Finance Program – Revised Draft Technical Memorandum #9

May 30, 2018

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Introduction

This memorandum provides an overview of revenue sources and funding and finance mechanisms for the City of Tillamook that could be used to fund future projects identified in the Transportation System Plan (TSP). The memorandum outlines existing revenue and funding sources, levels of funding, and provides an estimate of future transportation revenues. An overview of other funding sources, eligibility, and available funds are presented to identify potential sources of funding that the City could pursue for transportation investments.

Existing Funding Sources

The City’s primary sources of transportation revenues includes the state gas tax, local fuel tax, and recently, ODOT Special City Allotment (SCA) Grants, and general fund revenues. Table 1 outlines transportation revenue from various sources from fiscal years 2012 to 2017.

Share of State Gas Tax

The City’s allotment of state gas tax revenue has been relatively stable over the last five years except for fiscal year 2014-15, during which the allotment increased by approximately 48 percent over the previous fiscal year. City revenue from state gas tax distributions are likely to remain steady or grow slightly, in real dollar terms, depending on action taken at the state level to increase transportation revenues.

ODOT Special City Allotment Grant

The City was granted ODOT SCA funds in fiscal years 2012-13, 2015-16, and 2016-17. The SCA program is an annual allocation of state funds for local transportation projects in cities with 5,000 or fewer residents. Eligible projects must be on city streets that are not part of a county road or the state highway system. Additionally, SCA funds can only be used on streets that are “inadequate for the capacity they serve or are in a condition detrimental to safety” (ORS 366.805). Some agencies use SCA funds as a local match for larger projects that also meet the intent of SCA. Individual project funding under the SCA program is limited to $50,000 per project. Cities can request an advance of up to one half ($25,000). The City of Tillamook may not remain eligible for SCA funds in the future given the population thresholds of the program. As of the 2015 Census, the City had a population of 4,958.

Local Fuel Tax

Tillamook levies a local gas tax of $0.015 per gallon of gasoline sold within the City. Local fuel tax revenue has marginally increased since fiscal year 2012-13 except for fiscal year 2015-16, during which revenue decreased by 9 percent over the previous fiscal year.

Streets, Storm, Drainage, and Park Fund

The City’s Public Works department is largely funded through three separate funds: Water, Sewer, and the “Streets, Storm Drainage, and Park Fund.” In each year, the majority of the City’s street fund is used for maintenance and roadway preservation. This is a deliberate strategy to maximize the useful benefit of transportation expenditures, since preservation of existing facilities is generally far less costly than investments in large-scale rehabilitation or reconstruction.
TABLE 1. TILLAMOOK GENERALIZED TRANSPORTATION REVENUES (2012-2017)

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<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Adopted</td>
</tr>
<tr>
<td>State Gas Tax</td>
<td>$179,060</td>
<td>$187,926</td>
<td>$277,679</td>
<td>$281,381</td>
<td>$281,603</td>
</tr>
<tr>
<td>ODOT Special City Allotment Grant&lt;sup&gt;1&lt;/sup&gt;</td>
<td>$78,036</td>
<td>--</td>
<td>--</td>
<td>$50,000</td>
<td>$100,000*</td>
</tr>
<tr>
<td>Local Fuel Tax</td>
<td>$121,516</td>
<td>$125,799</td>
<td>$131,753</td>
<td>$120,000</td>
<td>$130,000</td>
</tr>
<tr>
<td>Total Transportation Revenues</td>
<td>$378,612</td>
<td>$313,725</td>
<td>$409,432</td>
<td>$451,381</td>
<td>$511,603</td>
</tr>
<tr>
<td>Total Streets, Storm Drainage, and Parks Fund Revenues</td>
<td>$797,443</td>
<td>$1,230,817</td>
<td>$1,150,446</td>
<td>$1,512,395</td>
<td>$2,308,103</td>
</tr>
</tbody>
</table>

Source: City of Tillamook (2017). Total Streets, Storm Drainage, and Parks Fund includes unallocated funds that can be expended on transportation projects.

The City spent approximately $1.7 million on transportation capital improvements, materials and service, and personnel between fiscal years 2012-13 and 2016-17. Most of these expenditures (88 percent) went to personnel related to transportation system maintenance, with less than 7 percent spent on capital improvements.<sup>2</sup>

Between 2012 and 2017, the City’s Personnel budget has increased from approximately $294,000 to $373,000. During the same period, the City’s Materials and Services budget increased from approximately $294,000 to $480,000. The capital subsection of the Street fund has approximately $90,000 to fund street and sidewalk maintenance expenses, but fluctuates considerably depending on grant and other external funds. Whenever possible, the City maximizes water and sewer project with accompanying street overlays. Table 2 below summarizes actual reported expenditures between 2012 and 2017.

