

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE:	Ordinance No. 550 Creating a Transportation Benefit District.
DEPARTMENT:	Finance
PRESENTED BY:	Debbie Tarry, Finance Director

PROBLEM/ISSUE STATEMENT:

State legislation allows local governments to establish a Transportation Benefit District ("TBD") and accompanying funding sources to provide for the preservation, maintenance and construction of local transportation infrastructure.

The City currently allocates \$2.5 million in unrestricted revenues towards the preservation and maintenance of the City's transportation infrastructure. In addition to this the City receives approximately \$1.3 million annually in fuel taxes that are restricted for maintenance of City streets and transportation infrastructure such as street lights, traffic signals, traffic signs, and the right-of-way.

The City's long-term financial projections have projected budget gaps related to a long-term structural imbalance between revenues and expenditures. The Council has been aware of these anticipated gaps for the past few years and has been working on a long-term strategy to close these gaps. This work had commenced prior to the current recession which has increased the anticipated gaps for 2010 through 2011.

Citizen surveys have identified the maintenance and improvement of the City's transportation infrastructure as a high priority. As a result of the priority placed on the need to maintain the City's transportation infrastructure and maintain current funding levels allocated towards the City's transportation infrastructure, the Citizens Advisory Committee on long-range financial planning, appointed by the City Council, has recommended that the City Council consider forming a TBD and adopting a \$20 vehicle license fee.

Prior to 2003 and the passage of I-776 the City collected a \$15 vehicle license fee that was dedicated for the maintenance of transportation infrastructure. At that time the City collected approximately \$500,000 annually from this revenue source. 63% of voters in Shoreline voted "No" on I-776, but the initiative passed on a state-wide basis. As a result of the vehicle license fee being eliminated additional unrestricted revenues were allocated towards the maintenance of the City's transportation system and reductions were made in other non-transportation programs.

FINANCIAL IMPACT:

Based on the amount of collections from the \$15 vehicle license fee, staff anticipates that the City would collect at least \$600,000 annually from a \$20 vehicle license fee.

RECOMMENDATION

Staff recommends that the Council discuss the requirements of TBD formation and the purposes for which funds raised through the TBD may be used. Council is scheduled to hold a public hearing on the formation of the TBD on June 22, 2009. Following the Public Hearing the City Council will need to take a formal vote on whether to form a TBD.

Approved By:

City Manager



City Attorney



INTRODUCTION

State legislation allows local governments to establish a Transportation Benefit District ("TBD") and accompanying funding sources to provide for the preservation, maintenance and construction of local transportation infrastructure.

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BACKGROUND

Transportation Maintenance Costs

The City's costs for maintaining and preserving its transportation infrastructure are primarily accounted for in the City Street and Roads Capital Funds. The City Street fund accounts for such costs as street sweeping, road and sidewalk maintenance, right-of-way maintenance, street lights, snow and ice removal, traffic signals, and traffic services. The Roads Capital fund accounts for the pavement management program, major traffic signal rehabilitation, and curb, gutter, and sidewalk repairs. Since 2003 the costs for providing these services are as follows:

	2003	2004	2005	2006	2007	2008
City Street Fund	2,875,845	2,392,231	2,224,959	2,302,168	2,246,923	2,548,263
Pavement Management	550,275	740,692	732,439	728,062	732,317	664,507
Traffic Signal Rehabilitation	-	-	-	48,238	207,643	203,751
Curb, Gutter & Sidewalk Repair	64,074	25,704	242,306	229,028	97,273	213,647
Total	<u>3,490,194</u>	<u>3,158,627</u>	<u>3,199,704</u>	<u>3,307,496</u>	<u>3,284,156</u>	<u>3,630,168</u>

The amount of funding for the City's pavement management program has held fairly steady for the past six years, but the costs per mile of improvement have increased. As

a result the quantity of work completed has declined. Public Works has estimated that the level of funding may be as much as 50% below the required level to effectively maintain the City's roads over the long-term.

Prior to 2003 and the passage of I-776 the City collected a \$15 vehicle license fee that was dedicated for the maintenance of transportation infrastructure. At that time the City collected approximately \$500,000 annually from this revenue source. 63% of voters in Shoreline voted "No" on I-776, but the initiative passed on a state-wide basis. As a result of the vehicle license fee being eliminated additional unrestricted revenues were allocated towards the maintenance of the City's transportation system and reductions were made in other non-transportation programs.

The only other dedicated revenue source for the maintenance and preservation of the City's transportation system is fuel taxes. Fuel tax collections have gone up and down over the years primarily because it is based on the number of gallons sold, not on the cost of the fuel purchased. The following table shows collections for 2003 through 2008.

