



TRANSPORTATION FINANCIAL FEASIBILITY ASSESSMENT REPORT

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TO: Project Management Team

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SUBJECT: King City Transportation System Plan
Transportation Financial Feasibility Assessment Report #20020-002
(Task 7.3; Deliverable 7C)

This memorandum details the transportation funding that can reasonably be expected to be available through 2040. The funding assumptions will help prioritize the investments the City can make in the transportation system and will be utilized to develop reasonable budgeting assumptions when selecting a set of transportation improvements to meet identified needs through 2040.

CURRENT FUNDING SOURCES

The City uses a few primary funds for transportation, including the State Highway Trust, County Transportation Development Tax and Vehicle Registration Fees in addition to other miscellaneous funds.

- **State Highway Trust Fund**

The State Highway Trust Fund makes distributions from the state motor vehicle fuel tax, vehicle registration and title fees, driver license fees and truck weight-mile taxes. Cities and counties receive a share of State Highway Trust Fund monies, and by statute may use the money for any road-related purpose, including walking, biking, bridge, street, signal, and safety improvements.

- **Transportation Development Tax**

The Transportation Development Tax (TDT) is a one-time tax assessed on all new development and some redevelopment occurring within Washington County. In King City, the only roadways currently authorized to receive TDT funds include 131st Avenue, Beef Bend Road, and Fischer Road, while SW Roy Rogers Road is eligible in the Kingston Terrace area. The TDT list may be modified in the future to include additional projects from the TSP, particularly in the Kingston Terrace area.

- **Vehicle Registration Fees**

Washington County established a \$30 per year vehicle registration fee (VRF) for new renewals/registrations starting July 2018 to offset maintenance funding shortfalls and improve transportation safety. Forty percent of the VRF is allocated to cities within the county, which equates to approximately \$90,000 annually for King City¹.

REVENUES AND EXPENDITURES

The following sections detail the revenue and expenditure forecasts.

REVENUES

Annual revenues include \$350,000 from the State Highway Trust Fund, \$1.6 million from the County TDT and \$115,000 from other miscellaneous revenue sources including grants, service charges and earned interest (see Table 1). In addition, the recently adopted County VRF is anticipated to provide approximately \$90,000 annually for King City.

Assuming, as a conservative estimate², the same levels of funding occur in the future, King City can expect to receive approximately \$10.5 million in State Highway Trust Fund, County VRF, and miscellaneous fee revenue through 2040. In addition, the County TDT is expected to provide approximately \$30.0 million in revenue through 2040.

EXPENDITURES

Expenditures include personnel services, roadway striping, traffic control, vegetation trimming, street sweeping, maintenance, and roadway engineering. The City estimates that it spends approximately \$360,000 per year (or \$6.8 million through 2040) to maintain and operate its streets. In addition, approximately \$30,000 per year (or \$570,000 through 2040) is needed to administer the TDT.

This includes an escalation rate of 4.5 percent³ on the current expenditures to account for rising costs and ensure that needed roadway maintenance and repair work will not be deferred through 2040. Deferring necessary repair and preservation means spending much more to fix the same streets later, and repair costs rise exponentially as streets are left unmaintained. Every \$1 spent to keep a street in good condition avoids \$6 to \$14 needed later to rebuild the same street once it has deteriorated significantly⁴.

¹ <https://www.co.washington.or.us/LUT/TransportationFunding/2016-vehicle-registration-fee.cfm>

² This assumes the population growth rate in King City will be roughly the same as the cost inflation rate, therefore, maintaining existing revenues through 2040.

³ Escalation rate of 4.5 percent based on the Construction Cost Index.

⁴ Smart Growth America, American Association of State Highway Officials (AASHTO)

Heavy truck traffic and wet weather comprise two of the most critical factors in pavement deterioration⁵. Heavy trucks (particularly those hauling gravel, logs, construction materials, overseas containers, agricultural products, garbage) flex the pavement and create spaces underneath. Wet weather, with cracked pavement or poor drainage, can lead to water undermining pavement.

FUNDING SUMMARY

Through 2040, the City is expected to have approximately \$3.7 million for general street improvement needs (e.g., construction of new facilities) with an additional \$29.8 million in TDT revenue specifically for projects on 131st Avenue, Beef Bend Road, and Fischer Road (or other projects that may be added to the TDT list in the future), as shown in Table 1.