TABLE 2. TILLAMOOK GENERALIZED TRANSPORTATION EXPENDITURES (2012 – 2017)

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<thead>
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</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Actual</td>
<td>Adopted</td>
</tr>
<tr>
<td>Capital Improvements</td>
<td>$35,311</td>
<td>$33,618</td>
<td>$0</td>
<td>$42,826</td>
<td>$5,637</td>
</tr>
</tbody>
</table>

<sup>1</sup> ODOT SCA funds for fiscal year 2015-16 were not expended and were subsequently combined with fiscal year 2016-17 SCA funds.

<sup>2</sup> It is difficult to determine a history of ‘street’ or other maintenance costs, since the Streets, Storm Drainage, and Parks Fund contains three different elements within its parameters. Therefore, information related to transportation expenditures is based the City’s best knowledge and spending assumptions.
Future Revenue Forecast

Table 3 details the estimated revenue the City is likely to have available for capital projects in the next 25 years. This section assesses funds that the City is reasonably expected to continue to accrue; it does not account for one-time capital grants such as those for STIP-eligible projects. The City currently does not have a dedicated fund to implement TSP projects and programs. However, there are other potential dedicated and one-time revenue sources the City could pursue to augment its funds for capital improvement projects and they are discussed in the Next Steps section of this memorandum.

**Table 3. Estimated Future Transportation Revenue (in 2017 Dollars)**

<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
<th>2040</th>
<th>Total over 25-year life of plan</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>State and local gas tax revenue</td>
<td>$41,500</td>
<td>$41,500</td>
<td>$1,037,500</td>
<td>The City typically expends on average 11% of its transportation revenue on capital projects. This estimate assumes that the City will continue to have approximately this amount available for capital projects.</td>
</tr>
<tr>
<td>SCA Grants</td>
<td>$100,000</td>
<td>$0</td>
<td>$100,000</td>
<td>These funds are available for capital projects. However, Tillamook will likely exceed the population threshold for this grant program and no longer be eligible for funding. This assumes that Tillamook’s population will exceed 5,000 by the 2020 Census. Assuming that applicants would reasonably be granted an award every 4 years, this source of funding would no longer be available after 2018.</td>
</tr>
</tbody>
</table>

**TOTAL ESTIMATED FUNDS AVAILABLE FOR CAPITAL PROJECTS:** $1,137,500

Funding and Finance Options

A variety of established funding sources from federal, state, and local sources are available to fund future transportation projects in the City of Tillamook. Table 4 provides an overview of each funding source, eligible projects, funding dollar amount, funding restrictions, and other considerations.
**Table 4. Funding Sources Overview**

<table>
<thead>
<tr>
<th>Source</th>
<th>Funding $ Available</th>
<th>Eligibility/Restrictions</th>
<th>Public support/other considerations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide Transportation Improvement Program (includes pass-through federal funds)</td>
<td></td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td><strong>Enhance</strong></td>
<td></td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td><strong>Fix-It</strong></td>
<td>Varies</td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td>Local Programs</td>
<td></td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td>Non-Highway</td>
<td></td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td>Other Functions</td>
<td></td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td>Safety</td>
<td></td>
<td>Many types of projects</td>
<td>For most of these programs, projects must be on federal functionally classified roadways (collector or higher order streets). In most cases, local streets in Tillamook would not be eligible for funding through these programs.</td>
</tr>
<tr>
<td>Recreational Trails Program</td>
<td>About $1.5 million statewide (per year)</td>
<td>Must be a trail project; preference given to “non-transportation” trails</td>
<td></td>
</tr>
<tr>
<td>ConnectOregon</td>
<td>$49 million available in 2015-2017 biennium</td>
<td>Many types of projects</td>
<td></td>
</tr>
<tr>
<td>Oregon Immediate Opportunity Fund</td>
<td>Between $250K and $2 million, depending on project type</td>
<td>Primarily focused on projects that provide economic development benefits</td>
<td></td>
</tr>
<tr>
<td>Oregon Transportation Infrastructure Bank</td>
<td>Loan amounts vary</td>
<td>Many types of projects</td>
<td>Loans may be controversial, in that their repayment may require city financial resources that could be spent elsewhere.</td>
</tr>
<tr>
<td>Special City Allotment (SCA) Grants</td>
<td>Up to $50,000 per project</td>
<td>Many types of projects, with preference given to those projects that remedy safety or capacity issues. Grants available only to cities under 5,000 people.</td>
<td>The City of Tillamook is likely to be ineligible in the future due to population size.</td>
</tr>
<tr>
<td>Safe Routes to School (SRTS)</td>
<td><em>Non-Infrastructure</em>: $300K annually; <em>Infrastructure</em>: $10 million annually; $15 million in 2023</td>
<td>Projects that improve, educate, or encourage children safely walking or biking to school.</td>
<td></td>
</tr>
<tr>
<td>Source</td>
<td>Funding $ Available</td>
<td>Eligibility/Restrictions</td>
<td>Public support/other considerations</td>
</tr>
<tr>
<td>-------------------------------------------</td>
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<td>-----------------------------------------------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Statewide Transportation Improvement Fund</td>
<td>$115 million annually</td>
<td>Improvements in all types of public transportation service except light rail; Planning, deployment, operation, and administration of STIF projects; Local match for federal transit funds</td>
<td>NW Connector would qualify for funding; the City should coordinate with the transit district to pursue funding for transit improvements.</td>
</tr>
<tr>
<td>Local fuel tax</td>
<td>Tillamook currently levies a tax of $0.015 per gallon</td>
<td>Any city in Oregon can levy a gas tax</td>
<td>Increases in fuel tax can be controversial</td>
</tr>
<tr>
<td>Transportation maintenance Fee</td>
<td>Varies</td>
<td>Any city in Oregon can implement a Transportation maintenance fee</td>
<td>These funds are not generally used for capital projects, but free up other resources for capital projects. Potential equity impacts on low-income households</td>
</tr>
<tr>
<td>System Development Charges (SDC)</td>
<td>Varies. Depends on type, number, and structure of SDCs and level of development.</td>
<td>Any city in Oregon can implement SDCs</td>
<td>Can be controversial with developer community.</td>
</tr>
<tr>
<td>Parking fees</td>
<td>Potential revenue dependent on parking fee rate and amount of parking charged</td>
<td>Downtown is the area most likely suited to charging for parking.</td>
<td>Potentially controversial; depends on how well utilized parking is and any need for demand management.</td>
</tr>
<tr>
<td>Bonds</td>
<td>Varies</td>
<td>Factors to consider include the type of bond (revenue or general obligation), city’s credit rating, and project scope</td>
<td>General obligation bonds may require significant city resources to repay; revenue bonds require new taxes or fees (like property tax levies) that may be controversial and have disproportionately negative impacts on low income residents.</td>
</tr>
<tr>
<td>Local Improvement Districts (LID)</td>
<td>Dependent on size of LID and levy rate</td>
<td>Wide variety of projects could be funded in specific neighborhoods</td>
<td>Usually initiated by property owners. May disproportionately harm low-income home owners.</td>
</tr>
</tbody>
</table>
Federal Grants

