

Memorandum



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To: Jim Olson, City of Ashland
From: Brad Kilby and Tom Litster, Otak
Copies: Project Management Team
Date: February 16, 2011
Subject: Funding Programs – White Paper
Project No.: 15702: City of Ashland Transportation System Plan Update

Direction to the Planning Commission and Transportation Commission

Five sets of white papers are being produced to present information on tools, opportunities, and potential strategies that could help Ashland become a nationwide leader as a green transportation community. Each white paper will present general information regarding a topic and then provide ideas on where and how that tool, strategy, and/or policy could be used within Ashland.

You will have the opportunity to review the content of each white paper and share your thoughts, concerns, questions, and ideas in a joint Planning Commission/Transportation Commission meeting. Based on discussions at the meeting, the material in the white paper will be: 1) Revised and incorporated into the alternatives analysis for the draft TSP; or 2) Eliminated from consideration and excluded from the alternatives analysis. The overall intent of the white paper series is to explore opportunities for Ashland and increase the opportunities to discuss the many possibilities.

Transportation Funding

The City of Ashland is responsible for maintaining approximately 106 miles of public streets. Approximately 31.8 percent of the funding for the adopted Capital Improvement Program for the City is slated for transportation system improvements. Over the next 5 years, the City of Ashland is expected to spend approximately \$21,453,000 on transportation system improvements. However, approximately 69 percent of the identified improvements do not have a funding source assigned to them.

Technical Memorandum #5 discussed the historical funding sources for the Ashland Street Fund, Alternative Funding Sources that may be considered in the future, and made suggestions to consider when updating the current Systems Development Charges (SDC) program. There was also a

suggestion to hire a full or part time person within the City to focus on pursuing alternative funding sources such as grants. Historically, funding for transportation improvements in Ashland comes from the following sources:

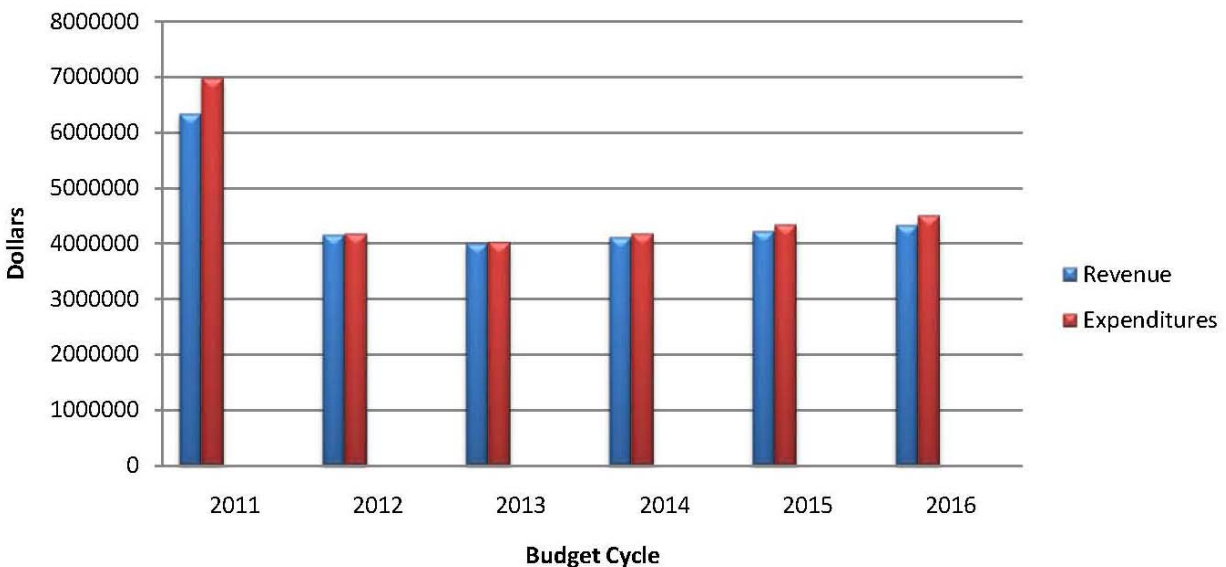
- Oregon state gasoline taxes
- City franchise fees
- City transportation systems development charges (SDC's)
- City transportation user/utility fees assessed to all property owners
- City Local Improvement District charges
- State and federal grants

Technical Memorandum #5 itemized the purposes of these and other funding sources that may assist Ashland in obtaining future funding for transportation projects. The purpose of this memorandum is to discuss future funding needs as they relate to projected transportation improvements identified within the City's current Capital Facilities Plan and adopted budget, and to discuss potential updates to the City's current SDC program. A potential paradigm shift in funding transportation projects is a Multimodal SDC program; this approach is outlined below. A forthcoming white paper titled "Alternatives to Traditional Mobility Standards and Funding" will describe the Multimodal SDC and corresponding changes to the development review process to make the Multimodal SDC successful.

Future Funding Trends

Figure 1 shows that the projected expenditures within the street fund outpace the expected revenues for the 2011-2016 budget cycles. According to the adopted 2011 Ashland budget, the revenues for every budget cycle within the next five years falls below the expected expenditures.

Figure 1: Projected Revenues and Expenditures 2011 – 2016



In addition to the expenditures shown in Figure 1, the Ashland Capital Facilities Plan contains approximately \$14,785,000 in unfunded transportation and LID projects.

