

Council Subcommittee on Transportation Funding Solutions



Final Report

May 23, 2007

Table of Contents



Executive Summary	2
Conclusions	2
Background	4
Financial Need	4
Funding For Street Operations and Maintenance	4
Off-Street Bicycle and Pedestrian Path O&M	5
Capital Pavement Preservation Program (PPP)	5
Off-Street Bicycle and Pedestrian Path Capital Pavement Preservation	7
Other System Needs	8
A Brief Council History Related To Transportation Funding	8
Formation of Council Subcommittee	9
Subcommittee Charge	9
Subcommittee Membership	9
Process	10
Analysis of Funding Solutions	12
Initial Identification of Funding Alternatives	12
Identification of Criteria	13
Evaluation of Current Ongoing Funding Sources Using Criteria	15
Evaluation of Funding Alternatives Using Evaluative Criteria	15
Recommended Funding Alternatives	15
Seek Voter Approval of a Capital Local Option Levy	16
Establish a Street and Bike Path Lighting Fee	17
Establish a Street Utility Fee Based on Parking	17
Establish a Solid Waste Collection Surcharge	18
Increase Motor Vehicle Fuel Tax	19
Secondary Recommendations	19
Implementation Proposal for Recommended Funding Solution	21
Other Funding Alternatives Considered	21
Appendices	26
Appendix A	
Summary of Unfunded Transportation Needs and Recommended Funding Solutions	
Appendix B	
B-1: Evaluation Matrix of Existing Revenue Sources	
B-2: Evaluation Matrix of Additional Revenue Alternatives	
Appendix C	
Minutes from Council Subcommittee Meetings (February 6 – May 11, 2007)	

Executive Summary

In January 2007, the Eugene City Council agreed to form a council subcommittee, comprised of four councilors, to study transportation funding options and to bring back creative solutions for adequately funding Eugene's transportation system for cars, trucks, bicycles and pedestrians in ways that collect funds proportionately (or equally) from residents and non-residents who use our roads, are more consistent with our sustainability goals, have direct connection to the use of the roads, and give incentives to those who do not have a car or use one very little.

Working with staff, the council subcommittee met eight times over a period of 13 weeks to study and discuss 30 potential transportation system funding alternatives. The process, discussions and analyses of the various funding alternatives are detailed more thoroughly in the body of this report.

This report is intended to provide a high-level analysis of transportation funding issues and various potential transportation funding solutions. Similarly, the recommendations summarized below and discussed in the body of this report are high level or conceptual in nature. Once the full council has agreed upon a general course of action, staff will develop more detailed information on specific solutions. The council and the public will have opportunities for review and comment before any specific solutions are implemented.

CONCLUSIONS

The Council Subcommittee on Transportation Funding Solutions recommends a package of five revenue options to address critical shortfalls in funding for the operation, maintenance and preservation of Eugene's transportation system:

1. Increase Eugene's motor vehicle fuel tax by 3 cents per gallon to the 8-cent level to generate an additional \$2 million annually;
2. Establish a street utility fee based on parking spaces to generate annual net revenue of approximately \$6 million, with \$150,000 per year dedicated to funding traffic calming measures (estimated to cost the average household \$4.50 to \$5 per month);
3. Institute a street and bike path lighting fee to generate sufficient funds to operate and maintain and provide for reasonable expansion of Eugene's street and bike/pedestrian path lighting system (estimated to cost the average household \$1.50 per month);
4. Seek voter approval in May 2008 for a capital local option levy to generate approximately \$6 million per year over a 10-year period dedicated to pavement capital preservation projects, including approximately \$350,000 per year for capital bike path preservation (estimated to cost the average homeowner \$80 per year) ; and
5. Implement a solid waste collection fee surcharge to generate approximately \$1 million annually (estimated to cost the average household \$1 per month).

The subcommittee believes that the priority uses for the new revenue generated should be:

1. Operating and maintaining the existing transportation system, including on-street and off-street bike and pedestrian pathways (annual funding need of \$2 million for the street system and \$350,000 for bike and pedestrian pathway operations and maintenance);
2. Fully funding the annual pavement preservation overlay program, to avoid more streets falling into the more expensive reconstruction project category (total annual funding need of \$7.5 million to \$9.5 million);

3. Beginning to buy down the backlog of reconstruction street projects at a reasonable level and time frame (total annual funding of \$8.5 million to \$10.5 million recommended);
4. Acknowledging the importance of alternative modes of transportation by including funding for a reasonable amount of enhancements and extensions to bike and pedestrian facilities, including preserving and expanding the sidewalk system and expanding the local on-and off-street bicycling system (total annual funding of \$350,000 recommended for bike and pedestrian path capital preservation); and
5. Respond to priority funding needs related to other components of the transportation system, specifically neighborhood traffic calming projects (total annual funding of \$150,000 recommended).

Additionally, in the course of their deliberations, the subcommittee members identified a number of issues or opportunities which they believe are also worthy of mention in this report. Those recommendations are listed here, and additional detail is provided in the body of this report:

1. Formalize an intergovernmental agreement with LTD to clearly detail responsibility for maintenance of LTD facilities in the city's right-of-way used exclusively for transit, including bus lanes.
2. Send a letter to the Lane County Board of Commissioners from the full council advocating for consideration of both a countywide motor vehicle registration/vehicle emissions fee and a motor vehicle fuel tax as potential revenue sources for addressing the comprehensive road funding needs in Lane County.
3. Refer revenue alternatives that might be significant in terms of their potential to influence behavior and choices to achieve environmental goals (such as a carbon tax on natural gas) to the new Sustainability Commission for further study.
4. Encourage the council to consider a city vehicle rental tax to generate revenue to cover additional airport costs for the Olympic Trials (short term) and airport service development (long term).
5. Seek state legislative remedies to improve the distribution and use of state transportation revenues for cities.
6. Continue this initiative in a second phase of transportation funding efforts, including seeking longer-term funding solutions and spreading out the elimination of the pavement reconstruction backlog beyond the initial 10-year capital levy period.

It is the belief of this subcommittee that these recommendations, in total, provide an achievable and balanced response to the charge to bring back creative solutions for adequately funding Eugene's transportation system for cars, trucks, bicycles and pedestrians in ways that collect funds proportionately (or equally) from residents and non-residents who use our roads, are more consistent with our sustainability goals, have direct connection to the use of the roads, and give incentives to those who do not have a car or use one very little.

Councilor Chris Pryor

Councilor Jennifer Solomon

Councilor Alan Zelenka

Background

FINANCIAL NEED

The city's transportation funding needs fall into a number of different categories, including street system operations and maintenance, capital pavement preservation projects, off-street bike and pedestrian path operations, maintenance and preservation, and other transportation system priority needs that have been recognized by council but for which no ongoing funding sources have been identified. Each of these categories of needs is discussed below in further detail.

Funding for Street Operations and Maintenance

The city's Road Fund accounts for the operation and maintenance (O&M) of Eugene's street system. The majority of Road Fund revenue comes from Eugene's share of the State Highway Trust Fund, which is derived from Oregon motor vehicle fuel taxes as well as state motor vehicle registration fees and weight-mile taxes. Revenue growth in the State Highway Trust Fund has been relatively flat since FY00, when the city was receiving about \$6.0 million per year in allocations. The projected revenue for FY07 is less than \$6.2 million, which equates to only a 3% growth over the entire seven-year period.

The second major source of revenue for ongoing street operation activities is the historic County/City Road Partnership Agreement that once contributed \$2.5 million per year and more recently has provided about \$1.2 million in annual street maintenance funding to Eugene. The current agreement expires in June 2007, and the Board of County Commissioners has adopted a five-year Capital Improvement Plan which discontinues the partnership payments to Lane County cities after FY07. This means that Eugene would lose more than \$1 million in annual street maintenance funding beginning in FY08. In the meantime, Eugene continues to look for opportunities to cooperate with Lane County in identifying sustainable mechanisms and agreements for funding operations, maintenance and preservation (OM&P) to meet the broad transportation needs in the region.

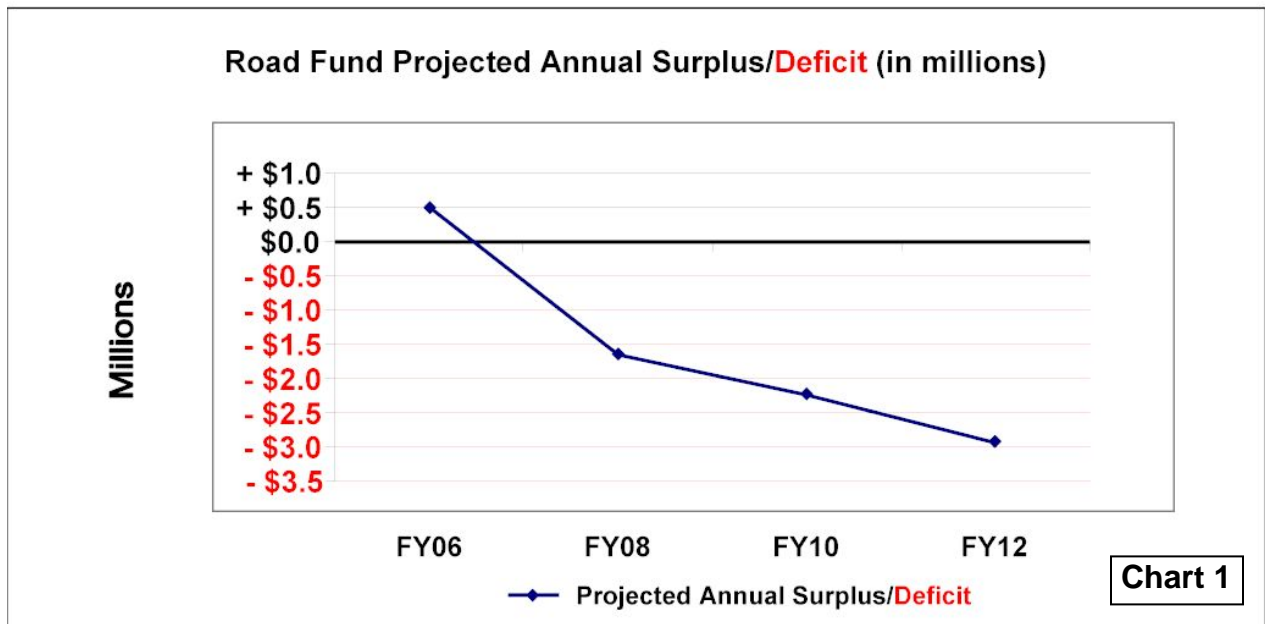
Cost reductions of \$850,000 were implemented in the Road Fund in FY04, primarily through elimination of the in-house street overlay program and organizational restructuring and consolidations of Public Works divisions and work crews resulting in the elimination of supervisory positions. These cost reductions were implemented as a partial remedy for stabilizing the O&M activities for the city's street system, with the hope that additional revenue sources for O&M would eventually be realized as an outcome of the council's ongoing work on transportation funding. Council also provided some relief in February 2006 by shifting nearly \$655,000 of Road Fund program costs related to street trees/median maintenance to the Stormwater Fund.



The majority of Road Fund revenue comes from Eugene's share of the State Highway Trust Fund, which is derived from Oregon motor vehicle fuel taxes as well as state motor vehicle registration fees and weight-mile taxes.



However, insufficient resources have been identified to date, such that by FY08 when the County/City Partnership transfer is scheduled to be discontinued, the Road Fund is expected to have an annual operating deficit of over \$1.6 million (growing to \$2.2 million by FY10) to maintain the current level of O&M activities such as street lighting, pothole patching, street tree maintenance, signing and striping. An additional annual revenue stream of \$2.0 million would stabilize funding for ongoing O&M activities through the six-year forecast period. Chart 1, below, depicts this trend of growing annual Road Fund operating deficits, assuming no additional resources are directed to those activities.



Off-street Bicycle and Pedestrian Path O&M

The city manager is proposing to spend about \$350,000 of General Fund resources for the operation and maintenance of Eugene’s off-street bike and pedestrian system in FY08. Activities funded within this budget include the cost of lighting the paths (\$45,000), striping (fog lanes), sweeping and graffiti removal, signage, asphalt and concrete repair and emergency response, as well as bicycle safety, mapping and alternative modes programs. With the current staffing level and budget, only hazardous conditions are repaired on off-street bike/pedestrian paths. An eligible portion of this proposed new transportation funding package could be allocated through the annual budget process to relieve the General Fund of the cost of the on-going O&M activities for the off-street bike/pedestrian paths.

