TO: Albany City Council

VIA: Wes Hare, City Manager
Chris Bailey, Public Works Operations Director CB
Jeff Blaine, P.E., Public Works Engineering and Community Development Director JB

FROM: Staci Belcastro, P.E., City Engineer SB
Guy Graham, P.E., Engineering Manager/Assistant City Engineer

DATE: May 3, 2017, for the May 8, 2017, City Council Work Session

SUBJECT: Local Fuel Tax Initiative Process

RELATES TO STRATEGIC PLAN THEME:
- Great Neighborhoods
- Safe City
- An Effective Government

Action Requested:

Staff recommends Council provide direction on the local fuel tax initiative process.

Discussion:

At the March 20, 2017 Council Work Session, Council requested staff provide an overview of the process, timeline, and other considerations should Council choose to pursue a local fuel tax initiative. Council also requested that staff identify a recommended list of streets where fuel tax funds could be applied should the City be successful in passing a fuel tax. This report provides an overview of the steps and considerations to pursue a local fuel tax. Staff will provide Council with a list of streets at the May 22, 2017 Council Work Session.

Background

At Council's request, staff initiated discussions on the need for additional funding to maintain pavement infrastructure at the January 23, 2017 Council Work Session. Council was presented with a Pavement Management 101 White Paper, which discussed desired level of service based on Pavement Condition Indexes (PCI). Discussions continued at the February 6 and March 20 Work Sessions, where the focus was on Pavement Condition Assessment and Street Funding Alternatives respectively, both specific to Albany's arterial and collector streets. Funding discussions have not included local streets, bridges, or bike and pedestrian, accessibility, safety, or capacity increasing improvements.

At the March 20, 2017 Work Session, Council was provided with information regarding arterial and collector street funding alternatives, cost implications of achieving various levels of service based on PCI, and potential options regarding funding sources. Staff shared that the gap between available versus required funding to meet desired levels of service is significant. This funding gap realistically won't be met in the short term; rather, it will require a longer term plan. A copy of the report provided to Council at the March Work Session has been included as Attachment 1.

Potential sources of funding to close the gap include restoration of franchise utility fees, general fund contributions for streetlights, street maintenance fees, G.O. bonds, and local improvement districts. Several members of the Council expressed their interest in discussing the limited pavement funding situation comprehensively as opposed to relying solely upon a local fuel tax as a source of additional revenue. A local fuel tax will realistically only provide a portion of the resources necessary to achieve adequate funding to meet desired level of service (i.e. PCI $\geq$ 60) for arterial and collector streets. A combined funding strategy would provide additional financial resources to meet pavement preservation needs. Consideration of complimentary funding alternatives will continue at future Council meetings.

Fuel Tax in Albany

The City of Albany brought local fuel tax measures before voters in 1982 and 1991; both efforts were unsuccessful. The 1982 measure was for a \$0.01/gallon gas tax for a period of three (3) years. It was estimated that this tax would generate approximately \$50,000 per year. The 1982 measure was placed on the May Primary Election ballot and failed (Yes: 2,956 No: 5,913).

The 1991 referendum was for a repeal of a \$0.01/gallon motor vehicle fuel tax and a \$0.01/gallon diesel fuel tax the City Council created via ordinances (Ordinance Nos. 4941 and 4942, passed by Council on November 28, 1990, approved by Mayor on November 29, 1990). At least two (2) transportation related businesses wrote letters of opposition to the proposed Albany local fuel tax. These ordinances were repealed by Albany voters in the March 1991 Special election (Motor Fuel Tax Yes: 5,283 No:1,890; Diesel Fuel Tax Yes: 4,909 No: 2,143).

The amount of revenue Albany could now receive through a local fuel tax is dependent on the amount of fuel sold in Albany and the voter-approved tax rate. The ODOT Fuels Tax Group estimates that a \$0.03/gallon local fuel tax would generate approximately \$750,000 in annual revenue for pavement preservation. Estimates regarding fuel (i.e. gasoline) used per household per year vary. The University of Michigan Transportation Research Institute found in 2013 the average annual consumption (per household) of gasoline to be 1,011 gallons. Presuming a \$0.03/gallon local fuel tax, the cost per Albany household would be approximately \$30.33 per year.

Ballot Initiative Timeline for the November 7, 2017 Election

Council previously indicated a desire to place a local fuel tax on the November 7, 2017 ballot. The ballot initiative process would most likely include Council passing a resolution to refer the local fuel tax to the voters, filing a ballot title with the Council Elections Officer, and then filing the explanatory statement for Linn County to publish in the voter's pamphlet. The City Attorney recommends that the City Council adopt a resolution rather than approve an ordinance to get a fuel tax measure before the voters. Resolutions are not subject to referral, and directly pose the question to voters whether or not to support a fuel tax. A sample ballot title is provided as Attachment 2, and the time-table for filing a local fuel tax initiative on the November ballot is provided in the table below.

