



THE CITY OF **MADRAS**

Task Force Committee

February 9, 2015

5:30 p.m.

Members Present

Jeff Hurd, Public Works Director
Gus Burrell, City Administrator
Michele Quinn, Public Works Administrative Assistant
John Ghilarducci, FCS Group
Doug Gabbard, FCS Group
Royce Embanks
Louise Muir
Rob Hastings
Clifford Reynolds
Stan Nowakowski
Tim Wuest
Richard Ladeby
Joe Krenowicz
Doeshia Jacobs

Agenda Meeting #1

1. Introductions:

Transportation System Task Force Meeting started with John Ghilarducci and Doug Gabbard doing introduction.

2. Purpose/Scope of Committee:

The purpose of the Citizen Advisory Committee (CAC) is to provide the citizens, businesses, and interest groups of the City of Madras with an avenue to affect the design of City policies for transportation funding.

Duties

1. Commit to meeting periodically with the City's Project Team as fees are developed and options considered.
2. Review transportation funding issues.

3. Provide ‘grounding’ and ongoing contact for the Project Team as fees are developed and options considered.
4. Assist in developing and distributing stakeholder awareness materials regarding transportation funding.

Authority

The CAC will be in existence throughout the study. The purpose of the CAC is to serve as an advisory group to the City of Madras and its consultants. As such, its authority will be limited to (1) collecting and reviewing information regarding transportation funding, (2) Reviewing Project Team analyses, and (3) issue papers and staff recommendations. Where the CAC does not reach consensus on an issue paper, the majority present at the meeting will determine the CAC recommendation, *provided that the issue paper communicates any dissenting opinions.*

Meetings

The CAC will initially meet once per month. These meetings have been set as the first Monday of each month, the February meeting date notwithstanding.

3. Presentation:

Will go over street infrastructure in Madras, will look at pictures of streets that has needs, will talk about the condition of the streets and the cost. Will compare what the City is doing now, and what meeting some of the additional needs will cost. Will look at a snap shot of the Street fund, talk about the goal of the project, and then we will get into the policy questions.

Street Infrastructure Summary

- **Centerline Miles of Infrastructure**
 - ✓ Collector Roads : 15.92 miles
 - ✓ Local Roads : 25.20 miles
 - ✓ Pave Multiuse Trail: 5.5 miles
 - ✓ Unimproved Centerline miles of infrastructure: 9.45 miles
- Total Miles of Infrastructure to Maintain
 - ✓ 56 Miles

Pavement Condition Index of Roads

- ✓ Good: 69.2 % (Approximately 35 miles)
 - ✓ Fair : 14.4% (Approximately 7 miles)
 - ✓ Poor: 12.5% (Approximately 6 miles)
 - ✓ Very Poor: 3.9% (Approximately 2 miles)
- Does not include unimproved gravel roads approximately 9.45 miles.
Pavement condition includes trail condition.

The Committee discussed the condition of the roads that were shown on the power point and where they would appear on the pavement condition index that was provided in the power point.

Street Condition and Cost

Repair costs grow as pavement condition index decline. Once a road is in disrepair it cost more to fix it the longer you wait.

Street Fund

Page 9 of the slide show went over the Street Fund budget from 2010-2015. John went through beginning balances and revenues of the Street Fund. Going over the revenues Franchise fees John explained that Franchise Fees are paid by utilities who work in the City's right-of-way. They pay for the right to use City streets. That has been a significant source of revenue. Not all of the Franchise fee goes into the Street Fund this is only about half of the Franchise fee that goes to the Street Fund.

State Gas Fund is the most reliable of ongoing source of revenue. The State gas tax is allocated to cities and counties in the State based on a population based formula. There has only been one increase in the State gas tax since 1993 that occurred in 2010 or 2011.

State revenue sharing is a portion of liquor tax revenues

STP allotment funds this is a federal funding program

Grant money usually for bike and pedestrian funding not usually for streets. This is not a reliable source of revenue.

Some other smaller revenues include Charges for services, L.I.D Revenues, Use of Money and Property. If you look at the totals around 1 million dollars that go to the street fund then you see the needs under expenditures. In general averaging more than the total revenue.