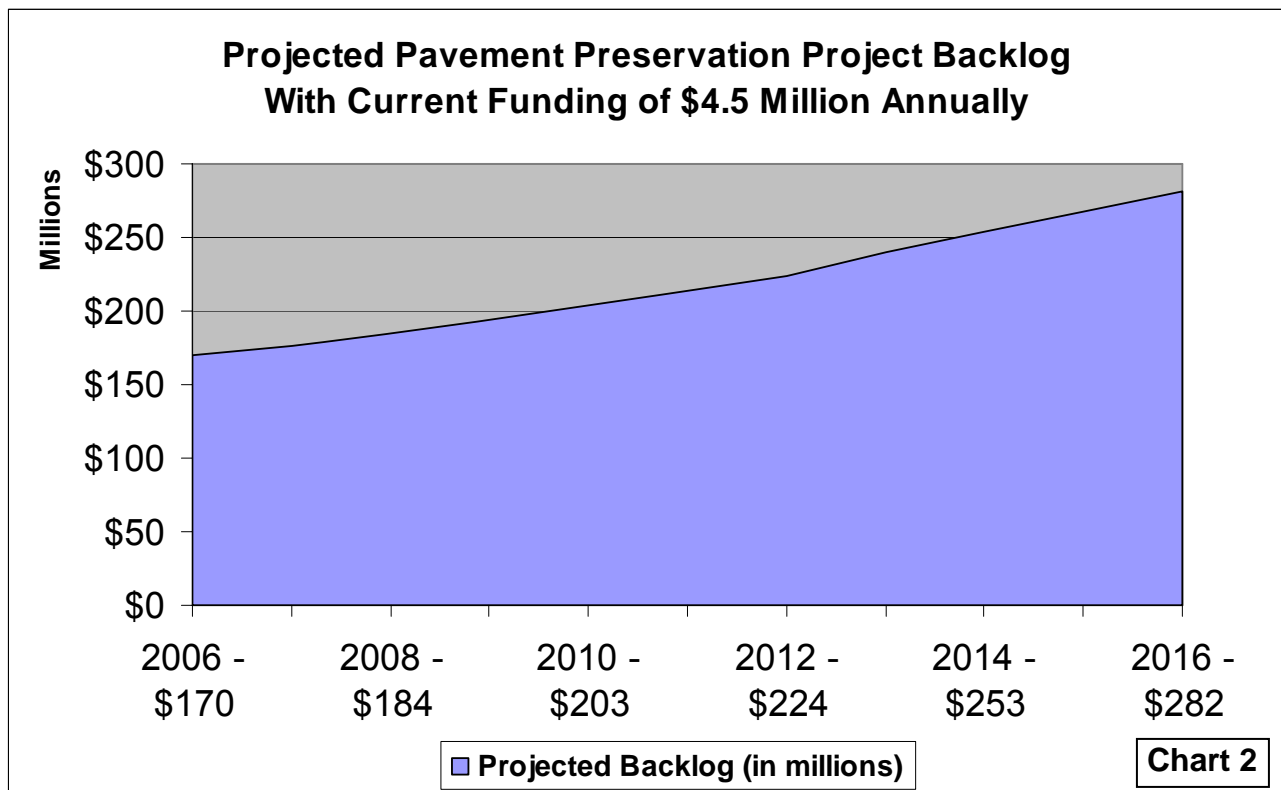


Capital Pavement Preservation Program (PPP)

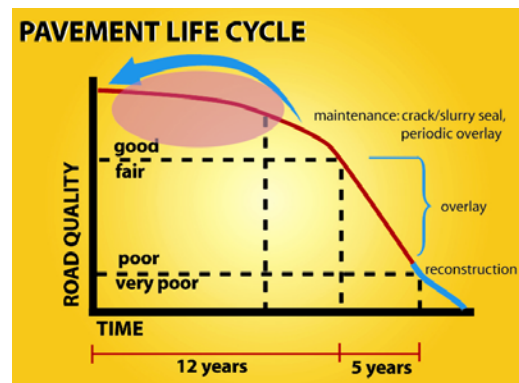
The 3-cent local motor vehicle fuel tax implemented by Council in August 2003 and raised to 5 cents in February 2005 is expected to generate revenue of \$3.4 million for FY07. Additional dedicated preservation project revenue from transportation reimbursement SDCs, from the three-year County/City OTIA III revenue sharing agreement and from other fund sources has contributed in the range of \$1 million per year, for a total of around \$4.5 million a year

dedicated to pavement preservation in each of the past several years. Overall, the City has completed nearly \$12.9 million in street preservation project work since 2003, with additional contracts in process. This year, more than 17.4 lane miles of slurry seal projects and 20.5 lane miles of rehabilitation projects are scheduled, including the overlay of portions of 18th Avenue, Chambers Street and Bailey Hill Road.

In spite of these accomplishments, the backlog of needed repair work continues to grow in the face of rising construction costs and insufficient revenues. When the Eugene Budget Committee Citizen Subcommittee presented its transportation system funding report to the council in late 2001, the City was facing an estimated \$67 million backlog in pavement preservation work, as confirmed by an independent consultant. By the time the council implemented the 2-cent fuel tax increase in early 2005, that backlog had grown to nearly \$94 million. As of April 2007, the estimated cost of that backlog is nearly \$170 million and, at current funding levels for repair work, is projected to grow to \$282 million within the next 10 years. This funding scenario is depicted in Chart 2, below.

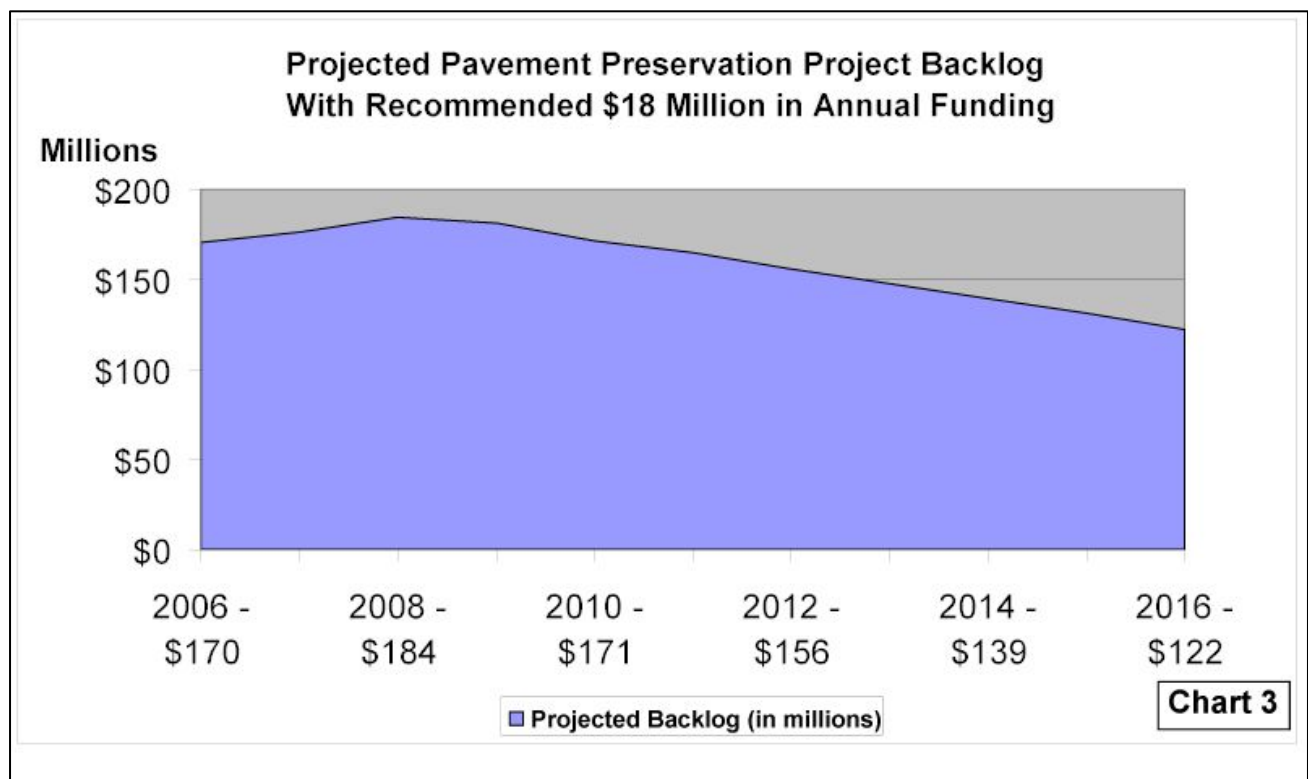


The growth in the new backlog cost estimates is the result of two primary drivers. The first driver is a continually inadequate financial investment in the backlog of overlay projects, with the result that more projects have fallen from the “overlay preservation” category into the much more expensive “reconstruct” category of repairs, simply because the city has been unable to attend to those repairs when they were still candidates for the less expensive preservation treatments. At the same time, the overlay backlog has continued to grow as pavements fall from the



“no treatment needed” category to needing overlay. The second significant driver in the escalating cost estimates is the extraordinary marketplace pressures that have caused significant increases in unit costs over prior years' estimates. Increasing fuel and energy costs, 50%-plus increases in the cost of asphalt, and increasing global demand for concrete and other construction materials have resulted in unit costs on certain street projects to escalate as much as 70% over the past two years.

It is estimated that it would take a total investment in the PPP program of nearly \$27 million per year, with new funding beginning in FY09, to completely eliminate the reconstruction project backlog within the next 10 years. However, with the additional pavement preservation funding of \$13 million to \$14 million per year recommended by the subcommittee (bringing the total annual PPP funding level up to approximately \$18 million), the City could fully fund and stabilize the annual overlay program and begin to make considerable progress in reducing the substantial community liability represented in the backlog of reconstruction projects, depicted in Chart 3, below.



Off-street Bicycle and Pedestrian Path Capital Pavement Preservation

Pavement conditions on off-street bicycle and pedestrian paths are not currently tracked in the city’s pavement management system. Therefore, there is no estimate available for the total cost of addressing the backlog of pavement preservation needs on these off-street paths. Recent projects are focused on reconstructing failed sections of asphaltic concrete pathways. The reconstructed pathways will include the Fern Ridge Path between City View and Chambers (\$391,000), Northbank Path between the Greenway Bridge and the Ferry Street Bridge (\$893,000) and the Garden Way Path between Garden Way and the Canoe Canal (\$485,000). The projects are funded by a combination of federal Surface Transportation Program-Urban (STP-U) funds allocated by the Metropolitan Policy Committee (MPC) and transportation system development charges. Since these projects were funded, the city has shifted its focus for STP-U funds from bike paths to the arterial and collector

street system. During the most recent allocation of STP-U funds by the MPC, the city submitted street preservation projects selected from a list of candidate streets approved by the council. An eligible portion of this proposed new transportation funding package could be used to provide a stable source of revenue for a pavement preservation program for the off-street transportation system.

Other System Needs

Beyond the OM&P funding needs for streets and off-street bike paths, the subcommittee also recognized that there is little or no funding available to respond to needs related to other components of the transportation system such as neighborhood traffic calming projects, additional street lighting, retrofitting of audible pedestrian signals, preserving and expanding the sidewalk system, and expanding the local on- and off-street bicycling system.

A portion of the proceeds from this proposed new funding package could be allocated to those transportation-related priority needs that have been recognized by the council and budget committee but for which no ongoing funding source has yet been identified. Annual budget committee deliberations could direct the priority uses of those eligible resources in any given fiscal year.

A “Summary of Unfunded Transportation System Needs and Recommended Funding Solutions” was developed and refined in the course of subcommittee discussions and is presented as Appendix A of this report as a recap of those discussions and recommendations.

A BRIEF COUNCIL HISTORY RELATED TO TRANSPORTATION FUNDING



In October 2001, the Citizen Budget Subcommittee on Transportation System Funding presented its Final Recommendation on Transportation Funding Issues, which contained among its conclusions the assertion that “In the face of projected O&M shortfalls and service reductions beginning in FY03, ensuring adequate funding for the operation

and maintenance activities of the city’s transportation system is absolutely essential.” At that time, the Citizen Budget Subcommittee also presented its recommendation that the council implement a transportation funding package consisting of a combination local motor vehicle fuel tax and transportation system maintenance fee for the purpose of generating an additional \$9 million annually to address the city’s critical transportation system funding needs, which included \$8.5 million for the backlog of road preservation work plus an additional \$425,000 for off-street bike paths.

On December 9, 2002, the council approved an ordinance establishing a transportation system maintenance fee (TSMF). On January 27, 2003, a related transportation revenue measure, the local motor vehicle fuel tax (“fuel tax”), was approved by the council. On September 8, 2003, the council voted to repeal the TSMF ordinance, citing the repeal by Springfield City Council of that city’s TSMF and concerns about equity between the two cities, as well as concerns raised by the Eugene Chamber of Commerce about the structure and impact of the TSMF on Eugene businesses. The council also cited continued hope for collaborative solutions with partner agencies, with particular reference to upcoming discussions with the Lane Board of County Commissioners and other local

officials. A 2-cent increase to the motor vehicle fuel tax was approved in January 2005, along with a sunset provision that would cause the tax to revert to 3 cents per gallon on February 29, 2008. Council added the sunset provision in the third year of the increase, citing the hope that three years would allow sufficient time to complete a comprehensive review of available funding options in the effort to develop a more permanent funding strategy for transportation system needs.

On September 26, 2005, the council reviewed and discussed the financial status and fund forecast for the Road Fund. Based on that discussion, the council directed the city manager to develop a FY07 Road Fund budget at the current service level and to bring back a proposal for a new revenue funding package which would not only address the projected ongoing operating deficit in street operations and maintenance but would also generate additional revenue to be dedicated to the backlog of unfunded projects in the pavement preservation program.

On February 27, 2006, the council reviewed and discussed a number of potential revenue strategies to address unmet transportation system funding needs. At that session, the council directed the city manager to bring back a proposal for reestablishing the previously repealed transportation system maintenance fee (TSMF) to address not only the projected ongoing operating deficits in Road Fund street operations and maintenance, but also to generate additional revenue to address the remaining annual funding gaps in the pavement and off-street bike path preservation programs. In the course of its FY07 budget deliberations, the budget committee added a one-time funding allocation of \$1.5 million to the pavement preservation capital budget for FY07 to be focused on overlay projects for streets that would otherwise fall into the reconstruct category in a subsequent year.

On November 27, 2006, council considered adoption of an ordinance establishing a transportation system maintenance fee (TSMF) for the purpose of generating revenue to meet the operational, maintenance and preservation needs of the transportation system. At that meeting, council voted to postpone action on adoption of the proposed ordinance and, instead, directed the city manager to schedule a work session to consider additions or alterations to the proposed funding strategy, including a TSMF, a gas tax, a bond measure and a commuter tax.

FORMATION OF COUNCIL SUBCOMMITTEE

Subcommittee Charge

At a work session on January 22, 2007, the council directed the city manager to “bring back creative solutions for adequately funding our transportation system for cars, trucks, bikes and pedestrians that:

- Collect funds proportionately (or equally) from residents and non-residents that use our roads,
- Are more consistent with our sustainability goals,
- Have more direct connection to the use of the roads (like a carbon tax or garbage truck fees), and
- Give rebates or incentives to those who do not have a car or use one very little.

Subcommittee Membership

Further discussion by the council led to the formation of the Council Subcommittee on Transportation Funding Solutions, comprised of councilors Bonny Bettman, Chris Pryor, Jennifer Solomon and Alan Zelenka. On May 10, 2007, Councilor Bettman requested that her name be removed from the final report and recommendations. Subsequently, the three remaining councilors approved the final recommendations.

Process

In the course of their study and deliberations, the subcommittee members met a total of eight times over a period of 13 weeks. Their work was supported by more than a dozen staff from Public Works, Central Finance and Planning & Development, as well as City legal counsel.

At the first meeting on February 6, 2007, the subcommittee discussed expectations, ground rules and a decision-making model characterized by three possible levels of agreement by subcommittee members:

Level 1 – Support the concept, will vote to move forward, will vote in favor of it at the council level.

Level 2 – Can live with the concept, do not really support it, but will vote to move forward and will vote in favor of it at the council level.