Action	Deadline	For Nov. 7, 2017
Finalize list of streets to be included in Ballot Title	Prior to adoption of resolution	Not later than August 9, 2017
Adoption of resolution and (optional) Public Hearing	At a City Council meeting prior to filing date	August 9, 2017
Filing date for the governing body/City Attorney to County Elections Office	Not later than the 80th day prior to the election	Not later than August 18, 2017*
File ballot title with County (SEL 802) and explanatory statement	Not later than the 61st day prior to election	Not later than September 7, 2017*

*Date set by the Secretary of State

Since the November 7, 2017 election is in an odd year and not considered a General Election, there likely will be a cost to the City for placing a local fuel tax measure on the ballot. The cost is impacted by the number of local items (i.e. in Linn and Benton Counties) being placed on the ballot. Based on previous elections, an estimated cost could be upwards of $30,000. No cost elections occur on even years (i.e. 2018, 2020, etc.), in both May (Primary) and November (General).

Example Fuel Tax Efforts

There are several recent examples of communities bringing local fuel tax measures to their voters, with varying degrees of success. The information below is intended to provide Council with a brief overview of these efforts (i.e. dates of elections, results, amount of fuel tax, and stakeholder engagement). Staff would anticipate that support for a gas tax would increase with substantial public outreach. Most communities spend approximately one year focusing on public outreach prior to putting a fuel tax on the ballot.

<u>City of Portland</u>. The City of Portland was successful in passing a four-year, $0.10/gallon local fuel tax in May 2016 (Yes: 108,191 No: 99,922). The Portland City Council discussed road funding challenges for two to three years prior to pursuing the local fuel tax initiative. This option was discussed in earnest, and the efforts forward began approximately a year before the May 2016 primary election. There was significant community engagement and several stakeholder groups were included in street funding discussions leading up to the ballot measure. The four-year fuel tax is anticipated to generate approximately $64 million.

<u>City of Troutdale</u>. The City of Troutdale was successful in passing a $0.03/gallon local fuel tax in November 2015 (Yes: 1,394 No: 1,198). The local fuel tax will be phased in over three years (i.e. $0.01/gallon year 1, $0.02/gallon year 2, and $0.03/gallon year 3 and thereafter). The City of Troutdale had been discussing pavement preservation funding for at least 10 years prior to the local fuel tax initiative. The City worked with a financial consultant and a strategic communications/public involvement consultant. Stakeholder engagement included preparation of informational materials (i.e. brochures and "FAQ's"), formation of three focus groups consisting of 50-60 people per group, and presentations to civic organizations such as the Chamber of Commerce. The estimated revenue per $0.01/gallon of fuel was approximately $100,000 per year. Actual revenue collected has been over $300,000 per year (per $0.01/gallon).

<u>City of Bend</u>. The City of Bend was unsuccessful in passing a $0.05/gallon local fuel tax in March 2106 (No: 18,414 Yes: 10,449). The Bend City Council was divided on this issue with a 5-2 vote in support of pursuing a local fuel tax. The City of Bend's outreach included formation of a Street Funding Committee, who reviewed two funding alternatives (a transportation utility fee and a local fuel tax) and recommended the local fuel tax option. The recommendation came late in the year, and the City Council passed a resolution (on December 2, 2015) to put the local fuel tax before voters in a March 8, 2016 special election. City of Bend staff noted the time between the adoption of the resolution and the special election was very short, and didn't allow sufficient time for effective outreach. The annual revenue to be generated by the $0.05/gallon fuel tax was estimated to be approximately $2.5 million.

Conclusion and Staff Recommendations

Community and City Council discussions regarding pavement preservation funding limitations have been going on for the past three decades, and unfortunately the current City Council has inherited a roadway system that faces significant funding challenges, and necessitates thoughtful discussion. A local fuel tax will only partially fill the funding gap. Additional revenue sources would need to be investigated to bridge the pavement preservation program funding gap. These include street maintenance fees, increased and/or restoration of franchise utility fees to the street fund, general fund support, G.O. bonds, local improvement districts, or others. As system needs beyond those of pavement preservation for arterial and collector streets are considered the funding deficit gets even larger.

In November 2016, 10 local fuel tax measures were placed on ballots across Oregon. None were successful. This result underscores the challenge of establishing a local fuel tax and the importance of reaching voters through public outreach. The local fuel tax initiative examples provided earlier also demonstrate that stakeholder engagement and outreach can have an impact on election results. Stakeholder appetites for paying additional taxes/fees to fund roadway preservation and maintenance may be limited. Many road users don't understand the challenges that cities, counties, and states face regarding transportation system infrastructure funding needs. Therefore, communication and education are critical components of successful implementation.

Staff recommends that if Council chooses to pursue a local fuel tax initiative, an outreach program be established, but is concerned the timeline to implement and engage stakeholders prior to a November 2017 special election may not provide the best possibility for a successful outcome. Previous experiences by other communities who were successful in implementing local fuel taxes suggest a list of street projects to be funded by the tax be included in the ballot title; a concept that Council already suggested incorporating. Voter skepticism is often a reason for a no vote, and demonstrating examples of what a new fuel tax would buy may help persuade those individuals who are undecided. Staff will bring forward a list of prioritized street projects that Council may consider to include in a ballot title at the May 22 Council Work Session.

In order to continue the fuel tax discussion, staff requests that Council answer the following questions:

- Is a $0.03/gallon fuel tax (resulting in approximately $750,000 of revenue) the proposed rate?
- Should the tax be applied to gas and diesel?
- Should the fuel tax be phased in (i.e. $0.01 per year over three years)?
- Should the tax sunset at a specific point in time?
- What is the desired public outreach process and how should it be implemented?
- Should the City retain a consultant experienced with developing gas taxes?
- May 22 Work Session: What streets does Council propose improving with the fuel tax?
- Others?

