



## TECHNICAL MEMORANDUM

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Project #: 19890.2

To: Jim Whynot and Jacque Betz, City of Gladstone  
 Gail Curtis, Oregon Department of Transportation, Region 1

From: Matt Bell and Molly McCormick, Kittelson and Associates, Inc.

Project: Gladstone Transportation System Plan (TSP) Update

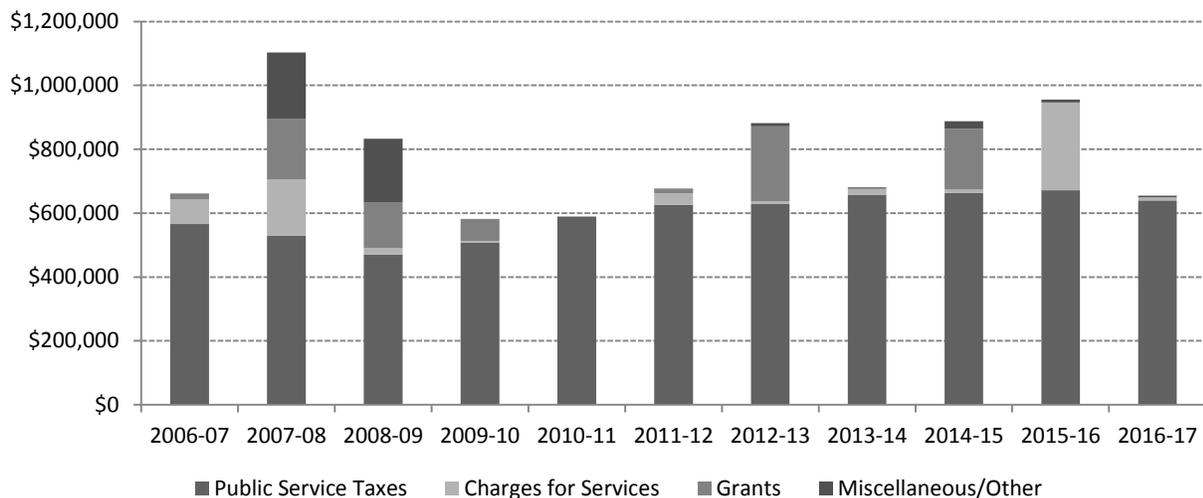
Subject: Final Tech Memo 3: TSP Financial Forecast (Subtask 2.5)

This memorandum documents historical and potential future sources of transportation funding for implementation of the Gladstone Transportation System Plan (TSP) update. Funding information from the City’s Street and Road Fund provides context for evaluating projects and defining project priorities that will allow Gladstone to use all available funding opportunities and maximize current resources to preserve and improve the transportation system.

### HISTORICAL REVENUE SOURCES

Historical revenue sources that have contributed to transportation funding for Gladstone over the last several years include public service taxes, charges for services, grants, and miscellaneous/other. Chart 1 illustrates the historical revenue sources for Fiscal Year (FY) 2006-07 through FY 2015-16 and includes projections for FY 2016-17.

**Chart 1: City of Gladstone Historical Revenue Sources**



As shown in Chart 1, transportation funding has remained relatively flat over the last 10 years with the exceptions of FY 2007-08 and FY 2015-16, which experienced higher levels of funding from Charges for Services than in other years. The following summarizes additional information related to historical revenue sources. A detailed summary of historical revenue sources can be found in **Attachment A**.

## Public Service Taxes

Public Service Taxes are comprised of proceeds from the Oregon Highway Revenues Apportionment and the Bikeway Resource. The average yearly revenue generated from Public Service taxes is approximately \$591,000. Over the last 10 years the funds have increased from approximately \$566,000 in FY 2006-007 to \$672,000 in FY 2015-16, or approximately 2.1 percent per year.

