

W. G. B.

AGENDA COVER MEMO

DATE: March 31, 2004

TO: Lane County Board of Commissioners

DEPARTMENT: Public Works Department

PRESENTED BY: Ollie Snowden, Public Works Director

TITLE: DISCUSSION – Regional Road Finance and Revenue Sharing Concepts
Worksession

I. MOTION

N.A.

II. ISSUE

Shall the Board of County Commissioners propose a short-term revenue sharing concept for Lane County cities as an interim approach to regional road financing while conducting a multi-jurisdictional road maintenance efficiency/consolidation audit prior to longer-term arrangements? Shall the Board set a date for a follow-up meeting with Lane County cities to present the concept?

III. DISCUSSION

A. Background

At the joint November 25, 2003 road finance meeting, the Board presented the cities with a proposal for sharing the County's operation, maintenance and preservation (OM&P) revenues that would be received as a result of the 2003 OTIA III legislation. Other financing options were discussed. At the close of the meeting, Chair Sorenson asked that the cities respond to the Board by February 15th with their suggestions for new road revenue sources and thoughts for improving the efficiency of delivering road maintenance services. The Board received responses from four cities – Creswell, Eugene, Springfield and Westfir. Those responses are attached as Exhibits A through D respectively.

On March 8th, I met with Chair Green, Vice-Chair Hampton and County Administrator Bill Van Vactor to discuss conceptual approaches to the cities' requests for greater County road fund revenue sharing and regional road financing. That conceptual approach suggested by that group is presented below as a starting point for Board discussion.

B. Analysis

The recommended conceptual approach is based on two key tenets:

- a. The County will not be responsible for filling the entire funding shortfall required to address the cities' OM&P needs;

- b. The County will provide increased short-term assistance to the cities, contingent on agreement by the cities to consider a strategic approach to longer-term funding. This strategic approach includes a) an independent, third party audit of the road maintenance services, to identify efficiencies through partnering and consolidation, and b) resolution by Congress of the County Payments legislation reauthorization issue.

Elements of the concept are:

1. The Board will agree to continue the existing \$2.5 million County/City Road Partnership program until the County Payments reauthorization is resolved. This could either be a two-year or a three-year commitment, depending on when Congress acts on the reauthorization. Distribution would be on the current formula (base payment plus road miles distribution).
2. The Board will agree to distribute the County's new OM&P OTIA III money to the cities for two or three years. The distribution would be as proposed in Exhibit E. Exhibit E is constructed using the estimated OM&P funding that the County expects to receive from OTIA III. The Board will determine whether to distribute the actual revenues received from OTIA III or the estimated amounts. This decision will determine when the money is distributed to the cities.
3. All short-term revenue sharing in #1 and #2 above is contingent on the cities' participation in an independent, third party audit of road maintenance services that examines:
 - i. The cost of providing road maintenance services;
 - ii. Opportunities for road maintenance efficiencies through partnering;
 - iii. Opportunities for road maintenance efficiencies through consolidation of services.The audit will be performed by a consultant to be selected by the Board. The scope of work will be developed by the Board at a subsequent meeting. The County will assume responsibility for funding for the audit. City cooperation and access to financial and road maintenance service records is essential to the success of the audit. The audit could be countywide in scope or focus on the metropolitan area.
4. The Board will consider providing local matching funds for selected federal earmark projects or OTIA III modernization projects by canceling a County-funded project in the Capital Improvement Program. The Board will entertain suggestions as to which project or projects to cancel. A list of County-funded capital projects in or near cities is shown in Exhibit F.
5. The Board will delay further consideration of a countywide motor fuel tax until after the road maintenance efficiency audit and after resolution of the County Payments reauthorization.
6. The Board recognizes that this concept will not completely resolve the short-term or long-term maintenance and preservation funding gap of every city. Consequently, the Board understands that individual cities may proceed with additional revenue generation measures for road finance.

C. Alternatives / Options

The conceptual approach above proposes tactical short-term revenue sharing combined with a strategic review of longer-term funding and service delivery issues. There are multiple alternatives to the proposed concept as well as to the individual components of the concept. These can be discussed at the work session.