The Committee discussed the declining numbers in some of the revenue line items and asked why the revenues declined.

To improve the road network we will need +\$650,000.00 over current service level

To stop the decline of the roads will need +\$350,000.00 over current service level

Taxable fuel sales vs. costs the gallons of fuel stay relatively flat compared to the rising cost of construction to fix and repair roads.

Project Goal:

Address the need for local funding for transportation with a solution that meets the following tests

- ✓ Legal defensibility
- ✓ Fairness
- ✓ Revenue sufficiency
- ✓ Political palatability
- ✓ Ease of administration

Policy Issues

- ✓ Local transportation funding options
- ✓ Rate structure options
- ✓ Eligible costs for recovery
- ✓ Billing methods
- ✓ Fiscal policies

Issue paper #1

Local Transportation Funding Options

How should the City recover costs of local transportation needs?

Alternatives

- ✓ State Highway Fund-State transportation funds based on population
- ✓ General Fund- City currently gives 50% of franchise fee revenue to transportation

- ✓ Transportation Utility Fee-City creates utility to cover needs (would charge an ongoing rate and the revenue would go to the maintenance of streets)
- ✓ Local gas tax- Revenue based on local gas sales (good for pass-through traffic) this has to pass a public vote.
- ✓ System Development Charge-Revenue on new development for capital outlay
- ✓ Urban Renewal District-Typically used for debt financing and specific areas
- ✓ Special Programs-State/federal funding(generally only for capital improvements)
- ✓ Debt-Used for capital improvement

Recommendation

- ✓ We recommend the City consider establishing a transportation utility fee
- ✓ We also recommend the City explore a local gas tax (because the City of Madras has so much through traffic the concept of a local gas tax. (You will have people from outside the City paying for street maintenance)

Gus Burril asked who are some of the local cities you have helped, and then went ahead with either a local gas tax or utility fee. Could you give us some history?

John in almost all cases they have went with the utility fee. We worked with Oregon City currently working with Happy Valley. We worked with Central Point and several cities in Southern Oregon.

The Committee discussed some of the other cities utility fees, and local gas tax. What there rates are and how it is working.

Rate Structure Options

Issue paper #2:

How should the City structure a transportation utility rate?

Alternatives

- ✓ Trip Generation-Customers pay a rate proportionate to the number of trips their land use generates.
- ✓ Parking Spaces- Non-residential rate based on number of off-street parking spaces required for land use
- ✓ Flat fee- All customers pay one fee

Recommendation

We recommend the City use the trip generation approach based on the number of average daily trip ends net of pass-by and linked trips, adjusted to reflect total “person “trips

Eligible Costs for Recovery

Issue paper #3

Which costs should be recovered through a utility rate?

Alternatives

- ✓ Pavement Treatments
- ✓ Roadway/Traffic Operations
- ✓ Pedestrian and bicycle facilities /Safety
- ✓ Capital Construction

- ✓ Planning or design
- ✓ Administration

Recommendation

We recommend the City cover pavement treatments, roadway/traffic operations, pedestrian & bicycle facilities/safety, capital construction, and associated costs.

Transportation Utility fee is an ongoing rate that is intended to recover specific costs. When we develop rates it will start with the dollar amount that you need. Then you are essentially dividing by the customer base, and developing what the monthly rate will be to recover the costs. There are currently 20-25 street utilities in the state right now; they have been pretty successful as a supplementary source of income.

One of the things you find is the needs are higher than the ability of the utilities to generate revenue is limited.

The local gas tax there are 14 cities and 2 counties that have local gas taxes that are administered by ODOT there are others that ODOT doesn't administer. The highest gas tax being Eugene at .05 cents others are within .02-.03 cents per gallon.

Royce Embanks asked if the gas tax is not administered by ODOT does the city have to collect the tax funds.

Doug explained depending on what our local ordinance says that will set up the agreement with the local dealers to receive the payment. The City would be on its own to enforce and collect the money. We recommend that you develop a relationship with ODOT and have them administer the tax.