The needs of the transportation system go far beyond pavement maintenance for only arterial and collector streets. The funding discussion in this memo does not include any revenue targeted toward residential streets, bicycle/pedestrian facilities, bridges, safety, or capacity-increasing projects. Likewise, the revenues required to address those needs far exceed what may be collected through a local fuel tax. Evaluating system-wide needs and developing an overall funding plan would require a multi-year effort and extensive public outreach. However, staff is concerned that without that level of analysis and planning, it will be difficult to gain community support for a new local fuel tax. Staff supports the concept of a fuel tax and believes it is a necessary funding tool, but is concerned about voter acceptance when it is considered in isolation.

GRG:rk
Attachments (2)

c: Jorge Salinas, IT Director (via email)
Sean Kidd, City Attorney (via email)
Jon Goldman, Transportation Superintendent (via email)
Jeff Babbitt, Public Works/Community Development Business Manager (via email)
Ronald G. Irish, Transportation Systems Analyst (via email)

Attachment 1

TO: Albany City Council

VIA: Wes Hare, City Manager

FROM: Jeff Blaine, P.E., Public Works Engineering and Community Development Director JB
Chris Bailey, Public Works Operations Director CB

DATE: March 15, 2017, for the March 20, 2017, City Council Work Session

SUBJECT: Street Funding Alternatives

RELATES TO STRATEGIC PLAN THEME:
- Great Neighborhoods
- Safe City
- An Effective Government

Action Requested:

Staff recommends that Council receive staff's report on street funding alternatives and provide direction.

Discussion:

Scope of Discussion

As Council discusses street funding alternatives, it is important to remember that the financial needs presented herein are limited in scope. Current discussions are limited to capital costs and available funds for asset management of pavement infrastructure. Furthermore, the provided funding scenarios and revenue requirements are generalized estimates based on one point in time. As conditions change, so will revenue requirements. Presented results also rely on automated evaluation processes based on industry standards and typical failure modes for pavement infrastructure. The overall analysis is adequate for considering order of magnitude funding requirements, but should not be considered an exact representation of the anticipated performance (required cost to maintain) for each street.

Other needs not considered in this memo include capacity increasing improvements; safety improvements; bridge maintenance, transit, bike, pedestrian, and other multi-modal improvements; stand alone ADA improvements; and long term costs of basic operations and maintenance of the transportation system. It is also possible that significant increases in the amount of street capital work performed will trigger the need for additional staffing and previously unplanned investments in utilities to avoid cutting newly improved streets.

Depending on the scope of funding alternatives considered, Council may want to give further consideration to other priorities that could be funded through similar mechanisms. In summary, this memorandum serves as a preliminary screening tool with expanded discussions required for considering all of Albany's transportation related needs.

Background

The need for additional funding to maintain pavement infrastructure is something Albany and most other communities have struggled with for decades. In 1996, the Mayor's Task Force on Street Maintenance recommended a combination of funding strategies to increase revenues. The Task Force identified many of the same challenges that we face today regarding the substantial gap between needs and financial means. They concluded by recommending a series of general obligation bonds, implementation of a transportation utility, adoption of transportation SDC's, and creation of water and sewer in-lieu of franchise fees, among others. Many of the Task Force recommendations were put into action; however, only one general obligation bond was successful, a street utility was not pursued out of concern for overburdening rate payers, and other improvements were effectively undone by future budget modifications.

Council evaluated funding alternatives again in 2001 but ultimately decided not to move forward with any changes. In January 2017, staff reinitiated conversations at the request of Council.

At the February 6, 2017 Work Session, staff built on previous presentations regarding basic condition assessment and street maintenance strategies to provide detailed information on the condition of Albany's pavement infrastructure. It was reported that without additional financial resources dedicated to pavement maintenance, preservation, rehabilitation, and replacement, the condition of Albany's streets would continue to decline as shown in the Pavement Condition Index (PCI) table below. PCI is based on a scale of 0-100 with zero being the worst and 100 being the best street condition.

Projected PCI with No Additional Funding

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

Financial needs assessments were also presented for various alternatives, including:

- maintaining the current system wide average PCI of 60, which is considered "Fair;"
- maintaining the system wide average PCI to 70, which is considered "Satisfactory;" and
- maintaining the system wide average PCI to the theoretical least lifecycle cost level of 80, which is approaching "Good" status.

Council requested that staff present options for closing the pavement management funding gap.

Desired Level of Service/Required Funding

In order to define the funding gap, the desired level of service must first be identified. To simplify the conversation, staff has focused the initial discussion on arterials and collectors as prioritized in Albany's Strategic Plan. These streets presumably have the most benefit to the City as a whole and, therefore, are a logical starting point. Local streets can be considered in subsequent discussions, which will be better informed by decisions made for arterials and collectors.

The City of Albany is responsible for approximately 33 centerline miles of arterial and collector streets of varying conditions as shown in the attached slides from the February 6 Work Session, provided as ***Attachment A***. The current system wide average PCI for only arterials and collectors is 68, slightly better than the entire system wide average of 60. If no additional funding is secured, the PCI is expected to drop to 53 within 10 years.

