

# Public Works Department Transportation Discussion



## Funding Alternatives

City Council Work Session

December 11, 2023

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# DISCUSSION OUTLINE

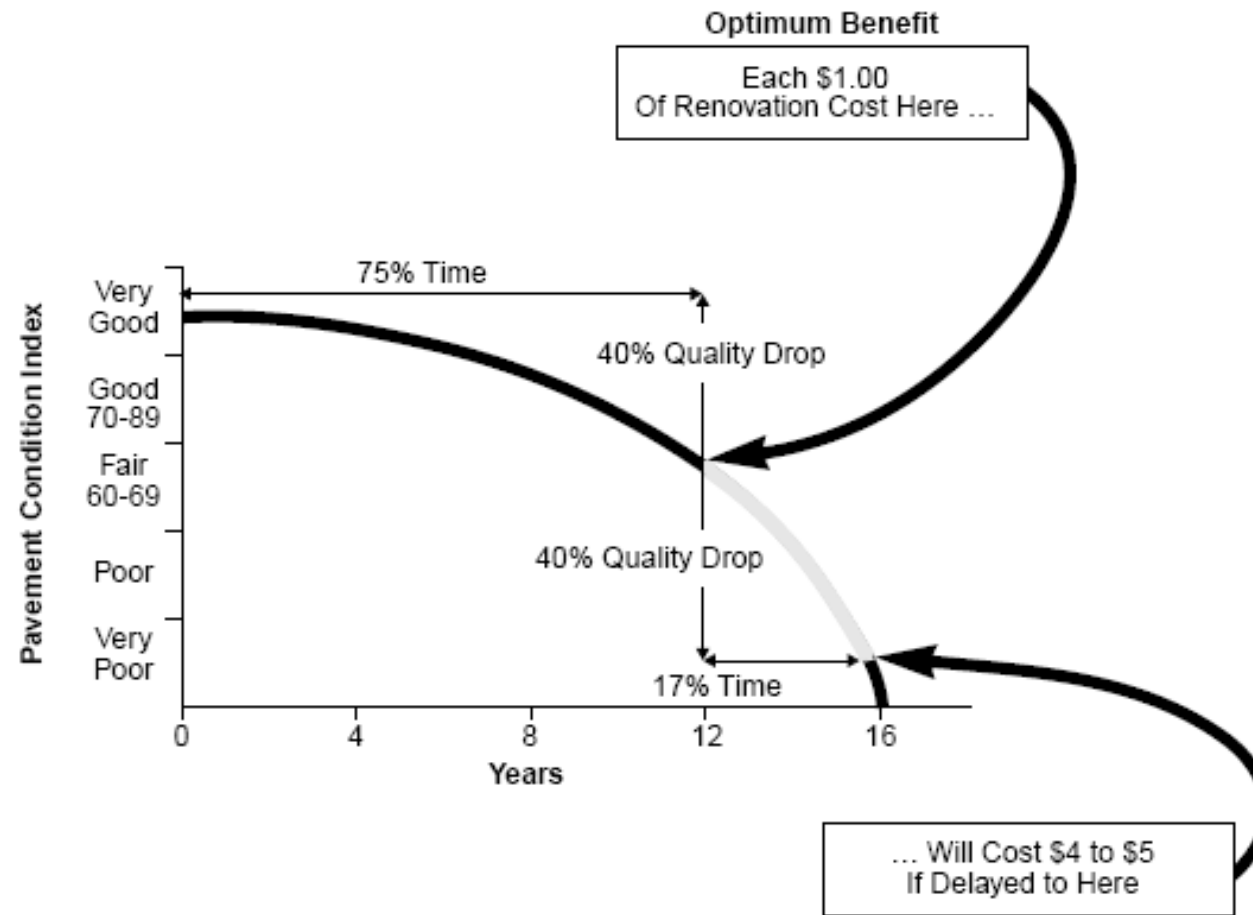
- Review pavement deterioration curve and associated costs
- Review current Pavement Condition Index data
- Review current funding sources for the Street Fund
- Review the funding gap to achieve a PCI of >60 for all city streets
- History of General Fund funding for the Street Fund
- Possible funding alternatives

A graphic of a warning sign, consisting of a black rectangle with a white border and a white arrow pointing to the right. The word "WARNING" is written in large, bold, black capital letters across the center of the sign.

