

Pavement Management – Funding Alternatives

City Council Work Session
March 20, 2017

Today's Scope

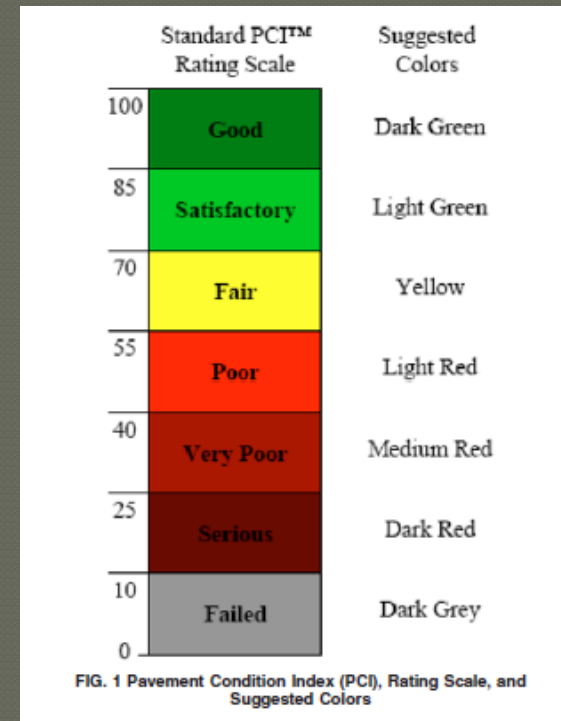
- Pavement management only
 - Doesn't consider other transportation needs
 - Doesn't consider impacts to staffing or other utilities
- Existing arterials and collectors
- General system-wide evaluation

Direction Requested

- ◉ Desired level of service?
- ◉ Pursue new funding sources? Schedule?
- ◉ Consider other needs?
- ◉ Evaluate residential streets?
- ◉ Desired public outreach process?

Condition Assessment

Arterials and collectors are in decent shape (on average) but will decline over time without investment



Classification	Existing	+10 yrs	+20 yrs	+30 yrs
Arterial	70	51	29	26
Collector	63	47	33	27

Level of Service

Revenue requirements vary based on desired level of service. Examples.....

Scenario (10-year target)	Each Street		System Average	
	PCI \geq 70	PCI \geq 60	PCI \geq 70	PCI \geq 60
Three lump sum investments @ 0, 5, & 10 years	\$44M, \$42M, \$38M	\$20M ea.	\$18M ea.	\$11M ea.
Annual reoccurring investment	\$12 M	\$6M	\$6M	\$3M
Three \$15M lump sum investments @ 0, 5, & 10 years and annual reoccurring investment	\$8M	\$1.4M	\$400K	N/A
One lump sum investment @ 0 and annual reoccurring investments	\$28M LS, \$10M annual	\$20M LS, \$5M annual	-	-

Recommended Level of Service

Maintain each arterial and collector street to a PCI \geq 60

- Avoids costly reconstruction
- Consistent with Albany's Strategic Plan
- Balances life cycle costs & required resources
- ***Requires additional financial resources***



34th Ave. near Columbus: PCI = 64

Required Funding

- Staff's suggested approach for $PCI \geq 60$:
 - \$20M lump sum investment(s) (i.e. bonds) for arterials and collectors that require complete reconstruction.
 - \$5M annual revenues to adequately maintain all arterials and collectors to avoid costly reconstruction.

Funding Gap

Required Funding

- \$20M lump sum
- \$5M annual

Current Funding

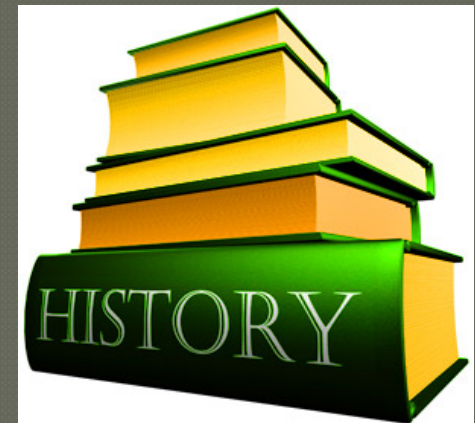
- \$0M lump sum
- \$1.6M annual

Funding Gap

- \$20M lump sum
- \$3.4M annual

Funding History

- ◉ Lack of resources – nothing new!
- ◉ 1996 Mayor's Task Force on Street Maintenance
- ◉ Competing priorities have reduced resources over time



Funding Alternatives

- General Fund
- Franchise Fees
- In-Lieu of Franchise Fees
- Stormwater Service Charges
- Gas Tax
- Transportation Utility
- General Obligation (GO) Bonds
- Local Improvement District (LID)
- Other

Funding Alt. - General Fund

- Long history of participating in street light costs
- Legitimate general benefit
- Participation suspended in 2011
 - \$260,000 per year at that time
- A 50/50 split would require a \$250,000/yr general fund contribution
 - Could be phased in or consider using new revenues from marijuana tax



