highway funding program. The Montana Transportation Commission approves projects which are then let to contract through a competitive bidding process. In Montana, the Federal share payable on these projects is 86.58% Federal and 13.42% non-Federal. Montana receives a directed percent of the total project funding named in each year as follows: 2005 – 10%, 2006-20%, 2007-25%, 2008-25%, 2009-20%. These funds are subject to the obligation limitation.

9.2.10 Transit Capital & Operating Assistance Funding

The MDT Transit Section provides federal and state funding to eligible recipients through federal and state programs. Federal funding is provided through the Section 5310 and Section 5311 transit programs and state funding is provided through the TransADE program. The new highway bill SAFETEA-LU brought new programs for transit "New Freedoms and Job Access Reverse Commute (JARC). All projects funded must be derived from a locally developed, coordinated public transit-human services transportation plan (a "coordinated plan").

The coordinated plan must be developed through a process that includes representatives of public, private, and nonprofit transportation and human service providers and participation from the public. The following programs may be an eligible source of funding for Hamilton area transit needs.

9.2.10.1 Discretionary Grants (Section 5309)

Provides capital assistance for fixed guide-way modernization, construction and extension of new fixed guide-way systems, bus and bus-related equipment and construction projects. Eligible applicants for these funds are state and local public bodies.

9.2.10.2 Capital Assistance for the Elderly and Persons with Disabilities (Section 5310)

The Section 5310 Program provides capital assistance to providers that serve elderly persons and persons with disabilities. Eligible recipients must have a locally developed coordination plan. Federal funds provide 86% of the capital costs for purchase of buses, vans, wheelchair lifts, communication, and computer equipment. The remaining 14% is provided by the local recipient. Application for funding is made on an annual basis.

9.2.10.3 Financial Assistance for Rural General Public Providers (Section 5311)

The purpose of the Section 5311 Program is to assist in the maintenance, development, improvement, and use of public transportation systems in rural areas (areas under 50,000 population). Eligible recipients are local public bodies, incorporated cities, towns, counties, private non-profit organizations, Indian Tribes, and operators of public transportation services. A locally developed coordinated plan is needed to receive funding assistance. Funding is available for operating and capital assistance. Federal funds pay for 86% of capital costs, 54% for operating costs, 80% for administrative costs, and 80% for maintenance costs. The remainder, or required match, (14% for capital, 46% for operating, 20% for administrative, and maintenance) is provided by the local recipient. Application for funding is made on an annual basis.

9.2.10.4 New Freedoms Program (5317)

The purpose of the New Freedom Program is to provide improved public transportation services, and alternatives to public transportation, for people with disabilities, beyond those required by the Americans with Disabilities Act of 1990 (ADA). The program will provide additional tools to overcome barriers facing Americans with disabilities who want to participate fully in society. Funds may be used for capital expenses with Federal funds provided for up to 80 percent of the cost of the project, or operating expenses with Federal funds provided for up to 50 percent of the cost of the project. All projects funded must be derived from a locally developed, coordinated public transit-human services transportation plan (a "coordinated plan").

9.2.10.5 Job Access Reverse Commute (JARC) (5316)

The purpose of this grant program is to develop transportation services designed to transport welfare recipients and low income individuals to and from jobs and to develop transportation services for residents of urban centers and rural and suburban areas to suburban employment opportunities. Funds may be used for capital and operating expenses with Federal funds provided for up to 50 percent of the cost of the project.

9.3 State Funding Sources

9.3.1 State Funded Construction (SFC)

<u>Allocations and Matching Requirements</u>

The State Funded Construction Program, which is funded entirely with state funds from the Highway State Special Revenue Account, provides funding for projects that are not eligible for Federal funds. This program is totally State funded, requiring no match.

<u>Eligibility and Planning Considerations</u>

This program funds projects to preserve the condition and extend the service life of highways. Eligibility requirements are that the highways be maintained by the State. MDT staff nominates the projects based on pavement preservation needs. The District's establish priorities and the Transportation Commission approves the program.