TABLE 1: KING CITY TRANSPORTATION REVENUE AND EXPENDITURES

STREET OPERATIONS FUNDS	AVERAGE ANNUAL AMOUNT (2021)	ESTIMATED AMOUNT THROUGH 2040
REVENUES		
STATE HIGHWAY TRUST FUND	\$350,000	\$6,650,000
VEHICLE REGISTRATION FEES	\$90,000	\$1,710,000
MISCELLANEOUS REVENUE AND FEES	\$115,000	\$2,185,000
TOTAL STREET OPERATIONS REVENUES	\$555,000	\$10,545,000
EXPENDITURES		
PERSONNEL SERVICES	\$60,000	\$1,140,000
MATERIALS AND SERVICES	\$100,000	\$1,900,000
CAPITAL OUTLAY/MAINTENANCE	\$200,000	\$3,800,000
TOTAL STREET OPERATIONS EXPENDITURES	\$360,000	\$6,840,000
FUNDING SUMMARY (REVENUE-EXPENDITURES)	\$195,000	\$3,705,000
TRANSPORTATION DEVELOPMENT TAX ^A		
REVENUE	\$1,600,000	\$30,400,000
EXPENDITURE	\$30,000	\$570,000
FUNDING SUMMARY (REVENUE-EXPENDITURES)	\$1,570,000	\$29,830,000

^A Transportation development tax revenues and expenditures listed separately as only 131st Avenue, Beef Bend Road, and Fischer Road are currently eligible for funds. The TDT list may be modified in the future to include additional projects from the TSP, particularly in the Kingston Terrace area.

⁵ Long-Term Pavement Performance, U.S. Department of Transportation, Federal Highway Administration

POTENTIAL ADDITIONAL FUNDING SOURCES

New transportation funding options include local taxes, assessments and charges, and state and federal appropriations, grants, and loans. Factors that constrain these resources, include the willingness of local leadership and the electorate to burden residents and businesses with taxes and fees; the portion of available local funds dedicated or diverted to transportation issues from other competing city programs; and the availability of State and Federal funds. The City should consider all opportunities for providing or enhancing funding for the transportation improvements included in the TSP. It is also worth noting that many of the TSP projects will be implemented with partner agencies (i.e., Metro, ODOT, Washington County, Tigard), and some will also likely be built in coordination with land use actions and future development.

Counties and cities have used the following sources to fund the capital and maintenance aspects of their transportation programs. As described below and summarized in Table 2, they may help to address existing or new needs identified in King City's TSP.

TRANSPORTATION SYSTEM DEVELOPMENT CHARGE

System development charges (SDC) are fees collected from new development and used as a funding source for all capacity adding projects for the transportation system. The fee is based on the proposed land use and size and is proportional to each land use's potential PM peak hour vehicle trip generation.

The City may wish to establish an SDC rate for transportation facilities based on the transportation needs established in the TSP. As an example, an SDC rate of \$9,000 per single-family unit, \$5,400 per multi-family unit and \$9,400 per peak hour trip for non-residential uses (based on rates used in the Beaverton South Cooper Mountain and Tigard River Terrace areas) would provide the City with approximately \$1.8 million annually or \$34.0 million through 2040. If an SDC is desired, a rate study would be required to determine appropriate fees based on capacity projects costs, growth potential, and local preferences.

TRANSPORTATION UTILITY FEE

A transportation utility fee is a recurring monthly charge that could be paid by all residences and businesses within the City. The City can base the fee on the estimated number of trips a particular land use generates or as a flat fee per residence or business. This fee is typically collected through regular utility billing; however, it could be collected as a separate stand-alone bill. Existing law places no express restrictions on the use of transportation utility fee funds, other than the restrictions that normally apply to the use of government funds. Some local agencies utilize the revenue for any transportation related project, including construction, improvements and repairs; however, many choose self-imposed restrictions or parameters on the use of the funds.