	2003	2004	2005	2006	2007	2008
Fuel Tax	1,112,082	1,085,914	1,126,669	1,220,213	1,280,096	1,217,849
% Change		-2.4%	3.8%	8.3%	4.9%	-4.9%
Change 2003 to 2008						9.5%
Inflation 2003 to 2008						17.1%

Overall the amount collected in 2008 had grown by approximately 9.5% compared to the amount collected in 2003. At the same inflation grew by almost twice this amount during the same period of time.

Fuel tax collections are not adequate to fund the needs of maintaining and preserving the City's transportation system. As a result unrestricted funds (taxes from the General Fund) have been allocated to achieve the level of funding from 2003 to 2008. The following table shows the amount of unrestricted funds that have been allocated towards the City Street Fund, the pavement management program, traffic signal rehabilitation, and curb, gutter, and sidewalk repair and maintenance.

	2003	2004	2005	2006	2007	2008
Required Unrestricted Funds	2,127,841	1,945,272	1,842,251	1,890,928	1,741,814	2,175,017

Given the City's long-term forecasts for anticipated budget gaps starting in 2010, the City cannot continue to allocate the level of unrestricted funding towards needed maintenance of the City's transportation system. In order just to maintain the current program a dedicated revenue source will be required.

This need was one recognized by the State Legislature as a priority and need of almost every city and county in the State of Washington. As such, the legislature adopted legislation that would allow cities to create a TBD to have a dedicated revenue stream to support the costs of a city's transportation system.

Transportation Benefit District (TBD) Background Information

In 1987, the Washington State Legislature approved legislation that provides jurisdictions the ability to establish Transportation Benefit Districts as an option to fund transportation improvements. Since 2005, the Legislature has amended the TBD statute to expand its uses and revenue authority. More recently, in 2007, the Legislature amended the TBD statute.

The TBD can fund transportation improvements contained in any existing state or regional transportation plan that is necessitated by existing or reasonably foreseeable congestion levels. This can include maintenance and improvements to city streets, county roads, state highways, investments in high capacity transportation, public transportation, transportation demand management and other transportation projects identified in a regional transportation planning organization plan or state plan. A TBD may also fund operations, maintenance, and preservation of the programs and facilities referenced above.

TBDs are quasi-municipal corporations and independent taxing districts created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district. A TBD Board has several revenue options, some of which are subject to voter approval. The City Council may create a TBD by ordinance following the procedures set forth in RCW Chapter 36.73.

In practical terms, the government board of the TBD will be the Shoreline City Council and will serve as a separate government, much like the water district. The TBD Board will conduct business independent of the City Council meeting and have the authority to exercise the statutory powers set forth in Chapter 36.73 RCW. The Chief Executive Officer of the TBD will be the City of Shoreline City Manager and the treasurer of the TBD will be the City's Finance Director.

Basically the City will contract with the TBD to perform work related to the City's transportation infrastructure. To the extent City employees work on TBD projects, the City will have to be paid. There are also additional administrative functions, including but not limited to: approved procedures, clerk functions (meeting notices, agendas, minutes, records, etc.), finance functions (budget, accounting, auditing, etc.), and legal services.

Forming a TBD

Although a TBD has powers similar to that of the City, e.g., impose taxes, eminent domain powers, contracting, etc., it is a separate taxing district. If the Council wishes to form a TBD, the City Council will need to:

- ◆ Publish notice of a public hearing, at least once, ten days or more before the proposed hearing in a newspaper of general circulation within the proposed TBD.
- ◆ Hold a public hearing.
- ◆ Adopt an ordinance creating a TBD. The ordinance must include:
 - A finding that the creation of a TBD must be in the public's interest.

- The boundaries of the TBD
- The functions and powers of the TBD
- Description of the transportation improvements proposed by the district.
- The creation of any fees should be by separate ordinance after the TBD Board has been created seated.

A draft of the ordinance creating TBD is Attachment A to this staff report.

TBD Revenue Options

The TBD has both voter approved and non-voter approved revenue options.

TBD revenue options not subject to voter approval

1. Annual vehicle fee up to \$20 per vehicle registered within the district. This fee is collected at the time of vehicle license renewal.

The law requires TBDs to provide a credit for vehicle fees previously imposed by a TBD. For example, if the City was the first to create a TBD to impose a \$20 vehicle fee and subsequently King County creates a countywide TBD imposing a \$20 vehicle fee, the County TBD must provide a \$20 credit against its fee for vehicles registered within the City. As a result, no fee would be collected by the County TBD from vehicles registered in the City. However, if in the same example, the City TBD imposed only \$10 of the \$20 vehicle fee and the County TBD imposed a countywide \$20 vehicle fee, only a \$10 credit would be provided for vehicles registered in the City. The County TBD would collect \$10 from vehicles registered within the City.

2. Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded.