Highway Trust Fund
Revenues to the federal Highway Trust Fund (HTF) are comprised of motor vehicle fuel taxes, sales taxes on heavy trucks and trailers, tire taxes and annual heavy truck use fees. HTF funds are split into two accounts – the highway account and transit account. Funds are appropriated to the states annually, based on allocation formulas in the current legislation governing the HTF. Fixing America’s Surface Transportation Act (FAST Act) is the current federal transportation program legislation, which became effective December 4, 2015.

FAST Act was the first federal law in over a decade to provide long-term funding certainty for surface transportation infrastructure planning and investment. The FAST Act authorized $305 billion over fiscal years 2016 through 2020 for highway, highway and motor vehicle safety, public transportation, motor carrier safety, hazardous materials safety, rail, and research, technology, and statistics programs. The FAST Act, for the first time, provides a dedicated source of federal dollars for freight projects.

Most federal grant monies are distributed by the Oregon Department of Transportation (ODOT) through the Statewide Transportation Improvement Program (STIP). The application process for federal funds is described below in the Statewide Transportation Improvement Program section.

State Grants

State Highway Fund
State funds are distributed by the Oregon Transportation Commission (OTC). Fund Revenues are comprised of fuel taxes, vehicle registration and title fees, driver’s license fees and the truck weight-mile tax. State funds may be used for construction and maintenance of state and local highways, bridges and roadside rest areas. State law requires that a minimum of one percent of all highway funds be used for pedestrian and bicycle projects in any given fiscal year. However, cities and counties receiving state funds may “bank” their pedestrian and bicycle allotment for larger projects.

Statewide Transportation Improvement Improvement Program
The Statewide Transportation Improvement Program (STIP) is the four-year capital improvement program for the state of Oregon. It provides a schedule and identifies funding for projects throughout the state. Projects included in the STIP are generally “regionally significant” and are prioritized by Metropolitan Planning Organizations and Area Commissions on Transportation (ACTs). ACTs are regional advisory bodies, and the relevant ACT for Tillamook is the Northwest ACT. All regionally significant state and local projects and federally-funded projects and programs must be included in the STIP.

Approximately 80 percent of STIP projects use federal funds, most of which originate from FAST Act programs. In addition, Regional Flexible Funds competitive grants are awarded every two years towards bicycle, pedestrian, transit and Transportation Demand Management (TDM) projects and are now included in the STIP. The STIP is the major transportation funding program for most state and federal transportation funds.

The Oregon Transportation Commission approved an allocation of $2.4 billion for the 2021-2024 STIP. The 2021-2024 STIP diverges from the “Enhance” and “Fix-It” funding categories used in the 2015-2018 program and divided funding into six categories: (1) Enhance Highway, (2) Fix-it, (3) Local Programs, (4) Non-Highway, (5) Other Functions, and (6) Safety. A description of each category is included below:

- **Enhance Highway** – funds projects that expand or enhance the state highway system.
• **Fix-It** – includes all the capital funding programs that maintain or fix the state highway system. Examples of programs within the Fix-It category include, but are not limited to state bridge, pavement, preservation, culverts, and operations.