ODOT will receive a percentage of the tax but ODOT has all the data they need to charge the fee and the city will receive the payment.

The City will have more flexibility in deciding how we want our gas tax to be charged. For example at the State level big rigs don't pay gas tax they pay weight mile tax. The City would have the option to decide if we want to charge big rigs or you can exempt them.

Royce Embanks asked how the weight mile computes.

Doug explained Trucks are taxed on the combination of how heavy they are and how far they travel.

Stan Nowakowski asked if the weight mile tax went to maintaining the main highway that goes through Madras.

Doug explained the weight mile tax goes to the same place that the gas tax does. The State highway fund is comprised of three main revenue sources. The gas tax, the weight mile tax, and DMV fees.

Cliff Reynolds asked if there is a collection fee for each of the gas stations. For example hotel fees collected by hotels after they are collected we charge a 5% collection fee.

Doug said there is no administrative fee the gas dealer would charge.

John said they will check into this. I think when ODOT administers there is no additional fees.

There were further discussions about fees that are charged to the business owner that may be charged back to the gas tax for collection fee.

Jeff Hurd asked where does the tax get charged, does it get charged from the station or from the dealer?

Doug said this is an area where state and local are different, at the state level motor fuel (gasoline) is taxed at the first sale. That is typically not at where the pumps are used fuel (diesel) has sellers. So diesel is taxed at the dealer level. For local gas tax that is paid at the local level.

John said the local gas tax is imperfect in terms of equity, are the right people paying. I don't know but it is a way to access money from all the through traffic to help pay for maintenance of City streets.

Royce Embanks I think smaller bites instead of just one fee, like gas tax and utility tax do both but take smaller bites. This might be more palatable than raising one higher so it is more visible. A lot of people might not notice a .01 cent tax, but they would notice a .05 cent tax.

Gus what is the average impact on a resident of Madras?

Joe Krenowicz what would it cost per person for home or business that is \$5.00-\$10.00 dollars or if it is based off the tax per gallon of fuel. Some would rather pay the \$5.00-\$10.00 a month compared to what it might be in fuel if they travel and buy a lot in fuel.

John perhaps we could rule out some of these other options. Sounds like what would be valuable for the Committee would be to be able to tell you. To recover the gap that the City needs what that would mean in a utility rate, what that would mean in a gas tax. As far as we could estimate it, the thing about a local gas tax is you can only guess. You can't get the information from privately held fuel companies to know exactly what the tax would be. So we can come back and tell you how if you were to combine the two here is what one would be and here is what the other would be. If you were to go with one or the other just what those dollars would be.

Tim Wuest asked if the gas tax would only be for gas stations inside city limits. What would stop someone from putting a gas station just outside the City Limits?

The Committee discussed the zoning and possibility of someone building a gas station outside the city limits to avoid the gas tax.

The Committee discussed the possibility of taxing diesel fuel and what it would do to drivers and the cost of diesel fuel. The roads that most of the truck drivers drive on are ODOT roads.

Royce if we do decide to do a gas tax it is going to go to a vote, and last time it went to a vote there was a definite lobby out there going around getting signatures on a petition for people not to vote for the gas tax. We will have to make a big effort to sell this to the community.

John if the gas tax fails your choice then is to impose a utility fee after having the gas tax fail.

Doeshia we need to be up front with the people of Madras letting them know how bad our roads are and that if we don't do anything we will all be driving on gravel.

Tim Wuest can we put something on the ballot to vote for transportation utility fee or gas tax, even though you don't have to vote for the utility fee that gives the citizens the choice to choose either gas tax or utility fee.

The Committee further discussed the gas tax and trying to capture the people driving through and take the burden off our citizens. How will we sell the gas tax to the community? We need to write an ordinance that specifies where the money will be spent.

Issue paper #2

John if you were to go with a utility rate it will be based on trip generation. For example an office building generates trips different than a restaurant. A rate would charge them based on the size of the building and the land use and the resulting trip generation. Typically under these structures all single family residents are treated the same. When we use this approach we deduct for pass by trips.

