

TRANSPORTATION BENEFIT DISTRICT AGENDA ITEM
SHORELINE TRANSPORTATION BENEFIT DISTRICT

AGENDA TITLE: Public Hearing Regarding the Imposition of a \$20 Vehicle License Fee
DEPARTMENT: Finance
PRESENTED BY: Debbie Tarry, Treasurer

PROBLEM/ISSUE STATEMENT:

On June 22, 2009, the Shoreline City Council adopted Ordinance No. 550 resulting in the formation of the Shoreline Transportation Benefit District (Shoreline TBD). The legislation that allows the creation of a TBD allows the governing board of the TBD to adopt a vehicle license fee up to \$20. This action must be taken by the TBD governing board after the formation of the TBD.

Revenues generated by the TBD will be used for transportation improvements that preserve, maintain and operate the existing transportation infrastructure of the City and any other transportation improvements that are consistent with existing state, regional, and local transportation plans and necessitated by existing or reasonably foreseeable congestion levels.

FINANCIAL IMPACT:

Staff anticipates that the City would collect at least \$600,000 annually from a \$20 vehicle license fee.

RECOMMENDATION

Staff recommends that the Shoreline TBD Board hold a public hearing on the imposition of a \$20 vehicle license fee this evening. No action is required on Ordinance No. 1 imposing a \$20 vehicle license fee this evening, but this item has been scheduled for action during the Shoreline TBD meeting scheduled for July 13, 2009, at 6:30 p.m.

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.

The City of Shoreline currently allocates \$2.5 million in unrestricted General Fund 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 form a TBD and adopt a \$20 vehicle license fee.

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 received a \$15 vehicle license fee collected and distributed by King County that was dedicated for the operation and preservation of local streets and for the construction of new streets . 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 time 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 to maintain the current program a dedicated revenue source will be required.

The State Legislature recognized that almost every city and county in the State of Washington needed dedicated revenues to help maintain their transportation infrastructure. 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. On June 22, 2009, the Shoreline City Council formed the Shoreline Transportation Benefit District.

Transportation Benefit District (TBD) Background Information

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.

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.

Revenue Adoption

The adoption of any non-voter approved revenue sources must be done by the governing board of the TBD after the formation of the TBD. Ordinance No. 1 (Attachment A) would impose the \$20 vehicle license fee. At the meeting this evening the TBD will hold a public hearing on the recommended adoption of a \$20 vehicle license fee. The TBD is scheduled to then consider adoption of the fee on July 13, 2009.

Vehicles Subject to the \$20 Vehicle License Fee

The following list is provided by the Washington State Department of Licensing:

Vehicles Subject to Fees	Exempt Vehicles
Passenger vehicles	All farm vehicles
Trucks that weigh 6,000 pounds or less	Campers
Motorcycles	Off-road vehicles
Commercial passenger vehicles and trucks that weigh 6,000 pounds or less	Snowmobiles
Combination trucks that weigh 6,000 pounds or less	Mopeds
Tow trucks	Personal use trailers with a single axle and less than 2,000 pounds scale weight
House moving dollies	Commercial trailers
Trucks used exclusively for hauling logs that weigh 6,000 pounds or less	Combination trailers
Taxicabs	Trailers used exclusively for hauling logs
For-hire or stage vehicles with 6 seats or less	Horseless carriage, collector, or restored-plate vehicles
Fore-hire or stage vehicles with 7 or more seats that weigh 6,000 pounds or less	Converter gear
Private use trailers over 2,000 pounds	Government vehicles
Motorcycle trailers	Private school vehicles
Travel trailers	Vehicles properly registered to disabled American veterans
Fixed load vehicles that weigh 6,000 pounds or less	
Mobile homes licensed as vehicles	

Benefits of Implementing the \$20 Vehicle License Fee

- ◆ 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 the \$20 vehicle license fee reduce 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 recommended that the City Council form a TBD and adopt the \$20 vehicle license fee. Staff estimates that the \$20 vehicle license fee will generate approximately \$600,000 annually. Revenues generated by the TBD will be used for transportation improvements that preserve, maintain and operate the existing transportation infrastructure of the City and any other transportation improvements that are consistent with existing state, regional, and local transportation plans and necessitated by existing or reasonably foreseeable congestion levels.

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 Shoreline TBD Board hold a public hearing on the imposition of a \$20 vehicle license fee this evening. No action is required on Ordinance No. 1

imposing a \$20 vehicle license fee this evening, but this item has been scheduled for action during the Shoreline TBD meeting scheduled for July 13, 2009, at 6:30 p.m.

ATTACHMENTS

Attachment A – Ordinance No. 1, Authorizing a \$20 Vehicle License Fee

ORDINANCE NO. 1

AN ORDINANCE OF THE SHORELINE TRANSPORTATION BENEFIT DISTRICT AUTHORIZING A VEHICLE LICENSE FEE OF TWENTY DOLLARS.

WHEREAS, the City of Council formed the Shoreline Transportation Benefit District with Shoreline Ordinance 550 pursuant to Chapter 36.73 RCW and RCW 35.21.255; and

WHEREAS, RCW 36.73.065 authorizes a transportation benefit district to impose, by majority vote of the district's governing board, up to \$20 of the vehicle license fee authorized in RCW 82.80.140; and

WHEREAS, Board of the Shoreline Transportation Benefit District finds it is in the best interest of the District to establish an annual vehicle license fee in the amount of \$20 for the purposes of preserving, maintaining and operating the transportation infrastructure of the City of Shoreline, as authorized by SMC 3.60.020; now therefore

THE BOARD OF THE SHORELINE TRANSPORTATION BENEFIT DISTRICT DO ORDAIN AS FOLLOWS:

Section 1. Fee Established. An annual vehicle license fee in the amount of \$20 is established, consistent with RCW 36.73.065, to be collected by the Washington Department of Licensing on qualifying vehicles, as set forth in RCW 82.80.140 and Chapter 36.73.

Section 2. Publication, Effective Date. This ordinance shall take effect five days after passage and publication of a summary consisting of the title in the official newspaper of the City of Shoreline.

PASSED BY THE TRANSPORTATION BENEFIT DISTRICT BOARD on July 13, 2009.

Cindy Ryu, Board Chairperson

ATTEST:

APPROVED AS TO FORM:

Scott Passey
Secretary

Ian Sievers
Attorney for the District

Date of Publication: , 2009
Effective Date: , 2009