

W. B. A.

AGENDA COVER MEMO

DATE: December 15, 2004

TO: Lane County Board of Commissioners

DEPT.: Public Works

PRESENTED BY: Oliver Snowden
Public Works Director

AGENDA ITEM TITLE: Road Fund Review – Secure Rural Schools Reauthorization and New Project Requests

I. MOTION

Discussion only

II. ISSUE OR PROBLEM

Should Lane County fund additional capital projects requested by other agencies prior to reauthorization of the Secure Rural Schools and Community Self Determination Act of 2000? If so, which projects or programs from the existing FY05-FY09 CIP should be dropped to provide funds for the new projects?

III. DISCUSSION

A. Background

Reauthorization of the Secure Rural Schools and Community Self Determination Act is a top priority for Lane County in 2005. Even if the Act is reauthorized at the current funding level, Public Works will have to reduce the services it provides once the existing \$40 million Road Fund balance is drawn down. Because other agencies continue to request that Lane County share its Road Fund revenues, it is prudent to look more closely at Road Fund scenarios based on different reauthorization levels before acting on those requests.

B. Analysis

We updated the Road Fund FinPlan to evaluate the effect of different levels of Secure Rural Schools funding and expected increases in personnel and capital costs. Operating expenses were updated with the same assumptions that David Garnick used in his General Fund review presented to the Leadership Team on November 9th. In general, assuming a 2% COLA in each of the next five years, personnel costs will increase about 8% in FY05-06 and about 5% annually after that. Public Works staff also increased the cost estimates for several projects in the first two years of the CIP to reflect current project scopes and bid prices from recent contracts.

The results of this analysis show that -- even with reauthorization of Secure Rural Schools - Lane County cannot continue to provide the same level of operation, maintenance and preservation activities over the next 5 years and, at the same time, continue to have a large CIP expenses and revenue sharing agreements. Once the approximately \$40 million fund balance is drawn down by constructing the projects or honoring the agreements in the first two years of the CIP, we will have to either significantly reduce the capital program or make cuts elsewhere in our Road Fund activities to preserve some level of capital spending. Secure Rural Schools would have to be reauthorized at about 150% of current levels to enable the County to continue the full range of programs that were funded during the last 3 years.

For discussion purposes, we looked at two reduction scenarios to bring expenditures more in line with anticipated revenues. The first, shown in Attachment 1, assumes reauthorization at approximately 75% of current levels (\$15,000,000 per year for the Road Fund). It assumes that all the CIP projects in the first two years are built and the \$40 million balance is drawn down. After that the only capital expenses would be for the pavement preservation program. Under this scenario-- aside from grant-funded projects -- the County will have no capital improvement projects after the projects programmed for the first two years of the CIP are constructed.

Reauthorization at 100% of current levels (approximately \$20,000,000 per year for the Road Fund) is only marginally better. Under this scenario, shown in Attachment 2, the County -- after drawing down the fund balance -- would have roughly \$5,000,000 per year to use for preservation projects, capital projects and/or revenue sharing. Even this level of capital spending would be short-lived, however, because unless there were significant increases in State or local revenues, expenses in the Road Fund will increase faster than revenues. This is the situation that the General Fund has faced for several years.

I will review these scenarios in more detail at the Board meeting. There are scenarios that could reduce other Road Fund activities to preserve some level of capital spending, but it's probably premature to go into much more detailed analysis until the Secure Rural Schools reauthorization is complete. The County Strategic Plan does say, though, that if reductions are required because of cutbacks in revenue, "operation, maintenance and preservation of the existing County road system will receive the highest priority."

These two scenarios can provide enough of a context in which the Board can consider project requests from other jurisdictions. Those projects are shown below. None is listed in the current CIP. The ODOT and LTD project requests are time sensitive and should be accepted or rejected in the next few weeks.

Highway	Project	Amount Requested	Jurisdiction	Requested by
Highway 126	Extend WB passing lane at Peterson Tunnel	\$2,000,000	ODOT	ODOT
Highway 126	Left turn lane at Veneta industrial park	\$40,000	ODOT	Veneta
Highway 58	Left turn lane at Mill Road	\$535,000	ODOT	ODOT
MLK Parkway	Right turn lane	\$40,000	Spfld	LTD

Also, Engineering staff is recommending that an additional \$400,000 be programmed for rehabilitation work to Dorena Covered Bridge and Unity Covered Bridge. These will be added to the draft FY06-FY10 CIP for your consideration in May.