For the purposes of these discussions, staff has assumed that the City would like to meet the desired level of service for arterials and collectors in ten (10) years. Given the relatively good condition of these streets, in some scenarios it is actually more cost effective to meet level of service goals in ten years than it is to allow streets to deteriorate further and wait to meet targets in 20 or 30 years. Staff also thought that ten years was a reasonable initial target for consideration since community members may expect near term improvements in pavement infrastructure following implementation of new funding mechanisms.

Staff further assumed that it is not financially feasible in the near term to achieve a PCI of 80. Instead, scenarios were evaluated based on PCI's of 60 (Fair) and 70 (satisfactory). Scenarios were also run based on the Strategic Plan objective of each arterial and collector being maintained to the stated target, and for an average that met the target.

Four scenarios are provided below to help identify the desired level of service (revenue requirement) and facilitate discussions about potential funding alternatives. Two general types of funding are considered: large lump sum type investments, and reoccurring annual investments. Staff relied on these results to develop a recommended funding approach. Council may determine that these scenarios and staff's recommendation are not representative of their desired level of service or funding strategies and request that additional scenarios be considered at future meetings. Specific funding alternatives applicable to each of these general funding types are discussed in detail later in this memo.

Arterial & Collector Example Funding Requirements

	Each Street		System Average	
Scenario (10-year target)	PCI ≥ 70	PCI ≥ 60	PCI ≥ 70	PCI ≥ 60
Three lump sum investments @ 0, 5, & 10 years	$44M, $42M, $38M	$20M ea.	$18M ea.	$11M ea.
Annual reoccurring investment	$12M	$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	-	-

*Values shown are for annual reoccurring investment and are in addition to the three $15M lump sum payments. The "N/A" result means that three $15M bonds are not required to achieve the desired target.

Current Available Funding

Albany's currently available funding for all street projects is approximately $1.6M per year and consists of In Lieu of Franchise Fees (ILFF) paid by the water and sewer funds, Surface Transportation Program (STP) from the state, and Transportation System Development Charge Reimbursement fees (TSDCr) paid by new or expanding customers. Of that amount, an average of $450,000 per year is restricted to arterial and collector streets. The restricted money is from the state STP, allocated to Albany through the Albany Area Metropolitan Planning Organization (AAMPO). There is no guarantee that AAMPO will allocate those funds to Albany projects each year over projects submitted by other AAMPO partners.

Staff surveyed several other Oregon cities to better understand how Albany's annual available funding compared to the level of investment other communities were making. The results are provided as

Attachment B. In summary, Albany's current level of investment is not significantly different from other similarly situated communities. However, all communities identified declining infrastructure, lack of adequate financial resources, and concern about their ability to meet their communities desired level of service over time.

Funding Alternatives

A number of street funding alternatives are available for Council consideration. *Attachment C* provides a discussion of each one that staff has identified. Council may have other funding strategies in mind that should also be considered. Each funding alternative has its own set of benefits and drawbacks. Some alternatives rely on further burdening Albany residents with increased fees or taxes while others rely on difficult internal budgeting decisions that could impact services that the community enjoys and has come to expect.

It is likely that a combination of alternatives will be needed in order to generate enough revenue to make meaningful improvements to pavement management strategies, especially as Council considers residential streets in future discussions.

Recommendation

Staff's recommendation is to generate enough revenue to maintain each arterial and collector street to a minimum PCI of 60. A PCI of 60 represents an achievable target where less costly maintenance strategies are still feasible. Staff does not recommend a system average target, as that would result in several arterials and collectors being in poor or very poor condition at any one time.

How best to achieve that goal is much less clear. On the surface, of the four options identified above, the three $15M bond scenario is the most appealing since Albany can already meet the required annual revenue target. However, this approach does not generate adequate annual revenue and therefore bonds would become the standard funding source into the future. This is likely not feasible.

Staff's opinion is that the best chance for a successful bond is to propose specific streets for improvement. Support would likely be greatest for the streets that are in such poor condition they require reconstruction. Based on current street conditions, this would require a $20M bond. Staff further suggests that annual revenue targets should be set to adequately maintain arterial and collector streets to avoid costly reconstruction in the future. That would require around $5M in annual revenue, in addition to the $20M bond. Based on current available revenues the annual funding gap is ~$3.5M per year.

To fill the funding gap, every annual funding strategy identified in *Attachment C* would have to be implemented, including a street utility. Alternatively, revenue generated from some of the identified sources could be increased to avoid pursuit of less desirable funding options. Staff recommends that Council identify their preferred funding strategies and consider a phased implementation schedule.

Conclusions

In 1996 the Mayor's Task Force on Street Maintenance recognized that additional street funding was necessary and made recommendations. Several of the Task Force's recommendations were put into place, some were unsuccessful, and others were undone based on competing citywide priorities over time. Over the years, construction costs have increased and regulatory requirements have grown.

Now, 21 years later, Albany finds itself in the familiar position of discussing the continued resource shortfall to meet the desired level of service.