Level 3 – Cannot live with the concept, will not vote to move forward, nor vote in favor at the council level.

Overall, the subcommittee agreed to strive for consensus on as many solutions as possible but not be constrained by a consensus requirement.

At the second meeting, on February 14, staff presented an overall workplan, an initial list of 30 potential transportation system funding alternatives, and a list of possible evaluative criteria against which each of the potential funding alternatives would be measured and compared. The initial list of funding alternatives and the criteria used to evaluate the alternatives (reflecting subcommittee refinements on February 6 and 14) are included in the following section of this report, describing the analysis of funding solutions.

At the March 7 meeting, staff prepared a packet of detailed revenue templates for each of the funding alternatives, which the subcommittee used in its deliberations as to what should be included in their recommendation for a comprehensive transportation system funding package.

At the fourth meeting, on March 21, the group continued to review, discuss and poll on the remaining funding alternatives. Initial straw polling at that meeting eliminated 15 of the potential funding alternatives.

Based on the discussions and polling from the first four meetings, the remaining funding alternatives were narrowed to a list of 10 by the April 4 meeting. A two-page evaluation matrix tool was introduced by staff, which presented all existing funding sources for transportation OM&P, as well as each of the potential new funding alternatives still under consideration. The matrix tool aligned each funding alternative with the evaluative criteria and included revenue generation estimates for each potential funding alternative. The final version of that two-page evaluation matrix is included as Appendix B in this report. At that point, the subcommittee members began to work on developing potential funding packages which they could support as a group. The results of that initial subcommittee matrix exercise are included in the minutes from the April 4 meeting.

At the April 10 meeting, staff provided a preliminary summary of unfunded transportation system needs, which included updated cost estimates for the backlog of pavement preservation projects based on emerging data from the latest annual pavement condition assessment. The subcommittee discussed the unfunded transportation system needs as eventually refined and presented in Appendix

A of this report. Each subcommittee member laid out his or her preferred transportation funding packages and began to look for areas of greatest agreement as well as areas for compromise.

At the April 20 meeting, the subcommittee discussed the updated cost estimates for the pavement preservation backlog, which reflected an estimated overlay backlog of \$45 million and a reconstruction backlog of \$125 million, for a total of \$170 million in estimated street repair costs. The subcommittee discussion reiterated the goal of fully funding the annual overlay program to avoid having more streets falling into the reconstruction category and then beginning to buy down the reconstruction backlog at a reasonable rate over a reasonable period of time. The subcommittee discussed the pros and cons of various funding mechanisms and also began to identify components for a second set of options that could be part of a longer-term strategy for transportation funding solutions. The subcommittee adjourned with agreement on four revenue components for a funding package. A fifth revenue alternative remained on the list for consideration, contingent on potential revisions.

At the subcommittee's final meeting on May 11 the members agreed in concept to the goal of generating an additional \$16 million in annual transportation system funding from a five-source revenue package. The members then discussed and refined the target revenue levels for each of the five revenue sources in the final funding package recommendation. Agreement was reached to recommend that \$350,000 annually of the amount generated from the capital local option levy be earmarked for bike and pedestrian path capital preservation. Additionally, \$150,000 of the street utility fee was recommended to be earmarked for neighborhood traffic calming projects. Subcommittee members talked about the logical sequencing of action items for implementation of the various components of the funding recommendation. The subcommittee stressed the importance of getting full council support for the conceptual funding package as a whole, and then moving forward with a process to refine each of the component mechanisms in a series of future work sessions, public hearings and council actions.

Copies of minutes taken at the subcommittee meetings are attached as Appendix C. Additional information and documentation can be found on the internet at www.eugene-or.gov/pw (click on the "street funding" link).



Analysis of Funding Solutions

INITIAL IDENTIFICATION OF FUNDING ALTERNATIVES

Staff assembled an initial list of 30 funding alternatives for consideration by the subcommittee. These included alternatives reviewed by the Citizen Budget Subcommittee in 2000-01 and additional alternatives used in other jurisdictions. A narrative template with an initial staff analysis was provided for each alternative, including a brief description of the funding alternative, prior council history, a basis for calculation, typical rates and revenue yields (where possible), administrative costs, legal authority and restrictions on use, who pays, and fairness and equity issues. For some alternatives, rates and revenue yields were estimated by staff. However, for some options there was not yet enough information available to do this. Subcommittee members discussed the alternatives and eventually developed a short list of 10 alternatives for more in-depth discussions.

The initial list of 30 funding options included the following.

Property Taxes

- Capital local option property tax levy
- General obligation bond (GO bonds)
- Operating local option property tax levy

Sales Taxes

- General sales tax
- Specialized retail sales taxes
 - restaurant meals
 - movie rentals
 - admissions to amusement or entertainment venues
 - tires
 - auto parts & components
 - motor vehicle rental
 - motor vehicle sales
 - bicycles & bicycle parts

Taxes and Fees Primarily on Businesses

- Broadened SDCs
- Corporate income tax
- Employee per-capita tax
- Heavy vehicle tax
- Payroll tax
- Parking tax
- Commuter tax (as component of income, payroll or per-capita tax)

Other Fees and Taxes

- Carbon tax
- Diesel fuel tax surcharge
- Fees for dedicated use of traffic lanes for transit purposes
- General business license fee
- Motor vehicle fuel tax
- Transportation system impact fee
- Vehicle emissions fee

Evaluative Criteria:

- ✓ Diversification of revenue sources
- ✓ Use of funds
- ✓ Financial feasibility
- ✓ Financial management goals and policies
- ✓ Sustainability policies
- ✓ Nexus with transportation system
- ✓ Equity/balancing who pays
- ✓ Legal defensibility
- ✓ Politically supportable
- ✓ Efficiency and cost-effectiveness
- ✓ Administrative effort

Bicycle registration fee
County vehicle registration fee
Eugene livability fee
Personal income tax
Solid waste collection tax
Street improvement fee
Street lighting fee
Tolls
Transportation utility/system maintenance fee (TUF or TSMF)

Miscellaneous

General fund transfers
Broadened assessment practices/local improvement districts

IDENTIFICATION OF CRITERIA

To compare and evaluate the funding options a list of important criteria was developed from the subcommittee discussions on February 6 and 14. These criteria were used to further analyze and compare funding options and determine which options should be included in a funding solution to be recommended to the full council.

Those criteria are as follows.

Diversification of Revenue Sources: An overall funding strategy for transportation system service needs should include multiple funding sources to mitigate the impacts of adverse changes in a single revenue source.

Use of Funds: An overall funding strategy should provide policy makers with the ability to address a wide range of identified transportation system service needs, including:

- Ongoing operations and maintenance activities for streets and bike/pedestrian paths;
- Pavement preservation for streets and bike/pedestrian paths (both overlays and reconstruction);
- Street and bike/pedestrian path improvements (e.g., traffic calming, handicap access facilities, safety features, etc.); and
- Investment in and creation of incentives for the use of alternative modes.

Financial Feasibility: Funding sources should meet the following criteria:

- Provide adequate revenues to pay for transportation system funding needs over the long-term;
- Revenues must be received in a timeframe such that they are able to pay the funding needs of that period; and
- Revenues must have a high degree of long-term stability and reliability.

Financial Management Goals and Policies: All proposals for sources and uses of funds, overall funding strategies and other subcommittee products should be consistent with the City's financial management goals and policies. Particular goals and policies to emphasize in this analysis are:

- One-time revenues should be used for one-time expenditures, and
- Ongoing revenues should be used to pay for ongoing expenditures.

Sustainability Policies:

At the core of the concept of sustainability is the premise that the solutions we seek to today's problems should not impose an undue burden on future generations, nor should our solutions impair their ability to pursue their own solutions to the problems with which they will grapple.

Transportation funding solutions should take into account the "triple bottom line," which includes social equity, economic and environmental impacts. This concept is sometimes expressed as the need to balance "people, profit and planet" in our decision making.

The economic aspect of sustainability refers in part to the financial reliability and stability of the revenue sources themselves. This aspect was considered under the criteria for "Financial Feasibility". In addition, consideration for the economic impacts of a revenue proposal should also weigh the following questions:

- Does the proposal support a healthy business environment? (*e.g., by not imposing an inequitable burden on business*)
- Does the proposal help ensure mobility for businesses and consumers? (*acknowledging the importance of a good transportation system to the economic vitality of our community*)

From an environmental standpoint, the sustainability review must also include:

- Policies, practices or taxes and fees that would promote and create incentives for the use of alternate modes, as well as
- Policies, practices or taxes and fees that incent the reduced use of non-renewable resources.

The social equity impacts relate both to how the income is derived (considered under the "Equity/Balancing Who Pays" criteria) as well as how the revenue is used (considered under both the "Nexus with the System" and "Use of Funds" criteria).

Nexus with Transportation System: The funding strategy should have a direct relationship to a) specific community transportation system service needs and b) the benefit derived from the transportation system.

Equity/Balancing Who Pays: The funding strategy should take into account the various groups that will pay for transportation system maintenance and provide a balance among categories of benefiting user groups, such as:

- City residents vs. non-residents
- Businesses vs. residences
- Car/truck users vs. alternative modes users
- Low-income vs. higher-income citizens

Legal Defensibility: The City must have clear and incontrovertible authority and ability to implement the proposed revenue sources and uses.

Politically Supportable: An overall funding strategy for transportation system service needs must be deemed politically acceptable by both the council and the general public in terms of

appropriate uses of public resources, general fairness to those who benefit from the system, and level of acceptance for funding proposals. The funding strategy and specific revenue sources must also be easily understood by citizens.

Efficiency and Cost-Effectiveness: The revenue sources included in the funding strategy should have low to moderate costs for administration, relative to the total revenue generated.

Administrative Effort: The revenue sources included in the funding strategy should be practical to administer. There should be practical sources of tax- or fee-related data, and the implementation and ongoing program management should not be overly complex.

EVALUATION OF CURRENT ONGOING FUNDING SOURCES USING CRITERIA

Operation, maintenance and preservation of Eugene's transportation system are currently funded from a variety of ongoing sources. These include revenues received by the City as well as revenue received by LTD for transit that serves city residences and businesses. The criteria described above were applied to these ongoing revenue sources, and this information was presented to the subcommittee in a matrix format. That matrix is attached as Page 1 of Appendix B. Current revenue sources are listed below with the FY07 level of ongoing funding provided by each.

General Revenue Source (payroll tax received by LTD)

LTD taxes (in Eugene): \$11 million to \$15 million¹

Property Tax(City General Fund)

General Fund property tax: \$0.8 million²

System User Fees (Locally Controlled)

Transportation reimbursement SDC: \$1.1 million

Local motor vehicle fuel tax: \$3.4 million

State Highway Trust Fund (City revenues include the following)

State motor vehicle fuel tax: \$3.6 million

Motor vehicle registration and license fees: \$1.2 million

OTIA III: \$0.8 million

Weight/mile tax: \$2.0 million

¹ Used for LTD operating and capital programs

² In addition, a one-time General Fund allocation of \$1.5 million was made to the FY07 pavement overlay program

EVALUATION OF FUNDING ALTERNATIVES USING EVALUATIVE CRITERIA

From the initial list of 30 alternatives, the subcommittee identified 10 for more extensive discussions through a process of straw polling. The criteria then were applied to these 10 revenue alternatives, and this information was presented to the subcommittee in a matrix format. The matrix is attached as Page 2 of Appendix B. Of these 10, five funding alternatives were ultimately identified by the subcommittee as preferred components for a proposed funding package and are included in the subcommittee's final recommendation. Each is described in further detail in the following section.

Recommended Funding Alternatives

The subcommittee is recommending that additional funding for Eugene's transportation system be generated using the following funding package solution, comprised of five revenue alternatives.

Seek Voter Approval of a Capital Local Option Levy

- *Target net annual revenue of \$6 million*
- *Estimated cost to average homeowner of \$80 per year*

A local option levy is a temporary property tax that is levied on all taxable property within the City limits. The City has not proposed any capital local option levies in the past. A local option levy does not create debt and is not a “bond.” The City could impose a capital local option levy for up to 10 years. This tax would generate capital funding on a “pay-as-you-go” basis. The levy may be structured as a uniform annual amount or a specific tax rate. The level of revenue generated would be static during the term of the levy under a uniform amount levy or could increase or decrease each year depending on the change in assessed value of the City under a tax rate levy.

Local option levies are subject to the \$10 per \$1,000 of real market value tax rate cap for all general governments under Measure 5. Under Measure 50, local option levies are the first to be reduced in the event of tax rate compression. This means that if the combined total tax levy for the overlapping general governments exceeds the Measure 5 cap, any local option levies would be proportionally reduced until the tax rate limit is satisfied. In FY07, the general government tax rate was \$9.14 per \$1,000, and is projected to go down in FY08 when the youth levy expires and the library levy is reduced by half. The rate is expected to go down again in FY11 when the urban renewal special levy to pay for the library bonds is eliminated. A capital levy could be sized to substantially avoid general government tax compression.

A capital local option levy can only be used for capital purposes, which are specifically defined in state statutes. For pavement preservation, the proceeds from a capital local option levy could be used for street construction, overlays and reconstruction, as allowed by the specific language of the ballot measure. The projects funded with a capital levy must have an average useful life of at least the term of the levy (i.e., projects with an average useful life of at least 10 years for a 10-year capital levy).

The subcommittee recommends a 10-year capital levy to raise approximately \$6 million per year for transportation system capital preservation projects, with \$350,000 of the revenue dedicated to bike path capital preservation. This levy would cost an average of \$0.45 per \$1000 of assessed value and cost an average taxpayer an estimated \$80.00 per year over the 10 years. This levy size should not cause any Measure 5 property tax compression, barring any unusual circumstances.

Important considerations addressed by the subcommittee include the following.

- Property taxes are paid only on property within the City limits. However, property owners may be city residents or they may live outside the City. Some of the cost of the levy to business will be passed through to customers who live outside the City.
- Both residential and non-residential property owners will bear part of the cost of this revenue option. About 70% of the City’s taxable property is residential and 30% is non-residential.
- The property tax is an understandable and familiar funding mechanism to the voters, making it politically feasible from that standpoint. The City’s local option levy proposals have been successful in recent years. There have been five City of Eugene local option levy proposals on the ballot since 1998, and all of those have been successful.