Average daily trips and peak hour trip we recommend average daily trips.

The Committee discussed the use of the trip generation and how to develop the utility rate.

Gus Burril commented that some communities charge a franchise fee on themselves and other utility customers. Could this be a third option for us to look at? We could go up to 7% on a franchise fee.

John explained the City charges a franchise fee to private utilities that operate in the City right of way. Some cities extend that franchise fee to their own city utilities. So you would be charging a water utility, sewer utility, and this would get passed through the water and sewer rates.

This option could be done with Council approval and not have to go to a vote. The franchise fee could only be charged inside City limits.

There was a discussion on the annexation process, trip generation, SDC charges, and if the gas tax fails there needs to be a backup plan.

ISSUE PAPER #1

LOCAL TRANSPORTATION FUNDING OPTIONS

Issue The City of Madras (“City”) is reviewing its options for recovering the costs of local transportation needs. This paper analyzes funding options for city transportation programs in Oregon and provides a recommendation based on that analysis.

Alternatives Funding options that are most relevant to City transportation programs in Oregon are listed below:

- ◆ State Highway Fund
- ◆ General fund
- ◆ Transportation utility fee
- ◆ Local gas tax
- ◆ System development charges
- ◆ Local improvement districts
- ◆ Urban renewal districts
- ◆ Special programs
- ◆ Debt

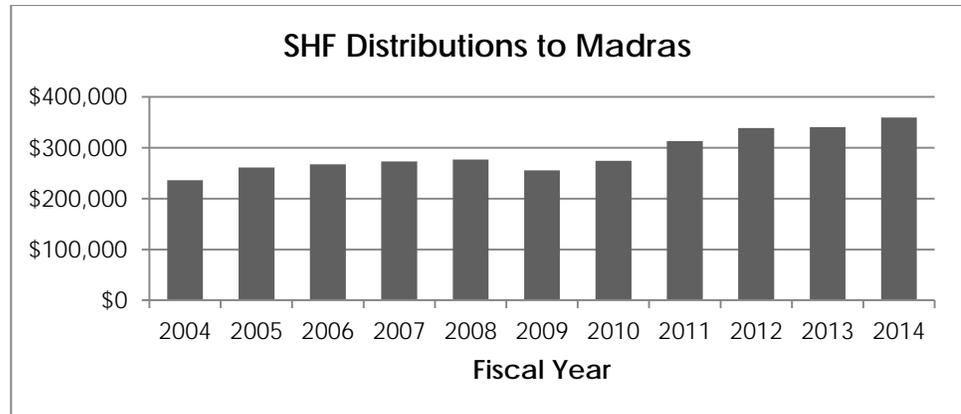
We briefly analyze these options below. [It should be noted that the City also receives revenue for transportation from Federal Surface Transportation Program (STP) fund allocations for cities and State liquor tax revenue sharing to cities.]

Analysis

State Highway Fund

For cities and counties in Oregon, distributions from the State Highway Fund (SHF) are a primary source of revenue for transportation needs. These distributions, based on population, represent each local government’s share of the State’s fuel tax, weight-mile tax, and vehicle registration fees.

According to the Oregon Department of Transportation (ODOT), the SHF distributed \$359,487 to the City during fiscal year (FY) 2013-14. As shown in the chart below, the City’s share of distributions has grown every year. The increase in FY 2010-11 is largely due to an increase in the State’s fuel tax, which had been constant since 1993.



General Fund

At the discretion of the City Council, the City can allocate general fund (GF) revenues to pay for any portion of its transportation needs. However, because GF monies are discretionary, they compete with a broad range of community priorities and are scarce. In fact, the City by policy allocates general fund balances 95% to public safety and 5% to parks.

The City also collects franchise fees from utilities. The City does distribute 50% of franchise fee revenue to the transportation operations fund. The City has not regularly provided other GF monies on street operations in the past several years.

In order to fund transportation needs and keep the current funding structure, the City would have to raise franchise fees, which would be passed on to customers, or raise the allocation toward the transportation operating fund.