### *Oregon Highway Revenues Apportionment*

The State of Oregon generates revenue for transportation funding through the collection of Motor Vehicle Registration and Title Fees, Driver License Fees, Motor Vehicle Fuel Taxes, and Weight-Mile Taxes. The proceeds from the taxes and fees are distributed to Oregon counties and cities in accordance with Oregon Revised Statute (ORS) 366.764, by county-registered vehicle number, and ORS 366.805, by city population. The Oregon Constitution states that revenue from the state is to be used for the construction, reconstruction, improvement, maintenance, operation and use of public highways, roads, streets, and roadside rest areas.

### *Bikeway Resource*

The Bikeway Resource is a percentage of the Oregon Highway Revenue Apportionment that Gladstone reserves for bikeway projects and improvements. It is approximately one percent of the apportionment.

## Charges for Services

Charges for Services are comprised of proceeds from assessing System Development Charges (SDCs) on developers. The average yearly revenue generated from Charges for Services is approximately \$63,000; however, over the last 10 years the funds have varied from approximately \$1,000 in FY 2010-11 to \$275,000 in FY 2015-16.

### *System Development Charges (SDC)*

System Development Charges (SDCs) are fees assessed on developments for impacts to public infrastructure. All revenue is dedicated to transportation capital improvement projects designed to accommodate growth. The City can offer SDC credits to developers that provide public improvements beyond the required street frontage, including those that can be constructed by the private sector at a lower cost. For example, SDC credits might be given for providing off-site improvements, such as sidewalks and bike lanes that connect the site to nearby transit stops. Gladstone uses the revenue from SDCs on eligible projects that cannot be funded by other means, such as urban renewal. Projects that

may be funded by urban renewal funds are any work completed under ORS 457.170 in an urban renewal area and may include the construction or improvement of streets, utilities, and/or site improvements in accordance with the urban renewal plan.

## Grants

The City has received several grants over the last ten years, including several Community Development Block Grants (CDBG) from Metro. Metro provides CDBG to help cities and counties throughout the region improve existing centers and corridors, and prepare for new housing and jobs in urban expansion areas. The City has used CDBG funds to improve public facilities and infrastructure throughout the City. The City also received an American Reinvestment and Recovery Act (ARRA) grant from the federal government. Signed into law in February 2009 as a response to the recession, the ARRA's main purpose was to create immediate jobs and secondly to invest in public needs such as infrastructure, education, health, and energy. The ARRA grant awarded to Gladstone was comprised of funds that were distributed by the federal government to all government agencies based on population and other criteria. TIGER grants are another example of the type of federal funding made available by the ARRA. The average yearly revenue generated from grants in Gladstone is approximately \$86,000.

## Miscellaneous/Other

Miscellaneous/other includes all historical revenue sources that do not directly fall under Public Service Taxes, Charges for Services, or Grants. Miscellaneous/other funds come from sources such as donations and invoices for inspections, and permits. The average yearly revenue generated from miscellaneous/other revenue sources is approximately \$46,000.