Intergovernmental revenues, fees, and bond proceeds will likely continue to be the primary sources of revenue for the Street Fund in future budget cycles. Bond proceeds and fee increases will continue to be dependent on the economy and voter willingness for passage. The state gas tax recently increased from 24 cents to 30 cents on January 1, 2011. This represents a 25 percent increase over the existing tax and was the first rise in the Oregon gas tax since 1993. Like all Oregon communities, Ashland's proportional share of those taxes has been set by the state legislature. For the near-term, it is reasonable to assume Ashland's total revenue from the gas tax will temporarily increase based on the 25 percent increase in the tax. However, achieving the objectives of improved fuel efficiency of vehicles and a decline in personal vehicle miles travelled, will result in an eventual decline in revenue from this source.

Multimodal Transportation System Development Charges

At current projections, system development charges will account for less than 1 percent of the revenue in the Street Fund. Addressing the broader range of facility and operation needs of a multimodal transportation system will require a larger contribution from SDCs to the entire system. An SDC update is an opportunity to increase its contribution to the Street Fund and to help meet objectives and measures of a multimodal transportation system, moving toward generating revenue for systematic and multimodal transportation system improvements.

The Oregon Systems Development Act allows jurisdictions to impose improvement and reimbursement fees. The difference between the two fee types are that an "improvement fee" may be charged for improvements that will address future capacity needs to serve person trips whereas, the "reimbursement fee" is charged for existing facilities if excess capacity is available within the facility to accommodate future growth. Revenues from "reimbursement fees" may be used for any capital improvement project.

In Washington County, they have adopted a structure that allows them to collect both types of fees under the Transportation Development Tax (TDT), which in turn allows them to make transportation improvements designed to accommodate growth to serve person trips including improvements to streets, sidewalks, and bike lanes.

The TDT is based on the estimated number of person trips generated by each type of development and collected at the time that a building permit is issued, or can be deferred until an occupancy certificate is requested. The key advantage of a TDT over a traditional TIF or SDCD is the funds from the TDT can be used to target system-wide improvements. Traditional TIF or SDC revenues/programs have restricted the use of funds to automobile improvements of the

transportation system adjacent to the development. The forthcoming white paper titled “Alternatives to Traditional Mobility Standards and Funding” will further describe how a Multimodal SDC fits within the development review process as well as the advantages it offers over the traditional approach to mobility and SDCs.

Additional Funding Sources to Consider

Given the direction to fund a more comprehensive and green transportation system, we identified the following funding sources for consideration. This is not an all inclusive list of alternative funding. Each of these financing tools requires focused research to ensure that it is the right fit for the community and can be closely matched with achieving the objectives of the TSP update. To meet Ashland’s future needs, it will likely be necessary to consider multiple sources of funding:

Funding Sources

| Capital Improvements | Description |
|------------------------------------|---|
| User Fee | Fees added to a monthly utility bill or annual auto registration of a vehicle to pay for improvements, expansion, and maintenance of the transportation system. |
| Local Fuel Tax | A local tax assessed on fuel purchased within the jurisdiction that imposes the tax. |
| SDC | A fee or tax assessed on development for impacts created to public infrastructure. |
| Stormwater SDCs, Grants, and Loans | SDC's, grants, and loans obtained for the purposes of making improvements to stormwater management facilities. |
| Local Sales Tax | A tax assessed on the purchase of goods and services within the jurisdiction that imposes the tax. |
| Optional Tax | A tax that is paid at the option of the taxpayer to fund improvements. |
| Parking In-Lieu Fees | Fees that are assessed to developers in lieu of providing parking. |
| Sponsorship | Financial backing of a public-interest program or project by a firm in exchange for advertising. |

| Capital Improvements | Description |
|--|--|
| Incentives | An enticement provided in exchange for a public benefit. |
| Congestion Pricing | Competitive pricing of public facilities to discourage non-essential trips during peak travel times. |
| Public/Private Partnerships | Agreement between public and private partners that can benefit from the same improvements. |
| Tax Increment Financing | A tool where taxes are frozen for a specified period of time to generate private sector development. |
| Operations and Maintenance | |
| User Fee | Fees added to a monthly utility bill or annual auto registration of a vehicle to pay for improvements, expansion, and maintenance. |
| Street Utility Fees/Road Maintenance Fee | A fee used to pay for street maintenance. |
| Local Sales Tax | A tax assessed on the purchase of goods and services within the jurisdiction that imposes the tax. |
| Incentives | An enticement provided in exchange for a public benefit. |
| Congestion Pricing | Competitive pricing of public facilities to discourage non-essential trips during peak travel times. |
| Public/Private Partnerships* | Agreement between public and private partners that can benefit from the same improvements. |

* *Operations are sometimes negotiated into a facility for the benefit of either party, but this is traditionally temporary until the original terms have been satisfied.*

Summary

The project team would like your input on the potential funding sources outlined above. These are sources the City could pursue to help fill the forecasted gap between transportation system needs and current funding sources. The forthcoming white paper “Alternatives to Traditional Mobility Standards and Funding” will further discuss the pros and cons of undertaking a programmatic shift in how transportation projects are selected and funded to facilitate multimodal projects.