MEMORANDUM

TO: The Honorable Mayor and City Councilors

FROM: Finance and Information Services Director Toby LaFrance
Interim Public Works Director Brian Rager
City Engineer Mike Stone

RE: Street Maintenance Fee and Program Information

DATE: November 6, 2013

The following questions arose during our October 22, 2013, discussion about the Street Maintenance Fee, Pavement Management Program, and Right-of-Way Maintenance Program. Below are answers to these questions. These programs will be discussed at the November 19 work session.

Q: Number of parking spaces is the basis for calculating the fee for nonresidential properties. Is this the right approach/methodology to calculate the fee?

The number of required parking spaces is currently used as a proxy for the wear-and-tear caused by traffic to and from each property. The number of required parking spaces is established in TMC 18.765 and is typically based on the square footage of the building. So this essentially becomes a per-square-footage fee based on the type of business. One effect of using the parking code is that changes to the parking code result in changes to the Street Maintenance Fee – such as in the spring of 2013 when parking requirements for certain uses were reduced, which had the side effect of reducing Street Maintenance Fee revenue.

There are other methodologies that can be used. The most common one being used by many cities is the use of trip generation by a development, as listed in the *Institute of Transportation Engineers (ITE) Trip Generation Manual*, with adjustments being made for trip length, pass-by trips, and other factors. Washington County's Transportation Development Tax (TDT) methodology is based on trip generation and could also be adapted to calculate the Street Maintenance Fee.

Staff will discuss the pros and cons of changing methodology during our discussion.

Q: How are roof eaves and internal hallways factored in to the fee calculation, and is this fair to those property owners?

Roof eaves and other overhangs are not included in building size. Internal hallways and common areas in multi-tenant buildings are typically divided proportionally among the tenants, unless the property owner/manager tells us otherwise, in which case we typically follow their suggestion.

Q: Should the city change the "cap" of parking spaces used to calculate the fee for larger retailers, and what would the implications be to raise or lower that cap?

The council could certainly choose to raise the parking space cap above the current cap of 250 spaces. In 2010, the council chose to raise the cap from 200 spaces to 250 spaces. Without a recalculation of the fee, the increase of the cap would raise revenues received from the business uses but would also likely raise opposition from that same community, based on previous methodology discussions with council concerning the SMF.

Q: Washington County will place a vehicle registration fee before voters in November 2014 intended to address street maintenance. There is a share of this local revenue that may be allocated to cities. Should Tigard consider changing its fee level in anticipation of this potential revenue?

This potential funding source has many significant uncertainties at this time. Further, it is important to note that the SMF only covers preventative measures for prolonging the life of pavement. The revenues from the SMF do not cover the costs of reconstruction of streets with a PCI rating of less than 50. At present, Tigard has a backlog of approximately 22 miles of streets that fit that condition. Staff's opinion is that any additional funding that could be used for street improvements should be an addition to, not a replacement of, current SMF funding.

Q: What is the reserve policy of the Street Maintenance Fund? Are we collecting more revenue than we are using?

Attached to the AIS are two documents that support the answer to these questions. The reserve policy of the Street Maintenance Fund is to have enough beginning fund balance to be able to pay for the program expenses that mostly occur in the first 2-3 months of the fiscal year. In order to accomplish sufficient fund balance, the program expenses have been lower than the revenues and it appears that a sufficient beginning fund balance has been achieved.

There are two attachments to the AIS. The first is the last four years of resources and requirements in the Street Maintenance Fund. This document shows by year, the beginning fund balance, the current revenues, the current expenses, and the resulting ending fund balance. With the exception of FY 2012, most of the current revenues were used and the current revenues exceeded the current expenses by $60K - $200K. FY 2012 is the exception where fund balance grew by nearly $600K.

The second attachment to the AIS shows the same information of resources and requirements, but it is by month for FY 2013. This document shows that the fund's beginning fund balance that exceeds $1 million on July 1, 2012 was reduced three months later to $141K by the end of September. This document both demonstrates the need for a healthy beginning fund balance and that the current beginning fund balance is sufficient for our current program.

Q: How are we doing catching up on our paving needs?

By focusing on pavement preservation on all streets and pavement overlays on busy streets, we have been able to increase our average pavement condition index (PCI) from a 68 (out of 100) to a 70. However, there is a backlog of approximately 22 miles (15%) of our streets that need paving, but for which no paving is planned because all of our overlay funding is used up on busier streets. These are primarily local residential streets where the PCI falls below 50.

At current funding levels, we anticipate being able to slightly increase our average PCI from 70.0 to 70.5 over the next five years. We would not be able to significantly reduce our paving backlog, but we anticipate being able to keep it from growing significantly.

Q: What would it take to get to our goal?

In 2010 Council adopted a long-term PCI goal of 72 to 75. Our current funding level is enough to 'hold the line' and keep our PCI at its current level of 70. Approximately $2 million total in additional funding would be necessary to achieve a PCI of 72, and approximately $5 million total would be necessary to achieve a PCI of 75.

A PCI in the low 80's is considered ideal because the public would have good streets, the long-term maintenance costs would be the lowest, and backlog would be paved. Approximately $1 million in additional <u>annual</u> funding would be necessary to reach this level in ten years.

Q: Sensitivity analysis – how much improvement do we get for each additional dollar?

Staff has found that it takes roughly an additional $1 million to gain 1.0 points of PCI on our overall street network. If we did no pavement work for a year, our PCI would decrease by about 1.7. The $1.8 million budgeted is anticipated to be enough to counter this deterioration and improve our PCI by a very slight 0.1 per year.

Q: What is the residential/non-residential balance – in terms of need, expenses, and revenue collection?