For every \$1.00 per month in charged rates for residential units and \$0.01 per month per 1,000 square feet of non-residential uses in the City, the City could expect to collect an average of \$100,000 annually or \$1.9 million through 2040. Oregon City, for example, charges a fee ranging

from \$4.50 to \$11 per month for single family residential units, \$3.15 to \$7.70 per month for multi-family units, and between \$0.154 and \$19.20 (based on type and size of the land use) per month for non-residential uses⁶.

LOCAL FUEL TAX

To estimate the potential revenue generated from implementing a local fuel tax in King City, the monthly gallons of fuel utilized per capita in Tigard and Washington County was obtained. Using an average rate from the two jurisdictions, King City fuel distributors could collect revenue on approximately 540,000 gallons of fuel per month. A local fuel tax of three cents per gallon year could generate an additional \$190,000 annually or \$3.6 million through 2040. Note that this simplified calculation does not assume improved fuel economy of the vehicle fleet (which can cause falling fuel tax revenues) and is only based on the current King City population.

PROPERTY TAX LEVY

Property tax levies are another funding option available to cities. Voter approval is required to enact a local option tax, and the tax may be imposed for up to five years at a time, at which time a city will need voter approval if it desires to renew the levy. The only exception is that a levy for a specific capital project may be imposed for the expected useful life of the capital project up to a maximum of 10 years. Assuming a rate of \$0.20 per \$1,000 in assessed value as a five-year levy for the City, the City could expect to collect around \$550,000 over five years.

LOCAL IMPROVEMENT DISTRICTS

Local Improvement Districts (LIDs) can fund capital transportation projects that benefit a specific group of property owners. LIDs require owner/voter approval and a specific project definition. Assessments against benefiting properties pay for improvements. LIDs can supply match for other funds where a project has system wide benefit beyond benefiting the adjacent properties. LIDs are often used for sidewalks and pedestrian amenities that provide local benefit to residents along the subject street. Property owners are assessed a proportional share of the cost at the end of the project, or the City may elect to allow for installment payments with interest.

DEBT FINANCING

While not a direct funding source, debt financing is another funding method. Through debt financing, available funds can be leveraged, and the cost can be spread over the project's useful life. Though interest costs are incurred, the use of debt financing can serve not only as a practical means of funding major improvements, but it is also viewed as an equitable funding source for

⁶ <https://www.orcity.org/publicworks/transportation-utility-fee>

larger projects because it spreads the burden of repayment over existing and future customers who will benefit from the projects. One caution in relying on debt service is that a funding source must still be identified to fulfill annual repayment obligations. Three methods of debt financing are listed below:

- General Obligation (GO) Bonds – Subject to voter approval, a city can issue GO bonds to debt finance capital improvement projects. GO bonds are backed by the increased taxing authority of the City, and the annual principal and interest repayment is funded through a new, voter-approved assessment on property throughout the City (i.e., a property tax increase). Depending on the critical nature of projects identified in the TSP and the willingness of the electorate to accept increased taxation for transportation improvements, voter approved GO bonds may be a feasible funding option for specific projects. Proceeds may not be used for ongoing maintenance.
- Limited Tax General Obligation (LTGO) Bonds – Limited Tax General Obligation (LTGO) Bonds are similar to General Obligation (GO) bonds; however, they do not have to be voted on by constituents. A city pledges its general revenues to bondholders along with the utility revenues. LTGO Bonds do not require reserves or coverage (such as Revenue bonds) and does not require a vote.
- Revenue Bonds – Revenue bonds are debt instruments secured by rate revenue. For a city to issue revenue bonds for transportation projects, it would need to identify a stable source of ongoing rate funding. Interest costs for revenue bonds are slightly higher than for general obligation bonds due to the perceived stability offered by the “full faith and credit” of a jurisdiction.

GRANT OPPORTUNITIES

Grant opportunities could also provide additional funding for the City. Several major grant opportunities are listed below.

ODOT STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) FUNDING

ODOT has modified the process for selecting projects that receive STIP funding to allow local agencies to receive funding for projects off the state system. Projects that enhance system connectivity and improve multi-modal travel options are the focus. The TSP prepares the City to apply for STIP funding.