Funding Alt. – Franchise Fees

- Historically, 30% of electric and 40% of natural gas franchise fees went to streets
- Redirected to General Fund due to competing priorities
- Loss of \$1.2M in street revenue (today's \$)
- Council could choose to reinstate franchise fee revenue sharing and generate \$1.2M/yr for streets
 - Competing priorities
 - Could be phased in

Funding Alt. – In-Lieu of Franchise Fees

- 1996 - Task force recommendation to generate revenue above and beyond share of franchise fee revenue
- Implemented ILFF in 1999 @ 5%
- Could increase to 7% consistent with recent franchise fee agreements
 - Would generate additional \$450K/yr for streets
 - Impacts water and sewer revenues or rates

Funding Alt. – Stormwater Service Charges

- Street funds pays for SW capital improvements assoc. w/ street projects, ~\$400K/yr



- Stormwater rates could be raised over time to cover these costs
 - Envisioned in 5-year rate projections

Funding Alt. – Gas Tax

- Common funding source
 - >25 Oregon cities
- Most common rate is \$0.03 /gal
- Requires voter approval
- Past attempts in 1982 and 1991 failed
- Per ODOT, \$0.03/gal gas tax could generate ~\$750K/yr in Albany



Funding Alt. – Transportation Utility

- Common funding source
 - ~30 Oregon cities
- 1996 Task Force suggestion
 - Not implemented out of concern of overburdening rate payers
- Established by ordinance/resolution
- Rates set to recover Council identified revenue target
- Significant effort required
 - 2 to 3 year process



Funding Alt. – General Obligation (GO) Bond

- Borrow money by selling bonds
 - Typically a 10 to 20 year bond
 - Paid back through increases in property tax
- Requires voter approval
- 1996 task force recommendation
- History in Albany
 - \$10M GO Bond successful in 1998
 - \$10M GO Bonds defeated in 1995 & 2000
- In today's dollars the 1998 bond would be a \$15M bond
 - \$0.34/thousand for 15-year bond (\$68/year, \$200K home)

Funding Alt. – Local Improvement District (LID)

- City pre-funds construction
- Assess costs to benefiting properties
- Not recommended as routine funding strategy for arterials and collectors
- May be useful for addressing local streets

Funding Alternative Summary

- General Fund - \$250K/yr, \$500K
- Franchise Fees - \$1.2M/yr
- In-Lieu of Franchise Fees - \$450K/yr
- Stormwater Service Charges - \$400K/yr
- Gas Tax - \$750K/yr
- Transportation Utility - TBD
- General Obligation (GO) Bonds - \$20M
- Local Improvement District (LID) – N/A
- Other

Note: Dollar amounts reflect staff assumptions and are not fixed.