The ordinance assigns paving costs and needs to residential and nonresidential users by the following formula:

- Arterials: 62.5% Commercial; 37.5% Residential
- Collectors: 50%/50%
- Neighborhood Routes and Local Streets (residential zones): 100% Residential
- Neighborhood Routes and Local Streets (commercial zones): 100% Commercial

Over the past five years (2009-2013) 69% has been spent on residential streets and 31% on commercial streets. Over the next five years (2014-2018) 58% is planned on residential streets and 42% on commercial streets

As we will be doing more overlays over the next five years, and as we have brought up the condition of our arterials and collectors, we will be able to pave more streets in commercial and industrial areas.

The ten year total (2009-2018) is 62% Residential and 38% Commercial

Q: What is the cost breakdown between paving program, ROW program, billing/collection costs, etc.?

- Pavement Overlay Contract: $850,000
- Slurry Seal Contract: $350,000
- Crack Seal Contract: $100,000
- Design: $100,000
- Inspection: $120,000
- Rating and Inventory: $ 80,000
- Billing/Admin Support $110,000
- Right of Way Maintenance: $100,000
- TOTAL: $1,810,000

Q: Relative benefit – will the next dollars spent give us as much benefit as the last dollars spent?

In the past six years we have slurry sealed all of the residential streets in Tigard that are good candidates for slurry seals. These pavement preservation treatments give us the most PCI improvement per dollar, but we have done all that we can do for the next few years. The next dollars spent will be more on overlays which provide a good pavement improvement for the dollar, but not as much as the slurry seals did. We will be required, in conjunction with our overlays, to retrofit curb ramps to meet Americans with Disabilities Act standards. While we were able to increase our PCI by about a half-point annually in recent years, we don't anticipate being able to do so over the next few years.

Q: What is our outlook for the future?

In order to answer some of these questions and provide information about our funding options and their effects on our street network, staff has evaluated potential 5-year paving plans based on the following four scenarios:

1) *Current funding level*

Slight improvement from 70.0 to 70.5 at end of 2018.

2) *Getting to a systemwide PCI of 72 within five years, and on track for 75 in ten years (funding increase)*

Approximately $400,000 of additional annual funding would be needed.

3) *Keeping good streets good, plus reducing backlog to less than 10 miles in five years, and on track to eliminate backlog in 10 years (larger funding increase)*

Approximately $1,000,000 of additional annual funding would be needed. This would result in a network PCI of about 80, which provides good streets for the public, allow the city to pave its backlog streets, and maintain its pavement condition at the lowest long-term maintenance cost. It is cheaper to maintain a PCI of 80 than it is to maintain a PCI of 70.

4) *Funding reduction of 33% from current funding level*

PCI would decrease by about 0.5 per year and backlog would increase by about 1.5 miles per year

Q: What factors will affect this program in the future?

Asphalt is an oil product and its price can fluctuate wildly. Because asphalt is such a key component of a paving program, asphalt price fluctuations can wreak havoc on the planning and budgeting of a paving program. The Street Maintenance Fee includes an inflation adjustment (based on an ENR construction cost index and Oregon's asphalt material price) with a floor of 2% and cap of 7%. Prices are anticipated to rise as the economy picks up and as finite resources are depleted. If construction and asphalt price inflation exceeds 7%, we will not be able to accomplish the paving work we have planned.

Federal guidelines have recently been issued that require agencies to retrofit curb ramps to Americans with Disabilities Act (ADA) standards any time they pave streets adjacent to those ramps. Future pavement overlays are planned to include these ramp retrofits, which are anticipated to comprise about 15% of the total paving project cost. TMC 15.020 does not currently allow Street Maintenance Fee funds to be used to replace curb ramps because they are outside the existing curb lines. As other funding sources are limited and because these ramp retrofits are required by law in conjunction with pavement overlays, staff recommends amending the code to allow Street Maintenance Fee funds to be used for ramp retrofits and other work required by law to be done in conjunction with paving work.

Q: Staff Recommendation

One of the city's biggest assets is its 152-mile street network. Staff recommends preserving this asset by continuing the pavement preservation and overlay treatments that have been used effectively in recent years. Staff also recommends addressing the backlog of streets that badly need paving but have not been paved due to funding limitations. This would provide our citizens good streets, reduce vehicle maintenance costs, pave streets that badly need it, prepare for inevitable increases in asphalt (oil) prices, and get us to a level that minimizes the city's long-term pavement maintenance cost. This would necessitate an additional $1 million of annual revenue for this program that is currently funded by the Street Maintenance Fee.

Q: Any recommended changes to the ROW Maintenance Program?

Yes. Staff spoke to council briefly regarding the current program and provided council with a list of city collectors and arterials that fit the criteria of the SMF ordinance. The current program has resulted in substantial visual improvement to the ROW of many collectors, including Durham Road and parts of Gaarde Street. With the current funding level, staff is comfortable that we could maintain a "maintenance" level on the list of streets. This would include periodic pruning, general cleaning of debris and replacement of barkdust.

Council has also expressed a desire to see beautification of Pacific Highway and gave staff direction several years ago to work with ODOT and ask them to include landscaping in their projects. ODOT has agreed to do this, but has made it clear that they expect Tigard to maintain the landscaping. Maintenance of ODOT ROW landscaping is not something that can be currently covered by the SMF. Current pieces of Pacific Highway where this applies includes the work near the intersection of Canterbury Lane and the pending work that is a part of the Walmart improvements.

Staff recommends the council consider an increase in the SMF to allow city staff to perform landscape maintenance work in ODOT ROW in order to cover these additional costs. Traffic control alone will drive the cost of the maintenance work higher than typical city street work. Staff recommends an initial increase of $100,000 per year (bringing the total program budget up to $200,000 per year). Staff can report back to council each year as to actual costs and make recommendations as to any adjustments at those times.