CHAPTER

10 Finance and Implementation

This chapter outlines the funding needs and potential sources of funding that could be used for the transportation system. There is a significant funding shortfall for city street projects and high priority pedestrian and bicycle projects. Approximately $43 million in additional funding is required to complete high priority items on the Action Plan list, while an additional $34 million is needed to fill key gaps in the system or upgrade older streets to current standards through 2030.

In addition, improvements on state facilities require significant investment through regional or state partners; typically 85 percent of the total project cost. The state projects listed in the City's TSP are not included in adopted regional plans to date. The expected local share (15 percent) of the state improvements has been included in budget allocation, but the city will need to amend regional and state transportation plans to incorporate these projects in order for the full system needs to be met. The primary state projects in the city are the improvements at the 10th Street/I-205 interchange and upgrading of Highway 43 to provide full pedestrian and bicycle facilities, center turn lanes at key locations, and upgraded traffic controls at major intersections.

Roadway Funding Strategies

Transportation funding is commonly viewed as a user fee system where the users of the system pay for infrastructure through motor vehicle fees (such as gas tax and registration fees) or transit fares. However, a greater share of motor vehicle user fees goes to road maintenance, operation and preservation of the system rather than construction of new system capacity. Much of what the public views as new construction is commonly funded (partially or fully) through local improvement districts (LIDs) and frontage or off-site improvements required as mitigation for land development.

West Linn Funding Sources

The City of West Linn funds construction, operations, and maintenance from five revenue sources:

- State gas tax and license fees
- Roadway maintenance fee
- Franchise fees
- Miscellaneous
- System Development Charge

State Fuel Tax and Vehicle License Fee

State gas tax and license fees are distributed to municipalities by the State of Oregon. By statute, the money must be used for any road-related purpose, with one percent dedicated to bicycle path development. The State of Oregon Highway Trust Fund collects taxes and fees on fuel, vehicle licenses, and permits. A portion is paid to cities annually on a per capita basis. Oregon gas taxes are collected as a fixed amount per gallon of gasoline served. The gas tax in Oregon has not increased since 1993 (currently $0.24 per gallon.) The tax does not vary with gas prices changes, nor is there an adjustment for inflation. The lack of change since 1993 means that the net revenue collected has gradually eroded as the cost to construct and repair transportation systems has increased. Increased fuel efficiency in new vehicles has further reduced the revenue stream. Oregon vehicle registration fees are collected as a fixed amount at the time a vehicle is registered with the Department of Motor Vehicles. Vehicle registration fees in Oregon have recently increased from $15 per vehicle per year to $27 per vehicle per year for passenger cars, with similar increases for other vehicle types. There is no adjustment for inflation tied to registration fees. If revenues received from the state increase in future years, then the anticipated need for other revenue sources explained in this chapter (e.g. fees, etc.) can be decreased.

Roadway Maintenance Fee

The roadway maintenance fee is billed on monthly utility bills. By ordinance, the money must be used for road-related purposes. The current fee is set at $4.40 per month per household, and up to $440 per month from businesses. In the fiscal year 2009 budget, this fee is scheduled to increase on January 1, 2009 by ten percent to $4.84 per month per household and by three percent to a maximum of $453 per month from businesses. The fee is allocated to any qualifying roadway maintenance service expenditures as defined in the enabling ordinance, which includes but is not limited to roadway surface repair and maintenance, street lighting, ice and snow removal, traffic control/calming, sidewalk and curb repair, and bicycle and pedestrian path maintenance. The fees currently raise approximately $714,000 annually for the City. A recent levy was defeated (Measure 3-285) in May 2008, which would have replaced the fee.

Franchise Fees & Miscellaneous

Franchise fees from the City's solid waste franchise agreement are receipted to the Street fund. This is discretionary revenue that is currently dedicated to the Street fund on the rationale that garbage trucks impact street condition. The current annual amount is approximately $68,000. Prior to fiscal year 2009, franchise fee revenue from the City's electrical franchise agreement (approximately $500,000) was receipted to the Street fund. Because franchise fee revenue is discretionary, funds were moved to another fund in fiscal year 2009. The creation of a Roadway Maintenance Fee (explained in the preceding paragraph) filled the funding gap that was created when the discretionary electrical franchise fee revenues were allocated to another fund. Miscellaneous funds include interest, reimbursement charges, and other revenues. These revenues total no more than $15,000 annually, and are not a significant source of income for the Streets fund.

System Development Charge

System Development Charges (SDC) can be used to acquire needed property and improvements related to capacity required for growth as development occurs. Construction of new streets for the last fifteen years or more has been almost exclusively done in conjunction with new development. SDCs for streets is used as a funding source for projects that add capacity to the transportation system. The SDC is collected from new development based on the proposed land use and size, and is proportional to each land use's potential PM peak hour vehicle trip generation. The current SDC rate (updated June 2008) per PM peak hour trip is $4,849, which includes $4,628 towards improvements. The City has approximately $500,000 in SDC credits awaiting redemption by developers holding the credits.