- A capital local option levy to fund pavement preservation backlog would be different than a shorter-term local option levy to fund on-going services. It would be an appropriate funding mechanism for those capital projects, according to the City's financial policies.
- New or additional property taxes must be approved by a majority of the people voting in an election in November of an even-numbered year. In any other election, there must also be at least a 50% turnout of voters (the double-majority requirement). Voters may approve a 10-year capital local option levy at one election, without requiring any renewals over the 10-year period.

Establish a Street and Bike Path Lighting Fee

- *Target net annual revenue of approximately \$850,000*
- *Estimated cost to average household of \$1.50 per month*

The city spends about \$845,000 per year to operate and maintain the city's street and bike path lighting system. Of this total, about \$440,000 is for lighting on arterial/collector streets and \$360,000 is for lighting on neighborhood streets. Cost for lighting bike paths is about \$45,000.

There is agreement among subcommittee members that fees to fund operation, maintenance and enhancement of the lighting system could be reasonably levied on occupants of properties benefited by the city's street and bike path lighting services. Fee revenue would be dedicated to provision of street and bike path lighting. The subcommittee acknowledged that one benefit of this revenue alternative would be that, as a fee for services, it could be levied on both public and private agencies and businesses.

The subcommittee determined that a fee could be implemented to recognize the common benefit of arterial and collector lighting while differentiating among levels of service provided to different areas of the city. Vacant properties would be exempt. The subcommittee also discussed the potential for a process by which neighborhoods could request and pay for a higher or lower level of lighting service.

Establish a Street Utility Fee Based on Parking

- *Target net annual revenue of approximately \$6 million*
- *Estimated cost to average household of \$4.50 to \$5 per month*

The subcommittee expressed support for a utility-type fee as a part of a package of funding mechanisms. Several subcommittee members were not comfortable with the Transportation System Maintenance Fee (TSMF) as previously considered by the council. Primary concerns expressed were that the amount of the fee as previously proposed was perceived as too high, and that the fee basis was not seen as progressive or equitable. Other members were supportive of a street utility fee due to its broad inclusion of system users, flexibility and overall fairness. In considering various other funding options, interest in a parking tax or fee was discussed and, in the process, the potential for use of parking as a basis for a street utility fee was identified. Upon further examination and discussion, a parking-based transportation fee emerged as a favored option. Key factors for favoring a parking-based street utility fee included:

- Parking spaces as a measure of transportation system usage has a rational basis in that vehicles must use the system to get to and from parking spaces; in general, the greater the number of parking spaces at a site, the greater potential for the number of vehicles using the transportation system to come and go from the site.

- The number of parking spaces at a site can be directly observed and measured and is probably easier to understand as a basis for the fee than are average trip generation rates.
- Number of parking spaces provides a relatively simple basis for the fee. Once an estimate or inventory of parking spaces in the community is established, a parking-based fee could be relatively simple and less costly to administer and maintain than a trip generation methodology.
- Residential fees could include a parking size factor, such as size of garage, to account for residences with space for more vehicles and thus greater potential usage of the system; although the subcommittee did discuss that it should not matter whether that garage actually housed a car or a bicycle for purposes of determining the fee for a residence.
- A parking-based fee may provide some incentive for development of fewer parking spaces and more efficient use of developable land.
- A parking-based fee can be somewhat flexible; a more detailed fee methodology can be developed, reviewed by council and refined to address specific needs and concerns.

The subcommittee recommends inclusion of a parking-based street utility fee in the package of funding solutions, with \$150,000 of the revenue generated to be earmarked for neighborhood traffic calming projects. Several policy, rate methodology and billing decisions are required prior to implementation of the fee, including the following:

- Confirm assumption that off-street parking only is included in the fee;
- Determine treatment of public parking structures, parking exempt areas publicly owned parking structures and other sites with shared off-street parking;
- Establish rate structure for residential customers (e.g., standard fee for assumed number of spaces per dwelling unit);
- Develop criteria and allowances for credit or reductions (e.g., due to certified lower uses of the transportation system);
- Determine revenue requirements, uses and limitations on funds derived from fee; and
- Establish billing and collection systems.

Establish a Solid Waste Collection Surcharge

- *Target net annual revenue of \$1 million*
- *Estimated cost to average residential customer of \$1 per month*

A solid waste collection surcharge is a business privilege fee on solid waste haulers based upon hauler revenues. The fee could be a flat percentage increase across all rate types, ensuring equity across collection categories because the current rates are based on the frequency of garbage collection by account type. The fee is based on the observation that solid waste trucks cause relatively more damage to city streets than do other lighter vehicles, as solid waste trucks are frequent users of all streets and typically weigh 30,000 pounds or more. The City currently charges Solid Waste Haulers an annual license fee to collect waste within the city and regulates solid waste rates, so the administration of the additional surcharge would be relatively low in comparison to many of the other revenue alternatives considered.

The subcommittee expressed support for a solid waste collection surcharge as one component of a funding package. In the discussion of this option, primary concerns included the impact of such a surcharge on customer rates as the fee would be passed through in the current rate structure, not allowing the haulers to make a profit on the surcharge, and the desire to expand this surcharge to

other heavy vehicles that utilize city streets such as gravel, landscape, and construction trucks. It was noted during discussion that heavy vehicles over 26,000 pounds are subject to the state weight-mile fee, of which Eugene's allocated share of revenue is \$2 million each year. Members stated several factors in support of this fee, including the clear nexus to the transportation system, administrative ease, and the fact that garbage services customers from all sectors would pay this fee, regardless of whether they were public, private or nonprofit entities.

The subcommittee recommends inclusion of a solid waste collection surcharge in the package of funding solutions. Several policy, rate methodology and billing decisions are required prior to implementation of the fee, including:

- Refine the calculation of the fee, including
 - Identify pass-through components,
 - Identify time period for calculation of rate, and
 - Refine revenue estimates;
- Schedule public hearing and council action on proposed Eugene Code amendment;
- Process administrative order/rule changes; and
- Notify local haulers.

Increase Motor Vehicle Fuel Tax

- *Target net annual revenue of \$2 million*
- *Cost to purchaser of gas/diesel of 3 cents per gallon*

A 5-cent motor vehicle fuel tax is currently applied to sales of gasoline and diesel in Eugene for use in vehicles operated on the public roadways. The council is currently considering a 3-cent per gallon increase to the motor vehicle fuel tax and had been scheduled to take action on this proposal on April 9, 2007. There was agreement among all subcommittee members that this proposed tax increase should be a component of the overall funding package, as there is a clear nexus to use of the transportation system, and the tax is easily and economically administered. Additionally, some subcommittee members gave particular weight to this alternative as it is also paid by nonresidents who use the transportation system and buy gasoline in Eugene.

The subcommittee requested postponing the scheduled April action by the council on this tax increase proposal to present all funding components to the council as a complete package. Council action on 3-cent per gallon increase to the motor vehicle fuel tax is now scheduled for May 29.

SECONDARY RECOMMENDATIONS

In the course of their deliberations, the subcommittee members identified a number of issues or opportunities which they also believed were worthy of mention in this report. Those issues and the proposed disposition or related recommendation are detailed below.

Issue: Lack of a formalized intergovernmental agreement with LTD to clearly detail responsibility for maintenance of LTD facilities in the City's right-of-way used exclusively for transit, including bus lanes.

Recommendation/Disposition: Initiate development of a formal IGA detailing the maintenance agreements related to BRT corridors in the city.

Status: Attorneys from LTD and the city are communicating on this issue. LTD has reiterated its commitment to finalizing a signed IGA on the maintenance agreements related to BRT corridors in the city.

Issue: Both a motor vehicle registration fee and a vehicle emissions fee (which could be construed as a registration fee) were identified as revenue options which could likely only be imposed by the county, and then only after approval by county voters. Additionally, the county has in the past discussed a county-wide motor vehicle fuel tax.

Recommendation/Disposition: Send a letter to the county commissioners from the full council recommending that the county consider both a countywide motor vehicle registration/vehicle emissions fee as well as a countywide motor vehicle fuel tax, as potential revenue sources for addressing the comprehensive road funding needs in Lane County.

Status: No action taken at this time.

Issue: Certain revenue options have been identified as important in terms of their potential to influence behavior and choices to achieve environmental goals, but some subcommittee members have questioned how those fit into a transportation funding package. Some revenue options or components thereof (e.g., carbon tax on natural gas) have also been questioned for their nexus to the transportation system.

Recommendation/Disposition: The city council created a Sustainability Commission in February 2007, and the recruitment for a sustainability manager is under way. The subcommittee recommends referral of some of these mechanisms for further study by the Sustainability Commission, which will likely be developing a work plan in early summer.

Status: No action taken at this time.

Issue: Regional and statewide solutions can relieve local governments of some of the burden of funding transportation OM&P.

Recommendation/Disposition: Seek legislative solutions to distribution and use of state transportation revenues more favorable to cities. This could include establishing a local policy to seek legislation in the 2008 session to prioritize OM&P allocations from the State Highway Trust Fund.

Status: Several bills are currently being discussed by the Oregon Legislature, including bills that would increase the state gas tax and the state's vehicle registration fees.

Issue: A city vehicle rental tax could be considered by the council to cover the cost of additional airport costs for the Olympic Trials and beyond.

Recommendation/Disposition: Recommend the council explore the potential for a city vehicle rental tax to generate additional revenue for the following purposes:

- additional airport costs related to the 2008 Olympic Trials;
- funding for ongoing air service development activities.

Status: No action taken at this time.

Issue: Recognition of the need for a "Phase II" tier of transportation funding solutions

Recommendation/Disposition: Continue efforts for longer-term transportation funding solutions (e.g., pursuit of county-wide revenue mechanisms, lobbying for statewide solutions, continued evaluation of a local heavy vehicle fee); and spread out the "buy-down" on the reconstruction project backlog beyond the initial 10-year capital levy.

Status: No action taken at this time.

IMPLEMENTATION PROPOSAL FOR RECOMMENDED FUNDING SOLUTION

City council actions recommended for implementation of this funding solution package are as follows:

- **May 23, 2007** – The final report and recommendations of the subcommittee are presented to the full city council, accompanied by a motion that seeks council approval of the funding package recommendation in conceptual form. Subsequent actions of the council would be required to implement any of the five recommended revenue solutions. **Recommend approval of the conceptual funding package recommendation outlined in this report, and direct the City Manager to bring back the necessary draft ordinances and actions for implementation of the specific revenue solutions recommended in this report.**
- **May 29, 2007** – Pending council approval of the conceptual funding package recommendation, council is scheduled to take action on an ordinance to increase Eugene’s motor vehicle fuel tax by 3 cents per gallon. **Recommend approval of this ordinance.**
- **May 30, 2007** – Council is scheduled for a joint meeting with EWEB Board of Commissioners. **Recommend advocating for a joint staff effort to identify the most economical collection mechanism for potential new street funding alternatives (e.g., street utility fee and street lighting fee) in order to minimize administrative costs and maximize revenue for the repair and maintenance of Eugene’s street system.**
- **June 2007** – Pending council approval of the conceptual funding package recommendation, council has the opportunity to direct the city manager to implement a solid waste collection surcharge as part of the current solid waste hauler rate review and adjustment process to generate approximately \$1 million annually for transportation system funding priorities. **Recommend directing the city manager to develop the necessary ordinance and actions to implement the proposed solid waste collection surcharge in the current rate review process.**
- **Summer/fall 2007** – Schedule council work sessions for continued study of the concepts for a Eugene street/bike path lighting fee and a street utility fee based on parking spaces. **Recommend directing the city manager to schedule work sessions for further council study of these two funding components.**
- **Late fall 2007** – Schedule a worksession and tentative action to place on the ballot in May 2008 a proposed 10-year capital local option levy to generate \$6 million per year for capital pavement preservation projects. **Recommend directing the city manager to schedule a work session prior to the end of the 2007 calendar year and subsequent action for the purpose of placing a proposed capital local option levy on the May 2008 ballot.**

OTHER FUNDING ALTERNATIVES CONSIDERED

The subcommittee discussed more than 30 potential funding alternatives, including the five included in the recommended funding solution. Through a process of discussion and straw pollings, that initial list of 30 revenue alternatives was narrowed to a short list of 10. The five other potential revenue alternatives which generated significant discussion but were ultimately not included in the subcommittee’s final recommended package are described here.

Employee Per-Capita Tax

An employee per-capita tax would be a business privilege tax based on the number of persons employed within the city. This is typically called an occupation tax in other jurisdictions. Usually this tax is a fixed fee per employee and is sometimes referred to as a “head tax”. The portion of revenue based on the non-resident workers would constitute a “commuter tax.” Under current law the city may only tax private employers. Some subcommittee members expressed interest in this option as part of a package as this tax would also assess non-resident users of the system. After further review, subcommittee members did not include this in the funding package, in part because this is a very flexible funding source that could be used to address other funding priorities in the city.

Tax on Gross Payroll

This tax would be applied to subject wages and salaries earned within the City, calculated as a percentage of payroll. Under current law, the City may only tax private employers. As with the Employee Per-Capita Tax, some subcommittee members expressed interest in this funding alternative as part of a package because this tax would also assess non-resident users of the system. After further review, subcommittee members did not include this in the funding package, in part because this is a very flexible funding source that could be used to address other funding priorities in the City.

Parking Tax

A parking tax is usually structured as an excise tax associated with the leasing of parking spaces. It could also be a type of business privilege or gross receipts tax levied on businesses that provide parking to employees, customers or participants, and on industrial or fleet parking. As such, a parking tax could not be levied on public agencies. The subcommittee ultimately opted to incorporate a parking factor as a basis for calculating the proposed street utility fee, because a utility fee could be levied on public as well as private agencies.

Heavy Vehicle Fee

About 8.5% of all trips on Eugene streets are by commercial vehicles. This includes miles by light commercial vehicles as well as heavy vehicles over 26,000 lbs. While heavy vehicles represent a small share of total miles traveled, it is generally recognized that a trip by a heavy vehicle has a greater impact on city streets than a lighter vehicle. This was the basis for consideration of the heavy vehicle tax option.

Staff has concluded that if a heavy vehicle fee were generally imposed as a requirement for operation of a heavy vehicle within Eugene, there is a high probability that it would be seen as a vehicle registration fee. Under state statutes, only counties may impose a local vehicle registration fee, and then only with voter approval.

