



FINANCE PROGRAM

DATE: February 18, 2021

TO: Project Management Team

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SUBJECT: Newport Transportation System Plan

Project #17081-007

Finance Program (Task 5.4; Technical Memorandum #9)

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 over the next 20 years.

CURRENT FUNDING SOURCES

The City uses several primary funds for transportation, including the State Highway Trust, a local gas tax and utility fees, System Development Charges (SDC), Urban Renewal Agencies, in addition to other miscellaneous funds.

- **State Highway Trust**

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.

- **Local Gas Tax**

Newport has an adopted local gas tax that is collected by fuel distributors. The local gas tax is one cent per gallon during the winter months (November 1st - May 31st) and increases to three cents per gallon during the summer months (June 1st - October 31st).

- **Stormwater Utility Fee**

Various recurring utility fees are collected monthly by all residences and businesses within the City, including a Capital Improvement Surcharge and Storm Drain Utility Fee. Beginning in fiscal year 2020 these fees are being replaced with a single Stormwater Utility Fee.

- **System Development Charges**

Transportation and stormwater SDC's are collected from new development. SDC's are a funding source for all capacity adding projects. The funds collected can pay for constructing or improving portions of roadways impacted by applicable development and include roadway improvements, bikeways and pedestrian facilities.

- **Urban Renewal Districts**

The South Beach and North Side Urban Renewal Districts use tax increment financing to fund various improvements that encourage local economic development, including roadway and intersection improvements, bikeways and pedestrian facilities. The North Side Urban Renewal District was formed to help pay for a significant portion of the projects that will come out of the TSP update. The South Beach Urban Renewal District has been established for many years and will terminate at the end of 2027. Projects that have already been programmed for the remaining phase will be included as funded projects in the TSP.

- **Other Miscellaneous Funds**

The City also currently uses funds from the Room Tax (Newport Fund #230), Public Parking (Newport Fund #211), and Line Undergrounding (Newport Fund #252) Funds, in addition to Local Improvement Districts. The Room Tax and Public Parking Funds are used for tourist-oriented street, sidewalk or parking improvements, while the Line Undergrounding Fund is used to cover utility undergrounding expenses associated with street improvements.

Local Improvement Districts (LIDs) fund capital transportation projects that benefit a specific group of property owners. LIDs require owner/voter approval and a specific project definition and 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.

REVENUES AND EXPENDITURES

The following sections detail the revenue and expenditure forecasts.

REVENUES

Current annual revenues include \$665,000 from the State Highway Trust Fund, \$180,000 from the local gas tax and \$620,000 from the Stormwater Utility Fee (see Table 1). The City also currently receives approximately \$705,000 in other revenues annually. This includes around \$150,000 from the Room Tax Fund, \$10,000 from the Public Parking Fund, \$100,000 from the Line

Undergrounding Fund, \$100,000 from Local Improvement Districts and \$345,000 from other sources. Current annual SDC revenue for street and stormwater improvements is \$225,000, with estimated annual revenue expected to increase to \$510,000 based on forecasted yearly population and employment growth through 2040.

Assuming, as a conservative estimate¹, the same levels of funding occur in the future, Newport can expect to receive \$43.4 million in State Highway Trust Fund, local gas tax, Stormwater Utility Fee and miscellaneous fee revenue through 2040. SDC's likely will provide an additional \$10.2 million in revenue through 2040 (based on forecasted yearly population and employment growth through 2040).

The City estimates that the North Side Urban Renewal District will fund \$37.8 million worth of project expenditures². ODOT has also indicated that around \$10.8 million in discretionary state and/or federal funds may be available to invest in Newport over the next 20 years³ for system modernization and enhancement.

EXPENDITURES

Expenditures include personnel services, roadway striping, traffic control, vegetation trimming, street sweeping, maintenance, and roadway engineering.

The City estimates that it spends approximately \$1.3 million per year (or \$26.1 million through 2040) to maintain and operate the streets (see Table 1). This includes an escalation rate of 4.5 percent⁴ on the current expenditures to account for rising costs and ensure that needed roadway maintenance and repair work will not be deferred through 2040. Note that the expenditures of the North Side Urban Renewal District were excluded from the total revenue for projects in the district, and therefore were not included as an expenditure in Table 1.