While the City of West Linn is expected to have limited commercial development, household growth is projected to grow approximately one percent (90 households per year)[1] through 2030. There is limited land available for multifamily housing and future housing growth was assumed to consist of 20 percent multifamily and 80 percent single family homes. The estimated annual SDC street revenue is projected to be approximately $390,000 based on projected household growth. The total SDC fees collected through 2030, less the $500,000 in existing credits, would generate approximately $8,470,000 in streets revenue, which could be expended on specific street construction projects and some improvement projects.

Comment [GAA1]: The SDC revenue projections are based on household growth only per prior conversations with Andy Parks and Dave Davies

Exactions

These are improvements that are obtained when development is permitted. Developers are required to improve their frontage and, in some cases, provide off-site improvements depending upon their level of traffic generation and the impact to the transportation system. Off-site mitigation measures can include, but are not limited to, Master Plan projects identified in the TSP.

Funding Summary

In fiscal year 2009, the Street Fund is budgeted to receive approximately $1,872,000 in revenue, as summarized in Table 10-1:

Table 10-1: Annual Street Fund Revenue

Revenues	FY 2009 Amount
State gas tax & license fees	$1,075,000
Roadway maintenance fee	$714,000
Franchise fees	$68,000
Miscellaneous	$15,000
TOTAL	**$1,872,000**

In fiscal year 2009, the Street Fund is budgeted to spend approximately $1,669,100 on minor maintenance, support, and operation of the roadway network, including the expenses related to street light operation and maintenance. West Linn's financial policy requires that ten percent of the total expenses should be reserved as fund balance – in fiscal year 2009, West Linn budgeted a reserve of $274,636 which is slightly less than total budgeted requirements (because of anticipated debt issuance for one-time street projects in fiscal year 2009):

Table 10-2: Annual Street Fund Expenses

Expenses	FY 2009 Amount
Personal services (street personnel)	$434,100
Materials & services (includes street lighting)	$516,000
Support services (engineering, planning, finance, and administration)	$719,000
Reserve	$274,636
TOTAL	**$1,943,796**

The annual cost of City street lighting is approximately $230,000, which only includes power and maintenance charges but does not address repair or replacement charges. The annual cost to support street

[1] Based on Metro land use forecasts and verified with City of West Linn Building Department

lighting is expected to increase approximately $100,000 per year in order to address repair and replacement needs.

The fiscal year 2009 funding scenario included above does not include any capital (maintenance or improvement) project funding. When the roadway maintenance fee ordinance was considered and ultimately adopted by the City Council, it was done with the goal of maintaining a pavement condition index (PCI) of 70. The annual capital expense to maintain West Linn streets and sidewalks at a PCI of 70 is estimated to be in excess of $750,000. At the time of implementation, the yield from the roadway maintenance fee was less than anticipated to reach the goal of a 70 PCI.

The $750,000 annual funding level results in a decrease from the current PCI of 72 to a PCI of 70 and remain steady for three years. However, during the same five year timeframe, deferred maintenance is projected to increase from $5,670,000 to more than $13,550,000. This does not include road maintenance responsibilities on the arterial streets that are serviced by ODOT. The street maintenance fee was implemented to fund a portion of this anticipated expense; increasing the street maintenance fee would be required to fully address this anticipated expense and for capital project funding to be solely financed from roadway maintenance fee revenue.

Funding Projection

Based on the revenues available during fiscal year 2009, a forecast was made for the remaining years between 2009 and 2030 to identify the total expected revenues for transportation projects and services. These revenue projections assume:

- The city will continue to collect revenues based on state fuel taxes and license fees, roadway maintenance fee, franchise fees, and miscellaneous revenue sources will not change.
- For a conservative estimate, projections assume no change in the factors other than the number of years estimated into the future.

Table 10-3: Forecasted Transportation Plan Revenues

Revenue	FY 2009 Amount	Estimated Through 2030
State gas tax & license fees	$1,075,000	$24,725,000
Roadway maintenance fee	$714,000	$16,422,000
Franchise fees	$68,000	$1,564,000
Miscellaneous	$15,000	$345,000
TOTAL	**$1,872,000**	**$43,056,000**

Projects and Programs

This section presents the recommended projects and programs developed for the City of West Linn to serve local travel for the coming years. The Pedestrian, Bicycle, Transit, and Motor Vehicle projects identified in the Action Plan for each mode represent those projects that have the highest priority for implementation to satisfy performance standards or other policies established for the West Linn Transportation System Plan. The costs for the remaining projects noted in the modal Master Plans are identified, but these have not been included in the funding needs analysis for the City because the Action Plan is limited to projects most in need of funding within the planning horizon. As shown in Tables 10-4 and 10-5, both the Action Plan and the Master Plan project lists both have serious funding shortfalls to overcome in order to be built.