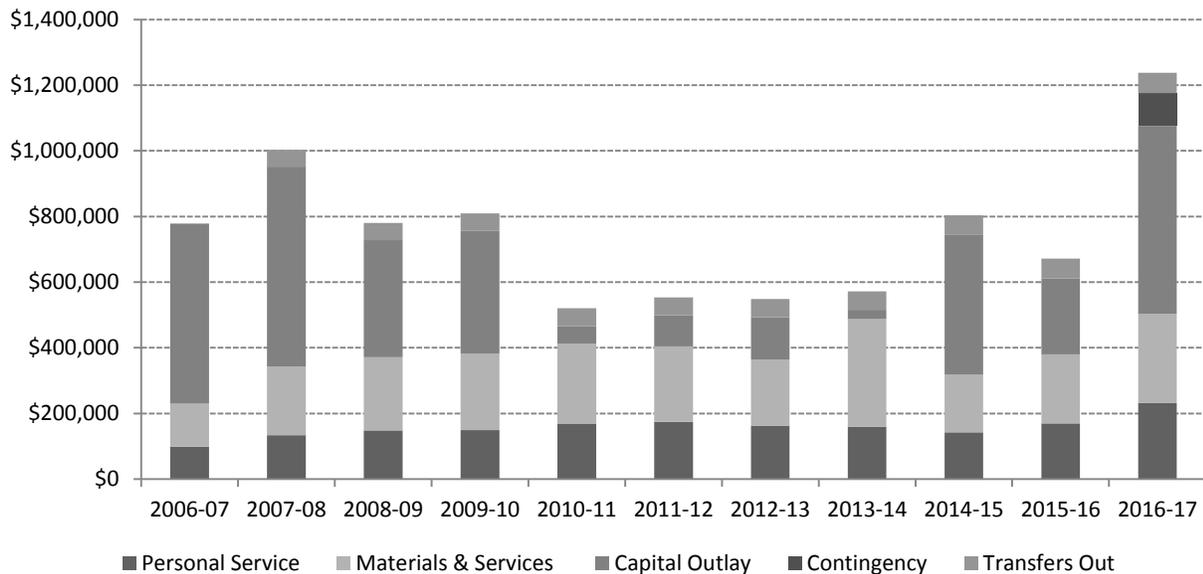
## Summary of Historical Revenues

Overall transportation funding has remained relatively flat over the last ten years in Gladstone with an average of \$708,000 per year from FY 2006-07 to FY 2015-2016. While revenue from public service taxes has experienced an increase over the last 10-year period, other revenue sources have varied considerably from year to year. Revenue forecasts and potential further funding sources are discussed in subsequent sections of this memo.

## HISTORICAL EXPENDITURES

The City organizes historical expenditures into five categories, including: personal service, materials and services, capital outlay, contingency, and transfers out. Chart 2 illustrates the City's historical expenditures for FY 2006-07 through FY 2015-16 and includes projections for FY 2016-17.

**Chart 2: Historical Expenditures, FY 2006-07 to FY 2016-17**



As shown in Chart 2, total expenditures over the last ten year period have ranged from a low of approximately \$520,000 during FY 2010-11 to a high of approximately 1,000,000 for FY 2007-08. It should be noted that the projected total expenditures of approximately \$1,238,000 in FY 2016-17 will represent the highest total expenditures over the last ten years. The following summarizes additional information related to historical expenditures. A detailed summary of transportation related expenditures is provided in **Attachment A**.

### Personal Services

Personal services expenditures consist of personnel salaries and associated payroll costs. The average yearly cost of personal services is approximately \$151,000. Over the last ten years, the cost of personal service has ranged from 13 to 32 percent of yearly expenditures.

### Materials and Services

Materials and services expenditures consist of equipment rentals, street maintenance supplies, shop supplies, and utilities. The average yearly cost of materials and services is approximately \$219,000. Over the last ten years, the cost of materials and services has ranged from 17 to 57 percent of yearly expenditures and is the second largest average expense next to capital outlay.

### Capital Outlay

Capital outlay expenditures consist of street sign maintenance, engineering services, and street maintenance. In this portion of the budget, Gladstone has also established a reserve account for equipment replacement. This reserve account is meant to ensure that Gladstone has the necessary funds to purchase newer equipment as the City’s current equipment begins to age out of its useful life.

The reserve account is proposed to increase by approximately \$25,000 per fiscal year. The average yearly cost of capital outlay is approximately \$285,000. Over the last ten years, capital outlay has been the largest average expense in Gladstone, ranging from 5 to 71 percent of yearly expenditures.

### Contingency

The contingency is a sum of money set aside by Gladstone for the purpose of having available cash in case of an emergency. The City has not expended any funds from the contingency over the last ten years; however, the amount set aside for FY 2016-17 is \$100,000, or approximately 8 percent of projected expenditures.

### Transfers Out

Transfers out refers to the indirect rate the General Fund (GF) charges the Road and Street fund for use of the finance department in handling the fund. It is the portion of the GF maintenance cost that each City fund needs to pay for expenses associated with the staff that support and maintain the integrity of the GF. The average yearly cost of transfers out is approximately 50,000. Over the last ten years, transfers out have ranged from 0 to 10 percent of yearly expenditures.