9.3.2 TransADE

The TransADE grant program offers operating assistance to eligible organizations providing transportation to the elderly and persons with disabilities.

Allocations and Matching Requirements

This is a state funding program within Montana statute. State funds pay 50 percent of the operating costs and the remaining 50 percent must come from the local recipient.

Eligibility and Planning Considerations

Eligible recipients of this funding are counties, incorporated cities and towns, transportation districts, or non-profit organizations. Applications are due to the MDT Transit Section by the first working day of February each year. To receive this funding the applicant is required by state law (MCA 7-14-112) to develop a strong, coordinated system in their community and/or service area.

9.4 Local Funding Sources

9.4.1 State Fuel Tax – City and County

Under 15-70-101, MCA, Montana assesses a tax of $.27 per gallon on gasoline and diesel fuel used for transportation purposes. Each incorporated city and town receives a portion of the total tax funds allocated to cities and towns based on:

1) The ratio of the population within each city and town to the total population in all cities and towns in the State;

2) The ratio of the street mileage within each city and town to the total street mileage in all incorporated cities and towns in the State. The street mileage is exclusive of the Federal-Aid Interstate and Primary System.

Each county receives a percentage of the total tax funds allocated to counties based on:

1) The ratio of the rural population of each county to the total rural population in the State, excluding the population of all incorporated cities or towns within the county and State;

2) The ratio of the rural road mileage in each county to the total rural road mileage in the State, less the certified mileage of all cities or towns within the county and State; and

3) The ratio of the land area in each county to the total land area of the state.

All fuel tax funds allocated to the city and county governments must be used for the construction, reconstruction, maintenance, and repair of rural roads or city streets and alleys. The funds may also be used for the share that the city or county might otherwise expend for proportionate matching of Federal funds allocated for the construction of roads or streets on the Primary, Secondary, or Urban Systems. Priorities for these funds are established by the cities and counties receiving them.

For State Fiscal Year 2009, Hamilton/Ravalli County's combined allocation was approximately $375,420 (Hamilton - $90,675 and Ravalli County - $284,745) in state fuel tax funds. The amount varies annually, but the current level provides a reasonable base for projection throughout the planning period.

9.4.2 General Obligation Bond Funding

If approved by the city's registered electors as required by State statute at 7-7-4221 MCA, General Obligation bonds can be sold, with the proceeds being expended on transportation system improvements. The law limits the total bonding capacity of municipalities like the City of Hamilton. Since these funds are the most general, i.e. can be spent on the widest range of projects and needs of the community, use of the city's bonding capacity for transportation improvements should be weighed against those other, diverse community needs that arise from time to time.

The advantage of this funding method is that when the bond is retired, the obligation of the taxpaying public is also retired. The present property tax situation in Montana, and recent adverse citizen responses to proposed tax increases by local government, would suggest that the public may not be receptive to the use of this funding alternative.

9.4.3 City of Hamilton Street Maintenance District Funding

In accordance with MCA 7-12-4401, et seq., Hamilton has created a citywide Street Maintenance District to fund maintenance of road improvements through an annual assessment against properties within the district. As defined in the referenced statutes, the term "maintenance" includes but is not limited to operation, maintenance and repair of traffic signal systems, repair of traffic signs, and placement and maintenance of pavement markings.

9.4.4 Special / Rural Improvement Districts (SID/RID)

An improvement district made up of properties specially benefitted by an improvement can be created and bonds sold to fund design and construction of the improvement project(s). These funds are often used to leverage State and federal funds to make improvements that not only benefit the district properties, but the community at-large.

9.4.5 Urban Transportation Districts

Montana Codes Annotated 7-14-201, et seq., authorizes the establishment of urban transportation districts to "…supply transportation services and facilities to district residents and other persons." If a district was formed by vote of the affected property owners, it would be governed by a transportation board which could levy up to twelve (12) mills for district expenses, exclusive of bond repayment. The maximum amount of bonded indebtedness outstanding at any time shall not exceed 28% of the taxable value of the properties within the district.