Transportation Utility Fee

Like a water or sewer utility, a transportation utility recovers a specific set of operating and/or capital costs by charging a fee to users. Since the same set of residences and businesses typically use the water, sewer, and transportation systems, the transportation utility fee is usually added to an existing utility bill.

A transportation utility can be formed by the City Council without voter approval. Fees generated by the utility can finance operating and capital costs directly, as well as secure revenue bond debt that is used to finance capital costs. To date, more than 20 Oregon cities have created a utility to provide dedicated revenue for transportation needs.

Local Gas Tax

According to ODOT, 14 Oregon cities and two counties have adopted local gas taxes that are administered by ODOT. These taxes range from \$0.01 per gallon (three jurisdictions) to \$0.05 per gallon (Eugene). Eleven cities and Multnomah County impose a tax of \$0.03 per gallon.

A local gas tax can be particularly advantageous to cities on highways with significant pass-through traffic. Such a tax is an effective way of recovering

costs from those who use the City’s infrastructure but do not reside within the city limits.

ORS 319.950 states that local gas taxes may be imposed or raised only with voter approval.

System Development Charges

ORS 223.297 to 223.314 authorizes local governments to impose system development charges (SDCs) for capital improvements related to transportation. SDCs are one-time fees imposed on new development or certain types of major redevelopment. They are intended to recover a fair share of the costs of existing and planned facilities that provide capacity to serve growth. Consequently, SDC revenues may only be used as a funding source for capital projects and cannot be used for operation or routine maintenance. The City currently imposes a transportation fee of \$3,355 per peak-hour trip.

Local Improvement Districts

ORS 223.387 to 223.401 authorizes local governments to establish local improvement districts (LIDs) and levy special assessments on benefited property to pay for capital improvements. The City currently has a LID in place for transportation improvements on I & Marshall Street.

Urban Renewal Areas

ORS Chapter 457 authorizes cities and counties to establish urban renewal areas (URAs) in which a dedicated revenue stream is created for capital improvements. This revenue stream is known in statutory language as “division of taxes.” When a URA is formed, the assessed value within the area’s boundaries is frozen for the incumbent taxing jurisdictions. To the extent that the assessed value rises above that frozen base, the URA receives the property tax revenue that all overlapping jurisdictions would have otherwise received.

Revenues generated in this manner can be substantial but by no means quick. For that reason, capital improvements within a URA are typically financed with debt, and the tax increment is used to service that debt.

Special Programs

The following special programs are funding sources that use a competitive process. Note that each of these programs are intended for capital improvements and cannot assist with operations and maintenance.

- ◆ **Oregon Transportation Investment Act (OTIA).** The goal of OTIA is to provide a boost to the state’s economy, ensure efficient delivery routes for products and services, and help solve City and county transportation challenges. More than half of the \$2.46 billion included in OTIA III, signed into law in July 2003, is designated for repairing or replacing bridges. However, \$361 million has been reserved for county and City maintenance and preservation over 10 years. Funds are distributed by a

formula: 40 percent to cities and 60 percent to counties. Local governments will select individual projects for City and county roads.

- ◆ **TGM Planning Grants.** The State of Oregon TGM Grant Program provides grants for the planning costs related to transportation improvements. Under Category 1 of the program, projects can include system modeling to determine needs, planning for arterials and collectors, bicycle and pedestrian plans, and public transportation plans. Category 2 includes grants for integrated land use and transportation planning projects. This category includes corridor plans, specific development plans, and redevelopment plans for urban redevelopment districts. However, TGM funds cannot be used for actual construction costs or for ongoing maintenance costs.
- ◆ **Oregon Transportation Alternatives Program.** Through the Oregon Transportation Alternatives Program, communities can obtain funds to carry out a variety of pedestrian, bicycle, streetscape and other improvements that promote alternative transportation or environmental mitigation.
- ◆ **Federal programs.** The federal government offers a variety of grant and loan programs for transportation-related capital projects. As with all special assistance programs provided by the state and federal governments, funding for specific projects is highly competitive. Two programs currently offered are the Transportation Investment Generating Economic Recovery Program, which provides grants for eligible projects, and the Transportation Infrastructure Finance and Innovation Act, which provides loans and other forms of credit assistance for projects.