D. Recommendation

1. Agree on a conceptual approach to road financing to present to the cities;
2. Set a date for a joint road finance meeting with the cities.

E. Timing

County/City Road Partnership renewal and the OTIA III pass-through funding will affect the cities' FY04-05 budgets, so a decision relatively soon will fit better with the cities' budget processes than a decision late in the fiscal year.

If the Board wants to have a joint meeting with the cities before budget starts, the third week in April is the last opportunity.

IV. IMPLEMENTATION/FOLLOW-UP

Continuation of the County/City Road Partnership and initiation of the OTIA III pass-through will require Orders and IGA's for ratification at a subsequent Board meeting. Decisions to cancel projects to fund local match for earmark projects will be affirmed at the CIP adoption in May.

An independent audit will require preparation of a scope of work and an RFP. Board review and authorization could occur in April/May. The audit should take 3 – 4 months to complete. With a May/June start, work could be performed this summer with a final report by early fall.

V. ATTACHMENTS

- Exhibit A: Letter from Creswell Mayor Petitti
- Exhibit B: Letter from Eugene Manager Taylor
- Exhibit C: Letter from Springfield Mayor Leiken
- Exhibit D: Letter from Westfir Mayor Tonkin
- Exhibit E: Distribution of Additional OTIA III Funds to Cities
- Exhibit F: County Funded Capital Projects in or near Cities



P.O. Box 276
Creswell, Oregon 97428
541-895-2531

February 11, 2004

Commissioner Bobby Green, Chair
Lane County Board of Commissioners
125 East 8th Avenue
Eugene, Oregon 97401

Subject: Comments on the County/City Road Partnership Program

Dear Commissioner Green:

At the conclusion of our November 25, 2003 meeting at Lane Community College, Chair Sorenson requested written comments from cities on proposed changes to the County/City Road Partnership Program. We appreciate this opportunity to give you our opinion.

First, on behalf of the community of Creswell, we would like to sincerely thank you for all the years of funding under the County/City Road Partnership Program. In FY 2002-2003 the county provided \$72,012. This accounts for 31 percent of our yearly road fund revenues—nearly one-third of our total yearly revenues. Our 16+ miles of city roads are in better condition as a direct result of your help and assistance. We greatly appreciate our partnership with you.

As a result of the meeting and of our Council discussions, we have a number of comments for your consideration:

1. Our Transportation Needs. The city of Creswell does not have a comprehensive condition analysis of its roads; however, we can tell you that, overall, our roads are in fair condition. We can show you examples of very poor road conditions, examples of sidewalks badly in need of replacement, some bad examples of deferred maintenance, and some bike paths that need construction. We do the best we can with the limited funds we have. The charts for all cities from the November meeting will help you understand our dilemma:

- For Road Revenues per Capita: Creswell is #10 of the ten reporting cities.
- For Road Expenditures per Capita: Creswell is #9 of the ten reporting cities.

2. Proposal for Redistribution of County OTIA III Funding. We greatly appreciate your offer to share the new OTIA III Revenue with cities. You asked for comments on the various options for distributing the dollars. We would prefer Option 3 – By Average of Miles and Population. This seems to be the most equitable method, even though we would receive slightly more funds under Option 1 which uses only Average Road Miles in the distribution formula.

3. Supplemental Payments under the County/City Road Partnership Program. We could sincerely use the extra funds proposed to be distributed under a revised Road Partnership Program. Again, we would prefer Option 3 – By Average of Miles and Population.

4. Operating Efficiencies. We'd be happy to discuss additional ways to work together with county Public Works on road projects within the city limits. Nearly every road fund dollar spent in Creswell is used for preservation or modernization. Developers of new subdivisions are building the new roads in Creswell, not the city. On the other hand, there are new roads in our Transportation System Plan that need to be constructed to enhance economic development opportunities for the private sector.