9.4.6 City General Fund

There are funds set aside in the city General Fund under highway, streets, and roadways. In the past, these funds have been used as grant matching funds and also used to fund street related drainage facility installation projects.

9.4.7 Tax Increment Financing (TIF)

The funds generated from a TIF district could be used to finance projects including street and parking improvements, tree planting, installation of new bike racks, trash containers and benches, and other streetscape beautification projects within a defined TIF district.

9.4.8 Developer Exactions

Road construction or roadway improvements are performed by developers as a condition of approval for their development project. Improvements are typically limited to the local roads within, and the road system adjacent to, the proposed development.

9.4.9 County Road Fund

The County Road Fund provides for the construction and operation of all county roadways outside the corporate limits of cities and towns in Ravalli County. Revenue for this fund comes from intergovernmental transfers (i.e., State gas tax apportionment and motor vehicle taxes), and a mill levy assessed against county residents living outside cities and towns. The county mill levy has a ceiling limit of 15 mills.

County Road Fund monies are primarily used for operating existing facilities allocated for new roadway construction. It should be noted that only a small percentage of the total miles on the county roadway system are located in the study area. Projects eligible for financing through this fund will be competing for available revenues on a county-wide basis.

9.4.10 County Bridge Fund

The Bridge Fund provides financing for engineering services, capital outlays, and routine operations necessary maintenance for bridges on all off system and Secondary routes within the county. These monies are generated through intergovernmental fund transfers (i.e., vehicle licenses and fees), and a county wide mill levy. There is a taxable limit of four mills for this fund.

9.5 Private Funding Sources and Alternatives

Private financing of highway improvements, in the form of right of way donations and cash contributions, has been successful for many years. In recent years, the private sector has recognized that better access and improved facilities can be profitable due to increases in land values and commercial development possibilities. Several forms of private financing for transportation improvements used in other parts of the United States are described in this section.

9.5.1 Development Financing

The developer provides the land for a transportation project and in return, local government provides the capital, construction, and necessary traffic control. Such a financing measure can be made voluntary or mandatory for developers.

9.5.2 Cost Sharing

The private sector pays some of the operating and capital costs for constructing transportation facilities required by development actions.

9.5.3 Transportation Corporations

These private entities are non profit, tax exempt organizations under the control of state or local government. They are created to stimulate private financing of highway improvements.

9.5.4 Road Districts

These are areas created by a petition of affected landowners, which allow for the issuance of bonds for financing local transportation projects.

9.5.5 Private Donations

The private donation of money, property, or services to mitigate identified development impacts is the most common type of private transportation funding. Private donations are very effective in areas where financial conditions do not permit a local government to implement a transportation improvement itself.

9.5.6 Private Ownership

This method of financing is an arrangement where a private enterprise constructs and maintains a transportation facility, and the government agrees to pay for public use of the facility. Payment for public use of the facility is often accomplished through leasing agreements (wherein the facility is rented from the owner), or through access fees whereby the owner is paid a specified sum depending upon the level of public use.

9.5.7 Privatization

Privatization is either the temporary or long term transfer of a public property or publicly owned rights belonging to a transportation agency to a private business. This transfer is made in return for a payment that can be applied toward construction or maintenance of transportation facilities.

9.5.8 Multi Jurisdictional Service District

This funding option was authorized in 1985 by the State Legislature. This procedure requires the establishment of a special district, somewhat like an SID or RSID, which has the flexibility to extend across city and county boundaries. Through this mechanism, an urban transportation district could be established to fund a specific highway improvement that crosses municipal boundaries (e.g., corporate limits, urban limits, or county line). This type of fund is structured similar to an SID with bonds backed by local government issued to cover the cost of a proposed improvement. Revenue to pay for the bonds would be raised through assessments against property owners in the service district.