Debt

Finally, debt financing can be used to mitigate the immediate impacts of significant capital improvement projects and spread costs over the useful life of a project. Though interest costs are incurred, the use of debt financing can serve not only as a practical means of funding major improvements but also as an equitable funding strategy that spreads the burden of repayment over existing users as well as future users who will benefit from the projects.

- ◆ **General obligation bonds.** Subject to voter approval, the City can issue general obligation (GO) bonds to finance capital improvements. Debt service for GO bonds is provided by a bond levy that increases property taxes outside the limitations of Measure 5. Depending on the criticality of the planned projects and the willingness of the electorate to accept increased taxation for transportation improvements, voter-approved GO bonds may be a feasible funding option for specific projects. Proceeds may not be used for ongoing maintenance.
- ◆ **Revenue bonds.** Revenue bonds are a capital financing option if the City enacts a charge, such as a transportation utility fee, that produces a reliable revenue stream. Revenue bonds do not require voter approval, but they do require adherence to covenants such as minimum debt service coverage ratios. Revenue bonds are slightly riskier for investors than GO bonds and therefore require a modestly higher yield.

Recommendation

We recommend the City consider establishing a transportation utility to recover those transportation costs that exceed distributions from the SHF and the franchise fee allocation. We further recommend the City use its existing utility billing system and schedule to collect the transportation utility fee.

In those communities where it has been implemented, a transportation utility provides a reliable source of dedicated funding available for street maintenance. Most other available sources noted are restricted to capital projects.

While transportation utility funding source does not require voter approval, we recommend a vigorous campaign of public engagement before implementing any new City fees.

We also recommend that the City consider a local gas tax as an additional funding option because of its ability to capture revenue from those non-residents who use the City’s infrastructure but would not be subject to a utility fee.

ISSUE PAPER #2

RATE STRUCTURE OPTIONS

Issue

To the extent that the City's transportation utility relies on rates charged to users of the system, the City must determine the structure of those rates. A rate structure is the basis by which the revenue requirement of the entire system is allocated to individual customers.

In Oregon, the choice of a defensible rate structure is especially important. If a court deems a fee to be insufficiently related to the service being provided, the fee may be treated as a property tax, which is subject to Measure 5 limits.

This paper identifies and analyzes several rate structure options and then provides a recommendation based on that analysis.

Alternatives

Below are the three approaches to structuring a transportation utility fee:

- ◆ Trip generation
- ◆ Parking spaces
- ◆ Flat fee

We briefly analyze the major variants of these approaches below.

Analysis

Trip Generation

Under the trip generation approach, customers pay a rate that is proportionate to the number of trip ends that their land use generates. This is the approach with the clearest nexus between usage of the system and fee imposed. We examine several ways in which trip generation can be used as the basis for a utility fee.

- ◆ **Average vs. Peak.** Should costs be allocated to customers based on the number of trip ends during an average day or a peak weekday hour? Average daily trip ends better capture customers' total use of the transportation system. Peak weekday hour trip ends, by contrast, reflect infrastructure needs because streets are sized, and costs incurred, based on peak demand. Whereas average day better represents maintenance costs for a transportation system, peak weekday hour better reflects infrastructure capital needs. Both average and peak-day trip generation can be adjusted to incorporate trips generated by other modes of transportation, such as bicycle and pedestrian.
- ◆ **Number vs. Length.** Should costs be allocated to customers based on the number of trip ends or the total length of the trips generated? Total length of trips is a very accurate measure of customers' total use of the transportation system. However, the City would have to produce data as there is not a widely accepted source of data for trip length. The number of trips represents the impact of a land use on the transportation system, though it cannot fully account for length of trips. There is also a widely accepted data source for the number of trip ends of a given land use.
- ◆ **Primary Trips vs. Pass-by and Diverted Linked Trips.** How, if at all, should the total trip generation count be adjusted for pass-by and linked

trips? For example, someone commuting from work to home might stop at a fast food restaurant to pick up dinner. Nominally, that represents two trips, one coming and one going, for the restaurant. However, the trip from work to home would have happened even if the restaurant did not exist. Therefore, a downward adjustment in the trip generation of the restaurant can be justified. Adjusting for pass-by and linked trips applies mostly to retail land uses. A downward adjustment in the trip count for a retail land use is often justified when a trip to a given land use is part of a larger trip that would have happened anyway.