The increasing possibility that Secure Rural Schools will be reauthorized may be creating high expectations that the County will continue to be a major contributor to regional road financing. The reality, however, appears to be that the County's role in regional road financing will likely diminish from what it has been in the past – even with reauthorization at 100% of current levels.

Given this situation, we recommend that the Board pursue the following course of action in the near future:

1. Continue to seek reauthorization of Secure Rural Schools, but manage expectations of partner agencies as to the level of revenue sharing that may result.
2. Consider the project funding requests above, but for every new project to be financed with County Road Funds, delete projects of an equal cost from currently active projects in Attachment 3.
3. Assemble the draft FY06-FY10 CIP to more closely fit funding that would be available under the 100% reauthorization level of Secure Rural Schools. This will involve deleting a number of projects – funded and unfunded -- that are listed in the current CIP.
4. Once the level of reauthorization funding becomes clear, direct staff to return to the Board with options for how to make adjustments to our current operation to fit anticipated Road Fund revenues.

C. Alternatives/Options

1. Take no action. Staff will work within the framework of the four points above.
2. Provide other direction to staff.

D. Recommendation

Option 1.

IV. IMPLEMENTATION/FOLLOW-UP

Staff will return to the Board in January for direction on the specific project funding requests shown above.

V. ATTACHMENTS

Attachment 1 – Reduction Scenario 1

Attachment 2 – Reduction Scenario 2

Attachment 3 – Funded Capital Improvement Projects and IGAs – FY05 and FY06

Attachment 1

SRS and CSD Act 75% Reauthorization

	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
Revenues								
[1] Federal Timber Receipts	19,357,000	19,591,000	19,787,000	20,054,000	20,335,000	15,000,000	15,225,000	15,453,000
[2] State Highway Fund Transfer	13,494,000	14,263,000	15,035,000	14,947,000	15,019,000	15,169,000	15,321,000	15,474,000
[3] Federal Aid/Fund Exchange	1,118,000	1,216,000	1,000,000	1,555,000	555,000	555,000	555,000	555,000
[4] Investment Earnings	1,557,000	850,000	1,000,000	1,200,000	1,080,000	540,000	160,000	0
[5] Other	3,577,000	4,037,000	3,380,000	3,000,000	2,500,000	2,500,000	2,500,000	2,500,000
[6] Total New Revenue	39,103,000	39,957,000	40,202,000	40,756,000	39,489,000	33,764,000	33,761,000	33,982,000
[7] Fund Balance fr Previous FY	49,281,000	46,138,000	44,140,000	36,093,000	17,857,000	4,845,000	1,769,000	-2,325,000
[8] Total Resources	88,384,000	86,095,000	84,342,000	76,849,000	57,346,000	38,609,000	35,530,000	31,657,000
Expenses								
[9] Public Works Administration	2,740,000	3,080,000	3,380,000	3,570,000	3,720,000	3,880,000	3,994,000	4,164,000
[10] Engineering Division	20,180,000	20,490,000	24,470,000	24,840,000	25,850,000	26,920,000	27,726,000	28,889,000
[11] Surveyor/Land Mgt. Division	2,170,000	1,790,000	2,240,000	2,380,000	2,480,000	2,590,000	2,669,000	2,788,000
[12] Sheriff's Office	1,315,000	1,720,000	1,800,000	1,900,000	1,980,000	2,060,000	2,120,000	2,208,000
[13] Finance & Management	135,000	220,000	150,000	160,000	160,000	170,000	176,000	184,000
[14] Operating Budget Subtotal	26,540,000	27,300,000	32,040,000	32,850,000	34,190,000	35,620,000	36,685,000	38,233,000
[15] Lapse and Unexpended			1,600,000	1,640,000	1,710,000	1,780,000	1,830,000	1,910,000
[16] Operating Expense Subtotal			30,440,000	31,210,000	32,480,000	33,840,000	34,855,000	36,323,000
[17] Capital Projects on County System	10,005,500	11,428,700	8,544,000	16,590,000	16,700,000	3,000,000	3,000,000	3,000,000
[18] County/City Road Partnership	2,500,000	2,500,000	4,142,000	4,142,000	3,321,000	0	0	0
[19] Capital Project Partnership	2,735,000	406,000	1,406,000	3,500,000	0	0	0	0
[20] Projects/Payments for Agencies	362,000	262,000	2,525,000	3,550,000	0	0	0	0
[21] Comm'ty Devel. Fd (EDAP bef. FY00)	464,000	521,000	1,192,000	0	0	0	0	0
[22] Capital Expense Subtotal	16,066,500	15,117,700	17,809,000	27,782,000	20,021,000	3,000,000	3,000,000	3,000,000
[23] Total Road Fund Expenses	42,606,500	42,417,700	48,249,000	58,992,000	52,501,000	36,840,000	37,855,000	39,323,000
Fund Balance/Reserves								
[24] Total Resources	88,384,000	86,095,000	84,342,000	76,849,000	57,346,000	38,609,000	35,530,000	31,657,000
[25] Total Road Fund Expenses	42,606,500	42,417,700	48,249,000	58,992,000	52,501,000	36,840,000	37,855,000	39,323,000
[26] Estimated Fund Balance at FYE	45,777,500	43,677,300	36,093,000	17,857,000	4,845,000	1,769,000	-2,325,000	-7,666,000
[27] Actual Fund Balance at FYE	46,138,000	44,140,000						
[28] Encumbered/Committed at FYE	5,173,000	3,538,000	10,950,000	14,600,000	0	0	0	0
[29] Reserves at FYE Subject to Rebudget	40,604,500	40,139,300	25,143,000	3,257,000	4,845,000	1,769,000	-2,325,000	-7,666,000