• **Local Programs** – directs funding to local governments through several different programs.

• **Non-Highway** – funds projects that improve bicycle, pedestrian, public transportation, and transportation options programs. Includes two sub-categories: Discretionary Non-Highway (OTC has discretion over the allocation of funds and Required Non-Highway (allocation required by state or federal legislative mandate).

• **Other Functions** – includes workforce development, planning, data collection and indirect cost recovery using federal resources.

• **Safety** – funds projects that are focused on reducing serious injury and fatal crashes on Oregon’s roads.

The Commission allocated most discretionary funding to Fix-It programs, but also infused the Enhance Highway programs with funding to support improving roads and address growing congestion and freight mobility. ODOT created three leverage programs that provide the opportunity to add features to Fix-It projects: State Highway, Safety, and Active Transportation. In addition to the over $600 million allocated in House Bill (HB) 2017 for Enhance projects, $24 million will be directed to the State Highway Leverage program that will allow ACTS to add Enhance features to Fix-It projects. More information on the Statewide Transportation Improvement Program can be found at [http://www.oregon.gov/ODOT/TA/STIP/Pages/default.aspx](http://www.oregon.gov/ODOT/TA/STIP/Pages/default.aspx).

**Eligibility**

Only certain streets are eligible to receive federal funds – generally those streets with federal functional classification as “major collector” and higher order streets. US 101, OR-6/Wilson River Highway, US-131/Netarts Highway, and 3rd Street meet this funding criteria. However, STIP projects are also funded by other sources, meaning some local streets in Tillamook may be eligible under the six funding categories described above. To ensure that Tillamook is involved in the STIP decision-making process and to advocate for projects important to the community, the City should actively participate in the Northwest ACT.

An additional step the City or local school district could take to improve the likelihood of funding through the Non-Highway funding category of the STIP is to complete a Safe Routes to School Action Plan. More information on the Safe Routes to School funding program is included below.

**Safe Routes to School Grants (SRTS)**

The Oregon Department of Transportation has two main types of Safe Routes to School programs: infrastructure and non-infrastructure. Infrastructure programs focus on making sure safe walking and biking routes exist through investments in crossings, sidewalks and bike lanes, flashing beacons, and the like. The infrastructure program includes three distinct grant programs: (1) Competitive Grant Program, (2) Rapid Response Grant Program, and (3) Project Identification Grant Program. The majority of funds, 87.5 percent or greater, will be allocated to the Competitive Grant Program to build street safety projects and reduce barriers and hazards for children walking or biking to or from schools. Up to 10 percent of funds will be used for urgent needs or systemic safety issues that occur in between Competitive Grant Program cycle. The remaining 2.5 percent will be used by ODOT to help communities identify projects that will lead to eventual construction.

Non-infrastructure programs focus on education and outreach to assure awareness and safe use of walking and biking routes. Investments include developing Safe Routes to School Action Plans, educating
students on walking and biking options and how to do use them safely (laws, rules, and guidelines),
among other efforts. An approved Oregon Action Plan must be received for every K-8 that is affected by
the project proposal at the time of application. The plan initiates evaluation and community
involvement activities that prepare the school to seek SRTS projects and activities with other funding
sources. The grant requires a 12 percent local match (88 percent federal funds). More information about
the SRTS program can be found at http://www.oregon.gov/ODOT/Programs/Pages/SRTS.aspx.

The SRTS program has received a new injection of funds from HB 2017 with new funding amounting to
$10 million statewide per year, increasing to $15 million in 2023. This represents a substantial ongoing
source of funds for SRTS capital projects. Project and program eligibility criteria are still under
development as of this writing.

Recreational Trails Program
This program is administered by the Oregon Parks and Recreation Department. Recreational Trails
Program (RTP) funding is intended for recreational trail projects, and can be used for acquiring land,
easements, and building new trails. Grant funds pay up to 80 percent of project costs while project
sponsors must match project costs by at least 20 percent. Approximately $1.5 million in statewide funds
are available annually. More information can be found at http://www.oregon.gov/oprd/grants/Pages/trails.aspx.

ConnectOregon Program
ConnectOregon provides grants and loans for non-highway transportation projects, backed by bonds on
state lottery proceeds. $49 million in funds were authorized for the 2015-2017 biennium. The program
funds rail, port/marine, aviation, and transit projects. In addition, the legislature mandated that bicycle
and pedestrian projects not eligible for State Highway Funds be eligible to compete for ConnectOregon
funding. There are several important changes to ConnectOregon resulting from the passage of HB 2017:

- Public transit projects are no longer included in Connect Oregon.
- The Connect Oregon Fund now has a portion of the new vehicle dealer privilege fee and the new
  $15 bicycle excise tax in addition to lottery-backed bonds as funding sources. The bicycle excise
tax will only go towards bicycle/pedestrian projects.
- The Oregon Transportation Commission is directed to distribute Connect Oregon funds to four
  specific projects:
  - Mid-Willamette Valley Intermodal Facility ($25 million).
  - Treasure Valley Intermodal Facility ($26 million).
  - Rail expansion in East Beach Industrial Park at the Port of Morrow ($6.55 million).
  - Brooks rail siding extension ($2.6 million).