Funding Alternative Conclusions

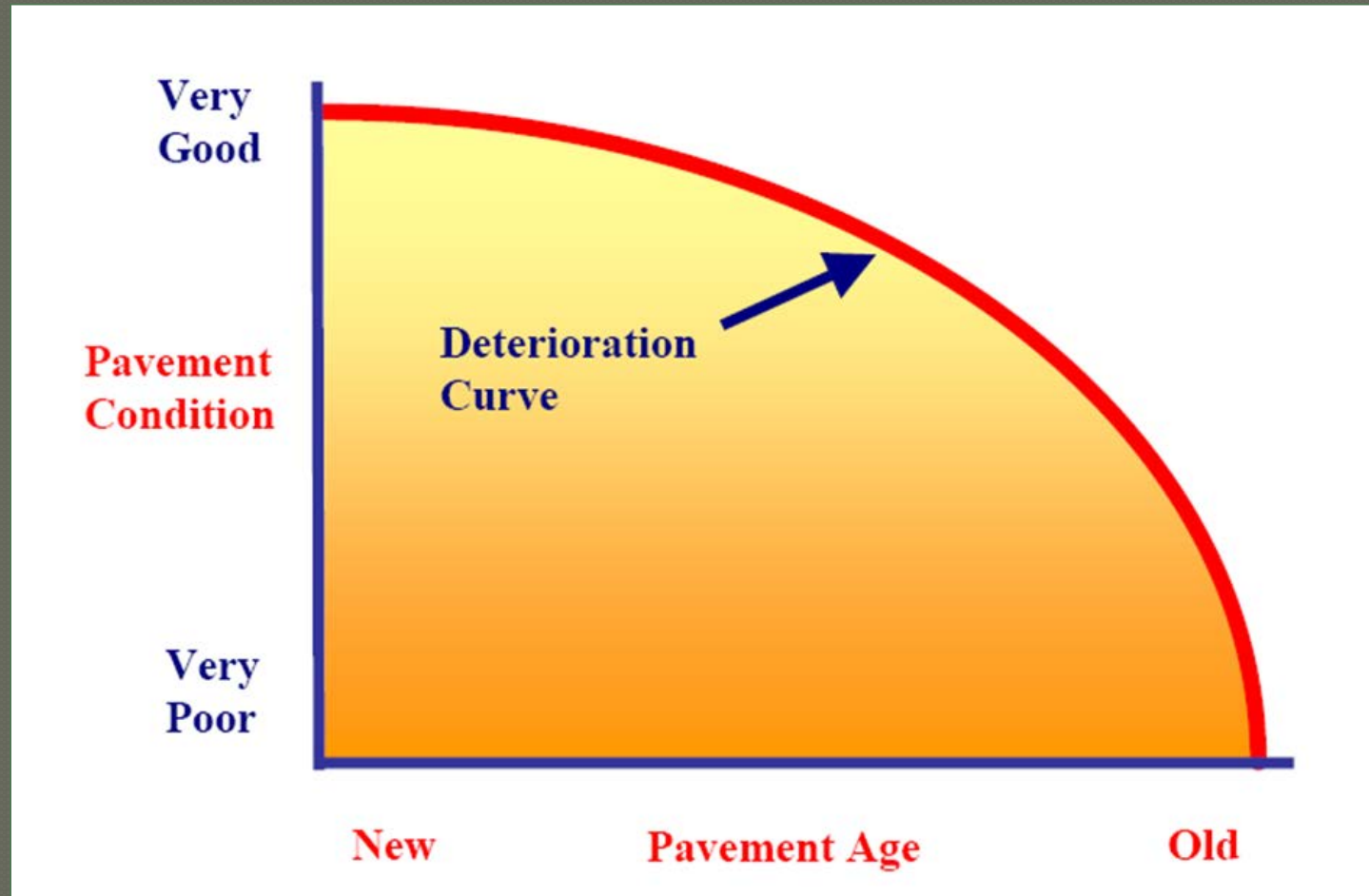
- No easy answer to fill funding gap (\$20M lump sum, \$3.4M annual)
- Can rely on multiple sources or emphasize few
- Re-establishing past internal funding mechanisms can have meaningful impact
- Approach depends on Community/Council priorities

Direction Requested

- ◉ Desired level of service?
- ◉ Pursue new funding sources? Schedule?
- ◉ Consider other needs?
- ◉ Evaluate residential streets?
- ◉ Desired public outreach process?

Questions?

How Pavements Fail



From the National Center for Pavement Preservation

Pavement Condition Index (PCI)

	Standard PCI™ Rating Scale	Suggested Colors
100	Good	Dark Green
85	Satisfactory	Light Green
70	Fair	Yellow
55	Poor	Light Red
40	Very Poor	Medium Red
25	Serious	Dark Red
10	Failed	Dark Grey
0		

FIG. 1 Pavement Condition Index (PCI), Rating Scale, and Suggested Colors

City of Albany Streets

Good Condition – PCI = 85 to 100
[N. Albany Road near bridge – PCI = 96]



Fair Condition – PCI = 55 to 70
[34th Ave. near Columbus – PCI = 64]