Pursuing significant improvement will not be easy and will require community support. Implementation of each funding alternative has its own set of consequences and should be balanced against competing Council and community priorities. Staff recommends that Council answer the following questions:

- What is the desired level of service? Is maintaining each arterial and collector street above a PCI of 60 the appropriate target?
- What funding alternatives, if any, does Council want to consider?
- What is the desired implementation schedule?
- Does Council want to consider any other transportation needs (i.e. safety, bike/ped, etc.) in setting revenue targets?
- Does Council want to consider additional funding for residential streets at this time?
- What type of public outreach processes should be implemented?

Based on the direction received, staff will report again at future Council meetings with additional information and questions.

<u>Budget Impact</u>:

This memorandum is for discussion only.

JJB:rk
Attachments (3)
c: Jorge Salinas, IT Director (via email)
Jon Goldman, Transportation Superintendent (via email)
Jeff Babbitt, Public Works/Community Development Business Manager (via email)
Staci Belcastro, P.E., City Engineer (via email)
Guy Graham, P.E., Engineering Manager/Assistant City Engineer (via email)
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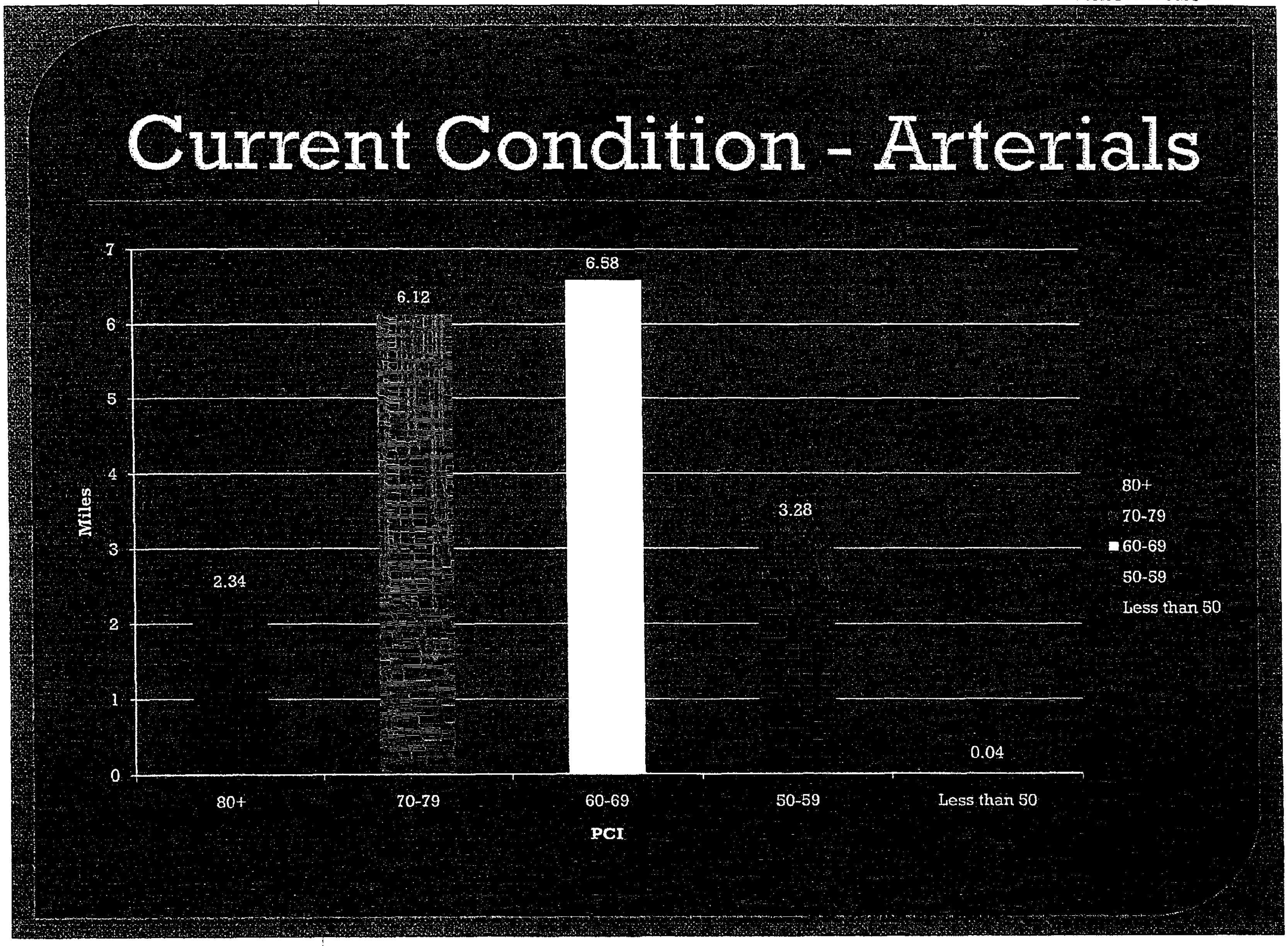
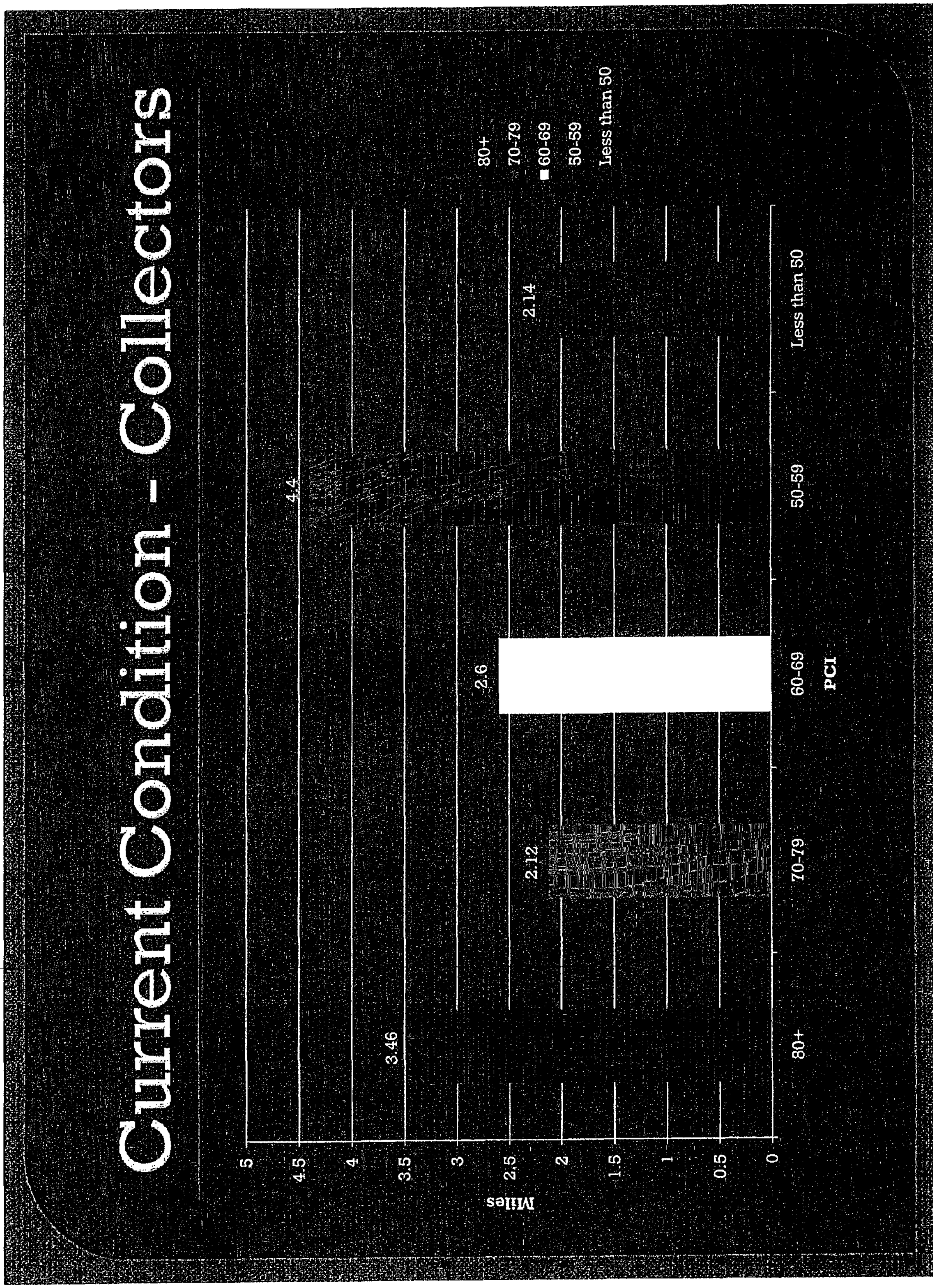