### Summary of Historical Expenditures

Overall transportation expenditures have varied considerably over the last ten years. The majority of the yearly expenditures have consisted of capital outlay, materials and services, and personal service expenses, while contingency and transfers out costs have remained relatively low by comparison.

## PROJECTED TRANSPORTATION FUNDING AND FUNDING OUTLOOK

The average annual revenue from each of the historical revenue sources were combined and projected out over the next 5, 10 and 25 year period to determine the total revenue that is estimated through 2040. The projections assume a simple linear growth pattern over the 25-year period. Table 1 provides a summary of the potential future project funding (in year 2016 dollars) through 2040.

**Table 1: Future Transportation Funding Projections**

Revenue Source	Average Annual	5-Year Forecast	10-Year Forecast	Estimated Through 2040
Public Services Taxes	\$591,000	\$2,955,000	\$5,910,000	\$14,775,000
Charges for Services	\$63,000	\$315,000	\$630,000	\$1,575,000
Grants	\$86,000	\$40,000	\$860,000	\$2,150,000
Miscellaneous/Other	\$46,000	\$230,000	\$460,000	\$1,150,000
<b>Total</b>	<b>\$786,000</b>	<b>\$3,930,000</b>	<b>\$7,860,000</b>	<b>\$19,650,000</b>

The average annual expenditures were also combined and projected out over the next 5, 10 and 25 year period. Table 2 provides a summary of the potential future expenses (in year 2016 dollars) through 2040.

**Table 2: Future Transportation Expenditures Projections**

Expenditures	Average Annual	5-Year Forecast	10-Year Forecast	Estimated Through 2040
Personal Service	\$151,000	\$755,000	\$1,510,000	\$3,775,000
Materials & Services	\$219,000	\$1,095,000	\$2,190,000	\$5,475,000
Capital Outlay	\$285,000	\$1,425,000	\$2,850,000	\$7,125,000
Contingency	\$0	\$0	\$0	\$0
Transfers Out	\$50,000	\$250,000	\$500,000	\$1,250,000
<b>Total</b>	<b>\$705,000</b>	<b>\$3,525,000</b>	<b>\$7,050,000</b>	<b>\$17,625,000</b>

As shown in Tables 1 and 2, the projected funding from now through FY 2040-41 is approximately \$19,650,000, and the projected expenditures are approximately \$17,625,000. Based on the information provided in Tables 1 and 2, the City is expected to have approximately \$2,025,000 over the next 25 years to implement the TSP. This suggests the City will need to identify other potential revenue sources to fund implementation of the TSP projects. The following section identifies potential funding sources for the City to consider. Two potential funding sources discussed below, right-of-way fees and gas tax, are currently being reviewed by the City and County, respectively. Combined, these potential funding sources could provide the City with an additional \$11,400,000 over the 25 year period. The funding forecast will be revisited throughout the TSP update process to add any updated funding sources that are approved by the City.

## POTENTIAL ADDITIONAL FUNDING SOURCES

The projected transportation funding analysis shows that Gladstone will likely have very little funds that can be dedicated to transportation-related capital improvement projects over the next twenty years. As such, the City will likely rely upon transportation improvement grants, partnerships with regional and state agencies, and other funding sources to help implement future transportation-related improvements. A list of potential grant sources and partnering opportunities for the City are identified below.

### Federal Sources

#### ***Congestion Mitigation and Air Quality (CMAQ)***

The Congestion Mitigation and Air Quality (CMAQ) program provides funding for projects that help reduce emissions and meet national air quality standards, such as transportation demand management programs, bicycle and pedestrian improvements, transit projects, diesel retrofits, and vehicle emissions reductions programs.

More information is available at: [http://www.fhwa.dot.gov/environment/air\\_quality/cmaq/](http://www.fhwa.dot.gov/environment/air_quality/cmaq/)

### **Highway Safety Improvement Program (HSIP)**

The Highway Safety Improvement Program (HSIP) provides funding for infrastructure and non-infrastructure projects that improve safety on all public roads, including non-State-owned public roads and roads on tribal lands. The HSIP requires a data-driven, strategic approach to improving highway safety on all public roads that focuses on performance. ODOT administers HSIP funding through the All Roads Transportation Safety (ARTS) program described below.