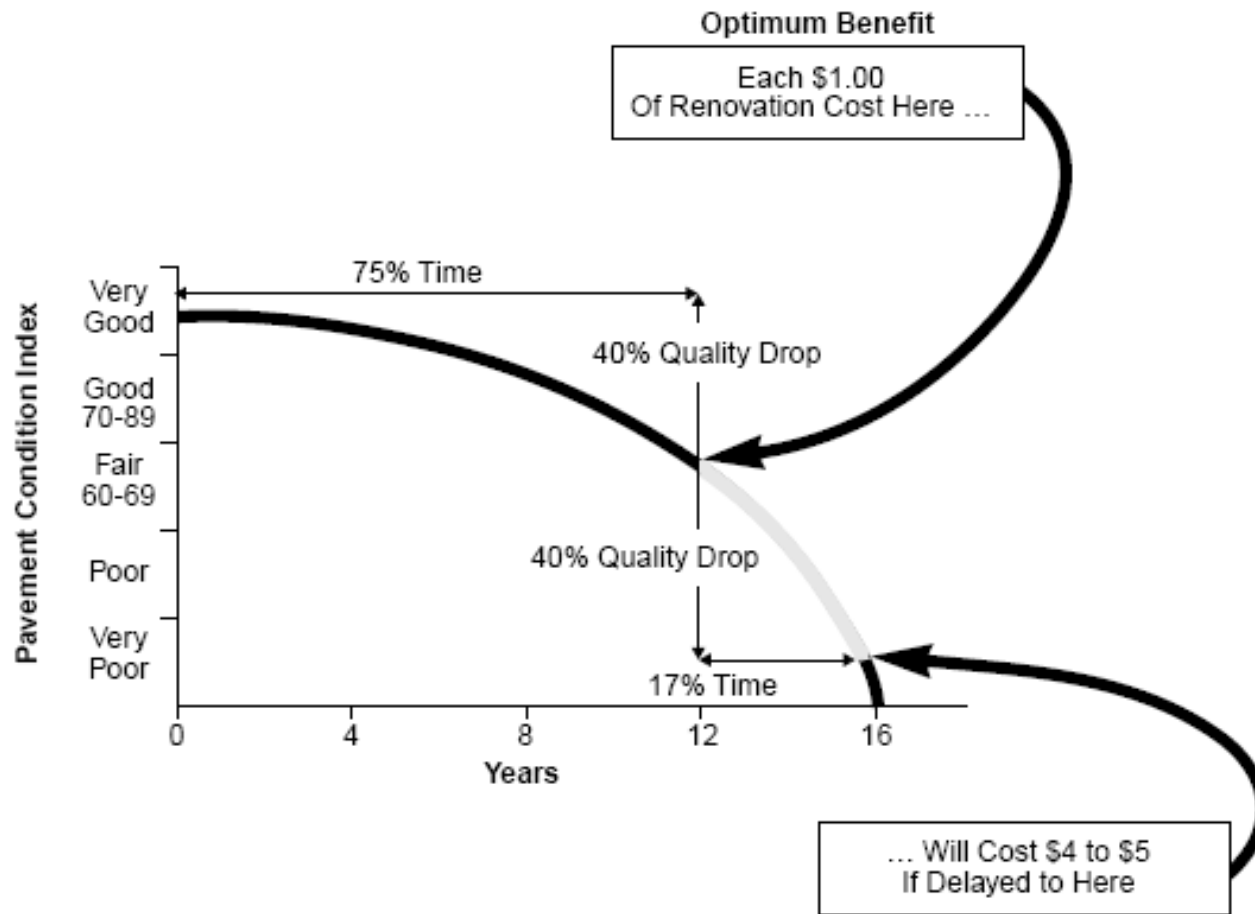
Very Poor Condition – PCI = 25 to 40
[Hill Street, 20th-24th Ave. – PCI = 33]



Failed Condition Streets – PCI < 10
[Oak Street at school – PCI = 5]