Current Condition - Arterials
Miles
7
6
5
4
3
2
1
0
6.58
6.12
3.28
2.34
0.04
80+
70-79
60-69
50-59
Less than 50
PCI
80+
70-79
60-69
50-59
Less than 50

Attachment 1

Attachment A



Attachment 1

Attachment B

Annual Pavement Preservation Investments

City	Population	Typical Annual Investment*
Beaverton	95,385	$1,500,000
Corvallis	58,240	$500,000 to $1,800,000
Forest Grove	23,375	$300,000
Gresham	108,150	$1,250,000
Hillsboro	99,340	$3,000,000
Keizer	37,505	$800,000
Lake Oswego	37,425	$4,000,000
Lebanon	16,435	$175,000
McMinnville	33,405	$500,000
Oregon City	34,240	$1,000,000 to $1,300,000
Sherwood	19,145	$600,000 to $800,000
Springfield	60,140	$0 ($200K in past)
Tigard	49,745	$2,000,000
West Linn	25,615	$1,000,000
Woodburn	24,795	Unresponsive

*Pavement preservation only

Attachment C

Alternatives for Securing Additional Street Funds

Franchise Fees

The City of Albany receives approximately $5.3M in Franchise Fee revenue annually. Franchise fees are paid to the City of Albany by utilities such as the gas, power, and telephone companies for their use of the public right-of-way. Currently, Public Works manages day-to-day interactions with the franchise utilities, manages their permits, and coordinates all construction activities, but receives none of the revenues. Street cuts required for utility work can also reduce ride quality and increase risks of pavement failures that must then be addressed with street funds. Currently, all franchise fee revenue is used in the General Fund. Historically, 30% of electric and 40% of natural gas franchise fee revenue went to street maintenance activities. In 1996, The Mayor's Task Force on Street Maintenance recognized that additional revenues were needed and recommended that the water and sewer utilities be treated similar to franchise utilities and pay an annual fee, termed an in-lieu of franchise fee, to fund street improvements.