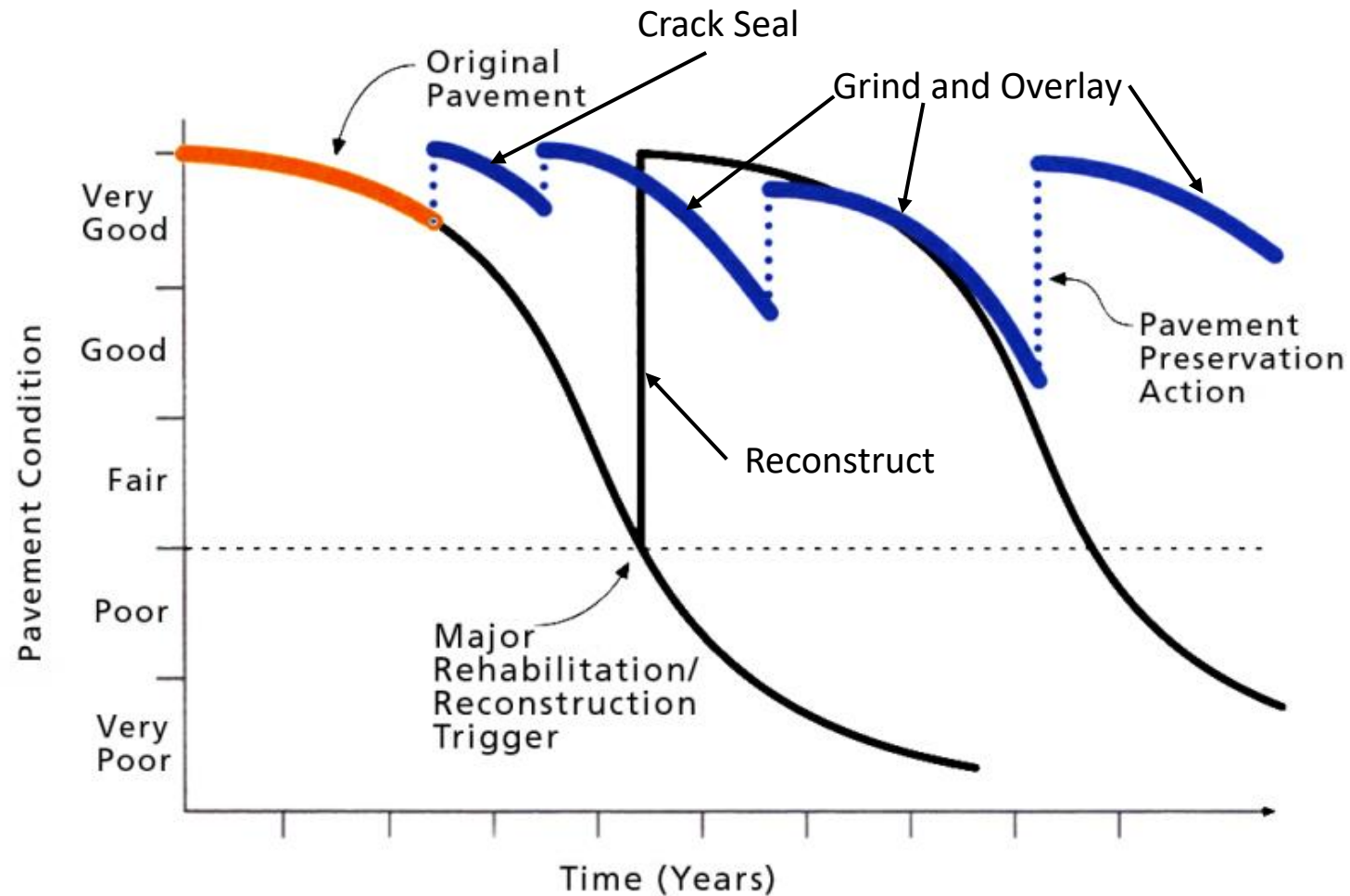
**WARNING**

*All estimates are based on industry standard assumptions for revenue generation potential, cost escalation, and longevity of capital investments*