If a fee were imposed on heavy vehicles as a weight-mile tax, similar to the State’s weight-mile tax, it might not be seen as a registration fee. However, administration, monitoring and enforcement of a local weight-mile tax would be very difficult. We would need data on miles traveled on city streets by individual heavy vehicles. To gather and process this information on all heavy vehicles that travel Eugene streets would require the full cooperation of heavy vehicle operators, located both within and outside the city, and the Oregon Department of Transportation. Administration, monitoring and enforcement would likely have a high cost in relation to potential revenue. Because of these difficulties, a local weight-mile tax appears to be infeasible at this time. Some members of the

subcommittee continue to be interested in this revenue alternative as a potential future option for funding transportation system needs, if a method can be developed for improving the efficiency of administration.

Carbon Tax on Natural Gas

A carbon tax is a tax on energy sources which emit carbon dioxide (CO₂) into the atmosphere. The purpose of a carbon tax is to internalize the costs of CO₂ emissions and the resulting global climate change in the price of the carbon-based energy source. This internalized higher cost would cause industry and consumers to utilize less carbon-based fuel. To accomplish the carbon tax's purpose, the tax has to be set high enough to cause consumers to choose alternatives. Carbon tax revenue is not intended to fund ongoing services and, in fact, revenue from an effective carbon tax will decrease as consumers choose alternatives. In Eugene it is estimated that gasoline contributes 41% of our community's total CO₂ emissions, followed by natural gas at 37%, diesel at 11%, and electricity with an 11% share. Other sources of CO₂ are not locally significant. The subcommittee discussed a carbon tax on natural gas alone, since increased taxes on gasoline and diesel were already being considered, and electricity rates are governed by agreements with EWEB. This funding alternative was ultimately not included in the subcommittee's recommended funding solution primarily because the rate would need to be quite high to achieve the tax's purpose.

Additional funding alternatives that were analyzed by staff and discussed by the subcommittee but that did not make it through the initial straw pollings included:

Interfund Transfers

General Fund – Transfer of revenue to transportation operation, maintenance and capital preservation could be increased. A variety of methods to increase General Fund revenue could be considered.

Assessments

Broadened Assessment Practices/Local Improvement Districts - Existing use could be expanded to fund ongoing operations, maintenance and capital preservation. Funded activities must directly benefit the property of those paying.

Property Taxes

General Obligation Bond (GO Bonds) - A debt financing mechanism guaranteed with full faith & credit of issuing jurisdiction and repaid with property taxes. Could be used for some capital preservation projects but may not be used for operations or maintenance. GO bond levies fall outside Measure 5 rate cap and must be passed by a double majority at a non-general election or by a simple majority at a general election. For annual, ongoing funding needs, bonds are not necessarily the best funding method, because the costs of issuing bonds are high, and taxpayers must pay interest on the funds that are borrowed.

Operating Local Option Property Tax Levy - This could be a five-year operations levy to fund ongoing operations and maintenance activities. Subject to Measure 5 rate cap and must be passed by a double majority at a non-general election or by a simple majority at a general election.

Business Licenses/Business Privilege Fees

Diesel Fuel Tax Surcharge – Could be a higher tax rate placed on diesel at the wholesale level to account for heavy vehicles’ impact on streets.

General Business Privilege Tax – Could be levied on all business enterprises in the city, as a condition of doing business.

Transportation System Impact Fee – Could be a type of business privilege tax levied on all businesses based on estimated number of trips the business generates.

Fees

County Vehicle Registration Fee - May be levied only by a county under ORS 803.445. Fee would be collected by Department of Transportation. Under ORS 801.041 at least 40% of the revenue must be shared with cities within the county. Constitution limits use to “...construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas...”

Bicycle Registration Fee – Could be an annual fee levied on bicycle ownership within the city.

Street Improvement Fee – Would require participation of residents on all unimproved or substandard streets in a large, non-contiguous local improvement district. Fees would be pooled and would go to improvement of these streets only. Over time, all the streets in the non-contiguous district would be improved.

Fees to Compensate for Dedicated Use of Traffic Lanes for Transit Purposes - Could be implemented as compensation where public access to certain traffic lanes is impaired due to dedicated use for Bus Rapid Transit. Lane Transit District would be the only agency paying this fee.

Motor Vehicle Emissions Fee – Could be an annual fee levied on motor vehicles located within the city according to relative fuel efficiency.

Retail Sales Taxes

General Retail Sales Tax - Typically used as a general revenue source and levied on a comprehensive range of sales transactions with specific exemptions. Revenue could be appropriated to transportation.

Special Retail Sales Taxes – Could be levied on specific types of retail transactions.

Examples include:

- restaurant meals
- movie rentals
- admissions to amusement or entertainment venues
- tires
- auto parts and components
- motor vehicle rental
- bicycles and bicycle parts, or others

Motor Vehicle Sales Tax – A special retail sales tax that could be levied on the value of the sale of a vehicle. Constitution limits use to “...construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas...”

Tolls - Could be charged for access to specific local bridges or roads with revenue going to operation, maintenance & capital preservation of those transportation elements. Tolls cannot be levied on designated state or interstate bridges or highways.

Income Taxes/Payroll Taxes

Personal Income Tax – Could be ‘piggybacked’ on state taxes and collected by Oregon Department of Revenue. Typically provides general income, but revenue could be appropriated to transportation.

Corporate Income Tax – Could be ‘piggybacked’ on state taxes and collected by Oregon Department of Revenue. Typically provides general income, but revenue could be appropriated to transportation.

Commuter Tax

Commuter Tax – This describes any tax specifically based on non-residents who work within the city, usually intended to recover a proportionate share of costs for city services benefiting commuters. It could take the form of a personal income tax, payroll tax or an employee per-capita tax. It is important to note that application of a tax only to commuters may or may not be legally possible in Oregon. Typically, such taxes are levied on both residents and commuters, although the tax rates may be different for the two groups. Only the tax levied on the nonresidents constitutes the “commuter tax.” The parallel tax levied on residents is not a commuter tax. Legal questions must be addressed regarding this option.





Appendices

Appendix A:

Summary of Unfunded Transportation System Needs and Recommended Funding Solutions

Appendix B: Evaluation Matrices

B-1: Evaluation Matrix of Existing Revenue Sources

B-2: Evaluation Matrix of Additional Revenue Alternatives

Appendix B: Minutes from Council Subcommittee Meetings

February 6, 2007

February 14, 2007

March 7, 2007

March 21, 2007

April 4, 2007

April 10, 2007

April 20, 2007

May 11, 2007

City of Eugene Council Subcommittee on Transportation Funding Solutions
 Summary of Unfunded Transportation System Needs
 and Recommended Funding Solutions

Appendix A

May 2007

(M = Millions)

	Street Operations, Maintenance & Preservation				Off-street Bike Paths	
	O&M	Capital Pavement Preservation		Traffic Calming	O&M	Capital
		Overlays	Reconstruction			
Total Pavement Repair Backlog Cost Estimates as of 2007		(2007 estimates) \$45M	(2007 estimates) \$125M			TBD
Annual Funding Needs by Major Category	\$2M	\$7.5M - \$9.5M	\$7.0M- \$17.5M	\$150,000	\$350,000	\$350,000
LESS EXISTING FUNDING SOURCES:						
Current General Fund support for off-street bike path O&M						\$(350,000) ²
Transportation Utility Fund (local gas tax) for Pavement Preservation Program			\$(3.4M)			
Transportation SDC - reimbursement portion for Pavement Preservation Program			\$(1.1M)			
Net Unfunded Transportation Costs	\$2M	\$3.0M - \$5.0M	\$7.0M-\$17.5M	\$150,000	\$0	\$350,000

NEW FUNDING OPTIONS	Basis for the Revenue	Rate for the Revenue	Est. Annual Amt. Generated	Est. Cost to Avg. Household	Annual Funding Recommendations				Bike Path O&M	Bike Path Preservation
					Street O&M	Street Overlays	Street Reconstruction	Traffic Calming		
Capital Local Option Levy	per \$1000 of AV	\$0.45	\$6 million	\$80/year	 	 	\$5.65 million ¹	 	 	\$350,000
Street/Bike Path Lighting Fee	two components service level	avg. \$1.50/mo.	\$850,000	\$1.50/month	\$800,000	 	 	 	\$50,000 ²	
Street Utility Fee	parking spaces	per space	\$6 million	\$4.50-\$5/month	 	\$3.0 - \$5.0 million	\$1.0 - \$3.0 million ¹	\$150,000	 	\$300,000 ²
Solid Waste Collection Fee	% of bill	5%	\$1 million	\$1/month	 	 	 	 	 	
Local Motor Vehicle Fuel Tax	per gallon	3 cents	\$2 million	3 cents/gal.	\$1.2 million ³	\$800,000 ³	 	 	 	

¹ Revenue would first go to fully fund the annual pavement preservation overlay program and the bikepath/traffic calming earmarks, with remaining funding dedicated to the backlog of reconstruction projects.
² Off-street bikepath O&M is currently funded by the city's General Fund. The funding recommendation is to use approx. \$50,000 of the street lighting fee for off-street lighting system costs. The remaining \$300,000 of annual O&M costs for the off-street bike/pedestrian system could be funded from new transportation revenue sources through the annual budget process.
³ Revenue from the increase in local motor vehicle fuel tax would go first to eliminating the residual Road Fund annual operation deficit (after the lighting fee) of approx. \$1.2 million, with the remaining funds dedicated to pavement preservation.

Appendix B-1: Existing Revenue Sources

Evaluation Criteria	General Revenue Source	Property Tax	System User Fee					Heavy Vehicle Fee
	Existing Local Source	Existing Local Source	Existing Local Source	Existing Local Source	State Highway Trust Fund	State Highway Trust Fund	State Highway Trust Fund	State Highway Trust Fund
	LTD Transit District Taxes (in Eugene)	GF Prop Tax (perm rate)	Transportation Reimbursement SDC	Local MV Fuel Tax	State MV Fuel Tax	MV Reg. & License Fees	OTIA III	Weight/Mile Tax
Amount (in millions)	\$10-13	\$0.8	\$1.1	\$3.4	\$3.6	\$1.2	\$0.8	\$2.0
Legal Defensibility	☑	☑	☑	☑	☑	☑	☑	☑
Efficiency and Cost-effectiveness	☑	☑	☑	☑	☑	☑	☑	☑
Administrative Effort	☑	☐	☑	☑	☑	☑	☑	☑
Use of Revenues								
-Can Be Used for Roads (including bike lanes)	✗	☐	☑	☑	☑	☑	☑	☑
-Can Be Used for Off-Street Bike Paths	✗	☑	☐	☐	✗	✗	✗	✗
-Can Be Used for Sidewalks	✗	☐	☐	☐	☐	☐	☐	☐
-Can Be Used for O&M	✗	☑	✗	☐	☑	☑	☑	☑
-Can Be Used for Preservation	✗	☐	☑	☑	☑	☑	☑	☑
-Can Be Used for Transit	☑	✗	✗	✗	✗	✗	✗	✗
-Can be Used for System Improvements (i.e., traffic calming, handicap access, etc.)	✗	☑	☐	☐	☐	☐	☐	☐
Financial Feasibility								
-Stability and reliability	☐	☑	☐	☑	☑	☑	☑	☑
Financial Mgmt Goals & Policies								
-1X vs. On-Going Revenues/Expenses	O/O	O/O	1X/1X	O/O	O/O	O/O	O/O	O/O
Sustainability Policies (Triple Bottom Line)*								
-Healthy Business Environment	☑	☑	☑	☑	☑	☑	☑	☑
-Burden on Low-income Citizens	—	☐	☑	☐	☐	☐	☐	—
-Tax or fee on Non-renewable Resource	✗	✗	✗	☑	☑	☐	☐	☑
Nexus with Transportation System								
-Revenue Relates to Transportation	✗	✗	☑	☑	☑	☑	☑	☑
-Those who Benefit Pay	☐	☐	☑	☑	☑	☑	☑	☑
-Heavy Vehicles Pay	✗	✗	☐	☐	✗	☑	☑	☑
Who Pays (Directly)								
-City Residents/Non-Residents	☑ / ☑	☑ / ✗	☑ / ✗	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑
-Businesses/Residences	☑ / ✗	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ✗
-Car-Truck Users/Alt Mode Users	— / —	☐ / ☐	☐ / ☐	☑ / ☐	☑ / ☐	☑ / ☐	☑ / ☐	☑ / ✗
-Low-income/Higher-Income Citizens	— / —	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☑	— / —
Politically Supportable								
-General Fairness	☑	☑	☑	☑	☑	☑	☑	☑
-Easily Understood by Citizens	☑	☐	☑	☑	☑	☑	☑	☑

*Note: Some aspects of sustainability are included in other categories, such as financial feasibility, nexus with transportation system, who pays, and use of funds.