- ◆ **Individual Land Uses vs. Grouped Land Uses.** Should customers be charged a customized rate based on trip generation for their specific land use or a rate based on average trip generation for a class of land uses? A more specific rate is a more equitable rate because it better reflects the trip generation characteristics of a particular land use. On the other hand, many transportation utilities group the hundreds of land uses into a small set of categories. Grouping can reduce the impact of the fee on outlier customers and reduce the expectation that trip estimates are always representative of the actual land use. Grouping land uses can also effectively cap the number of trips to be charged for the highest tri-generating land uses.

Parking Spaces

Some transportation utilities base their non-residential rates on the number of off-street parking spaces required by the development code for a particular land use. The parking space requirement is used as a proxy for the impact of the land use on the transportation system. Data for this approach are objective and readily available. However, the number of parking spaces is not necessarily a good proxy for impact on the transportation system.

Tigard is the only city in Oregon of which we are aware that charges a fee based on required parking spaces. The current fee is \$1.38 per month per required parking space.

Flat Fee

As the name implies, all types of customers are charged the same transportation utility fee. While this is the simplest form of fee to administer, there is a weak nexus between usage of the system and fee imposed.

Dufur is the only city in Oregon of which we are aware that charges a flat fee to residential and commercial customers alike. The current fee is \$5.00 per month per customer.

Tradeoffs

Each of these approaches represents a different set of tradeoffs between the three desirable characteristics of a rate structure:

- ◆ Equity (nexus between usage of the system and fee imposed)
- ◆ Simplicity (low cost of administration)

◆ Affordability

Equity and simplicity compete most directly with each other. The most equitable rate structures capture the most variation between customers and therefore tend to be the most complex to understand and administer. To the extent that a rate structure identifies particularly heavy users of the system, equity can also compete with affordability for those heavy users.

Recommendation

The trip generation approach is the most equitable of the three presented because it demonstrates the clearest nexus between usage of the system and fee imposed. The parking spaces approach serves as a proxy for usage, but parking spaces do not fully represent the demand a land use places on the transportation system. The flat fee approach does not provide a nexus between usage and fee.

Charging based on average daily trip ends is more equitable than peak hour weekday trip ends because it reflects the total usage of a road. Adjusted for multi-modal trips, this approach would allow the City to provide service on the whole transportation system – including alternate modes. Charging based on trip length, while potentially a better proxy for road usage than number of trips, relies on City supplied data and could be potentially costly. Further, the relevance of trip length is questionable in a smaller city like Madras. Additionally, adjusting for pass-by and linked trips avoids penalizing retail-oriented businesses for trips that would have happened regardless.

We recommend a rate structure based on the number of average day trip ends net of pass-by and diverted linked trips. We recommend the City obtain this data for a subset of specific land uses from the Institute of Transportation Engineers (ITE) *Trip Generation Manual*, and adjust the data to incorporate other modes of transportation. Further, we recommend the City use the data by land use without further grouping of land uses into broader categories.

ISSUE PAPER #3

ELIGIBLE COSTS FOR RECOVERY

Issue The City of Madras is reviewing its options for funding ongoing local transportation needs. One funding option that is being considered is a transportation utility. Such a utility would fund some or all of the costs of local transportation operations, maintenance, and/or capital construction through monthly bills to City residents and businesses. This issue paper will evaluate the costs to be recovered through a utility rate.

Alternatives There are many costs that may be considered for recovery through a transportation utility rate:

- ◆ Pavement treatments
- ◆ Roadway/traffic operations
- ◆ Pedestrian and bike facilities/safety
- ◆ Planning or design
- ◆ Capital construction
- ◆ Administration (including indirect cost allocation transfers to other funds)

Currently, the Transportation Operations Fund budget includes the operation, maintenance, and preservation of City streets, multi-use trails, street greenways, and street/trail lighting.