5. Local Option Fuel Tax and Local Option Registration Fee. At this time, the Creswell City Council would like to go on record as opposed to either of these two methods of raising revenue for our local road system. Our opinion may change as conditions in the community change, but for right now, we are opposed to new revenues from these two sources. We would like to program and then spend any new OTIA funds and new County/City Partnership funds, before considering new revenue sources.

6. Special Funds for Economic Development Projects. As we understand it, the county has not allocated any money for road projects related to economic development as the larger road fund discussions continue. Our opinion is this: we would like to see a special fund of road-related revenues specifically set aside for projects related to economic development. We believe we could make good use of such a fund.

7. "Poor" Cities and "Rich" Cities. At the November meeting, our interim city administrator mentioned the desirability of adjusting the overall County/City Road Partnership Program distribution formula to reflect the disproportionate needs of the smaller and poorer cities in the county. By "poorer", we're referring to our total annual road fund revenues.

The charts and tables completed for the November meeting were incomplete—they didn't include data for Coburg and Lowell; thus, we can't design a possible system for your consideration.

The point we'd like to make is that just as our income tax system is based on progressive rates so that the poor people pay proportionately less than rich people, we'd suggest the same logic for the formula that distributes road funds. Smaller and poorer cities should receive proportionately more than larger and richer cities. Perhaps the base payment could be adjusted for smaller and poorer cities and this could be done for the next three to five years. Perhaps the bottom one-third or the bottom one-half of cities (based on annual road fund revenues, less special projects) could receive a larger base payment. Please give this idea your serious consideration.

Again, we'd like to thank you for your years of assisting the city of Creswell through the County/City Road Partnership Program. The program has been of very beneficial for us.

Sincerely,

A handwritten signature in black ink, appearing to read "Ron Petitti". The signature is written in a cursive style with a large initial "R" and "P".

Ron Petitti
Mayor

cc: Lane County Administrator Bill Van Vactor
Public Works Director Ollie Snowden

FEB 09 2004



City Manager's Office

February 5, 2004

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Eugene, Oregon 97401-2793
(541) 682-5010
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Bill Van Vactor, Administrator
Lane County
125 East Eighth Avenue
Eugene, OR 97401

Dear Bill:

The Eugene City Council met on January 28, 2004 to discuss a response to the questions raised at the November 25, 2003, joint county and city road finance meeting. The city councilors provided unanimous direction on several specific issues and offered their guiding principles as discussion continues on the broader issues.

First, councilors asked me to convey their thanks to the Board of County Commissioners for meeting with Lane County cities on this critical issue of transportation funding, and for soliciting recommendations from the cities as part of the on going dialog.

Regarding the preferred method of distribution should the Board of Commissioners choose to allocate Lane County's OTIA III revenue to the cities, the City Council unanimously expressed support for a mixed formula based on road miles and population.

The City Council was also unanimous in supporting the staff recommendation for an external review of opportunities for sharing services, recognizing the significant differences between urban transportation systems and primarily rural transportation systems. Several councilors and the Mayor expressed their hope that such a study could be completed quickly and identify three to four key areas likely to produce good results. City of Eugene staff has met with staff from Lane County and the City of Springfield to begin discussing what the scope of such a study might entail and how it might be conducted most effectively.

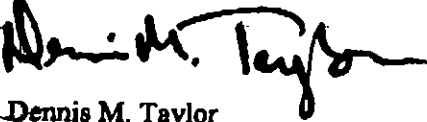
With regard to the broader issue of new transportation funding sources, councilors individually, favored various proposals, ranging from a modest county wide gas tax to a vehicle registration fee to no new transportation taxes. The City Council did unanimously encourage the Board of Commissioners to consider all of the options presented to date and to encourage further dialog with the cities on which options are most viable. In supporting the call for continued dialog, the City Council offered the following guiding principles:

- The level of funding should be adequate to keep the backlog of road repair projects from growing, and it should fill the shortfall between existing revenue for road repair and the annual need. As a point of reference, the current backlog in Eugene is about \$93 million and continues to grow each year.

- If a county wide gas tax is enacted with the intent to replace the local fuel tax recently implemented in Eugene, its revenue yield should at least equal the yield from Eugene's tax.
- Additional study should be made of a county wide vehicle registration fee.
- Any new source of county wide transportation revenue should have an automatic allocation formula to distribute funds to the cities.
- The current Lane County road fund allocation should be reviewed.