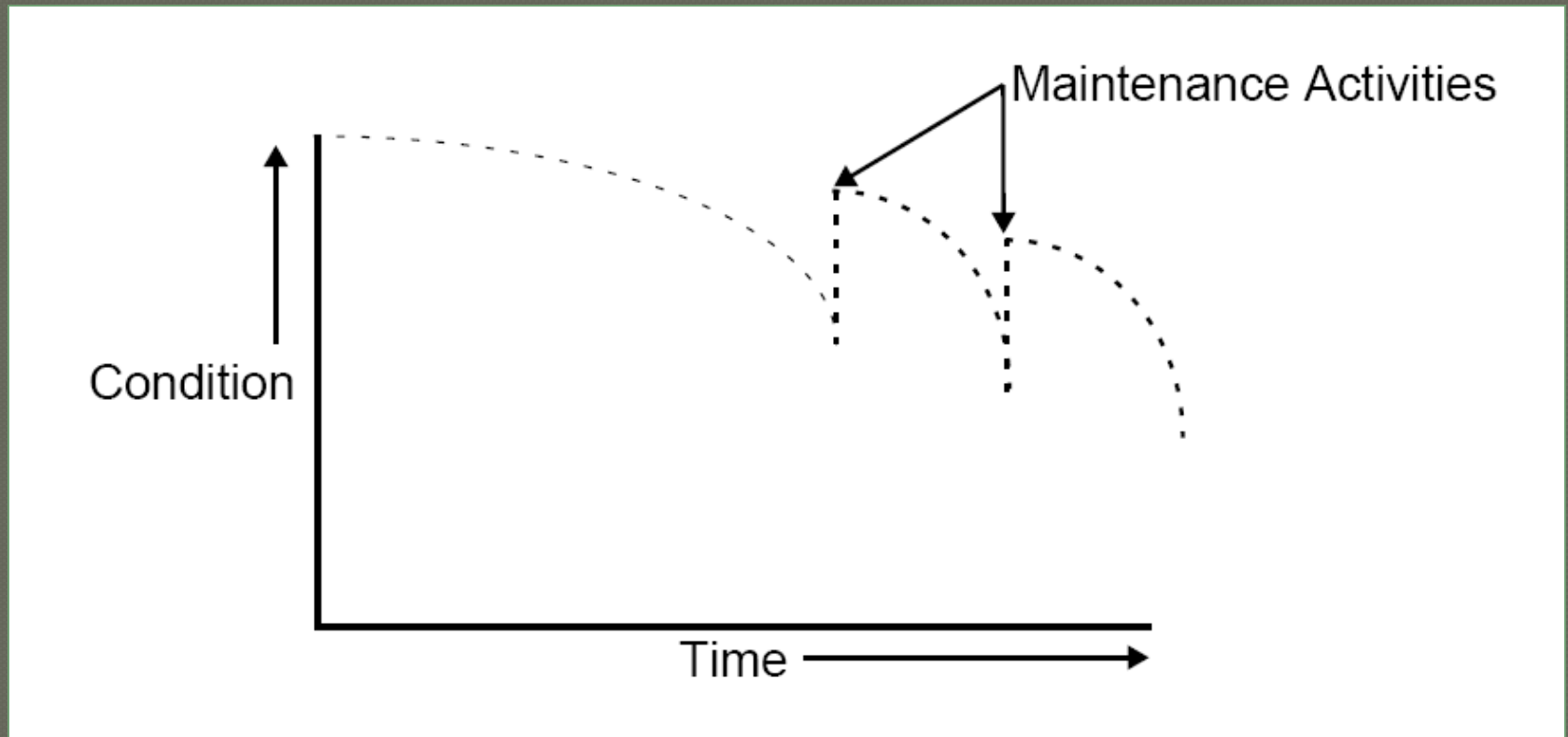


Pavement Renovation Economics



From the Local Agency Pavement Management Application Guide
Published by the Northwest Technology Transfer Center

Optimized Investment Strategy



From the Northwest Technology Transfer Center

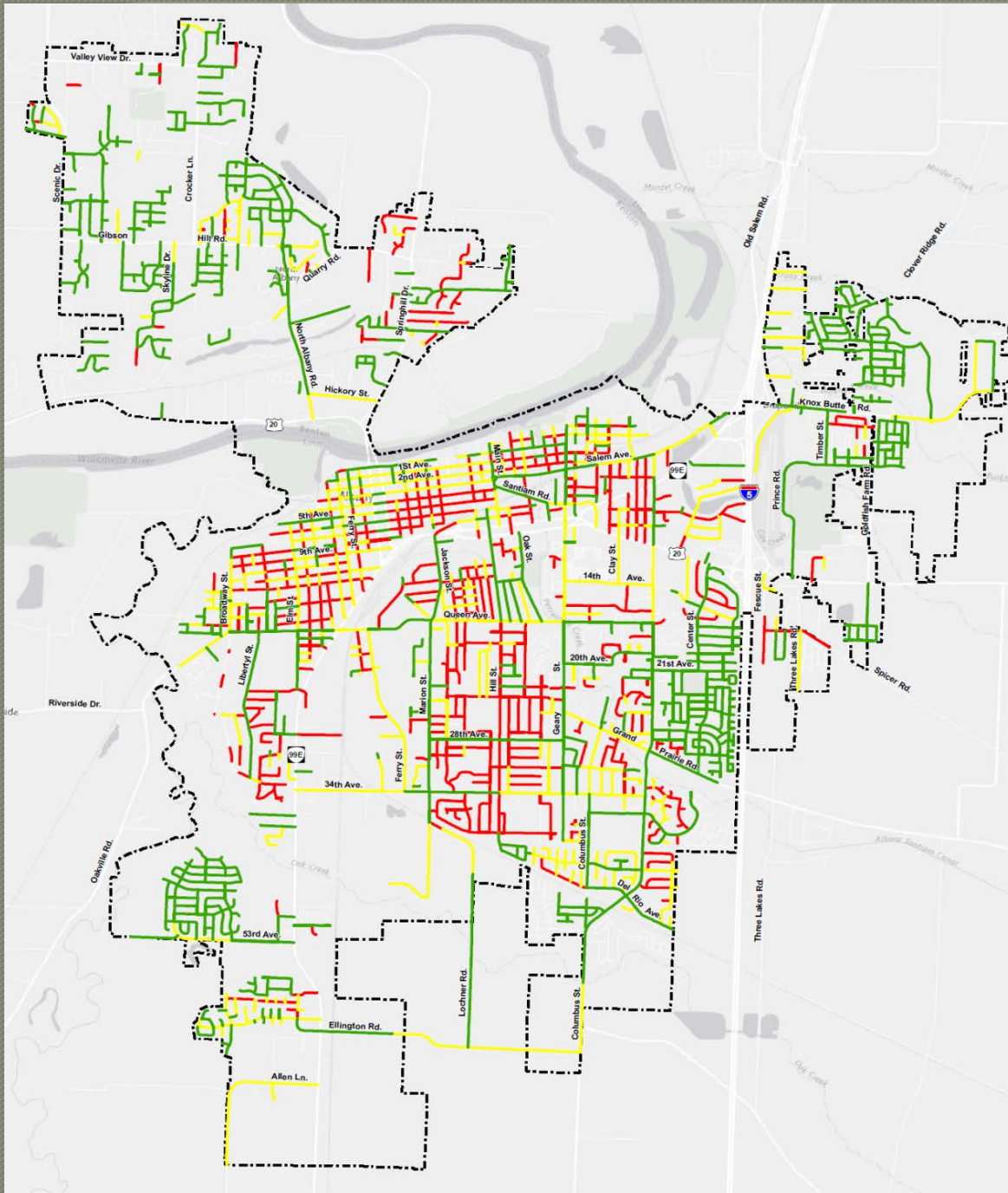
“Keeping the Good Pavements Good”