Appendix B-2: Additional Revenue Alternatives

Evaluation Criteria	General Revenue Sources		Property Tax	System User Fee			Heavy Vehicle Fees		Sustainability Measures	
	Employee Per-Capita Tax @ \$10 per private employee	Payroll Tax @ 0.1% of private payroll in Eugene	Capital LOL	Street Lighting Fee	TSMF as of last CC discussion	Parking Tax	Solid Waste Collection Fee of 5% (line item on bill)	Heavy Vehicle Fee	Additional \$0.03 Local MV Fuel Tax Used for O&M	Carbon Tax on Natural Gas @ \$20/metric ton
Amount (in millions)	\$0.7 (gross)	\$1.5 (gross)	<\$175?	\$0.8 (net)	\$6.7	?	\$1	?	\$2	\$9
Legal Defensibility	☑	☑	☑	☑	☑	☑	☑	☐	☑	☑
Efficiency and Cost-effectiveness	☐	☐	☑	☐	☐	☐	☑	☐	☑	☐
Administrative Effort	☐	☐	☐	☐	☐	☐	☑	✗	☑	☐
Use of Revenues										
-Can Be Used for Roads (including bike lanes)	☑	☑	☑	✗	☑	☑	☑	☑	☑	☑
-Can Be Used for Off-Street Bike Paths	☑	☑	☑	✗	☑	☑	☑	☐	✗	✗
-Can Be Used for Sidewalks	☑	☑	☑	✗	☑	☑	☑	☐	☐	☐
-Can Be Used for O&M	☑	☑	✗	☐	☑	☑	☑	☑	☑	☑
-Can Be Used for Preservation	☑	☑	☑	☐	☑	☑	☑	☑	☐	☑
-Can Be Used for Transit	☑	☑	☐	☐	☑	☑	☑	✗	✗	✗
-Can be Used for System Improvements (i.e., traffic calming, handicap access, etc.)	☑	☑	☑	☐	☑	☑	☑	☐	☐	☐
Financial Feasibility										
-Stability and reliability	☐	☐	☑	☑	☑	☐	☑	☐	☑	✗
Financial Mgmt Goals & Policies										
-1X vs. On-Going Revenues/Expenses	O/O	O/O	1X/1X	O/O	O/O	O/O	O/O	O/O	O/O	O/O
Sustainability Policies (Triple Bottom Line)*										
-Healthy Business Environment	☐	☐	☑	☑	☐	☐	☑	☐	☑	✗
-Burden on Low-income Citizens	—	—	☐	☐	☐	☐	☐	—	☐	✗
-Tax or fee on Non-renewable Resource	✗	✗	✗	✗	☐	☐	☑	☐	☑	☑
Nexus with Transportation System										
-Revenue Relates to Transportation	✗	✗	✗	☑	☑	☑	☐	☑	☑	✗
-Those who Benefit Pay	☐	☐	☑	☑	☑	☐	☑	☑	☑	✗
- Heavy Vehicles Pay	—	—	✗	—	☐	—	☑	☑	☐	✗
Who Pays (Directly)										
-City Residents/Non-Residents	☑ / ✗	☑ / ✗	☑ / ✗	☑ / ✗	☑ / ✗	☑ / ✗	☑ / ✗	☑ / ☑	☑ / ☑	☑ / ✗
-Businesses/Residences	☑ / ✗	☑ / ✗	☑ / ☑	☑ / ☑	☑ / ☑	☑ / ☐	☑ / ☑	☑ / ✗	☑ / ☑	☑ / ☑
-Car-Truck Users/Alt Mode Users	— / —	— / —	— / —	— / —	— / —	— / —	— / —	☑ / ✗	☑ / ☐	— / —
-Low-income/Higher-Income Citizens	— / —	— / —	☑ / ☑	☑ / ☑	☑ / ☑	☐ / ☐	☑ / ☑	— / —	☑ / ☑	☑ / ☑
Politically Supportable										
-General Fairness	☐	☐	☑	☑	☐	☐	☐	☑	☑	☐
-Easily Understood by Citizens	☑	☑	☐	☑	☐	☑	☑	☑	☑	☐

*Some aspects of sustainability are included in other categories, such as financial feasibility, nexus with transportation system, who pays, and use of funds.

MINUTES

Council Subcommittee on Transportation
Les Lyle Conference Room - 858 Pearl Street
Eugene, Oregon

February 6, 2007
2 p.m.

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.

OTHERS: Sue Cutsogeorge, Larry Hill, Finance; Kurt Corey, Becky Carlson, Public Works; John Barofsky, Budget Committee.

Mr. Hoskins convened the meeting and those present introduced themselves.

Mr. Hoskins explained that he was an internal management consultant to Public Works and would be assisting the subcommittee with its task as set forth in Mr. Zelenka's motion at the council's January 22, 2007, work session on transportation system funding strategies:

“...direct the City Manager to bring back creative solutions for adequately funding the transportation system for cars, trucks, bicycles and pedestrians that collected funds proportionately or equally from residents and nonresidents that use the roads, was more consistent with the sustainability goal, had more direct connection to use of the roads like a carbon tax or garbage truck fee and that rebated or gave incentives to those that did not have cars or used them very little.”

Mr. Hoskins said his understanding was that the task was to be accomplished by the end of April. He estimated that would require between three and five meetings over the 90-day period. He asked committee members to share thoughts on what would be a productive outcome for this meeting.

Ms. Solomon hoped to schedule the next two meetings and decide on a process or ground rules for the committee's work.

Mr. Zelenka agreed with Ms. Solomon that the outcome should be scheduling of future meetings and identifying parameters of the committee's process.

Mr. Pryor hoped the meeting could also be used to determine what information the committee would need in order to be effective. Mr. Hoskins said he had encouraged staff not to send out extensive materials to committee members initially, but rather to allow the committee to define its own information needs.

Ms. Bettman said her expectations of the meeting were scheduling, scoping and researching information needs.

Mr. Hoskins asked those present to divide into pairs and discuss one value that was important in each person's life. Participants reported back with the following observations:

- The importance of relationships – it was easier to work with people and get things done if you understood where others were coming from
- At a core value level, committee members were more similar than dissimilar – most people shared fundamental values like responsibility, integrity, service

- Responsibility – hard work, showing up, not getting too attached to the outcome, doing what needed to be done even if there was no personal benefit
- Dealing with the issues and not the people
- Integrity – honest, truthful, reliable, trustworthy
- Service – choosing to participate, feeling a debt to society and wanting to contribute in a positive way, taking care of future generations, here to give back to the community
- Comprehensive approach – take the broad view, system-oriented
- Creativity – identify patterns, putting together solutions

Mr. Hoskins underscored that those present shared core values, explored issues with each other that would be valuable during the committee’s deliberations and cared deeply about the community. Based on the discussion he identified key ingredients in the committee’s deliberative process:

- Showing courtesy and deference to others
- Being dependable
- Deciding how to behave when there was no agreement on an issue
- Being straightforward, real and authentic whether speaking or listening

Mr. Hoskins said the committee had been charged with recommending the best solutions for the community related to transportation system funding. He said a dialogue based on respect, trust, authenticity and meaning would help the committee achieve its objective. He asked how members wished to approach decision-making in terms of a consensus or majority voting model and who would be voting.

Ms. Solomon said her expectation was that the four councilors would be the voting members.

Ms. Bettman said that consensus on a solution that everyone supported was desirable but unlikely. She was concerned about a member voting in favor of a proposal at the committee level in order to create consensus but voting against the recommendation at the council level. She suggested an option for voting in favor of a proposal for the sake of moving it forward but not necessarily meaning support at the council level.

Mr. Pryor thought that consensus meant a proposal might not be his first choice but he could accept it and that would translate to an affirmative vote at the council level. He said that honesty meant being clear about the intent to support or not at the council level. He was not in favor of supporting something at the committee level just for the purpose of moving it forward. He felt it was worth trying for consensus as there would likely be several options that all four committee members would support. He suggested a menu approach that listed options all members supported and options that required further discussion.

Mr. Zelenka opined that the issue of transportation funding had remained unresolved because there was no coalescence around a package, only around specific components. He said that a comprehensive solution was required and that meant not everyone got everything they wanted, but it solved the problem as a whole. He said the problem would continue to escalate until a comprehensive solution requiring contributions from all segments of the community was adopted.

Mr. Hoskins suggested the committee strive for agreement using three levels:

1. Agreement – support the concept, will vote to move forward, will vote in favor of it at the council level
2. Can live with the concept, do not really support but will vote to move forward and will vote in favor of it at the council level
3. Cannot live with the concept, will not vote to move forward or vote in favor at the council level

Ms. Bettman observed there was no functional difference between levels 1 and 2. Mr. Hoskins agreed that the end result was the same but the second level reflected a compromise that might not be someone's first choice but he or she would support it.

Mr. Pryor commented that the committee could indicate it had consensus at levels 1 and 2 and did not have consensus at Level 3.

Mr. Zelenka said it could be helpful to refer to those levels during discussions so other committee members would understand a person's position, but when the recommendations went forward the first two levels would be combined and identified as consensus.

Ms. Bettman asked if a vote on a proposal meant support for the proposal or support for forwarding the proposal to the council.

Mr. Zelenka pointed out if a proposal did not have the subcommittee's support it was unlikely to succeed with the council.

Mr. Hoskins said that ignoring Level 3 and not moving an item forward if a member was at that level meant giving one person great power and the committee should be able to live with that if that is what was agreed upon.

Mr. Pryor favored forwarding levels 1 and 2 items as consensus items and forwarding Level 3 items with the notation that while consensus was not reached the issue deserved a larger discussion by the full council. He said the final decision would remain a simple majority vote.

Ms. Bettman stated that the intent was to find common ground and an outlier meant that was not achieved. She said the purpose of the subcommittee was to develop a package that had the broadest support on the council and therefore the broadest support in the community.

Ms. Solomon foresaw some options on which three members agreed and one did not. She said she was comfortable with that result and did not think it invalidated a particular proposal. She was willing to move proposals forward to the council without consensus. She agreed the goal was to achieve as much consensus as possible but did not want to eliminate proposals just because there was not consensus.

Ms. Bettman agreed with Ms. Solomon. She said it was important to have consensus on most of a major recommendation to assure the broadest range of councilors were able to support the package when talking to constituents.

Mr. Pryor said the committee should strive to move as many proposals forward with consensus as possible but not be constrained by that.

Ms. Bettman said if the committee adopted the three levels then recommendations to the council should indicate which level the committee reached on a particular option.

Mr. Zelenka remarked that a package proposal would mean it was probably not his Level 1 preference but could garner enough support on the council and in the community to be successful.

Ms. Bettman expressed concern that a package proposal would be "deconstructed" when it got to the council and therefore no longer include those components that allowed a committee member to support the package.

Mr. Zelenka agreed that was why the problem had not been resolved; proposals had been picked apart. He said that was the danger in forwarding components individually to the council instead of recommending a comprehensive package.

Mr. Pryor said that a consensus recommendation on a full package from the committee made support from the entire council more likely. He said the integrity of the committee's process would be based on committee members' agreement that being a Level 2 in the committee meant being a Level 2 at the council. He said a member should be a Level 3 in the committee if he or she did not think it was possible to remain a Level 2 when the package went before the council.

Mr. Zelenka thought that the community was interested in and would be supportive of a package that solved all of the transportation system funding problems.

Mr. Hoskins remarked that it was clear the committee wanted to avoid deconstruction of the package at the council level or community level. He summarized that levels 1 and 2 meant a commitment to vote in favor at the council level and committee members should be authentic about being at a Level 3.

Ms. Bettman asked what role staff played in the agreement process and how staff would react if there were pieces of the committee's package recommendation with which they did not agree. She said that staff lobbied the council on issues and that carried considerable weight. Mr. Corey said that it was staff's role to implement the council's decisions.

Ms. Solomon said it was staff's right and responsibility to provide information and advice to the council on issues being considered; it was the council's decision whether to take the advice or accept a recommendation.

Mr. Pryor thought that fundamentally it was a question of interpretation and it was up to each councilor to decide when information became advocacy. He said that staff should not be put in the position of providing only neutral information with no discussion of impact as the council needed to understand impact. He said it was that discussion of impact that was sometimes perceived as advocacy.

Ms. Bettman described a situation in which staff did not support parts of a package recommendation forwarded by the subcommittee. She asked if staff had the right to recommend against those parts when the committee had agreed on a comprehensive approach.

Mr. Pryor said the issue was that staff should reveal their concerns during committee discussion and not at a later time when the package was before the council.

Mr. Corey said staff's role was to provide the best and most comprehensive information possible to assist the committee in making the best possible decisions. He said if the committee was considering something with which he disagreed he would be straightforward in discussing his concerns with the committee and not attempt to undermine its efforts by discussing those concerns or lobbying against a proposal outside of the committee setting.

Mr. Zelenka agreed that staff should raise any objections regarding funding proposals at the committee level.

Ms. Bettman said that staff should also be subject to disclosing whether they were at level 1, 2 or 3.

Mr. Hoskins clarified that discussion and deliberation would occur at the committee level and staff would be responsible for implementing whatever package was adopted by the council. He said it was not staff's job to conduct additional research and advise the council against adopting the package once it had been forwarded to the council.

Mr. Pryor said that meant it was the obligation of staff to provide full, complete and honest input to the committee. Ms. Bettman added that also meant staff should inform the committee if there were parts of the package they could not support and would recommend against to the full council.

Mr. Hoskins reiterated that it was staff's job to provide information on the impacts of implementing a particular option and whether they supported that option.

Mr. Zelenka observed that staff were professionals, had opinions and would impact the process and that was appropriate. He said the question was how to incorporate that into the process and suggested that on an informal basis the committee would be considered a five-member committee during discussions and a four-member committee for purposes of voting. There were no objections.

The committee agreed to the following meeting schedule:

Wednesday, February 14, following the noon City Council work session

Wednesday, March 7, noon to 2 p.m.

Wednesday, March 21, noon to 2 p.m.

Committee members asked for a list of all options previously discussed and research into how other communities were funding transportation systems, including communities outside of Oregon.

The meeting adjourned at 3:50 p.m.

(Recorded by Lynn Taylor)

MINUTES

Council Subcommittee on Transportation
McNutt Room—Eugene City Hall

February 14, 2007
1:45 p.m.

- PRESENT:** Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.
- OTHERS:** Sue Cutsogeorge, Larry Hill, Finance; Kurt Corey, Becky Carlson, Jeff Lankston, Eric Jones, Public Works; Jerome Lidz, City Attorney; John Barofsky, Budget Committee.

Mr. Hoskins convened the meeting and those present introduced themselves.

Mr. Hoskins asked committee members to participate in an imaging exercise to visualize the condition of the City's roads in three to five years. Members shared the following visions of the City's road system:

- Smooth
- Well-cared for, in good condition with no potholes or cracks
- Thousands of people walking and biking
- Paved, many people using the bike lanes, paths, no maintenance problems

Mr. Hoskins said it was clear that committee members shared a common vision of well-cared for, well-used and safe streets for multiple transportation modes and that vision was their goal when crafting solutions.

Mr. Hoskins determined there were no corrections to the minutes and deemed them acceptable. He said that staff, in order to focus their efforts, was proposing criteria for evaluation of funding alternatives. He reviewed the proposed criteria and asked committee members if they felt that the criteria would be helpful and whether any factors should be added or deleted from the list.

Mr. Pryor agreed that all of the alternatives should be considered against a set of criteria. He said the criteria should include paying for ongoing needs with ongoing funds and one-time needs with one-time money.

Ms. Bettman asked if the criteria would be adopted as a screening tool. Mr. Hoskins replied that he hoped the committee would adopt a set of evaluation criteria, either modified or as proposed.

Mr. Zelenka preferred to brainstorm the criteria, review the data provided by staff and then decide what was important in terms of evaluation criteria. Mr. Hoskins agreed that would be an appropriate process.

Ms. Bettman indicated she was not in favor of adopting screening criteria. She felt the proposed criteria addressed issues that had been raised over the years about various options, but was concerned that they could preclude the consideration of more creative solutions.