Again, thanks for the opportunity to provide input on this very important issue. We look forward to continuing our discussions and making progress on the proposals currently before us. Please let me know if I can provide any additional information to you or the Board of Commissioners.

Sincerely,



Dennis M. Taylor
City Manager

cc: Mayor Torrey and City Councilors
Jim Carlson
Kurt Corey



February 9, 2004

Hon. Bobby Green,
Chair,
Lane County Board of Commissioners
125 E. 8th Avenue
Eugene, Oregon 97401

Re: Transportation Funding

Dear Chairman Green:

At the November 25, 2003, meeting of the Board of Commissioners to which the Mayors of Lane County Cities were invited to participate in a discussion of transportation funding issues, the Board indicated an interest in hearing from the cities, before February 15, 2004, with respect to several concepts that were discussed at that meeting.

Let me begin by expressing the appreciation and support of the Springfield Council for the Board's consideration of a proposal to reallocate the unprogrammed additional Highway Trust Fund revenues that the County will receive under the provisions of the recently enacted Oregon Transportation Investment Act (OTIA III) to the cities of Lane County. While we understand that any such decision may be for a limited period of time, in light of uncertainties about the reauthorization of the Safe Rural Schools Self Determination Act of 2000 by the Congress, we are gratified by the County's willingness to provide this support, which we will devote to restoring our spending for preservation to minimally prudent levels.

Several members of the Board expressed interest in exploring the potential for increase collaboration and coordination among the several road agencies within the county. We encourage such increased cooperation. Earlier, our staff forwarded to the County Director of Public Works a list of the many items where cooperation is already a daily routine. Included with that list was an even more extensive list of items where we believe further cooperation might be possible. We would like to explore these opportunities further.

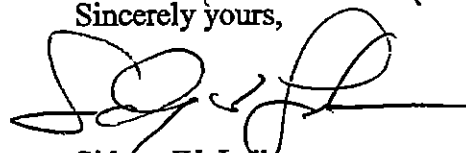
Because of the complexity of making comparisons across the several very diverse systems we employ for operating, maintaining and preserving a wide variety of streets and roads, such exploration has posed difficult issues in coming to a common understanding of the bases to evaluate collaboration. For this reason, we support

suggestion that an objective, outside firm be retained to evaluate the potential for further cooperation and collaboration. Sadly, however, we find ourselves in a difficult position to choose between using our scarce fiscal and staff resources on this sort of study, or on operations and maintenance of the existing system. Consequently, we hope that the Board would find it appropriate to fund such a study, in which we would gladly participate, with no more than nominal financial contributions by the cities..

During the meeting, Commissioner Dwyer suggested that it might be prudent to stretch some of the timelines on the projects in the current County Capital Improvement Program, and use the freed-up resources to provide additional support to city preservation projects. We endorse that suggestion. For example, it appears that the second phase of the Jasper Road extension, currently programmed for the current fiscal year, might not actually be ready for construction until at least 2010.

Finally, I understand the Commissioners wished to hear from the cities with respect to potential support for either a county wide fuel tax, dedicated to maintenance and preservation of local streets, or a similarly dedicated county vehicle registration fee. Given the absence of concern on the part of the citizens of Springfield, Eugene, and Cottage Grove, who together form the vast majority of County residents, we believe the County might find it appropriate to enact a county wide fuel tax on the order of \$0.05 per gallon. I must advise you, however, that Springfield cannot commit to any specific course of action with respect to our local tax in connection with any adoption of a County tax. At this juncture, given the repeal of our ordinance authorize the implementation of a Transportation System Maintenance Fee, our annual projections for new revenue remains some \$275,000 below the target set by Council. Once the other solutions we have discussed are in place, it will be possible to evaluate the overall financial picture and come to some conclusion about the long-term level of revenue we can rely upon.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'S. W. Leiken', written over a horizontal line.