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 significantly⁵.

¹ This assumes the population growth rate in Newport will be roughly the same as the cost inflation rate, therefore, maintaining existing revenues through 2040.

² The total revenue for projects is \$39.9 million. The total has been reduced to account for expenditures of the district.

³ The State has not committed any future funding for projects in Newport. This assumption is for long-range planning purposes only. This estimate is based on assuming that Newport will receive a reasonable share of the state/federal funding projected to be available over the 20-year planning horizon in Region 2 and based on ODOT sustaining their current revenue structure. It is used to illustrate the degree of financial constraints faced by ODOT as of the writing of this document. Actual funding through state and federal sources may be higher or lower than the range of this estimate. This estimate does not include projects that might be funded through the federal Highway Safety Improvement Program (HSIP).

⁴ Escalation rate of 4.5 percent based on the Construction Cost Index.

⁵ 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 deterioration⁶. 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

The City is expected to have about \$102 million for street improvement needs (e.g., construction of new facilities) over the next 20 years, as shown in Table 1. This includes over \$37.8 million to fund improvements in the North Side Urban Renewal District and around \$10.8 million from state and/or federal funding sources to cover investments along state highways over the next 20 years.

TABLE 1: NEWPORT TRANSPORTATION REVENUE AND EXPENDITURES

REVENUES	AVERAGE ANNUAL AMOUNT	ESTIMATED AMOUNT THROUGH 2040
STATE HIGHWAY TRUST FUND	\$665,000	\$13,300,000
LOCAL GAS TAX	\$180,000	\$3,600,000
STORMWATER UTILITY FEE	\$620,000	\$12,400,000
SYSTEM DEVELOPMENT CHARGES	\$510,000	\$10,200,000
MISCELLANEOUS REVENUES	\$705,000	\$14,100,000
DISCRETIONARY STATE AND/OR FEDERAL FUNDS	\$540,000	\$10,800,000
NORTH SIDE URBAN RENEWAL DISTRICT	\$1,892,500	\$37,850,000
TOTAL REVENUES	\$5,112,500	\$102,250,000
EXPENDITURES	AVERAGE ANNUAL AMOUNT	ESTIMATED AMOUNT THROUGH 2040
PERSONNEL SERVICES	\$445,000	\$8,900,000
MATERIALS AND SERVICES	\$550,000	\$11,000,000
CAPITAL OUTLAY/MAINTENANCE	\$310,000	\$6,200,000
TOTAL EXPENDITURES	\$1,305,000	\$26,100,000

⁶ Long-Term Pavement Performance, U.S. Department of Transportation, Federal Highway Administration

FUNDING SUMMARY	AVERAGE ANNUAL AMOUNT	ESTIMATED AMOUNT THROUGH 2040
FUNDING SUMMARY (REVENUE – EXPENDITURES)	\$3,807,500	\$76,150,000

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 citizens 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.

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 Newport’s TSP.

TABLE 2: POTENTIAL FUNDING OPTIONS

FUNDING OPTION	ALLOWED USE OF FUNDS	ACTION REQUIRED TO IMPLEMENT	EXAMPLE CHARGE	POTENTIAL ADDITIONAL ANNUAL REVENUE
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	\$450,000
LOCAL FUEL TAX INCREASE	Capital improvements or maintenance	Voter Approval	+Four cents per gallon during the winter and +two cents per gallon during summer	\$253,000
COUNTY VEHICLE REGISTRATION FEE	Capital improvements or maintenance	Voter Approval (County- wide)	\$20 for passenger cars, and \$5 for motorcycles per year	\$400,000
PROPERTY TAX LEVY	Capital improvements or maintenance	Voter Approval	\$0.20 per \$1,000 in assessed value (per year, for 5 years)	\$300,000 (per year, for 5 years)

FUNDING OPTION	ALLOWED USE OF FUNDS	ACTION REQUIRED TO IMPLEMENT	EXAMPLE CHARGE	POTENTIAL ADDITIONAL ANNUAL REVENUE
LOCAL IMPROVEMENT DISTRICTS	Capital improvements	Affected Property Owners	n/a	n/a
DEBT FINANCING	Capital improvements	Varies	n/a	n/a

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 about \$450,000 annually. Philomath, for example, charges a fee of \$4 per month for single family residential units, \$3.20 per month for multi-family units, and between \$13.60 and \$45.50 (based on type and size of the land use) per month for non-residential uses.