Council implemented the recommended sewer and water in-lieu of franchise fees but soon after found it necessary to redirect the previously dedicated electric and gas franchise fee revenue to the general fund. Thus, rather than an increase of $1.1M (2017 dollars) to street maintenance funds, the net impact of adding in-lieu of franchise fees while losing electric and gas franchise fees represents a loss to street maintenance of approximately $100,000.

Council could choose to again use a portion of franchise fee revenues to fund street work. There are clear impacts to streets and staffing costs related to franchise utilities that are currently unreimbursed to Public Works. However, redirecting these funds would come at a significant cost to the General Fund. There are no restrictions on how franchise fees can be used and franchise fee revenues represent 14% of the General Fund's total budget. Council would have to first choose how to manage those impacts to the General Fund before major changes could be implemented. Alternatively, Council could set a future target based on growth over time whereas a percentage of increased revenue could be redirected on an annual basis until the desired share in revenue is achieved.

If historic revenue sharing was restored, an additional **$1.2M per year** would be available for street preservation and restoration.

It is worth noting that most cities that Albany typically compares with do not rely on franchise fee revenue to fund pavement preservation activities. Staff surveyed 15 cities as shown in the table below.

City	Franchise Fees to Pavement Preservation
Beaverton	$0
Corvallis	$0
Forest Grove	Unresponsive
Gresham	$0
Hillsboro	$0
Keizer	$0
Lake Oswego	$2.5M
Lebanon	$0
McMinnville	$0
Oregon City	$0
Sherwood	$0
Springfield	$0
Tigard	$0
West Linn	$0
Woodburn	Unresponsive

General Fund

At the cost of other competing priorities, General Fund monies could be directed to street maintenance activities. While this is likely not feasible on a large scale, there are reasonable approaches to partner in costs for funding things like street lights.

Street lights serve multiple purposes that span both General Fund and Street budgets. Most notably, in addition to the transportation benefits, there are documented public safety benefits to street lights. In recognition of these benefits, the General Fund has a history of partnering to pay street light costs. In 2004, the General Fund contributed $320,000 to pay for street lights. From 2005 through 2011, the General Fund contributed $260,000 per year (56% of street light costs in 2011).

In 2012, as the City adjusted to impacts of the recession, the General Fund ceased transferring its share of street light costs to the street fund. As the economy has recovered and General Fund revenue has increased, this transfer has not been reinstated. This decision represents an annual reduction in street maintenance funding of $260,000, without considering inflation.

Council could chose to restore the street light funding combination that was suspended in 2011. This would result in the General Fund paying for approximately 50% of street light costs, which would result in approximately **$250,000 per year** being available for pavement preservation or restoration activities (based on FY 17-18 anticipated costs). Restoring the funding plan could also be phased in over time to minimize impacts.

It is also possible that new revenues related to marijuana taxes could be used to help offset impacts.

In-Lieu of Franchise Fees

Following a recommendation from the Mayor's Task Force on Street Maintenance, the City Council adopted sewer and water in-lieu of franchise fees in 1999. The fees were set at 5% of user receipts consistent with the rates being charged to other franchise utilities at the time. In today's dollars, this totals $1.1M, of which about $1M funds pavement preservation and restoration activities. Over the years many franchise fees have been increased to 7%. Council could choose to increase the water and sewer in-lieu of franchise fees to 7% to bring them in line with the original intent of matching franchising fees. This increase would generate an additional **$450,000 per year** for pavement maintenance and preservation activities but would either trigger 2% rate increases for sewer and water or would reduce the amount of work that can be accomplished for each utility. Similar to other internal tools, this could be phased in over time to minimize impacts.

Stormwater Service Charges

Until recently, the sewer and street utilities fully funded stormwater services provided by the City. In 2016, Council adopted stormwater service charges to be effective March 1, 2017. Revenues generated from the new service charges were envisioned to replace the sewer and street funds over time. In response, sewer rates were lowered by 6% and approximately $150,000 per year in street funds were freed up for other activities (reflected in the $1.6M estimated available for street preservation work). Council direction was to start the stormwater funding program as small as possible and expand over time. This approach relied on the assumption that, initially, street funds would continue to pay capital costs related to stormwater with each street project. Based on the amount of work completed with existing revenues, this equates to an average of $400,000 per year. Depending on the types of projects constructed, if the volume of street work increased, this subsidy would increase. However, as the City cycles through routine street maintenance this relationship would decrease over time.

The stormwater system is an obvious necessary component of the street network that benefits all residents. Stormwater rates could be raised to cover all, or a portion of, the capital costs for stormwater infrastructure constructed with street projects. As a starting point, Council could choose to phase in increases aimed at generating the current estimated **$400,000 per year**. This approach is what was envisioned in staff presentations for five-year forecasts on stormwater service charges. As the amount of street work increases over time, further adjustments could be considered.

Gas Tax

Local gas taxes are a common funding mechanism for Oregon communities. One of the main benefits is that revenues are generated from all road users who purchase gas in Albany, not just Albany residents. For an I-5 community such as Albany, this scenario can create significant local benefit. Albany tried, unsuccessfully, to create a local gasoline tax in 1982 and 1991.