Analysis In general, the stronger the nexus between the costs to be funded and the basis of charging, the more legally defensible the fee. In assessing the strength of nexus, three criteria may be applied to each potential type of cost funded by a transportation utility:

- ◆ Does the activity have a direct and perceived benefit?
- ◆ Does the activity serve the general road user?
- ◆ Does the level of activity required vary with the volume of usage?

For analytical purposes we scored the types of costs that can be recovered through transportation utility on their strength of nexus. We used a three-point scale, with three being the most relevant, against the criteria above to develop a scoring or ranking for each service.

Activity	Direct Benefit	Serves General Road User	Varies by User Volume	Total Scoring
Pavement Treatments	3	3	3	9
Roadway/Traffic Operations	3	3	2	8
Pedestrian and Bicycle Facilities/Safety	3	2	3	8
Capital Construction	3	2	3	8
Planning or Design	0	1	1	2
Administration	0	1	0	1

Source: FCS GROUP.

As shown in the above table, pavement treatments have a strong nexus between costs and a utility charge. Other activities with a strong nexus between a user charge and costs are with roadway/traffic operations, pedestrian and bike facilities/safety, and capital construction.

Of the transportation utilities in Oregon of which we are aware, all are used to fund maintenance repair, and other operating expenditures. Only a few are used to fund major capital construction as well.

Recommendation

In general, the utility fee should be usable for anything that is eligible for State Highway Fund spending. More specifically, in order to provide the strongest nexus between the fee basis and the activities funded, we recommend that the following costs, to the extent that it benefits existing users and not growth, be prioritized in the transportation utility rate:

- ◆ Pavement treatments,
- ◆ Roadway/traffic operations,
- ◆ Pedestrian and bike facilities/safety, and
- ◆ Capital construction.

We do not recommend that the transportation utility fee include the cost of capacity-increasing improvements that serve future users. Those costs can be included in the City's transportation system development charge, which is paid by new development.

City of Madras
Transportation Utility Formation Study
Citizen Advisory Committee

February 9, 2015
Madras City Hall
Council Chambers

AGENDA: MEETING #1

- 1. Introductions**
- 2. Purpose / Scope of Committee**
- 3. Presentation**
 - Transportation Needs in Madras
 - Transportation Revenue Summary
 - Key Potential Policy Issues
- 4. Discussion on Issue Paper #1: Local Transportation Funding Options**
- 5. Discussion on Issue Paper #2: Rate Structure Options**
- 6. Discussion on Issue Paper #3: Eligible Costs for Recovery**
- 7. Scheduling / Next Steps**

City of Madras

Transportation Utility Formation Study

PROPOSED DUTIES FOR THE CITIZEN ADVISORY COMMITTEE

Purpose

The purpose of the Citizen Advisory Committee (CAC) is to provide the citizens, businesses, and interest groups of the City of Madras with an avenue to affect the design of City policies for transportation funding.

Duties

1. Commit to meeting periodically with the City's Project Team and come to these meetings having reviewed issue papers and other materials distributed in advance of the scheduled meeting dates.
2. Review transportation funding issues.
3. Provide 'grounding' and ongoing contact for the Project Team as fees are developed and options considered.
4. Assist in developing and distributing stakeholder awareness materials regarding transportation funding.

Authority

The CAC will be in existence throughout the study. The purpose of the CAC is to serve as an advisory group to the City of Madras and its consultants. As such, its authority will be limited to (1) collecting and reviewing information regarding transportation funding, (2) reviewing Project Team analyses, and (3) assessing impacts on affected stakeholders. Decisions of the CAC will be requested through approval of issue papers and staff recommendations. Where the CAC does not reach consensus on an issue paper, the majority present at the meeting will determine the CAC recommendation, *provided that the issue paper communicates any dissenting opinions.*

Meetings

The CAC will initially meet once per month. These meetings have been set as the first Monday of each month, the February meeting date notwithstanding.