ODOT ALL ROADS TRANSPORTATION SAFETY PROGRAM (ARTS) FUNDING

The All Roads Transportation Safety Program (ARTS) is a statewide safety program that addresses safety for all public roads in the state of Oregon. The program is a competitive program with a focus on implementation of cost-effective and proven safety countermeasures. It is supported through federal and state funds based on the federal Highway Safety Improvement Program. HSIP adopts a data-driven approach that uses crash data, risk factors, and other supported methods to identify the best possible locations to achieve the greatest benefits. The first and second round of ARTS selected projects scheduled for delivery in years 2017-2021 and 2022-2024. The third round of the ARTS project selection will begin in the fall of 2020 and extend through the spring of 2021. During this period, projects will be selected for the Statewide Transportation Improvement Program (STIP) and delivered in years 2025 through 2027. During the period of 2025 through 2027,

approximately \$30 million per year will likely be available for the ARTS program. Funds will be allocated to each ODOT region based on the proportion of fatalities and serious injuries that occurred within the region during the last five years. ODOT Region 1 (where King City is located) allocations during the last round of ARTS funding was approximately 32 percent, which would amount to around \$9.6 million available for Region 1 if that were to remain the case during this round.

MULTIMODAL ACTIVE TRANSPORTATION FUND

In 2017, the Oregon Legislature passed Keep Oregon Moving (House Bill 2017), which includes changes to the existing Connect Oregon Grant Fund program that necessitates aligning the implementing rules with the new statutes. The legislation bifurcated the program into two new parts, with a separate allocation of 7 percent for multimodal active transportation projects.

In 2019, the Oregon Legislature passed House Bill 2592 to clarify and amend House Bill 2017. The legislation establishes the Multimodal Active Transportation (MAT) Fund for bicycle and pedestrian projects, consisting of 7 percent of the Connect Oregon Fund plus revenues from Oregon's bicycle excise tax. The MAT is a separate grant program from Connect Oregon. In addition to state MAT funding, federal funding is provided through Transportation Alternative (TA) funds. The state of Oregon restricts the use of TA funds to planning and design expenses, development, construction, reconstruction, major resurfacing, or other capital improvements of multiuse paths, bicycle paths and footpaths.

The Oregon Community Paths (OCP) program combines funds from the Multimodal Active Transportation Fund (formerly Connect Oregon Bike/Ped), Oregon Bicycle Excise Tax, and federal Transportation Alternatives Program to fund grants for project development, construction, reconstruction, major resurfacing or other improvements of multiuse paths that improve access and safety for people walking and bicycling. The Community Path Fund will start awarding grants in 2021, with amount up to \$750,000 for planning and design, and up to \$4 million for construction.

SAFE ROUTES TO SCHOOL PROGRAMS

Safe Routes to School refers to efforts that improve, educate, or encourage children safely walking (by foot or mobility device) or biking to school. ODOT 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, bike lanes, flashing beacons, and the like. Non-infrastructure programs focus on education and outreach to assure awareness and safe use of walking and biking routes. ODOT manages statewide funding competitions for both infrastructure and non-infrastructure programs at the annual levels of \$10 million (increasing to \$15 million in 2023) and \$300,000 respectively.

TABLE 2: POTENTIAL FUNDING OPTIONS

FUNDING OPTION	ALLOWED USE OF FUNDS	ACTION REQUIRED TO IMPLEMENT	EXAMPLE CHARGE	POTENTIAL ADDITIONAL ANNUAL REVENUE
TRANSPORTATION SYSTEM DEVELOPMENT CHARGE	Capital improvements	City Council action	\$9,000 per single-family unit; \$5,400 per multi-family unit; \$9,400 per peak hour trip for non-residential	\$1.8 million
TRANSPORTATION UTILITY FEE	Capital improvements or maintenance	City Council action	\$1 per month for residential units and \$.01 per month per square foot for non-residential uses	\$100,000
LOCAL FUEL TAX	Capital improvements or maintenance	Voter Approval	Three cents per gallon	\$190,000
PROPERTY TAX LEVY	Capital improvements or maintenance	Voter Approval	\$0.20 per \$1,000 in assessed value (per year, for 5 years)	\$550,000
LOCAL IMPROVEMENT DISTRICTS	Capital improvements	Affected Property Owners	n/a	n/a
DEBT FINANCING	Capital improvements	Varies	n/a	n/a
GRANT OPPORTUNITIES	Capital improvements or maintenance	Varies	n/a	n/a