LOCAL FUEL TAX INCREASE

To estimate the potential revenue generated from a local fuel tax increase in Newport, the monthly gallons of fuel utilized in Newport was obtained. Newport fuel distributors collected revenue on around 767,000 gallons of fuel per month during the summer and \$675,000 gallons of fuel per month during the winter. A local fuel tax increase to five cents per gallon year around could generate an additional \$45,000 monthly, \$253,000 annually or \$5.0 million through 2040.

COUNTY VEHICLE REGISTRATION FEE

The State of Oregon currently requires vehicle owners to register their vehicles and then renew their registration on a 2-year or 4-year basis. The State’s biennial registration fee is between \$122 and \$152 for non-electric passenger cars and \$78 for motorcycles. In addition to the State fee, Multnomah, Washington, and Clackamas are the only Counties that also have a vehicle registration fee. The Multnomah County biennial fee is \$112 for passenger vehicles and \$78 for motorcycles,

while the Washington and Clackamas County biennial fees are \$60 for passenger vehicles and \$34 and \$30 respectively for motorcycles.

Vehicle registration fees for Counties in Oregon can be enacted by ordinance, but if a County has a population less than 350,000 residents (like Lincoln County), then the ordinance requires voter approval. Under State law, 40 percent of the collected fee must go to the Cities within a County, unless they agree to a different percentage.

Lincoln County has 49,876 registered passenger cars, and 1,716 registered motorcycles. As an example, with a biennial registration fee of \$20 for passenger cars, and \$5 for motorcycles, the County could expect to collect over \$1 million annually, with \$600,000 going to the County, and \$400,000 distributed to Cities, including Newport.

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 \$1.5 million 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 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. The advantages to this option are that it does 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.

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 updated TSP prepares the City to apply for STIP funding.

ODOT HIGHWAY SAFETY IMPROVEMENT PROGRAM (HSIP) FUNDING

With significantly more funding under the HSIP and direction from the Federal Highway Administration to address safety challenges on all public roads, ODOT will increase the amount of funding available for safety projects on local roads. ODOT will distribute safety funding to each ODOT region, which will collaborate with local governments to select projects that can reduce fatalities and serious injuries, regardless of whether they lie on a local road or a state highway.

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% 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% of the Connect Oregon Fund plus revenues from Oregon’s bicycle excise tax. The MAT is a separate grant program from Connect Oregon and requires a new set of administrative rules. The legislation also clarifies roles and responsibilities between ODOT and the Oregon Department of Parks and Recreation to provide funding to bicycle and pedestrian projects with up to \$4M of lottery revenues.

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 and 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 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.

OREGON COMMUNITY PATHS (OCP)

Oregon Community Paths combines funds from the Multimodal Active Transportation Fund (formerly Connect Oregon Bike/Ped), Oregon Bicycle Excise Tax, and federal Transportation Alternatives Program to fund primarily off-street pedestrian and bicycle facilities.

IMMEDIATE OPPORTUNITY FUND

The purpose of the Immediate Opportunity Fund is to support primary economic development in Oregon through the construction and improvement of streets and roads. Access to this fund is discretionary and the fund may only be used when other sources of financial support are unavailable or insufficient. The Immediate Opportunity Fund is not a replacement or substitute for other funding sources.

FEDERAL LANDS ACCESS PROGRAM (FLAP)

The Federal Lands Access Program was established to improve transportation facilities that provide access to, are adjacent to, or are located within Federal lands. The Access Program supplements State and local resources for public roads, transit systems, and other transportation facilities, with an emphasis on high-use recreation sites and economic generators. The program is funded by contract authority from the Highway Trust Fund and subject to obligation limitation. Funds will be allocated among the States using a statutory formula based on road mileage, number of bridges, land area, and visitation. Projects are selected by a Programming Decision Committee established in each State.