9.6 Transportation Impact Fees

Senate Bill (SB) 185 (Montana Code 7-6-1601 to 7-6-1604) provides guidance and described the necessary level of documentation required for Montana community's to consider implementation of impact fees. Impact fees should be considered one component of a community's overall funding strategy. Impact fees are a one-time assessment against new development to pay for the cost of infrastructure required to provide service. Impact fees provide the means of balancing the cost requirements for new utility infrastructure between existing customers and new customers. The portion of future capital improvements that will provide service (capacity) to new customers is included in the impact fees. In contrast to this, impact fees cannot be used to fund capital improvement projects that are related to curing existing deficiencies. These infrastructure costs are typically funded by other sources and are not included within the impact fee. By establishing cost-based impact fees, communities can assure that "growth pays for growth" and existing utility customers will be sheltered from the financial impacts of growth. General requirements for documentation to justify implementation of impact fees, in compliance with SB 185, are presented in section 9.6.1.

9.6.1 Documentation Requirements for Impact Fees

The following documentation requirements are necessary in accordance with SB 185 before impact fees can by implemented in a Montana community. Text is taken verbatim from MCA 7-6-1602 (Calculation of Impact Fees)

Requirement 1
For each public facility for which an impact fee is imposed, the governmental entity shall prepare and approve documentation that:

- Describes existing conditions of the facility;
- Establishes level of service standards;
- Forecasts future additional needs for service for a defined period of time;
- Identifies capital improvements necessary to meet future needs for service;
- Identifies those capital improvements needed for continued operation and maintenance of the facility;
- Makes a determination as to whether one service area or more than one service area is necessary to establish a correlation between impact fees and benefits;
- Makes a determination as to whether one service area or more than one service area for transportation facilities is needed to establish a correlation between impact fees and benefits;
- Establishes the methodology and time period over which the governmental entity will assign the proportionate share of capital costs for expansion of the facility to provide service to new development within each service area;
- Establishes the methodology that the governmental entity will use to exclude operations and maintenance costs and correction of existing deficiencies from the impact fee;
- Establishes the amount of the impact fee that will be imposed for each unit of increased service demand; and
- Has a component of the budget of the governmental entity that:
    - Schedules construction of public facility capital improvements to serve projected growth;

- Projects costs of the capital improvements;

- Allocates collected impact fees for construction of the capital improvements; and

- Covers at least a 5-year period and is reviewed and updated at least every 2 years.

<u>Requirement 2</u>

- The data sources and methodology supporting adoption and calculation of an impact fee must be available to the public upon request.

<u>Requirement 3</u>

- The amount of each impact fee imposed must be based upon the actual cost of public facility expansion or improvements or reasonable estimates of the cost to be incurred by the governmental entity as a result of new development. The calculation of each impact fee must be in accordance with generally accepted accounting principles.

<u>Requirement 4</u>

- The ordinance or resolution adopting the impact fee must include a time schedule for periodically updating the documentation required under requirement 1.

<u>Requirement 5</u>

An impact fee must meet the following requirements:

- The amount of the impact fee must be reasonably related to and reasonably attributable to the development's share of the cost of infrastructure improvements made necessary by the new development.

- The impact fees imposed may not exceed a proportionate share of the costs incurred or to be incurred by the governmental entity in accommodating the development. The following factors must be considered in determining a proportionate share of public facilities capital improvements costs:

  - The need for public facilities capital improvements required to serve new development; and

  - Consideration of payments for system improvements reasonably anticipated to be made by or as a result of the development in the form of user fees, debt service payments, taxes, and other available sources of funding the system improvements.

- Costs for correction of existing deficiencies in a public facility may not be included in the impact fee.

- New development may not be held to a higher level of service than existing users unless there is a mechanism in place for the existing users to make improvements to the existing system to match the higher level of service.