# Pavement Renovation Economics



# Keeping the Good Pavements Good

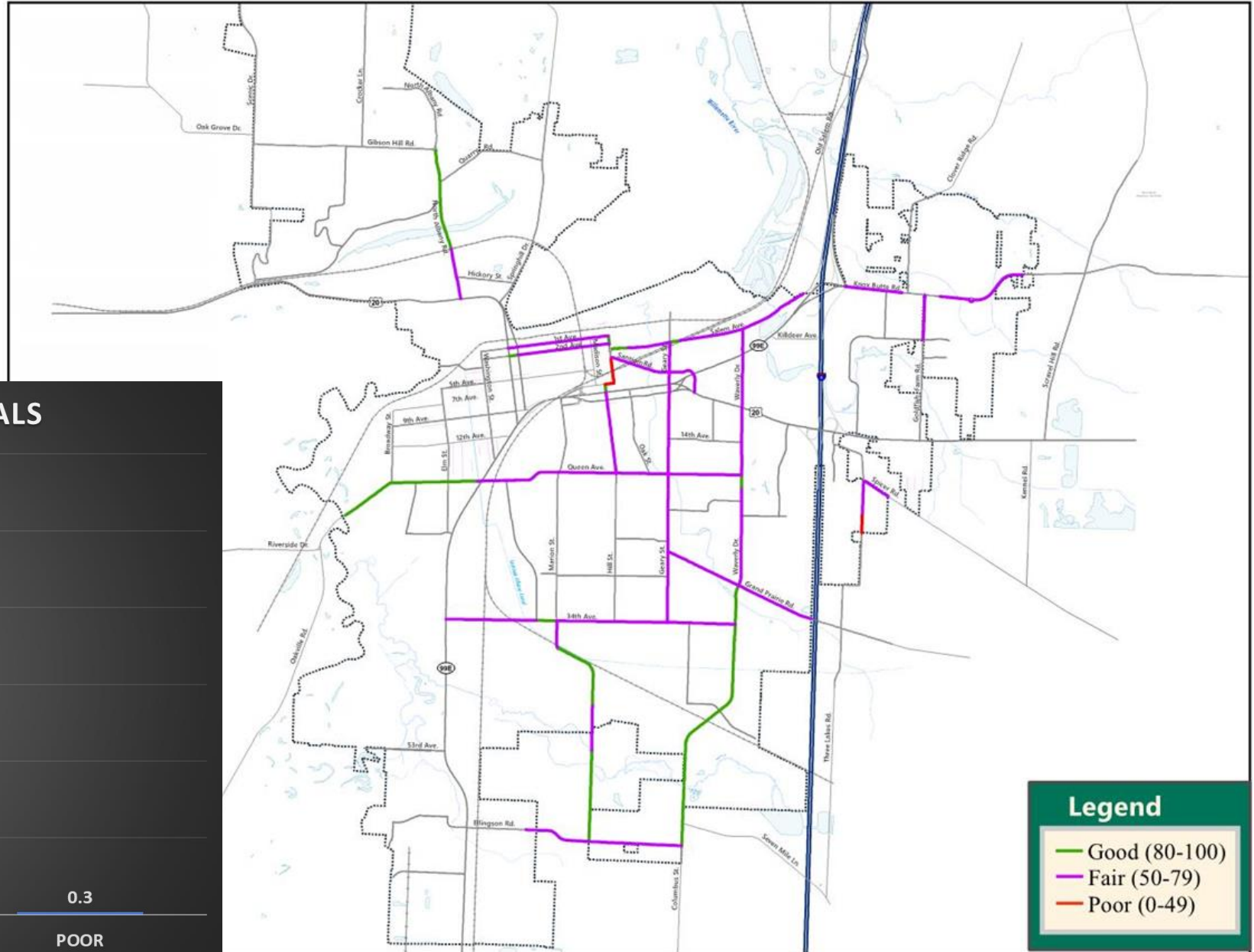


From the Pavement Preservation: A Proactive Approach - Transportation

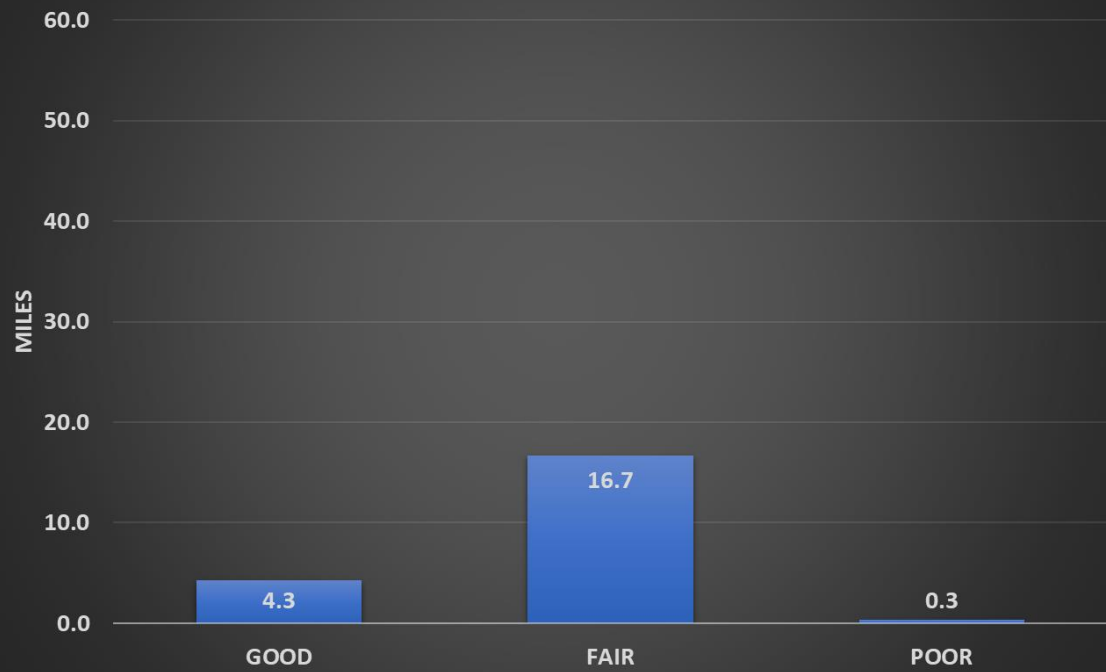
# Current PCI for Albany Streets

PAVEMENT CONDITION	ARTERIAL		COLLECTOR		LOCAL	
	MILES	PERCENT	MILES	PERCENT	MILES	PERCENT
<b>GOOD (100 TO 80)</b>	<b>4.3</b>	<b>20.1%</b>	<b>10.4</b>	<b>41.1%</b>	<b>54.1</b>	<b>37.8%</b>
<b>FAIR (79 TO 50)</b>	<b>16.7</b>	<b>78.3%</b>	<b>11.7</b>	<b>46.3%</b>	<b>36.8</b>	<b>25.7%</b>
<b>POOR (49 TO 0)</b>	<b>0.3</b>	<b>1.6%</b>	<b>3.2</b>	<b>12.6%</b>	<b>52.3</b>	<b>36.5%</b>
<b>TOTAL</b>	<b>21.3</b>	<b>100.0%</b>	<b>25.4</b>	<b>100.0%</b>	<b>143.2</b>	<b>100.0%</b>

# Current Condition - Arterials



CURRENT CONDITION - ARTERIALS











# Existing Street Fund Revenue Sources

Funding Source	Restrictions?
State Gas Tax	<i>Existing</i> street system operation & maintenance
Federal Gas Tax (STBG)	Maintenance & expansion of <i>arterials &amp; collectors</i>
Sewer In-Lieu-of Franchise Fee	Unrestricted
Water In-Lieu-of Franchise Fee	Unrestricted
Transportation System Development Charges – Improvement	<i>Growth-related</i> projects in Transportation System Plan (arterials & collectors)
Transportation System Development Charges – Reimbursement	Unrestricted transportation system projects

# Combined Street Annual Funding Gap

Arterials & Collectors	\$1.5 Million
Locals – Good & Fair Condition	\$3.0 Million
Locals – Poor Condition	\$8.3 Million
<b>Total</b>	<b>\$12.8 Million</b>