More information is available at: <http://safety.fhwa.dot.gov/hsip/>

### **Transportation Alternatives Program (TAP)**

The Transportation Alternatives Program (TAP) provides funding for programs and projects defined as transportation alternatives, including on- and off-road pedestrian and bicycle facilities, infrastructure projects for improving non-driver access to public transportation and enhanced mobility, community improvement activities, and environmental mitigation; recreational trail program projects; safe routes to school projects; and projects for planning, designing, or constructing boulevards and other roadways largely in the right-of-way of former Interstate System routes or other divided highways.

More information is available at: <http://www.fhwa.dot.gov/map21/guidance/guidetap.cfm>

## **State Sources**

### **All Roads Transportation Safety (ARTS)**

The All Roads Transportation Safety (ARTS) program (formerly known as Jurisdictionally Blind Safety Program) is intended to address safety needs on all public roads in Oregon. By working collaboratively with local road jurisdictions (cities, counties, MPO's and tribes) ODOT expects to increase awareness of safety on all roads, promote best practices for infrastructure safety, compliment behavioral safety efforts and focus limited resources to reduce fatal and serious injury crashes in the state of Oregon. The program is *data driven* to achieve the greatest benefits in crash reduction and should be blind to jurisdiction. The ARTS program primarily uses federal funds from the HSIP.

More information is available at: <http://www.oregon.gov/ODOT/HWY/TRAFFIC-ROADWAY/Pages/ARTS.aspx>

### **ConnectOregon**

ConnectOregon is a lottery bond based initiative to invest in air, rail, marine, transit, and bicycle/pedestrian infrastructure to ensure Oregon's transportation system is strong, diverse, and efficient. ConnectOregon projects are eligible for up to 80% of project costs for grants and 100% for loans. A minimum 20% cash match is required from the recipient for all grant funded projects. Projects eligible for funding from state fuel tax revenues (section 3a, Article IX of the Oregon Constitution, the Highway Trust Fund), are not eligible for ConnectOregon funding. If a highway or public road element is

essential to the complete functioning of the proposed project, applicants are encouraged to work with their ODOT region, city, or county to identify the necessary funding sources.

More information is available at: <http://www.oregon.gov/ODOT/TD/TP/pages/connector.aspx>

### ***Statewide Transportation Improvement Program (STIP)***

The Statewide Transportation Improvement Program (STIP) is ODOT's four-year transportation capital improvement program. It is the document that identifies the funding for, and scheduling of, transportation projects and programs. It includes projects on the federal, state, city, and county transportation systems, multimodal projects (highway, passenger rail, freight, public transit, bicycle and pedestrian), and projects in the National Parks, National Forests, and Indian tribal lands. STIP project lists are developed through the coordinated efforts of ODOT, federal and local governments, Area Commissions on Transportation, tribal governments, and the public.

The STIP is divided into two broad categories: Fix-It and Enhance. The Enhance category funds activities that enhance, expand, or improve the transportation system. The project selection process for the Enhance category has undergone significant changes in the last few years and reflects ODOT's goal to become a more multimodal agency and make investment decisions based on the system as a whole, not for each mode or project type separately. The agency has requested assistance from its local partners in developing Enhance projects that assist in moving people and goods through the transportation system. The projects are selected through a competitive application process. The Fix-it category funds activities that fix or preserve the transportation system. These projects are developed mainly from ODOT management systems that help identify needs based on technical information for things like pavement and bridges.

More information is available at: <http://www.oregon.gov/ODOT/TD/STIP/Pages/default.aspx>

## **Local Sources**

### ***Economic Improvement Districts (EIDs)***

Transportation improvements can often be included as part of larger efforts aimed at business improvement and retail district beautification. Economic Improvement Districts collect assessments or fees on businesses in order to fund improvements that benefit businesses and improve customer access within the district. Adoption of a mutually agreed upon ordinance establishing guidelines and setting necessary assessments or fees to be collected from property owners is essential to ensuring a successful EID.