ODOT anticipates that there will not be funding available in the 2017-2019 biennium due to the funding
commitments listed above. After the projects have been funded, and if funding is available, ODOT will
announce next steps for the program. If the state legislature makes further authorizations, many of
Tillamook’s transportation projects may be eligible based on funding criteria. More information on this
program can be found at http://www.oregon.gov/ODOT/TD/TP/pages/connector.aspx.

Oregon Immediate Opportunity Fund
The Oregon Immediate Opportunity Fund supports economic development in Oregon through
construction and improvements of streets and roads. Funds are discretionary and may only be used
when other sources of financial support are unavailable or insufficient. The objectives of the
Opportunity Fund are providing street or road improvements to influence the location, relocation, or
retention of a firm in Oregon; providing procedures and funds for the OTC to respond quickly to
economic development opportunities; and providing criteria and procedures for the Oregon Economic and Community Development Department (OECD), other agencies, local government and the private sector to work with ODOT in providing road improvements needed to ensure specific job development opportunities for Oregon, or to revitalize business or industrial centers. More information can be found at http://www.oregon.gov/ODOT/TD/TP/Plans/IOF.pdf.

Oregon Transportation Infrastructure Bank (OTIB)
OTIB is a statewide revolving loan fund available for highway projects on major collectors or higher classifications and bicycle or pedestrian access projects on highway right-of-way. Applications are accepted at any time. More information can be found at http://www.oregon.gov/ODOT/cs/fs/Pages/otib.aspx.

Special City Allotment Grants (SCA)
Special City Allotment (SCA) Grants are distributed among cities with population of less than 5,000 to help repair or reconstruct City-maintained streets that are inadequate for the capacity they serve or are deemed unsafe. The City has received two SCA grants in the last several years. Tillamook’s population was at just under 5,000 people according to the 2015 Census so it is unlikely that the City will continue to be eligible for this funding program. More information can be found at http://www.oregon.gov/ODOT/HWY/REGION2/docs/resources/SpecialCityAllotmentGrantProgram.pdf.

Statewide Transportation Improvement Fund (STIF)
HB 2017 established a new dedicated source of funding, Statewide Transportation Improvement Fund (STIF), for expanding public transportation service in Oregon. STIF is funded through revenue generated from a new payroll tax of one-tenth of one percent on wages paid to employees in Oregon. There are four components:

- Formula Fund: 90 percent to mass transit districts, transportation districts, or counties without either a mass transit or transportation district, and to federally-recognized tribes based on formula allocation.
- Discretionary Fund: five percent to public transportation service providers based on a competitive grant process.
- Intercommunty Discretionary Fund: four percent to public transportation service providers to improve public transportation between two or more communities based on a competitive grant process.
- Technical Resource Center: one percent to ODOT to establish a statewide public transportation technical resource center to assist public transportation providers in rural areas and for ODOT to administer STIF.

The City should coordinate with NW Connector to pursue STIF funding for transit improvements identified in the TSP. Under the current schedule, the first Formula Fund disbursements are planned to occur as early as April 2019. The first Discretionary and Intercommunity competitive grant agreements are anticipated to be effective by July 2019. More information on STIF can be found at http://www.oregon.gov/ODOT/RPTD/Pages/STIF.aspx.

Local Funding and Finance Sources
Most of the sources below would provide additional transportation revenue to the City that could be spent on a wide variety of projects.
Local Fuel Tax
The Tillamook City Council passed a 1.5 cent per gallon fuel dealers license tax in 1982. There have been subsequent efforts to increase the fuel tax, but they were met with public resistance and ultimately failed. On average the City collected $125,000 annually over a five-year period from 2012 to 2017 from the local fuel tax. This revenue could be used to fund TSP projects and improvements. An increase to the local fuel tax could increase revenue for TSP project. For comparison, most cities in Oregon that levy local fuel taxes have local rates of between $0.01 and $0.04 per gallon.

Transportation Maintenance/Utility Fee
A transportation maintenance fee (or utility fee) is a fee based on use of the transportation system that is collected from residences and businesses. The City currently does not levy a transportation maintenance or utility fee; however, many Oregon jurisdictions levy such a fee to pay for maintenance and operations of city streets. These fees are typically assessed monthly to residents, businesses and other non-residential uses. Non-residential fees are typically assessed by type of use, square footage of the building, and/or number of parking stalls that would be required under city code for a given use.