- Impact fees may not include expenses for operations and maintenance of the facility.

9.6.2 Street Capacity Analysis

This section presents data suitable for inclusion in a transportation "Capital Improvement Plan (CIP)". Table 9-1 contains all of the recommended Major Street Network (MSN) projects identified in Chapter 5, along with additional capacity related data that will be useful should the local entity(s) pursue transportation impact fees in the future. In its simplest form, each roadway improvement is identified as growth related (shaded rows in Table 9-1) or not growth related (no shaded rows in Table 9-1). If an improvement is clearly growth related, then a portion of that recommended project may be fundable through the use of impact fees. All roadways will have a unique "cost per vehicle trip" that is derived by dividing the total cost of the roadway improvement by the theoretical capacity of the road.

The information contained in Table 9-1 on the following page may be carried forward into a future Impact Fee Study, prepared by an economic consultant experienced in Montana Impact Fee laws and procedures. This Transportation Plan can be used to quantify the growth and potential traffic improvements needed to support a future Impact Fee study.

Table 9-1
MSN Projects – Capacity, Cost and "Per trip Cost" Summary

Project ID	Project Identifier	2009 ADT	2030 ADT	Capacity After Improvement (LOS C)	Cost of Improvement	Cost per Trip (Cost/LOS C Capacity)
1	Fairgrounds Road and Eastside Highway (SR 269)	2,700	11,800	18,000	$925,000	$51.39
2	Fairgrounds Road (Old Corvallis Road to Eastside Highway)	7,300	15,900	18,000	$2,700,000	$150.00
3	Old Corvallis Road (Fairgrounds Road to GSK)	2,300	6,500	18,000	$5,800,000	$322.22
4	Tammany Lane (Golf Course Road to Lovers Lane)	Not Available	Not Available	4,500	$60,000	$13.33
5	Skeels Avenue (Foxfield Street to Fairgrounds Road)	Not Available	Not Available	12,000	$565,000	$47.08
6	New North-South Connector (Golf Course Road to Tammany Lane)	0	Not Available	12,000	$1,350,000	$112.50
7	New East-West Connector (Old Corvallis Road to US Highway 93)	0	Not Available	18,000	$155,000	$8.61
8	Westside Highway (US Highway 93 to West Bridge Road)	Not Available	Not Available	6,000	$335,000	$55.83
9	Ricketts Road (Blodgett Camp Road to east of Arbor Lane)	Not Available	Not Available	6,000	$65,000	$10.83

Project ID	Project Identifier	2009 ADT	2030 ADT	Capacity After Improvement (LOS C)	Cost of Improvement	Cost per Trip (Cost/Capacity)
10	New East-West Connector #1 (Old Corvallis Road to Eastside Highway)	0	Not Available	12,000	$2,640,000	$220.00
11	Providence Way Extension (Fairgrounds Road to MSN-10 Roadway)	0	Not Available	12,000	$835,000	$69.58
12	New East-West Connector #2 (Old Corvallis Road to Eastside Highway)	0	Not Available	12,000	$3,000,000	$250.00
13	Daly Avenue (Golf Course Road to Marcus Street)	2,200	2,700	12,000	$1,950,000	$162.50
14	Seventh Street (Adirondac Avenue to Desta Street)	Not Available	Not Available	12,000	$2,340,000	$195.00
15	Marcus Street (Freeze Lane to US 93)	5,300	11,000	18,000	$175,000	$9.72
16	Ravalli Street (US Highway 93 to Daly Avenue)	1,300	2,000	12,000	$600,000	$50.00
17	Big Corral Road (Golf Course Road to Marcus Street)	2,200	6,800	12,000	$2,325,000	$193.75
18	Kurtz Lane (Golf Course to Marcus Street)	2,000	9,300	12,000	$1,240,000	$103.33

9.7 References

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TischlerBise, Inc. February 9, 2006. *Impact Fee Feasibility Analysis,* Ravalli County, Montana.

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