### ***Local Improvement Districts***

Local Improvement Districts (LIDs) are most often used by to construct projects such as streets, sidewalks, or bikeways. Through the LID process, the costs of local improvements are generally spread out among a group of property owners within a specified area. The cost can be allocated based on

property frontage or other methods such as trip generation. Though the costs of an LID project are borne primarily by the property owners, moderate administrative costs must be factored in, and the public involvement process must still be followed. As shown previously, Gladstone is forecast to have only \$60,000 over the next 20 years to implement further transportation improvements that will be identified through the TSP update process. The above potential funding sources can provide further revenue to allow the City to invest more money on their transportation system in the coming years.

### ***Urban Renewal District***

An Urban Renewal District (URD) is a tax-funded district within the City. An URD is normally funded property taxes that are increased incrementally, which is a type of funding that has been used in Oregon since 1960. The taxes are increased as a result of construction of applicable improvements. The incremental taxes are used, rather than fees, to fund different types of improvements. Transportation projects are one type of potential funding use.

### ***Local Bond Measures***

Local bond measures, or levies, are usually initiated by voter-approved general obligation bonds for specific projects. Bond measures are typically limited by time, based on the debt load of the local government or the project under focus. Funding from bond measures can be used for right-of-way acquisition, engineering, design, and construction of transportation facilities. Transportation-specific bond measures have passed in other communities throughout Oregon. Though this funding source is one that can be used to finance a multitude of project types, it must be noted that the accompanying administrative costs are high and voter approval must be gained.

### ***Optional Tax***

Optional taxes are taxes that a taxpayer elects to pay to fund projects and improvements. Usually not a legislative requirement to pay the tax and paid at the time other taxes are collected, optional taxes are usually less controversial and easily collected since they require the taxpayer to decide whether or not to pay the additional tax. The voluntary nature of the tax limits the reliability and stableness of the funding source.

### ***Local Fuel Tax***

A local tax assessed on fuel purchased within the jurisdiction that has assessed the tax. The taxes are paid to the city monthly by distributors of fuel. Voters would need to pass the tax, and the process for presenting such a tax to voters will need to be consistent with Oregon State law as well as the laws of the City. Nearby locations with a gas tax includes Milwaukie (two cents per gallon), Canby (three cents per gallon), Tigard (three cents per gallon), Multnomah County (three cents per gallon) and Washington County (one cent per gallon).

Residents of Clackamas County are currently voting on 6 to 8 cent gas tax that, if passed, could provide Gladstone with an additional \$200,000 in revenue per year for seven years.

### ***User Fees***

Fees tacked onto a monthly utility bill or tied to the annual registration of a vehicle to pay for improvements, expansion, and maintenance to the street system. This may be a more equitable assessment given the varying fuel efficiency of vehicles. Regardless of fuel efficiency, passenger vehicles do equal damage to the street system. The cost of implementing such a system could be prohibitive given the need to track the number of vehicle miles traveled in every vehicle. Additionally, a user fee specific to a single jurisdiction does not account for the street use from vehicles registered in other jurisdictions.

### ***Street Utility Fees/Road Maintenance Fee***

The fee is based on the number of trips a particular land use generates and is usually collected through a regular utility bill. For the communities in Oregon that have adopted this approach, it provides a stable source of revenue to pay for street maintenance allowing for safe and efficient movement of people, goods, and services.

Gladstone is in the process of starting to charge right-of-way (ROW) fees to users of City-owned ROW to fund improvements and ROW management and maintenance. It is projected that the ROW fees could correspond to an extra \$300,000 to \$400,000 per year to Gladstone's General Fund, which will then be included as part of the street improvement funding.

### ***General Fund (GF) Revenues***

Revenue from the City's GF can be allocated to transportation funding at the discretion of the City Council during the annual budget process. GF revenues primarily include property taxes, use taxes, and any other miscellaneous taxes and fees imposed by the City. GF resources have the potential to fund any type of transportation expenditures but would only be available if it had increased revenues or if the City Council directs funding that is traditionally allotted to other City expenditures and programs.