## Assumptions:

- All streets are managed to maintained a target PCI of 60 or greater
- All streets in poor condition receive full reconstruction
- Arterials/Collectors receive grind/overlay every 20 years on average
- Local streets in good/fair condition receive grind/overlay every 40 years on average
- Slurry seal all local streets every 20 years on average
- Existing funding sources continue at current levels

# Funding History

- Reminder this challenge has been discussed many times before
- General Fund
  - Currently not providing funding to streets
  - Previously paid 100% of streetlight costs; stopped in FY 2011 (\$260,000)
  - Historically, 30% of electric utility and 40% of natural gas utility franchise fees went to streets
  - Now all private utility franchise fees go to the General Fund
- Competing priorities eliminated GF funding for street maintenance

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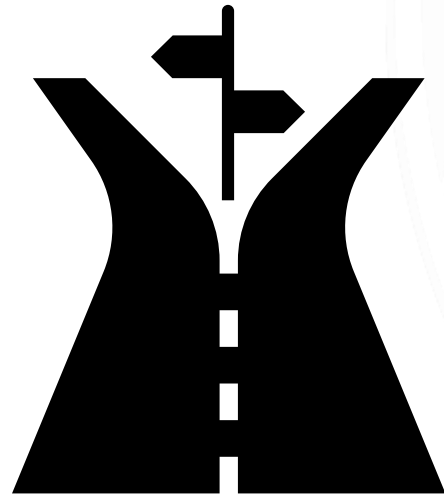
# Funding History

- Positive changes to street funding:
  - \$10 million General Obligation (GO) bond passed in 1998 election; specified improvements to 34<sup>th</sup> Ave., Elm St., Santiam Rd., and Salem Ave.
    - Efficient use of funding allowed additional work to North Albany Rd., 5<sup>th</sup> Ave., Geary/14<sup>th</sup>/Clay area, Clover Ridge Rd., Hill St., and the bridge over the canal on 5<sup>th</sup> Ave.
  - In-lieu-of franchise fees for water & sewer; implemented in 1999; increased to 7% in FY 19-20
  - Stormwater utility funding now pays for the stormwater utility improvements associated with street projects; \$400,000 in 2017 when implemented

# Funding Alternatives

## Option A: Shift Existing Resources

- General Fund
- Franchise Fees
- City Services Fee



## Option B: Establish New Resources

- General Obligation Bonds
- Loans
- TIF Districts
- Local Improvement Districts (LIDs)
- Gas Tax
- Transportation Utility Fee



# Funding Alternative – General Fund

- Long history of participating in street fund costs
  - For example, the General Fund paid between \$260,000 – 320,000 for streetlights for many years (100% down to 50% of costs)
- Current potential street revenue sources in the General Fund include:
  - Franchise Fees – historically some was directed to streets; Council could redirect some or all FF revenue to streets
  - City Services Fee (CSF) – developed to provide additional funding for programs funded by the General Fund; Council could redirect use of CSF revenue to benefit streets

# Funding Alternative – General Fund – Franchise Fees

- Previously 30% of electric utility and 40% of natural gas utility FFs
  - Approximately \$1.5 million based on FY23 revenues
- Summary of Franchise Fee Revenues

Franchise Category	FY23 Revenue
Electric	\$3.3 million
Natural Gas	\$1.2 million
Carriers	\$66,000
Telephone	\$74,000
Solid Waste	\$883,000
Cable	\$622,000
<b>Total</b>	<b>\$6.1 million</b>

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# Funding Alternative – General Fund – City Services Fee

- CSF established in June 2021
- Stated purpose:
  - *“...to support staffing, programs, and services in fire, library, parks, planning, police, and municipal court.”*
- Basis for charge of CSF is not ITE trip generation statistics
- Current rate is \$9.00/month for single family customers
- FY23 CSF revenue
  - \$2.3 million to General Fund + \$560,000 to Parks
  - Roughly \$310,000 revenue per dollar

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# Funding Alternative – General Fund Resources



## ZERO – SUM GAME

Any reallocation of General Fund revenues will need to be evaluated carefully for impacts to programs and services currently offered.