Fees vary significantly from city to city; the City of Hillsboro currently charges each single-family home $3.10 per month, Stayton charges $1.00 - $2.00 per month per home and Oregon City charges $4.50 per single-family residence. Non-residential fees also vary, with fees ranging from less than $0.15 to as much as $20.00 per square foot, depending on the type and intensity of use. The City of Tigard charges $1.12 per month per parking stall required for non-residential uses. The City could consider charging such a fee to fund a greater share of maintenance costs, thereby freeing resources for capital projects.

Tax Increment Financing (Urban Renewal Areas)
The Tillamook Urban Renewal Agency (TURA) reported a total of $294,182 in tax revenue for fiscal years 2016-2017. The funds were allocated to various projects including façade improvements, new sidewalks, renovations to the Chamber of Commerce, and several underground electrical projects. TURA funds could be used to fund sidewalk improvement projects identified in the TSP. However, TURA funds must be expended within the TURA district boundary, are subject to an application process, and funding/financing opportunities are limited. Nonetheless, TURA funds represent a project-specific source of funds for projects within the district.

System Development Charges (SDCs)
System Development Charges (SDCs) are fees imposed on new development and can be an important means for cities to pay for increased capacity within infrastructure to accommodate new users. SDC revenue can be used for a wide variety of services including, water, sewer, stormwater, parks and recreation, and transportation improvements. SDC revenue is highly dependent on the type and amount of development occurring within a jurisdiction and the fees must be regularly adjusted based on the infrastructure needs of the City.

A 2013 League of Oregon Cities SDC Survey documented 109 Oregon municipalities have implemented SDCs, including Seaside, Cannon Beach, Bay City, and Warrenton. In the 2016-17 fiscal year, Warrenton received $65,690 in direct revenue from transportation specific SDCs, while Stayton received $43,906.

Table 4 summarizes information on transportation-specific SDCs implemented by a relevant sample of Oregon cities. Note that an improvement charge is a fee associated with capital improvements to be constructed, while reimbursement fee is a charge for unused capacity in capital improvements already constructed or under construction. Some jurisdictions combine these designations for one overall fee assessment.
<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Residential Charge</th>
<th>Non-Residential Charge</th>
<th>Basis of Assessment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bandon</td>
<td>$1,140 Improvement</td>
<td>$34,306 Improvement</td>
<td>Fee calculated by square footage related to trip generation</td>
</tr>
<tr>
<td></td>
<td>$606 Reimbursement</td>
<td>$18,302 Reimbursement</td>
<td></td>
</tr>
<tr>
<td>Depoe Bay</td>
<td>$2,699</td>
<td>$49,640</td>
<td>Fee includes improvement and reimbursement. Trip cost X trip rate (ITE, or modified), residential per unit, nonresidential on square footage, or per room (tourist accommodation), per student (school)</td>
</tr>
<tr>
<td>Florence</td>
<td>$865</td>
<td>$16,301</td>
<td>Residential 9.55 trips per dwelling. Office 9 trips per 1,000 sq. ft. of building area</td>
</tr>
<tr>
<td>Newport</td>
<td>$2,040</td>
<td>Varies</td>
<td>Calculated per square foot for single family development and by Average Daily Vehicle Trip for all other users</td>
</tr>
<tr>
<td>Stayton</td>
<td>$2,512</td>
<td>$68,869</td>
<td>Fee assessment P.M. peak hour trip generation based on ITE Code</td>
</tr>
<tr>
<td>Phoenix</td>
<td>$1,510 Improvement</td>
<td>$44,540 Improvement</td>
<td>Fee is based on land use type, building size/square footage and peak hour trips.</td>
</tr>
<tr>
<td></td>
<td>$528 Reimbursement</td>
<td>$15,592 Reimbursement</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$62 Other Fee</td>
<td>$1,821 Other Fee</td>
<td></td>
</tr>
<tr>
<td>Warrenton</td>
<td>$1,238 Improvement</td>
<td>Varies</td>
<td>Fee assessment based on dwelling unit for residential properties and by square footage</td>
</tr>
</tbody>
</table>

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4 Total amount received for non-residential sources for that jurisdiction at the time of survey.
There is an opportunity for Tillamook to levy SDCs and generate additional revenue for transportation investments identified in the TSP in addition to other infrastructure improvements.

Parking Fees
The City of Tillamook does not currently charge for parking. Income generated by charging parking fees could be used to implement a variety of transportation projects. The collection system would require purchase of parking meter infrastructure, careful study of where to install meters, and analysis of the appropriate fee amount to charge drivers. However, relatively low demand and abundant free parking on nearby neighborhood streets may mean that charging for parking is infeasible.

Bonds
Revenue or general obligation bonds can help finance construction of capital improvement projects by borrowing money and paying it back over time in smaller installments. Bonds are typically backed by new revenue, like an additional property tax levy.

Local Improvement Districts
Local Improvement Districts (LID) can be created by property owners within a district to raise revenues for infrastructure improvements within district boundaries. Typically, property owners work together to form an LID. An LID could potentially fund specific improvements in certain neighborhoods; they are often formed to make sidewalk improvements. LIDs can be difficult to establish and rely on the cooperation of property owners.