Pavement Conditions

Pavement Condition Index (PCI)

-  Poor
-  Fair
-  Satisfactory

City Maintained
Roads

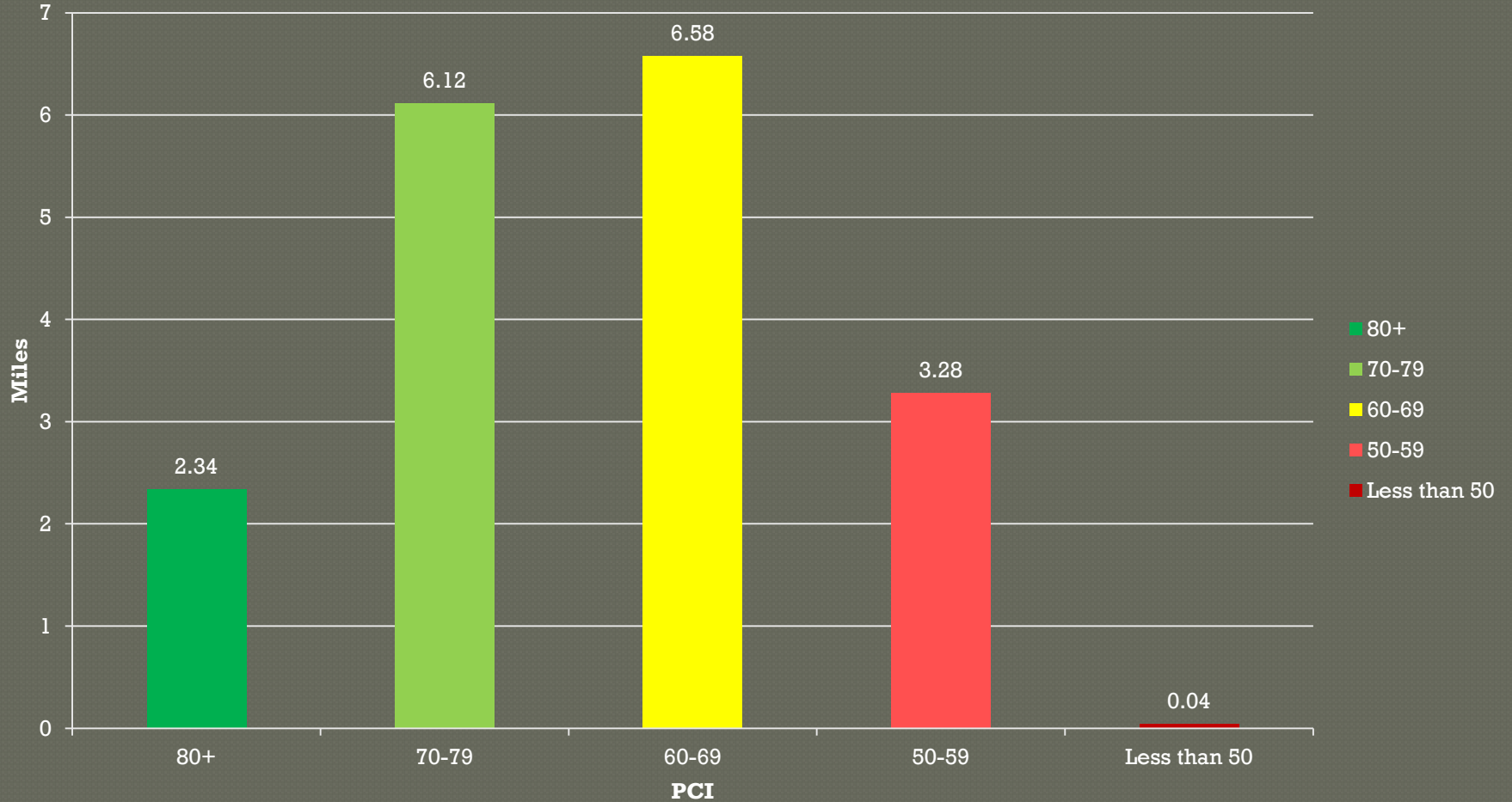


Current Condition

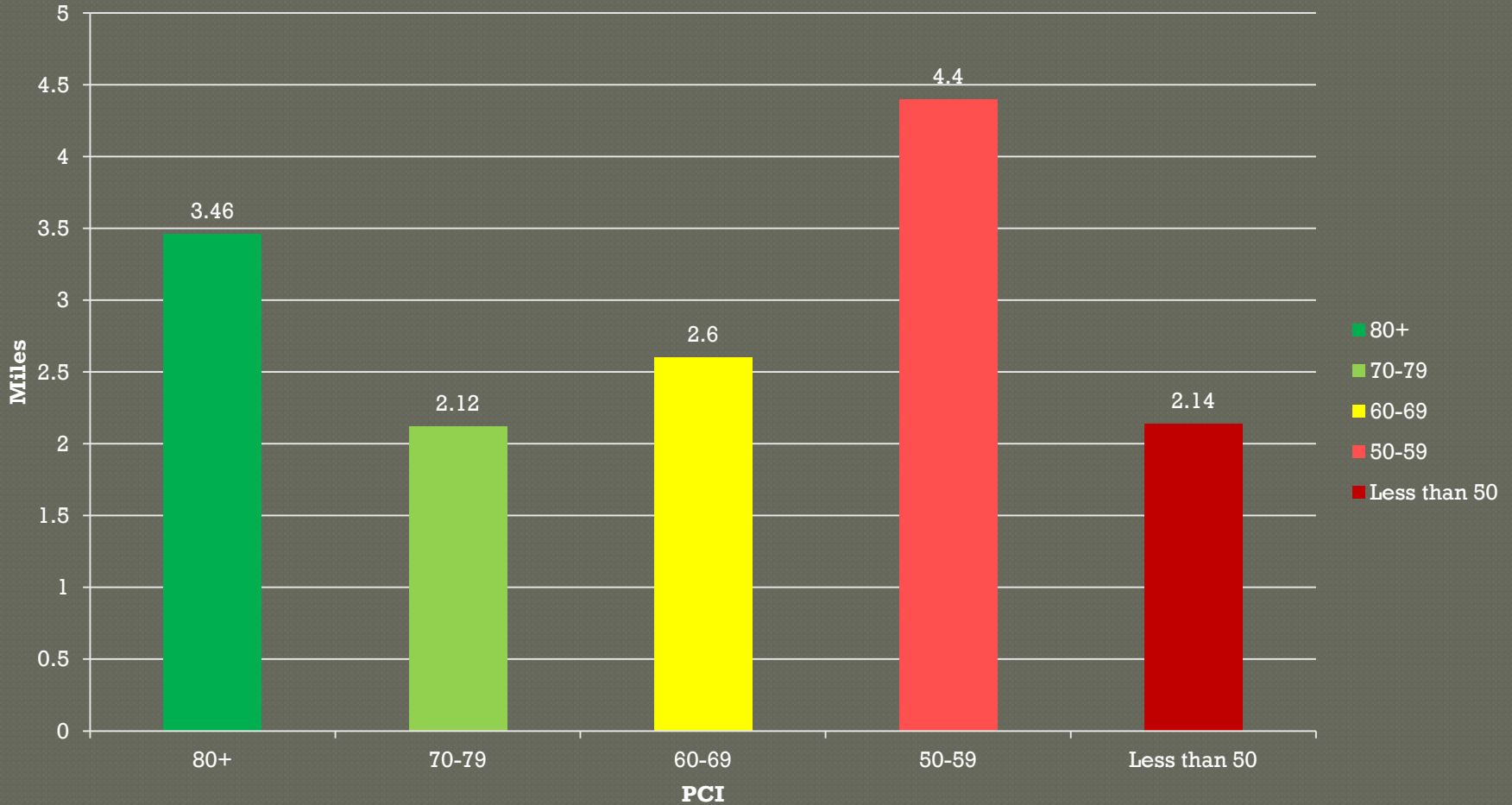
Condition Assessment Results

PCI Break-out	Arterial		Collector		Local		Total Miles
	Miles	%	Miles	%	Miles	%	
System Average: 60	18.36	100	14.72	100	153.63	100	186.71
80+	2.34	12.7%	3.46	23.5%	38.85	25.3%	44.65
70-79	6.12	33.3%	2.12	14.4%	29.30	19.1%	37.54
60-69	6.58	35.8%	2.60	17.7%	14.77	9.6%	23.95
50-59	3.28	17.9%	4.40	29.9%	15.50	10.1%	23.18
Less than 50	0.04	0.2%	2.14	14.5%	55.21	35.9%	57.39