Mr. Zelenka reiterated his interest in delaying adoption of screening criteria. He said that differentiating between ongoing and one-time costs as suggested by Mr. Pryor could be subjective.

Mr. Pryor agreed that it was not necessary to adopt criteria if that would limit flexibility. He said that distinguishing between one-time and ongoing costs related to capital and maintenance needs and it was maintenance that he considered to be an ongoing expense that required a secure source of funding. He said a

one-time cost would relate to a project such as completely rebuilding a street, which might be happening throughout the City but was a one-time expense on each street that was rebuilt. He noted that about half of the \$110 million backlog consisted of that type of project.

Mr. Zelenka said there should be a criterion that addressed a nexus between the fee and the problem. He said that a fee entirely unrelated to transportation and use of the transportation system, such as property tax, would be a lower priority for him.

Mr. Pryor said it would be useful to have a discussion about the degree to which streets were a community good like schools, police and fire services. He pointed out that everyone paid for police and fire even though not everyone personally used those services. He said the issue was whether the transportation system was there for the community's benefit as a public work or considered a "pay-as-you-go" system.

Ms. Bettman observed that sustainability, meaning a long-term solution, was not included in the criteria. She said there was some discussion of introducing legislation in the next session to increase the gas tax or devote a percentage of it to cities for operations, maintenance and preservation of the system. She said that could be a more holistic, sustainable and long-term solution than local efforts.

Mr. Hoskins asked for clarification of the term "sustainability" in the context of transportation system funding.

Ms. Bettman said the definition was the ability to fulfill current needs without jeopardizing the ability for future generations to fulfill their needs. She said the transportation system was a public good like fire or police and it was not sustainable to attempt to fix the problem only at a local level, particularly when the system was not meeting the needs of the community.

Mr. Zelenka said he regarded sustainability in terms of a triple bottom line:

- Economically sustainable – financially over time ongoing needs are met
- Environmentally sustainable – promotes policies that are environmentally conscious
- Social equity – fairness in terms of who pays for the system

Mr. Pryor commented that it had begun to appear there were two tracks: the philosophical track of how to achieve a certain social and financial position with regard to the transportation system and the track related to the real and immediate need to address the backlog of projects. He felt the most significant discussion at the moment was to address the \$110 million in road maintenance and preservation projects, which was increasing every year. He did not want to avoid the larger philosophical discussion but did not want it to replace the shorter term discussion of how to deal with immediate issues.

Mr. Zelenka thought it was important to focus on both the short-term and long-term needs. He was not interested in addressing only immediate needs. He asked that environmental awareness be added to criteria. He said that transportation policies should provide incentives for people to be aware of how use of the transportation system impacted the environment and to encourage use of alternate modes of transportation to reduce future costs by decreasing the need for maintenance and new construction.

Mr. Hoskins noted that another solution to maintenance needs might be better technology, pointing out that the car had changed little in 100 years.

Mr. Pryor said that promoting certain behaviors with incentives was a good discussion, but streets needed to be fixed today and the committee had to identify a source of funding to accomplish that.

Mr. Zelenka thought that the issue had gone unresolved for six years because the focus was too narrow and there was no agreement about a holistic approach to the transportation system and solutions.

Ms. Solomon hoped the committee could begin a discussion of the list of funding alternatives.

Ms. Bettman said that transit needed to be part of the long-term solutions to reduce congestion and use of the roads because environmental considerations should balance investment in the road infrastructure with investment in alternative modes.

Mr. Hoskins thanked the committee for a frank and thorough discussion of criteria for evaluating solutions. He said that staff would modify the list of criteria consistent with the committee's recommendations and use the criteria to focus research and analysis efforts. He said the fundamental questions to be answered were how the City could address its current deficit and how it could meet its goals for the future. He encouraged committee members to continue to modify those questions as the process went forward.

Mr. Hoskins referred to the document *Initial Listing of Funding Alternatives for Transportation System Operation, Maintenance & Capital Preservation* prepared by staff and asked committee members to suggest any alternatives they wanted to add to that list.

Ms. Solomon asked if any roads in the City would qualify as a toll road, given the prohibition on levying a toll on state and interstate facilities. She asked if Franklin Boulevard would qualify since the City had taken possession of a portion of it. Mr. Hill said that any City-owned road could theoretically be a toll road but Franklin Boulevard would not qualify as it was still designated a state highway.

Ms. Bettman observed that access on a toll road would be very difficult to manage because of the businesses located along most major facilities.

Ms. Bettman commented that the list included funding mechanisms but did not address cost-saving mechanisms such as use of concrete instead of asphalt, narrower street standards or free transit, which could reduce the ongoing liability by tackling those things that contributed to the problem. Mr. Corey replied that the type of street construction was not generally a policy issue. He said that Eugene was on the leading edge of street design standards that helped to minimize ongoing expenditures and the current right-of-way and street width requirements were at a practical minimum. He agreed that constructing narrower streets in the future resulted in fewer square feet of asphalt to maintain and free transit was a good strategy, but felt that in the limited time available to develop a comprehensive package of solutions, the committee's efforts would be more productively focused on funding solutions instead of operational issues. He noted that an independent operational audit was conducted in 2002 to determine if money spent on Road Fund purposes was being spent with the greatest efficiency and the conclusions of that audit convinced the Budget Committee that a quest for operational efficiencies was not the best approach to solving the problem.

Ms. Bettman said the problem could be defined as finding funding solutions for fixing potholes and maintaining streets or as finding funding mechanisms for operation, maintenance and preservation, and reducing the escalating liability by addressing factors that contribute to the liability.

Mr. Zelenka noted that the committee's charge was to identify creative solutions for adequately funding the transportation system. He said his intent with the motion was to address strategies that included additional funding and cost reduction as two halves of the equation.

Mr. Pryor agreed with Mr. Corey that it was appropriate to discuss saving money as an outcome but not be proscriptive about how that could be accomplished. He said the council as a policy body could decide that reducing expenses was a part of the package of solutions and direct staff to implement cost-cutting strategies.

Mr. Zelenka said that incentives to promote certain behaviors would also reduce future costs by delaying expansion of the transportation system and reducing the need to rebuild roads because less people were using them.

Mr. Hoskins said the committee could include any additional strategies it wished for consideration as possible solutions.

Mr. Zelenka suggested that staff provide a listing of cost-cutting and cost-saving strategies and committee members could forward their own suggestions to staff for inclusion on the list.

Mr. Hoskins said that the committee's final package of recommendations could include a separate list of long-term cost reduction strategies that would underscore intent.

Mr. Pryor commented that consensus would be based on the broadest possible combination of solutions and that would mean addressing both revenue and expense aspects.

Mr. Corey asked for clarification of the committee's expectations regarding cost reduction strategies. He noted that a wide range of cost-saving and efficiency strategies had been implemented in the past several years. He said that while cutting services remained an option the council had consistently indicated it did not want to take that approach, which was why funding solutions to fill the operations and maintenance gap were being sought. He said staff could identify services to be cut if that was the committee's will but was not certain what efficiency strategies could be identified beyond those already being implemented.

Mr. Zelenka said he was interested in incentives to promote different behaviors, not a list of cost-cutting measures.

Mr. Pryor asked that the committee be provided with a copy of the efficiency audit and any other information that might be useful in its deliberations.

Mr. Lidz characterized the original intent of Mr. Zelenka's motion as including consideration of incentives that reduce the burden on the transportation system and encourage behaviors that have other environmental benefits along with funding alternatives.

Ms. Bettman reiterated her interest in considering strategies to reduce liability, such as use of concrete in place of asphalt, as part of a package of long-term solutions.

Following a discussion by the committee, it was decided that committee members would indicate those funding alternatives in which there was ongoing interest and the need for information; those alternatives that did not receive any votes would be eliminated from the list. The results were as follows:

- | | |
|--|----------------------------------|
| • General Obligation Bonds | Zelenka, Pryor |
| • Operating Local Option Levy | Zelenka, Bettman |
| • Capital Local Option Property Tax Levy | Zelenka, Bettman, Pryor, Solomon |
| • Motor Vehicle Fuel Tax | Zelenka, Pryor |
| • Diesel Fuel Tax Surcharge | Zelenka |
| • Carbon Tax | Zelenka, Pryor, Bettman, Solomon |
| • Parking Tax | Bettman, Zelenka |
| • Transportation System Impact Fee | Zelenka, Pryor |
| • Garbage Hauler Fee | Zelenka, Bettman |
| • Heavy Vehicle Fee | Zelenka, Bettman, Pryor |
| • Employee Per-capita Tax | Zelenka, Bettman |

- County Vehicle Registration Fee Pryor, Solomon
- Bicycle Registration Fee Pryor
- Fees to Compensate for Dedicated Use of Traffic Lanes for Transit Purposes Solomon, Pryor, Bettman
- Motor Vehicle Emissions Fee Bettman, Pryor, Zelenka, Solomon
- Transportation System Maintenance Fee Pryor, Zelenka
- General Retail Sales Tax Pryor
- Special Retail Sales Taxes (tires, auto parts and Components, motor vehicle rental) Zelenka
- Motor Vehicle Sales Tax Zelenka
- Corporate Income Tax Bettman
- Commuter Tax Bettman, Zelenka

The next meeting was scheduled for March 7 from noon to 2 p.m. in the McNutt Room. The meeting adjourned at 3:20 p.m.

(Recorded by Lynn Taylor)

MINUTES

Council Subcommittee on Transportation
Lyle Conference Room—858 Pearl Street
Eugene, Oregon

March 7, 2007
2 p.m.

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.

OTHERS: Sue Cutsogeorge, Larry Hill, Twylla Miller, Finance; Kurt Corey, Becky Carlson, Jeff Lankston, Eric Jones, Fred McVey, Public Works; Jerome Lidz, City Attorney; John Barofsky, Budget Committee. Jeff Petry, Planning and Development; Gary Heldt, 4J School District; Jim Carlson, Central Services.

Mr. Hoskins convened the meeting and those present introduced themselves.

APPROVE MINUTES OF FEBRUARY 14, 2007

Ms. Bettman offered the following amendment to the second paragraph on page 4:

"Ms. Bettman said the problem could be defined as finding funding *solutions mechanisms* for fixing potholes and maintaining streets or as finding funding mechanisms for operation, maintenance and preservation. *And reducing the escalating liability by addressing factors that contribute to the liability.*"

There being no other changes Mr. Hoskins deemed the minutes accepted as amended.

REVIEW AND DISCUSS STAFF RESEARCH AND ANALYSIS ON INDIVIDUAL FUNDING ALTERNATIVES

Mr. Hoskins reviewed the decision-making structure on which the committee had agreed:

- Level 1 - support the concept and would vote in favor
- Level 2 - do not entirely support but could live with it and would vote in favor
- Level 3 - do not support the concept and would not vote in favor

Mr. Hoskins also reviewed the committee's charge: "To develop creative solutions for adequately funding the transportation system for cars, trucks, bikes and pedestrians that collected funds proportionately or equally from residents and nonresidents that use the roads, that was consistent with the sustainability goal and had more connections to the use of roads and gave rebates or incentives to those who did not have a car or used one very little." He paraphrased a short version as meeting the City's short-term deficit and some of its long-term goals.

Mr. Zelenka suggested that the committee indicate levels of support for each alternative on the list and eliminate those with less than two votes. Results of the initial straw votes were:

- Capital Local Option Property Tax Levy - Pryor, Solomon, Zelenka
- General Obligation (GO) Bond - Pryor, Zelenka
- Operating Local Option Property Tax Levy - Bettman, Zelenka
- Commuter Tax - Bettman, Zelenka
- ~~Corporate Income Tax - Bettman~~
- Payroll Tax - Bettman, Zelenka
- ~~Personal Income Tax~~
- ~~General Sales Tax~~
- Specialized Retail Sales Taxes:
 - ~~• restaurant meals~~
 - ~~• movie rentals~~
 - ~~• admissions to amusement or entertainment venues~~
 - tires - Pryor, Zelenka, Solomon, Bettman
 - auto parts and components - Pryor, Zelenka
 - motor vehicle rental - Pryor, Bettman, Solomon
 - motor vehicle sales - Bettman, Zelenka
 - bicycles and bicycle parts - Pryor, Solomon
- ~~Broadened SDCs - Bettman~~
- Carbon Tax - Pryor, Bettman, Zelenka
- Diesel Fuel Tax Surcharge - Bettman, Zelenka
- Employee Per-Capita Tax - Bettman, Zelenka
- Fees for Dedicated User of Traffic Lanes for Transit Purposes - Pryor, Solomon, Zelenka, Bettman
- Garbage Hauler Fee - Bettman, Zelenka
- General business Privilege Tax:
 - ~~• gross receipts - Zelenka~~
 - business license - Bettman, Zelenka
- Heavy Vehicle Fee - Pryor, Zelenka, Bettman
- Motor Vehicle Fuel Tax - Pryor, Solomon, Bettman, Zelenka
- Parking Tax - Bettman, Zelenka
- ~~Transportation System Impact Fee - Zelenka~~
- Vehicle Emissions Tax - Bettman, Zelenka, Pryor, Solomon
- ~~Bicycle Registration Fee~~
- County Vehicle Registration Fee - Pryor, Solomon, Zelenka, Bettman
- Eugene Livability Fee
- Street Improvement Fee
- Street Lighting Fee - Pryor, Zelenka
- Tolls
- Transportation Utility/System Maintenance Fee (TUF OR TSMF) - Pryor, Solomon, Zelenka
- ~~General Fund Transfers~~
- ~~Broadened Assessment Practices/Local Improvement Districts~~

ASSESS INITIAL SUPPORT FOR FUNDING ALTERNATIVES AS A COMPONENT OF A PACKAGE

Mr. Hoskins asked the committee to discuss those alternatives that remained on the list and determine which would be retained for further considerations.

Capital Local Option Property Tax Levy, General Obligation Bond and Operating Local Option Property Tax Levy

Mr. Pryor said he was supportive of a GO bond and the capital local option levy because he was looking for measures that would not affect the \$10 cap. He said that a GO bond would operate outside of the cap, which was its primary advantage. He said a local option tax could cause compression.