Funding Recommendation
This section discusses a draft recommended plan for increasing funding to accomplish TSP projects and programs. In the opinion of the authors, this funding plan represents a feasible and responsible path forward for generating additional revenue; this funding recommendation is subject to review and revision by the City and the Project Advisory Committee (PAC). Note that no financing, in the form of bonds or other loans, is proposed.

The City has relied on a combination of local revenue and state and federal grants to complete transportation projects in the past. The City should continue to rely on a mix of funding sources, with enhanced local revenue to support new projects and serve as matching funds for state and federal grants. The following reviews recommended local revenue enhancements.

Raise the local gas tax
The City currently levies a local fuel tax of $0.015 per gallon of gasoline. This tax currently results in approximately $120,000 per year in revenue. Increasing the local fuel tax to $0.03 per gallon would approximately double fuel tax revenue to $240,000 per year. The City should consider the following with respect to increasing the local fuel tax:

- Tillamook’s current local tax is less than that of other cities in Oregon, which typically levy local fuel taxes from between $0.02 to $0.04 per gallon.
- A $0.015 increase in the fuel tax is unlikely to significantly increase transportation costs for residents of Tillamook; the increase would cost the average driver approximately an additional $0.15 per fill-up or $7.20 per year.\(^5\)

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\(^5\) Based on a ten gallon fill-up and an average of 12,000 miles driven per year and 25 miles per gallon average fuel economy of the current fleet.
• Local gas tax would also be paid by visitors and those travelling through Tillamook, whereas other forms of local revenue (like transportation maintenance fees) are typically sourced exclusively from residents and employers.
• Average fuel economy is increasing and the number of alternative fuel vehicles is growing, meaning that the gas tax generally will become a less effective revenue instrument in the future. Revenues would likely decline over the planning period. This revenue decline could be mitigated by future increases in the local gas tax rate.
• Prior efforts to raise the local gas tax in Tillamook have not been successful. The City would need to adopt a strategy for public acceptance of an increased local gas tax. Tactics that have been successful in other communities include clearly defining the projects that increased revenue would support; articulating how the increase would affect the cost of transportation; and showing the potential transportation benefits to the community.

Implement System Development Charges
System Development Charges (SDCs) are fees levied on developers during the permitting and approval process for constructing new development. Tillamook does not currently assess transportation SDCs. As noted above, several coastal communities do charge SDCs. Some considerations include:

• SDCs are commonly employed by jurisdictions. They primarily impact developers. However, depending on the magnitude of the fee, SDCs may increase the costs of developing, though SDCs typically represent a very small fraction of the costs of development and would likely have a negligible effect on construction costs.
• SDC revenue is not reliable from year to year and is completely dependent on the amount and type of development occurring. During economic downturns, SDC revenue may decline substantially.
• It is difficult to estimate SDC revenue, as revenue is dependent on the type of fee assessment; development of a SDC methodology and fee structure is beyond the scope of this TSP Update. However, at a hypothetical fee of $2,000 per new residential unit, Tillamook could expect to generate about $754,000 over the life of the plan in residential SDC revenue, based on a forecasted 377 additional households by 2040. For non-residential, assuming approximately 75,000 square feet of new non-residential development6 and a low average fee of $2,000 per 1,000 square feet, the City could generate approximately $140,000 additional in non-residential fees.

Partnerships
While not a funding mechanism per se, partnerships represent an opportunity to leverage local City transportation dollars with partners to realize projects of mutual benefit. Some potential partnerships that should be pursued by the City include:

• Tillamook School District: the City should pursue partnerships with the school district as both a partner in Safe Routes to School grant funding requests, as well as a potential funding partner on projects. Specifically, the City and school district could partner to develop a Safe Routes to School Action Plan to initiate project development increase the changes of receiving SRTS funding.

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6 Based on a conservative assumption of approximately 100 square feet per new anticipated employee. Approximately 700 new employees/jobs are forecast in Tillamook by the planning horizon year.
• Tillamook Area Chamber of Commerce: the Chamber could help advocate for certain projects of particular benefit to businesses in Tillamook. Chambers of commerce in other communities have also contributed toward transit serving downtown business districts and assisted in parking management and parking improvement projects. Projects like the Salmonberry Trail through Tillamook may present opportunities for partnership.
• Tillamook County Transportation District (TCTD): The City and TCTD could partner on transit stop improvement projects in the City, leveraging each other’s resources to accomplish civil improvements (e.g., new sidewalks) with transit amenities (e.g., shelters).

Leverage Utility Projects
The City is interested in developing a coordinated Capital Improvement Program (CIP) moving forward to make the best use of its street and utility funds. There are opportunities to coordinate utility maintenance and replacement projects with street projects, including overlays and sidewalk construction. Combining projects – for example, sewer main replacement with a desired overlay and sidewalk project – saves on construction costs and can be a win-win for the City.