TBD revenue options subject to voter approval

1. Property taxes – a 1-year excess levy or an excess levy for capital purposes.
2. Up to 0.2% sales and use tax.
3. Annual vehicle fee above \$20 and up to \$100 per vehicle registered within the district.
4. Vehicle tolls.

Other Requirements

Revenue rates, once imposed, may not be increased, unless authorized by voter approval. The TBD must issue an annual report to include the status of project costs, revenues, expenditures, and construction schedules.

The vehicle license fee is administered by the Department of Licensing (DOL). The fee cannot be collected until 6 months after the fee is authorized by the TBD governing board or the by voters.

Benefits of Establishing a Transportation Benefit District

- ◆ Creates a funding mechanism where there is a clear nexus between a user group (drivers and vehicles) and use of the roadway network.
- ◆ Revenues from \$20 vehicle license fee reduces the annual general revenue subsidy of street maintenance and operation expenditures. This would allow \$600,000 in general revenues to be allocated towards preserving the service levels of other priority services such as public safety, human services, economic development, and park and recreation services.
- ◆ Funds from a city-wide TBD will be dedicated to maintaining and preserving the City's transportation infrastructure primarily the pavement management program.
- ◆ The establishment of an annual \$20 vehicle license fee is a flat rate and will not increase, unless approved by voters.
- ◆ The TBD must issue an annual report to include the status of project costs, revenues, expenditures, and schedules, thus providing accountability.
- ◆ The vehicle license fee program is administered by the Washington State Department of Licensing. The State will remit proceeds to the TBD on a monthly basis.

Use of Vehicle License Fee Revenue

The Citizen's Advisory Committee has recommended that the City Council form a TBD and adopt the \$20 vehicle license fee.

TBD Timeline

Staff is recommending the following timeline for formation of the TBD and adoption of the \$20 vehicle license fee:

May 7-8 Council Retreat	Discussion about TBD
June 15, 2009	Study Session regarding the formation of a TBD
June 22, 2009	Public Hearing regarding the formation of a TBD
	Adoption of the TBD formation ordinance
July 6, 2009	First Meeting of the TBD
	Public Hearing on the adoption of a \$20 vehicle license fee
July 13, 2009	Adoption of the \$20 vehicle license fee
Late July	Execution of contract with the Department of Licensing (DOL) to collect the vehicle license fee on behalf of the TBD
February 2010	Collection of the \$20 vehicle license fee begins

Summary

The improvement, maintenance, protection and operation of public ways requires preserving existing transportation improvements to avoid both failure of the

improvements which would require significant additional funds to reconstruct, as well as their gradual deterioration. The City's citizen surveys have consistently ranked transportation system maintenance and improvements as very important. The City's long-term financial projections indicate that current revenues will not be adequate to maintain the current level of funding for critical City services including those provided in the City's Street Fund and the pavement management program. The TBD legislation was a means in which the State Legislature provided an opportunity for local governments, such as the City, to provide funding for their transportation systems.

RECOMMENDATION

Staff recommends that the Council discuss the requirements of TBD formation and the purposes for which funds raised through the TBD may be used. Council is scheduled to hold a public hearing on the formation of the TBD on June 22, 2009. Following the Public Hearing the City Council will need to take a formal vote on whether to form a TBD.

ATTACHMENTS

Attachment A – Ordinance No. XXX, forming a Transportation Benefit District

ORDINANCE NO. 550

AN ORDINANCE OF THE CITY OF SHORELINE, WASHINGTON, ESTABLISHING A TRANSPORTATION BENEFIT DISTRICT COTERMINOUS WITH THE SHORELINE CITY LIMITS TO PROVIDE ADDITIONAL FUNDING FOR THE MAINTENANCE AND PRESERVATION OF EXISTING CITY TRANSPORTATION IMPROVEMENTS; AND ENACTING A NEW CHAPTER 3.60 *SHORELINE TRANSPORTATION BENEFIT DISTRICT* IN THE SHORELINE MUNICIPAL CODE

WHEREAS, the limited transportation funding for preservation and maintenance of its public streets was dramatically reduced with the passage of State Initiative 695 in 1999 and Initiative 776 in 2002, which reduced the Motor Vehicle Excise Taxes and King County Vehicle License Fees available for Shoreline transportation funding; and

WHEREAS, funding for annual maintenance of Shoreline's transportation infrastructure continues to rise, exacerbating the inadequacy of funding sources available to the City for this program; and

WHEREAS, the State Legislature recognized local governments could not increasingly rely on unrestricted funds to support transportation systems, and, through recent amendments to transportation benefit district laws, provided a dedicated revenue source for transportation improvements needed to address existing and future congestion that are consistent with existing state, regional and local transportation plans; and

WHEREAS, the "Washington Transportation Plan for 2007-2026" adopted by the Washington Transportation Commission ("State Transportation Plan") identifies as the highest priority the preservation, operation and extension of prior investments in existing transportation facilities to keep these facilities safe and efficient; and