Sidney W. Leiken,
Mayor

c: Mike Kelly



CITY OF WESTFIR
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47441 Westoak Road
Westfir, Oregon 97492
Telephone 541-782-3733 Fax 541-782-3983
email westfircity@trip.net

EXHIBIT D

JAN 26 2004

January 24, 2004

Lane County Board of Commissioners
125 East 8th Avenue
Eugene, OR 97401

RE: County/City Road Fund Program

Dear Board of Commissioners:

The Westfir City Council met on January 12, 2004 and discussed operating efficiencies for the County/City Road financing program.

Although we do not have the projects and employees that the metropolitan areas have, we can still relate to operating efficiencies as we have a very small operating budget for our city.

Therefore, the council and mayor agreed that something must be done and decided that the best way to cut back on expenses is to review and cut back on engineering and administrative costs. Other suggestions were eliminating unnecessary projects (such as landscaping and studies) and after completion of certain projects laying employees off rather than pay them a wage while waiting for a new project to begin. We do not want to see more taxes or fees imposed to raise money for this program.

It is our hope that a solution can be found that will be fair to all the cities in Lane County, no matter what their size. Just because the small, rural communities do not have the major projects and concerns that the metropolitan areas have, they should not be penalized.

Sincerely,

Diana V. Tonkin, Mayor
City of Westfir

DT/em

Exhibit E

FY 03-04 OTIA III \$600,000 Payment

FY 03-04 CCRP \$2,500,000 distributed in Nov - Dec 2003 by road miles

City	OTIA III Pass-through			Combined CCRP & OTIA Payments		
	Base Payment	Av. Payment By Miles/Pop	Total OTIA III	FY03-04 CCRP (2001 miles)	FY 03-04 Total	Percent of Total
Coburg	\$7,800	\$4,414.99	\$12,214.99	\$62,267.32	\$74,482.31	2.4%
Cottage Grove	\$7,800	\$21,278.27	\$29,078.27	\$130,833.86	\$159,912.13	5.2%
Creswell	\$7,800	\$8,724.75	\$16,524.75	\$72,012.34	\$88,537.09	2.9%
Dunes City	\$7,800	\$5,190.37	\$12,990.37	\$65,734.30	\$78,724.67	2.5%
Eugene	\$7,800	\$298,999.56	\$306,799.56	\$1,208,923.78	\$1,515,723.34	48.9%
Florence	\$7,800	\$18,809.01	\$26,609.01	\$120,737.45	\$147,346.46	4.8%
Junction City	\$7,800	\$11,320.26	\$19,120.26	\$84,708.98	\$103,829.25	3.3%
Lowell	\$7,800	\$2,287.00	\$10,087.00	\$45,986.58	\$56,073.58	1.8%
Oakridge	\$7,800	\$8,999.05	\$16,799.05	\$80,281.56	\$97,080.61	3.1%
Springfield	\$7,800	\$116,293.13	\$124,093.13	\$504,447.70	\$628,540.83	20.3%
Veneta	\$7,800	\$9,748.17	\$17,548.17	\$89,066.13	\$106,614.30	3.4%
Westfir	\$7,800	\$335.44	\$8,135.44	\$35,000.00	\$43,135.44	1.4%
TOTAL	\$93,600	\$506,400.00	\$600,000.00	\$2,500,000.00	\$3,100,000.00	100.0%