Project Cost Estimates

Cost estimates (general planning level) were developed for the projects identified for the motor vehicle, bicycle, transit, and pedestrian elements. Cost estimates from the existing City planned projects were used in this study, if they were determined to be reasonable. Other projects were estimated using general unit costs for transportation improvements, but do not reflect the unique project elements that can significantly add to project costs[2]. Development of more detailed project costs can be prepared in the future with more refined financial analysis. Since many of the projects overlap elements of various modes, the costs were developed at a project level incorporating all modes, as appropriate. It may be desirable to break project mode elements out separately. However, in most cases, there are greater cost efficiencies undertaking a combined, overall project.

Each project cost will need further refinement to detail right-of-way requirements and costs associated with special design details as projects are pursued. All project cost estimates are based on 2008 dollars. Operations and support costs assume a four percent growth rate per year to accurately estimate the rising costs of health care, cost of living and benefits. Historical highway construction costs price index has increased by3.7 percent per year on average according to Oregon Department of Transportation (ODOT) construction records. Construction costs increased 134 percent in the past 8 years from 2000 to 2008 (average of approximately 11%/year), based on published construction cost indexes[3] by ODOT. In this model, note that projected costs were not inflated using any inflation factors, and projected costs are shown as information only.

Other Transportation Programs and Services

In addition to the physical system improvements identified in the previous section, the transportation facilities will require on-going operation and maintenance improvements across a variety of areas. These other transportation programs are recommended to respond to the specific policies and needs in maintaining roadway pavement quality, allocations for implementing neighborhood traffic management, and on-going update and support of related planning documents.

[2] General plan level cost estimates do not reflect specific project construction costs, but represent an average estimate. Further preliminary engineering evaluation is required to determine impacts to right-of-way, environmental mitigation and/or utilities. This level of cost-estimating is typically completed during project development and design. Experience has shown that individual projects costs can increase by 25 to 75 percent as a result of the above factors.

[3] ODOT Construction Cost Index reports trends for highway construction projects around the state on a quarterly basis. In 2000, the index was 153.5, and in the third quarter of 2008 it was 359.1, which is an increase of 134 percent. Refer to http://www.oregon.gov/ODOT/HWY/ESTIMATING/cost_trends.shtml for details.

West Linn Costs for Action Plans

The costs outlined in the Transportation System Plan to implement the Action Plans for Streets, Transit, Bicycles, and Pedestrians total $20.3 million. While the cost of the Highway 43 Concept Plan will likely be funded by various sources, a 15% local share contribution ($3.1 million) is assumed by the City of West Linn in order to make the project attractive for other funding agencies and is included in the Action Plan estimates.

The addition of other recommended transportation operations and maintenance programs, including street lighting, would add $24.8 million.

Required costs for personnel, operations, and support, which assume a four percent increase each year would add $39.5 million.

And, West Linn financial policies require ten percent fund balance for the Streets fund would add approximately $390,000 on a one-time basis and would be carried forward from year to year.

This results in a total cost of $85.0 million. The Action Plan costs through 2030 are summarized in Table 10-4.

Table 10-4: Transportation System Plan Costs

TSP Element	Estimated Cost
Action Plan System Projects (Tables 5-3, 6-3, 7-4, and 8-14)	
Motor Vehicle – West Linn Facilities	$14,590,000
Motor Vehicle – State Facilities (West Linn 15 percent contribution)	$3,250,000
Bicycle	$1,880,000
Transit	$1,320,000
Pedestrian	$0*
Action Plan System Projects Subtotal	$21,040,000
Maintenance Projects	
Roadway Maintenance ($750,000 per year)	$17,250,000
Street Lighting ($330,000 per year)	$7,590,000
Maintenance Projects Subtotal	$24,840,000
Operations & Support (assumes a four percent increase per year)	$39,491,000
Reserves (financial policies require ten percent of total expenditures)	$390,000
TOTAL	**$85,761,000**
Anticipated Revenue (Table 10-3)	**$43,056,000**
Variance	**($42,705,000)**

*Pedestrian projects and funding are included in the Highway 43 Concept Plan.
**Includes the Highway 43 Concept Plan.

The total $85.0 million cost of the Action Plan is compared to the expected year revenue estimate of $43.1 million (see Table 10-3). The gap between available revenue and total costs of projects included in

the Action Plan is significant and indicates that even the most needed projects included in the Action Plan face a significant funding hurdle in order to become reality

Notably, the assumption of an increased roadway maintenance fee decreases the funding gap. Decisions related to roadway maintenance fee amounts will be the decision of Citizens' Budget Committee and City Councils during budget discussion each fiscal year.

The costs for the remaining projects noted in the modal Master Plans require additional funding beyond existing program levels, and they are expected to be built beyond the 2030 horizon or completed with development exactions or other unanticipated funding sources. Table 10-3 summarizes the value of additional Master Plan projects for each mode that are not included in the reasonably fundable Action Plan. A listing of the Master Plan projects is contained in Tables 5-2, 6-2, and 8-14.

Table 10-5: Master Plan Projects not in Action Plan – Costs Through 2030 (2007 Dollars)

Transportation Element	Approximate Cost ($1,000)
System Improvement Projects (Not funded by City in Action Plan)	
Motor Vehicle	$6,115
Bicycle	$6,970
Pedestrian	$20,430
TOTAL in 2008 Dollars	**$33,515**