Summary

**Table 5. Revenue Forecast with Additional Sources of Local Revenue**

<table>
<thead>
<tr>
<th>Source</th>
<th>2017</th>
<th>2040</th>
<th>Total over 25-year life of plan</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>State gas and existing local gas tax revenue available for capital projects</td>
<td>$41,500</td>
<td>$41,500</td>
<td>$1,037,500</td>
<td>The City typically expends on average 11% of its transportation revenue on capital projects. This estimate assumes that the City will continue to have approximately this amount available for capital projects.</td>
</tr>
<tr>
<td>SCA Grants</td>
<td>$100,000</td>
<td>$0</td>
<td>$100,000</td>
<td>These funds are available for capital projects. However, Tillamook will likely exceed the population threshold for this grant program and no longer be eligible for funding. This assumes that Tillamook’s population will exceed 5,000 by the 2020 Census. Assuming that applicants would reasonably be granted an award every 4 years, this source of funding would no longer be available after 2018.</td>
</tr>
<tr>
<td>Proposed: Additional $0.015 per gallon local fuel tax revenue</td>
<td>N/A</td>
<td>$120,000</td>
<td>$3,000,000</td>
<td>This assumes that 100% of the additional fuel tax revenue would be available for capital projects; this figure would be reduced if these additional revenues would be needed for system maintenance and preservation. Assumes that the fee is enacted at the beginning of the planning period.</td>
</tr>
<tr>
<td>Proposed: System Development Charges (SDCs)</td>
<td>N/A</td>
<td>$35,700</td>
<td>$894,000</td>
<td>SDC revenue is high variable and dependent entirely on the type and volume of development occurring in the City as well as the fee structure and methodology for calculating the fee. Revenues vary substantially from year to year.</td>
</tr>
</tbody>
</table>

**TOTAL ESTIMATED FUNDS FOR CAPITAL PROJECTS with LOCAL FUNDING ENHANCEMENTS:**  $5,031,500

The local funding mechanisms proposed above and summarized in Table 5 would generate an approximately $3,900,000 million additional over the life of the TSP.
The total cost of recommended TSP projects is $9,748,000. Of this amount, $1,747,000 of projects are assumed to eligible for federal or state grant funding programs. Additionally, most of the bicycle and pedestrian improvement projects, or $4,850,000, are likely eligible for Safe Routes to School program funds. Approximately $3,151,000 of recommended projects are not likely eligible for federal or state grant funding and would require local funding to complete. Table 6 summarizes the City’s approximate local contribution needed to fund local projects; the exact funding sources and match requirements are subject to individual project funding and financing decisions during implementation of the TSP.

**Table 6. Funding Summary**

<table>
<thead>
<tr>
<th>Project cost</th>
<th>Primary Funding Source</th>
<th>Minimum Local Match Required(^\text{10})</th>
<th>Local Funds Required</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,747,000</td>
<td>State and Federal Grant Programs (STIP or others)</td>
<td>~11% (can vary from year to year)</td>
<td>$192,000</td>
</tr>
<tr>
<td>$4,850,000</td>
<td>Safe Routes to School</td>
<td>40%(^\text{11})</td>
<td>$1,940,000</td>
</tr>
<tr>
<td>$3,151,000</td>
<td>Local</td>
<td>N/A</td>
<td>$3,151,000</td>
</tr>
<tr>
<td><strong>TOTAL LOCAL FUNDS LIKELY REQUIRED:</strong></td>
<td></td>
<td></td>
<td><strong>$5,283,000</strong></td>
</tr>
</tbody>
</table>

With the additional local funding described in this section, the City would likely have nearly sufficient funds to provide match for state and federal grants, as well as funds available for those projects that are unlikely to be funded by other sources.

**Conclusion**

Although the City does not currently have adequate funding to support all potential TSP projects, there are several promising sources of local funding that could be pursued to implement transportation improvements. State and federal funds continue to be an important source of funding for future projects including STIP and SRSTs funds. Many of these funding programs have recently received infusions from House Bill 2017 and should be monitored to identify eligible projects as rulemaking continues in 2018 and 2019.

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7 Some project costs in Technical Memorandum #8 Solutions Evaluation are presented as a range; this total cost uses the mid-range where a range of costs was given.

8 This includes projects on the state highways (US 101 and OR 6) and off-street path projects that are likely to become part of the future Salmonberry Trail project. Other projects on federally functionally classified roadways (e.g., 3rd Street) would potentially be eligible for state or federal funding programs, but it is less likely that they would be funded.

9 Final rulemaking on Safe Routes to School funding is underway at the state level as of this writing. The current proposed local match, subject to change, is 40%.

10 It is important to note that in many cases projects are more competitive for grant funding when greater local match is provided in excess of the minimum match amount.

11 Draft SRTS rules for House Bill 2017 require a 40% local match. Previous match requirement was 12% when the SRTS program was primarily federally-funded.