12/3/2004

Attachment 2 **SRS and CSD Act 100% Reauthorization**

	FY02-03	FY03-04	FY04-05	FY05-06	FY06-07	FY07-08	FY08-09	FY09-10
Revenues								
[1] Federal Timber Receipts	19,357,000	19,591,000	19,787,000	20,054,000	20,335,000	20,640,000	20,950,000	21,264,000
[2] State Highway Fund Transfer	13,494,000	15,084,000	15,035,000	14,947,000	15,019,000	15,169,000	15,321,000	15,474,000
[3] Federal Aid/Fund Exchange	1,118,000	1,216,000	1,000,000	1,555,000	555,000	555,000	555,000	555,000
[4] Investment Earnings	1,557,000	850,000	1,000,000	1,200,000	1,080,000	540,000	240,000	250,000
[5] Other	3,577,000	4,037,000	3,350,000	3,000,000	2,500,000	2,500,000	2,500,000	2,500,000
[6] Total New Revenue	39,103,000	40,778,000	40,202,000	40,756,000	39,489,000	39,404,000	39,566,000	40,043,000
[7] Fund Balance fr Previous FY	49,281,000	46,138,000	44,140,000	36,093,000	17,857,000	4,845,000	5,409,000	5,120,000
[8] Total Resources	88,384,000	86,916,000	84,342,000	76,849,000	57,346,000	44,249,000	44,975,000	45,163,000
Expenses								
[9] Public Works Administration	2,740,000	3,080,000	3,350,000	3,570,000	3,720,000	3,880,000	3,994,000	4,164,000
[10] Engineering Division	20,180,000	20,490,000	24,470,000	24,840,000	25,850,000	26,920,000	27,726,000	28,889,000
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[19] Capital Project Partnership	2,735,000	406,000	1,406,000	3,500,000	0	0	0	0
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Attachment 3

FY05-06 Projects (Cont'd)	Total Cost	Leveraged Funds	Net County Cost	Type	Jurisdiction	Comments
Pavement Fund						
Overlays and Rehab	\$2,450,000		\$2,450,000	CIP	County	
Delta Hwy Overlay	\$1,100,000	\$632,500	\$467,500	CIP	County	MPO STIP \$632,500 match
Safety Improvements						
Brice Creek Road, MP 6.7	\$200,000	\$115,000	\$85,000	CIP	County	\$115,000 Forest Hwy funds match
Hwy 126 @ Deerhorn Road	\$50,000		\$50,000	CIP	ODOT	Match for ODOT project
Payments to Other Agencies						
I-5/Coburg Interchange	\$2,500,000		\$2,500,000	CIP	ODOT	Match for unidentified Federal/State funds
Ped and Bike Improvements						
South Jetty Road	\$390,000		\$390,000	CIP	County	Trans. Plan. staff recommending dropping project.
Assisted housing roads						
Assisted Housing Fund	\$1,000,000		\$1,000,000	Assis. Housing	Various	Project recommendations through JHPB
FY05-06 Total	\$23,330,000	\$1,047,500	\$22,282,500			
Grand Total (04-05 and 05-06)	\$51,536,000	\$6,613,500	\$44,922,500			