WHEREAS, the first priority identified in the Puget Sound Regional Council's (PSRC) "Destination 2030 Metropolitan Transportation Plan for the Central Puget Sound Region" is to preserve, maintain, make safe, and optimize existing transportation infrastructure and services and this priority is reflected in PSRC Regional Transportation Policy 8.3; and

WHEREAS, the Shoreline "2009-2014 Capital Improvement Plan" Policy J states it is the City's policy to ensure adequate resources are allocated to preserve the City's existing infrastructure before building new facilities in order to protect past investments;

WHEREAS, a public hearing was held on June 22, 2009 following publication of a notice of hearing to take public comment concerning the formation of a Transportation Benefit District and the functions and activities proposed to be funded by the District; and

WHEREAS, the Council considered comments presented and evaluated the public transportation improvements proposed to be funded under the criteria for selecting improvements under RCW 36.73.020; and

WHEREAS, preservation of existing transportation infrastructure is necessitated by existing and foreseeable congestion levels, and meeting this need through the formation of a Transportation Benefit District is in the public interest in that it reduces the risk of transportation facility failure; is a cost-effective investment that reduces more expensive facility replacement in the future; optimizes performance of the transportation system; and improves traffic safety and travel time; now therefore

**THE CITY COUNCIL OF THE CITY OF SHORELINE, WASHINGTON, DO
ORDAIN AS FOLLOWS:**

Section 1. Findings of Fact. The recitals set forth above are hereby adopted as findings of the City Council.

Section 2. New Chapter. A new chapter 3.60 *Shoreline Transportation Benefit District* is added to the Shoreline Municipal Code to read as follows:

3.60.010 Transportation Benefit District established

There is created a Transportation Benefit District to be known as the Shoreline Transportation Benefit District with boundaries comprised of the corporate limits of the City, including changes to boundaries from future City annexations.

3.60.020 Use of funds

A. The funds generated by the District may be used for transportation improvements that preserve, maintain and operate the existing transportation infrastructure of the City, consistent with the requirements of Chapter 36.73 RCW, as amended. In addition to these improvements, the funds generated may be used for any other transportation improvements that are consistent with existing state, regional, and local transportation plans and necessitated by existing or reasonably foreseeable congestion levels pursuant to Chapter 36.73 RCW. The District shall select projects for funding that best reduce the risk of transportation facility failure, improve safety, decrease travel time, increase daily and peak period trip capacity, improve modal connectivity, and preserve and maintain optimal performance of the infrastructure over time to avoid expensive infrastructure replacement in the future.

B. In addition to the foregoing the funds generated may be used for any purpose allowed by law to operate the district.

3.60.020 Functions and powers of the District.

- A. The District, by a majority vote of its governing board, may authorize a motor vehicle license fee of up to \$20 as provided in RCW 82.80.140 for the purposes set forth in this chapter and as may be subsequently authorized according to law.
- B. The District may impose additional taxes, fees, or charges authorized by RCW 36.73.040 or ad valorem property taxes authorized by RCW 36.73.060 only if approved by District voters pursuant to RCW 36.73.065.
- C. The District shall have all powers and functions provided by Chapter 36.73 to fulfill the functions of the District including the power to issue general obligation bonds and revenue bonds.

3.60.030 Governing Board and officers

- A. The governing board of the District shall be the Shoreline City Council acting in an ex officio capacity and independently of its council responsibilities. The Board shall have those powers set forth in Chapter 36.73 RCW.
- B. The Board shall develop a policy to address major changes to project delivery or financing plans as required by RCW 36.73.160(1). The policy shall include a public hearing to take comment on proposals to resolve transportation improvement project costs that exceed the District's original capital project estimates by twenty percent.
- C. The Board shall issue an annual report as required by RCW 36.73.160(2).
- D. The City Manager shall be the Chief Executive Officer and City Finance Director shall serve as the Treasurer of the District.

3.60.040 Dissolution

The District shall automatically dissolve upon completion of the transportation improvements authorized in this chapter or as modified under section .020, or if there is outstanding debt or obligations then in effect, it shall reduce its day-to-day activities to the collection of revenue and payment of debt service, and automatically dissolve thirty days after all debt has been retired and responsibilities satisfied. Notice of dissolution shall be published at least three times in a period of thirty days.

Section 3. Publication, Effective Date. This ordinance shall take effect five days after publication of a summary consisting of the title in the official newspaper of the City.

PASSED BY THE CITY COUNCIL ON June 22, 2009.

Mayor Cindy Ryu

ATTEST:

APPROVED AS TO FORM:

Scott Passey
City Clerk

Ian Sievers
City Attorney

Date of Publication: , 2009
Effective Date: , 2009