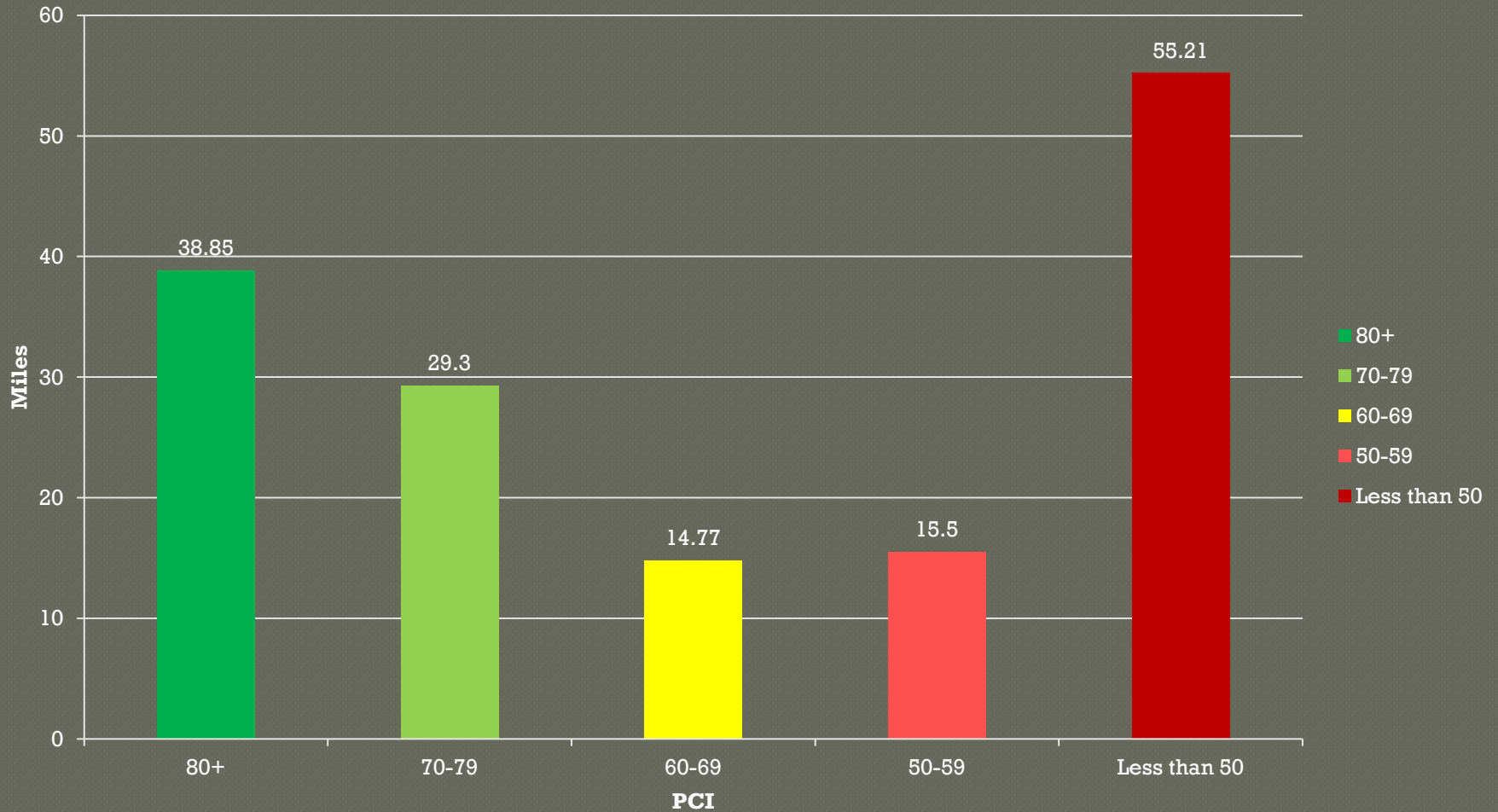
Current Condition - Arterials



Current Condition - Collectors



Current Condition - Locals



Current Funding

- Approximately \$1.6M
 - STP Funds Through MPO (arterial and collector)
 - ~\$450K
 - Water and Sewer ILFF
 - SDC Reimbursement Fees

PCI Projection: Current Funding

Projected PCI with No Additional Funding

	Existing	+10 yrs	+20 yrs	+30 yrs
Arterial	70	51	29	26
Collector	63	47	33	27
Local	58	45	33	24

Required Funding

Required Annual Investment (in \$Millions) to Achieve PCI Targets

PCI Target	Arterial			Collector			Local		
	10 yrs	20 yrs	30 yrs	10 yrs	20 yrs	30 yrs	10 yrs	20 yrs	30 yrs
60 (Fair)*	\$3.2	\$5.9	\$4.7	\$2.8	\$2.5	\$2.3	\$5.5	\$5.0	\$5.7
70 (Satisfactory)	\$2.8	\$4.5	\$3.9	\$3.4	\$2.8	\$2.8	\$8.2	\$6.3	\$6.7
80 (Good)	\$4.2	\$4.6	\$5.9	\$4.8	\$3.4	\$3.2	\$11.8	\$7.8	\$7.7

*Albany's existing system wide average

Required Funding

Required Annual Investment (in \$Millions) to Achieve System Wide PCI

PCI Target	System Wide		
	10 yrs	20 yrs	30 yrs
60 (Fair)*	\$11.5	\$13.4	\$12.7
70 (Satisfactory)	\$14.4	\$13.6	\$13.4
80 (Good)	\$20.8	\$15.8	\$16.8

*Albany's existing system wide average