# Funding Alternative – New Resources

## Option B: Establish New Resources

- General Obligation Bonds
- Loans
- TIF Districts
- Local Improvement Districts (LIDs)
- Gas Tax
- City Services Fee Increase
- Transportation Utility Fee





# Funding Alternative – New Resources

## Discrete Funding

- General Obligation Bonds
- Loans
- TIF Districts
- Local Improvement Districts (LIDs)



## Ongoing Funding

- Gas Tax
- City Services Fee Increase
- Transportation Utility Fee



# Funding Alternative – General Obligation Bond

- Form of debt paid back through property taxes
- Typically 10- or 20-year bond
- Requires voter approval – most common for arterial or collector streets
- Recommendation from the 1996 Task Force
  - \$10 million GO Bond passed in 1998
  - Failed GO Bond votes in 1995 and 2000
- A 20-year \$10M GO bond at current rates is estimated to cost \$0.17 per thousand of assessed value
  - \$51 per year for a \$300,000 home

## 1998 GO Bond:

- Approved for reconstruction of Elm St, 34<sup>th</sup> Ave., Santiam Rd., & Salem Ave.
- Project efficiency allowed additional work on North Albany Rd., 5<sup>th</sup> Ave., Geary St/14<sup>th</sup> Ave/Clay St, Clover Ridge Rd., & Hill St.



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# Funding Alternative – Loans

- Some low-interest loans available through the state.
- Special Public Works Fund, Oregon Transportation Infrastructure Bank
- Approval of the voters?
- Typically 10-15-year payback period
- Secured with local funding source - ??
  - Also requires the full faith and credit pledge of the city



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# Funding Alternative – Tax Increment Financing District (TIF)

- A TIF District would have to be created and a TIF Plan developed
- TIF Districts are used to provide funding to solve identified problems with the goal of encouraging future investment in the District
- TIF financing would not be appropriate in most situations
  - Could work in an area where transportation infrastructure improvements would open the area to development



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# Funding Alternative – Local Improvement District (LID)

- Allows a group of property owners to share the costs of improvements
- The City would pay for construction upfront and properties in the LID would repay the city
  - Costs are assessed to the properties determined to benefit
  - Repayment can be in full or spread over a number of years with interest
  - Repayment is secured through a lien on each property
- Could be used for arterials/collectors/locals
- Could be used for addressing local streets but costs are usually very high





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# Summary of Discrete Funding Alternatives

- Possible funding alternatives:
  - General Obligation Bonds
  - Loans
  - TIF Districts
  - Local Improvement Districts (LIDs)
- Only GO Bonds are commonly used by cities for street projects
- Loans, TIF Districts, and LIDs are possibilities, but each has drawbacks



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# Funding Alternative – City Services Fee

- Pros: Existing funding mechanism so relatively administratively easy
- Cons:
  - Pavement management is not one of the stated uses in the establishing ordinance
  - Mechanism for charge uses water meter size vs. transportation impact
- Significant outreach and education effort required



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# Funding Alternative – Local Fuel Tax

- Requires voter approval
- Several attempts to implement a local gas tax; votes in 1982, 1991, and 2016 failed
- Common local funding source across the state
  - 32 Oregon cities or counties have a local gas tax ranging from \$0.01-\$0.10/gal
  - Most common rate is \$0.03/gallon
- Estimated revenue to Albany of \$0.03/gallon gas tax = \$900,000/year
- Would require extensive public outreach prior to placing on the ballot



# Funding Alternative – Transportation Utility

- Very common approach to local street funding
  - 26 cities have a TUF
  - Monthly residential charges range from \$2.85 to \$16.81
- Similar process to recent Stormwater utility, or City Services Fee
  - Established by Council ordinance/resolution
  - Rates set to generate revenue target approved by Council
  - Funds used for purposes set by Council
- Recommended by 1996 Mayor's Task Force
- Rough, high-level estimate: monthly single residential rate of \$5.00 would generate an estimated \$1.7 million annually
- Significant outreach and education effort required