Local gas tax rates vary by community. At least 20 cities in Oregon have gas taxes that range from $0.01 to $0.05 per gallon. The table below is a list of jurisdictions with gas taxes and their tax rate as reported by ODOT's Fuel Tax Group website.

Jurisdiction	Local Tax Rate Per Gallon
Portland	$0.10
Eugene	$0.05
Pendleton	$0.04
Astoria	$0.03
Canby	$0.03
Coburg	$0.03
Coquille	$0.03
Cottage Grove	$0.03
Hood River	$0.03
Multnomah County	$0.03
Newport (Jun - Oct)	$0.03
Oakridge	$0.03
Reedsport (May - Oct)	$0.03
Sisters	$0.03
Springfield	$0.03
The Dalles	$0.03
Tigard	$0.03
Veneta	$0.03
Warrenton	$0.03
Dundee	$0.02
Happy Valley	$0.02
Milwaukie	$0.02
Sandy	$0.02
Troutdale	$0.02
Tillamook	$0.02
Newport (Nov - May)	$0.01
Stanfield	$0.01
Washington County	$0.01
Woodburn	$0.01

The amount of revenue Albany could receive through a local gas tax is dependent on the amount of gas sold in Albany and the voter-approved tax rate. Accurate information regarding the amount of gas sold by community is not readily available. For estimating purposes, ODOT staff suggests relying on local gas tax data from the city of Springfield, which is a similarly sized community with a similar geographic relationship to Interstate 5. Based on that comparison, ODOT estimates that Albany could potentially receive around $250,000 per penny of tax.

As shown above, the most common rate is $0.03 per gallon. Portland voters recently approved Oregon's highest local gas tax at $0.10 per gallon, limited to a five-year term. If Albany were to pass a $0.03 per gallon gas tax, it could potentially generate around **$750,000 per year** in additional revenue for the street system.

There is a great deal of work that would need to be completed in order to ensure the best chance at a successful vote. At the July 11, 2016 Work Session, staff identified a number of questions recommended for consideration prior to putting a gas tax on the ballot.

Transportation Utility

Transportation utilities are another common funding mechanism for Oregon communities. Establishment of a transportation utility was recommended in 1996 by the Mayor's Task Force for Street Maintenance and considered by Council again in 2001 and 2003. However, implementation was not pursued out of concerns of overburdening rate payers. The League of Oregon Cities (LOC) reports that from their *2015 Gas Tax and Transportation Utility Fee Survey* the following 30 cities have a transportation utility in place:

Ashland	Myrtle Creek
Bay City	North Plains
Brookings	Oregon City
Canby	Philomath
Central Point	Phoenix
Corvallis	Sherwood
Eagle Point	Silverton
Florence	Stayton
Grants Pass	Talent
Hillsboro	Tigard
Hubbard	Toledo
La Grande	Tualatin
Lake Oswego	West Linn
Medford	Wilsonville
Milwaukie	Wood Village

If Council chose to consider creating a transportation utility, a significant amount of staff and Council time would be required. Staff estimates that it would require a two to three year process similar to the stormwater utility development process. The amount of revenue generated would be based on Council direction and would be the basis for establishing rates. A transportation utility can be established by ordinance with rates set by resolution, similar to Albany's other utilities.

General Obligation Bonds

General obligation (GO) bonds involve borrowing money by selling bonds and using property taxes to repay the debt over time (usually 10 to 20 years). Because GO bonds rely on the use of property taxes above and beyond those otherwise paid, they must be approved by a vote of the people.

Albany does have a history of pursuing GO bonds to fund street improvements. In 1995 a $10.8M GO bond was narrowly defeated. Following the recommendation of the Mayor's Task Force on Street Maintenance in 1996, Albany successfully passed a $10M GO bond for specified street improvements in 1998. An attempt to fund a second $10M street bond was defeated in 2000.

Based strictly on inflation, $10M in 1998 is now equal to approximately $15M. A $15M GO bond is estimated to cost the Albany voters $0.34 per thousand of assessed value for a 15 year bond ($68 per year for a $200,000 home).

Local Improvement Districts

Under a Local Improvement District (LID), the City would pre-fund construction of street improvements and then, once completed, assess benefiting properties their share of the improvements. A LID can be initiated by the City or by petition of property owners. Property owners can choose to pay their assessments in full or make arrangements to pay semi-annual payments, with interest, over a 10-year period. Staff does not recommend using LID's as a routine funding strategy for arterial and collector streets. However, LID's might be an important funding tool to consider for local street improvements as Council transitions to that discussion.

Attachment 2

DRAFT BALLOT TITLE

CAPTION: Imposes a 3 cents per gallon motor fuel tax

QUESTION: Shall Albany impose a motor vehicle fuel tax of 3 cents per gallon?

SUMMARY: The City is responsible for maintaining a street system that provides safe and reliable travel, and supports business. Existing funding is inadequate to address the backlog of street repair and preservation projects. A 2016 street condition report determined that __% of Albany's streets are in poor condition. The proposed tax would raise approximately $750,000 annually and would be used only for the construction, reconstruction, improvement, repair, maintenance, operation, and use of public highways, roads, streets, and sidewalks within the City. An annual report would be published to document projects funded by the fuel tax revenue. If approved, the measure would take effect on ________.