FY 04-05 OTIA III \$1,400,000 Payment

FY 04-05 CCRP \$2,500,000 by Road Miles

City	OTIA III Pass-through			Combined CCRP & OTIA III Payments		
	Base Payment	Av. Payment By Miles/Pop	Total OTIA III Payment	FY04-05 CCRP (2002 miles)	FY 04-05 Total	Percent of Total
Coburg	\$19,600	\$10,024.91	\$29,624.91	\$62,065.53	\$91,690.44	2.4%
Cottage Grove	\$19,600	\$48,748.28	\$68,348.28	\$130,380.42	\$198,728.70	5.1%
Creswell	\$19,600	\$20,405.30	\$40,005.30	\$73,249.83	\$113,255.13	2.9%
Dunes City	\$19,600	\$11,798.95	\$31,398.95	\$65,506.85	\$96,905.80	2.5%
Eugene	\$19,600	\$686,825.68	\$706,425.68	\$1,204,072.82	\$1,910,498.50	49.0%
Florence	\$19,600	\$43,017.54	\$62,617.54	\$120,102.96	\$182,720.49	4.7%
Junction City	\$19,600	\$26,111.28	\$45,711.28	\$85,061.93	\$130,773.21	3.4%
Lowell	\$19,600	\$5,224.83	\$24,824.83	\$45,905.27	\$70,730.10	1.8%
Oakridge	\$19,600	\$20,538.22	\$40,138.22	\$79,946.45	\$120,084.67	3.1%
Springfield	\$19,600	\$268,500.30	\$288,100.30	\$507,809.71	\$795,910.01	20.4%
Veneta	\$19,600	\$22,822.02	\$42,422.02	\$90,898.23	\$133,320.25	3.4%
Westfir	\$19,600	\$782.70	\$20,382.70	\$35,000.00	\$55,382.70	1.4%
TOTAL	\$235,200	\$1,164,800.00	\$1,400,000.00	\$2,500,000.00	\$3,900,000.00	100.0%

Exhibit F
County Funded Capital Projects in or near Cities

	Jurisdiction	City	Cost	Year	County Project?
<u>CaPP Projects</u>					
Wayne Morse Courthouse	ODOT	Eugene	\$325,000	FY04-05	No
Hwy 126 West Frontage Road**	Veneta	Veneta	\$450,218	FY03-04	No
Hwy 126 East @ Thurston	ODOT	Springfield	\$500,000	FY05-06	No
Hwy 58 @ Industrial Pkwy*	ODOT	Oakridge	\$240,000	FY03-04	No
Hwy 99 @ Harrison*	ODOT	Cottage Grove	\$545,000	FY03-04	No
Spfld/Creswell @ I-5, Bike/Ped Xing	ODOT	Creswell	\$300,000	FY03-04	No
2nd St. Extension**	Florence	Florence	\$248,584	FY03-04	No
E-S Hwy @ 42nd St Signal	ODOT	Springfield	\$200,000	FY04-05	No
MLK Parkway*	Springfield	Springfield	\$3,300,000	FY04-05	Yes
CaPP Subtotal			\$6,108,802		
<u>Community Development Projects</u>					
14th Ave Extension	Eugene/4J	Eugene	\$472,000	FY03-04	No
Judkins Pt. Interchange	ODOT	Eugene	\$200,000	FY04-05	No
Hwy 99 @ Harrison*	ODOT	Cottage Grove	\$175,000	FY03-04	No
Second Street*	Oakridge	Oakridge	\$400,000	FY03-04	No
Hwy 126 East Frontage Road*	Veneta	Veneta	\$195,013	FY03-04	No
Laura Street	County	Springfield	\$200,000	FY03-04	No
Unencumbered Balance			\$443,471		
CD Subtotal			\$2,085,484		
<u>County CIP Projects</u>					
Hulbert Lake Road	County	N/A	\$1,540,000	Cancelled	Yes
Lingo Lane	County	N/A	\$396,000	Cancelled	Yes
Mill Road	County	N/A	\$352,780	Cancelled	Yes
Delta/Beltline Interchange	County	Eugene	\$8,050,000	FY05-06	Yes
Game Farm Road, C/L to Coburg Rd*	County	Eugene	\$2,640,000	FY04-05	Yes
Royal Ave, Terry to Green Hill*	County	Eugene	\$2,200,000	FY05-06	Yes
MLK Parkway*	Springfield	Springfield	\$1,900,000	FY04-05	Yes
Jasper Rd Extn, S 57th to Jasper Rd*	County	Springfield	\$2,500,000	FY04-05	Yes
Irving Overpass	County	Eugene	\$4,000,000	FY05-06	Yes
Assisted Housing Roads			\$2,033,000		Some
CIP Subtotal			\$25,611,780		
Total County Funded Projects			\$33,806,066		

* Project in progress

** Partial payments made