# Cities/Counties with Local Funding for Roads

Jurisdiction	Population
Multnomah County	810,242
Portland	647,697
Washington County	609,219
Eugene	178,259
Hillsboro	109,532
Medford	88,357
Springfield	62,189
Corvallis	59,434
<i>Albany</i>	<i>57,322</i>
Tigard	55,339
Lake Oswego	41,148
Grants Pass	39,993
Oregon City	37,786
Tualatin	27,914
West Linn	27,420
Wilsonville	27,414
Happy Valley	26,689
Woodburn	26,468

Jurisdiction	Population
Newberg	25,767
Ashland	21,642
Milwaukie	21,305
Canby	18,979
Troutdale	16,819
The Dalles	16,202
Cornelius	14,389
LaGrande	13,404
Sandy	12,991
Newport	10,755
Cottage Grove	10,729
Silverton	10,643
Astoria	10,256
Eagle Point	9,986
Florence	9,561
Hood River	8,378
Stayton	8,326
Scappoose	8,046

Jurisdiction	Population
Warrenton	6,421
Talent	5,851
Creswell	5,662
Philomath	5,653
Tillamook	5,324
Veneta	5,211
Reedsport	4,324
Coquille	4,023
Phoenix	4,019
Sisters	3,489
Hubbard	3,460
North Plains	3,455
Dundee	3,249
Oakridge	3,224
Hines	1,692
Bay City	1,539
Coburg	1,316
Dufur	611



# Funding Alternative – New Resources

## Discrete Funding

- General Obligation Bonds
- Loans
- TIF Districts
- Local Improvement Districts (LIDs)



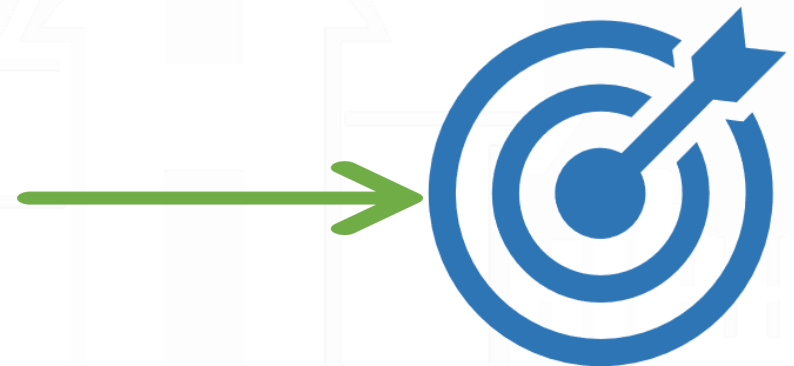
## Ongoing Funding

- Gas Tax
- City Services Fee Increase
- Transportation Utility Fee

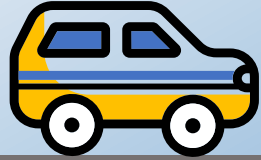
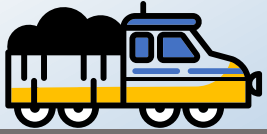


# Funding Alternative – Combinations

- Almost always the best option, if we can support it
- GO Bonds (debt) for large, one-time projects that benefit the larger community
- Ongoing annual costs supported by local revenue source
- Other special situations supported by LIDs, TIF districts or dedicated funding for projects with limited scope/benefit
- Recommendation of the Mayor's Task Force:
  - Series of GO Bonds plus Transportation Utility



# Next Steps



## • Pavement 101

- TAC *September 26, 2023*
- Council Work Session *October 9, 2023*

## • Funding Overview

- TAC *October 24, 2023*
- Council Work Session *November 6, 2023*

## • Funding Alternatives

- TAC *November 28, 2023*
- Council Work Session *December 11, 2023*

## Funding Strategy

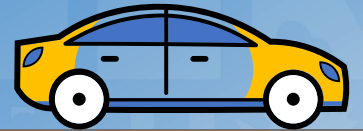
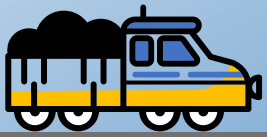
- TAC *January 23, 2024*
- Council Work Session *January 22, 2024*

## Recommendations

- TAC *February 20, 2024*
- Council Work Session *February 26, 2024*

## Community Outreach

# Public Works Department Transportation Discussion



Questions & Discussion