Mr. Zelenka asked if a local option levy was submitted to voters in the same way as a GO bond. Ms. Cutsogeorge explained that when going out for a GO bond measure a specific total dollar amount was requested up front and taxpayers paid that in an annual amount over a 15 or 20 year period. She said bonds included the costs for borrowing the funds and paying interest. She said there were two kinds of local option levies and two ways to do them. She said an operating local option levy could be used for anything and the length of time was five years; a capital local option levy could only be used for the specific capital items identified in statute and could be for ten years. She said those taxes could be levied by specifying a tax rate each year for the period of the levy or by specifying a specific dollar amount each year.

Ms. Cutsogeorge said the City was in a good position with respect to Measure 5 compression and staff had discussed the advantage of a capital local option levy over a GO bond because there would be no interest or borrowing costs. With regard to the \$10 cap, she said the City was at slightly over \$9 and that was expected to decrease because the library levy was reduced and the youth levy was being eliminated.

In response to a question from Ms. Bettman, Ms. Cutsogeorge said that operating local option levy revenue could be spent on anything the City wished and GO bonds were restricted to capital construction and capital improvements. She said things like patching potholes would not qualify. Mr. Carlson added that with GO bonds and capital local option levies overlays and reconstruction would be permitted and projects were not limited to within the road right-of-way, allowing funds to be used for bike paths. He said funds from an operating local option levy could be used for maintenance as the revenue was basically augmenting the General Fund.

Mr. Zelenka said that all three—capital and operating local option levies and GO bonds—would be subject to the double majority requirement except in November 2008, when only a majority was required.

Mr. Carlson said the capital local operating levy seemed to be the right tool to address the backlog of projects as it would provide a certain amount of funds each year and there were no additional costs. He said the issue could be sized based on the City's ability to design and the contractors' ability to complete projects over a ten-year period.

Ms. Bettman asked if a capital local option levy, if passed, could be combined with a commuter tax and considered the parallel fee on residents or did the mechanism have to be the same. Mr. Lidz replied that one of the criteria in the Evaluation Matrix was legal defensibility, which in one version was described as “incontrovertible authority.” He stated that for there to be absolute certainty of withstanding a legal

challenge the same tax had to be imposed on City residents as was imposed on nonresidents. As an example, he said the State of Oregon placed a surcharge on solid waste coming into an Oregon landfill from the State of Washington, based on the rationale that Oregon residents supported the landfill with income taxes and Washingtonians did not. He said the difference was made up by imposing a tax on the solid waste coming in from Washington, but the U.S. Supreme Court said that could not be done. He said the issue was that a jurisdiction could not attempt to fund its services on the backs of nonresidents who did not have a vote in the matter.

Mr. Zelenka asked how nonresidents were charged for library services. Mr. Lidz said they were charged a fee to use library services. Mr. Carlson added that nonresidents were charged a fee to check books out of the library, but anyone could use the library facility for free.

Ms. Bettman expressed concern that with most of the proposed mechanisms taxpayers would pay for the full costs of preservation with no way to recover costs equitably from nonresidents. Mr. Hill replied there were some mechanisms that did recover funds through a pass-through to consumers that would recover costs from some nonresidents. He said tax on business, gas tax and TSMF were examples.

Mr. Carlson said property tax from the nonresidential portion captured the value of places where people worked and shopped.

Ms. Bettman asked how enterprise zone, urban renewal and multi-unit property tax exemptions (MUPTE) exemptions related to any of the property tax mechanisms. Ms. Cutsogeorge responded that urban renewal districts were not exempt; the revenue was redirected to the district from other categories.

Ms. Bettman emphasized that beneficiaries of property exemptions would be contributing to a lesser extent than other residents.

Mr. Pryor withdrew his support for GO bonds as a funding alternative based on the discussion. Mr. Hill determined there was no longer any support for GO bonds and that alternative was eliminated from the list.

Mr. Zelenka asked if a mechanism could include levy and commuter tax components that were parallel and approximately equal or did the mechanisms have to be the same. Mr. Lidz said the example of solid waste from Washington was intended to illustrate that even though there were careful calculations to assure that the surcharge was comparable to the subsidy from Oregon taxpayers, it was not defensible, at least under the federal constitution. He said additional questions related to what the City trying to equalize and whether nonresidents' use of City streets was comparable to residents' use. He said there was a significant amount of law related to cross-taxation across jurisdictions.

Mr. Pryor commented that it was possible to develop one tax for residents and another for nonresidents that structurally collected the same amount of money and could be considered in parity, but were not linked. He said the problem was that if there was no linkage then one of the taxes could be altered or eliminated at some point in the future and there would no longer be parity. He understood that if funds were to be collected from commuters there had to be a single approach that collected funds from everyone and commuters were simply a component of that.

Mr. Zelenka acknowledged the legal problems when the taxes were no longer in parity. He asked if there were ways for the council to link taxes and avoid that issue. Mr. Lidz said there were ways to accomplish that but it would be difficult with a bond measure and some type of commuter tax. He said the assumption

was that nonresidents did not use the streets as much as residents and there needed to be a formula to address equalization.

Ms. Bettman asked if there was data available to determine the validity of street usage assumptions for nonresidents compared to residents. Mr. McVey replied there were models that could estimate the percentage of trips that were personal and business in nature, although trip lengths and vehicle miles traveled varied across geographic areas throughout the City.

Mr. Hill said a commuter tax on the number of employees would be based on an assumption that employees made at least two trips on City streets per day and a methodology could be developed for calculating trip lengths. He added that Lane County's proposed income tax included a commuter tax component by taxing income earned in the county by nonresidents.

Ms. Bettman said it was difficult to compare property tax with some of the other strategies without a good grasp of the amount of revenue that would be generated. She felt that would be necessary in order to determine if it was possible to fund the backlog of projects, plus maintenance and preservation, using a combination of strategies. She asked for a matrix that would provide revenue estimates for the different alternatives. Mr. Hill said that staff could provide suggested rates to achieve revenue goals as the committee identified possible funding packages for consideration. He said that rates for a particular mechanism could vary widely and would depend on the combination of strategies in a particular package.

Mr. Pryor asked for current data on trips lengths, vehicle miles traveled for residents compared to those for nonresident workers and other nonresident commuters such as students and other relevant data for purposes of determining viability of a commuter tax.

Ms. Bettman asked if a payroll tax could be imposed on employers such as the University of Oregon and the State of Oregon. Mr. Lidz said the State could not be taxed as an employer but its employees could be taxed, although whether the State could be compelled to cooperate in collection efforts depended on the type of tax.

Mr. McVey asked for clarification on whether the committee was excluding a personal income tax as a mechanism for collecting a commuter tax. Mr. Hill confirmed that a personal income tax would not be considered.

Mr. Hill asked if there was still support for the two property tax funding alternatives.

Mr. Pryor commented that he regarded property taxes as being one-time funding and not intended to pay for ongoing expenses. He preferred to use a property tax to pay for capital expenses and favored the capital local option levy over the operating local option levy.

Ms. Solomon concurred with Mr. Pryor.

Ms. Bettman supported a capital local option levy to pay for preservation but expressed concern that the costs of addressing the project backlog would not be balanced between residents and nonresidents.

Mr. Zelenka preferred to retain the operating local option levy as a potential component for a funding package.

Ms. Bettman asked if capital local option levy funds could be restricted to the backlog of projects. Mr. Hill replied that the council could strictly define the purpose and intended uses in the ballot measure. Mr. Corey pointed out that the last staff recommendation included a capital local option levy with stipulations regarding its one-time nature and use for the backlog of reconstruction projects.

Ms. Bettman withdrew her support for the operating local option property tax levy and it was removed from the list.

Commuter Tax and Payroll Tax

In response to a question from Ms. Bettman, Ms. Carlson said the City paid Eugene Water & Electric Board (EWEB) less than \$400,000 annually for billing and collection of the city's local wastewater and stormwater fees

Ms. Bettman suggested that if some type of commuter tax was enacted the City should consider administering it internally, along with stormwater/wastewater fees, instead of contracting it out. Mr. Hill said that staff would examine the most efficient and cost-effective approach to administering fees and taxes within the context of a funding package and existing City resources.

Mr. Corey pointed out that administering fees through EWEB provided some leverage with respect to enforcement through the ability to turn off services that would not be available through a City billing system; staff would need to take that into consideration.

Specialized Retail Sales Taxes:

- **tires**
- **auto parts and components**
- **motor vehicle rental**
- **motor vehicle sales**
- **bicycles and bicycle parts**

Ms. Bettman said her concern with a tax on tires was that people would just buy them elsewhere. She preferred the tax on vehicle sales, which could be charged when a vehicle was registered in the City of Eugene.

Mr. Hill commented that staff had identified the same problem with other retail sales taxes as the one Ms. Bettman had pointed out for tires.

Mr. Pryor noted that while the committee was exploring options for the City of Eugene, other communities in Lane County had the same revenue concerns and could benefit from the committee's work in terms of imposing similar measures and achieving some uniformity.

Ms. Bettman suggested eliminating taxes on tires, auto parts and components as they would generate little revenue and could not be collected from nonresidents. She felt the motor vehicle sales tax was a fairer approach.

Mr. Pryor asked if there was any data on the revenue a vehicle sales tax would generate to determine if it would be worthwhile to go to the expense of collecting it. Ms. Miller replied that staff would need to know the rate in order to provide an estimate.

Mr. Jones asked if a sales tax would apply to fleet purchases of auto parts and components and other wholesale purchases. Ms. Miller replied that other communities exempted those types of sales.

Mr. Lidz expressed doubt that a vehicle sales tax could be collected at the time of registration on sales that occurred outside of the City of Eugene. He said a local registration fee was preempted by State law as only the County and State could impose those. He said the challenge was how to avoid giving people the incentive to purchase vehicles outside the City.

Mr. Lidz remarked that the legislature had attempted to impose a vehicle emissions fee and stated expressly in the statute that the fee was not a tax or excise on the ownership, operation or use of motor vehicles. He said the court had indicated it did not matter what it was called; the function was that of a tax on the ownership of vehicles and subject to the constitutional restrictions. He reiterated that a registration fee could only be imposed by the County or State; the City could impose a motor vehicle fuel tax, subject to restrictions on its use.

Mr. Pryor said it appeared that none of the retail sales taxes were viable alternatives and a vehicle registration fee might be feasible at a county-wide level.

Ms. Bettman asked if the County was considering a registration fee. Mr. Carlson said if the County lost federal timber funds it would be exploring many revenue alternatives, which could include a registration fee.

Mr. Jones stated that use of a vehicle registration fee would be limited by the Oregon Constitution to within the road right-of-way and only the State and County could levy one; if those funds were passed through to the City their use would still be subject to that limitation.

Mr. Hoskins determined that all retail sales taxes, with the exception of motor vehicle rentals, were eliminated from the list.

Regarding a sales tax on bicycles and bicycle parts, Mr. Jones said that staff could provide information on percentage of vehicle owners who also owned bicycles and would therefore be subject to any tax or fee imposed on motor vehicles.

Carbon Tax

Mr. Hill said that a carbon tax differed from other taxes because the intent was to achieve a policy goal in addition to generating revenue; the policy goal was reduction of emission of CO² into the atmosphere in order to reduce global warming by increasing the cost of carbon-based fuels in an area, region or nation by including some approximation of the cost of environmental impact. He said the tax rate was one determined to be adequate to change consumer behavior by encouraging them to choose an alternative to carbon-based fuel or use of energy from carbon-based fuel. He said that carbon taxes were primarily used in European countries and typically charged on top of excise taxes that generated revenue.

Mr. Hill said the carbon tax was applied to several sources of CO² emissions and in Eugene those sources were:

- gasoline - 41 percent
- natural gas - 37 percent
- diesel - 11 percent
- electricity produced with natural gas - 11 percent

Ms. Solomon asked if that meant a tax would be imposed on EWEB. Mr. Hill replied that a carbon tax in Europe was frequently applied to energy, such as electricity produced by carbon-based fuel. He said that Boulder, Colorado had a recent voter-approved tax on electricity produced by coal. He said that EWEB as a municipal utility would be excluded from taxes. He said that firewood and hog fuel also caused CO² emissions, but in insignificant amounts. He said a report on CO² emissions would be available at the end of March 2007. He said a main source of CO² in Eugene was natural gas, which was not taxed but was subject to franchise fees.

Mr. Hill said another tax on gas and diesel for the purpose of achieving carbon tax goals, in addition to the current gas tax, would be limited to use within the right-of-way while natural gas revenue could be used for anything. Mr. Lidz added there was a constitutional limit on the amount of tax that could be levied on natural gas.

Ms. Bettman said that a carbon tax was complicated but the committee should continue to pursue it as a strategy.

Mr. Pryor said he was interested in continuing to discuss a carbon tax as there were many environmentally significant aspects in terms of changing behavior, but he was involved in the issue of transportation funding primarily from the perspective of fixing potholes. He acknowledged that in the spirit of collaboration the conversation had been expanded but for him the trade-off was how much revenue could be generated from a carbon tax and how would it fit into a comprehensive funding package. He was concerned about how much money could be generated and how it could be used, as well as fairness and equity issues related to potentially disproportionate impacts on low income people.

Mr. Hill said that carbon tax revenues in Europe were typically used to mitigate the financial impact of the carbon tax on various sectors of the population by reinvesting in changing behavior and achieving lower CO² emissions. He emphasized that a carbon tax was not intended to raise revenue, but rather to change behavior, reinvested for those purposes and often directed to making alternatives to high CO² fuel affordable.

Mr. Pryor commented that a carbon tax might not be the solution for fixing potholes.

Ms. Bettman observed that a carbon tax could address strategies to mitigate ongoing liability to maintain the street system by investing in ways to reduce the contributing factors by using it for things like bike lanes, bike paths and free transit.

Mr. Hill said that a carbon tax could be imposed on the three major contributors of CO² emissions: gasoline, diesel and natural gas.

Ms. Bettman did not think that wood should be excluded. Mr. Hill responded that wood could be taxed through a business license or sales tax on firewood sales and the same could be applied to hog fuel and home heating fuel but those were not significant contributors and the cost-effectiveness of achieving the goal of reducing CO² would be much lower.

Mr. Hill said of the three major contributors, only a carbon tax on natural gas could be used for things outside the right-of-way.

Mr. Pryor remarked that it was difficult to connect a tax on wood to fixing potholes. He cautioned there should be a clear connection between revenue generators and transportation.

Ms. Bettman asked if a tax on aviation fuel was possible. Mr. Hill replied that aviation fuel was a CO² contributor and could be taxed, but sales occurring at the airport were outside the City limits.

Mr. Hoskins determined the carbon tax would remain on the list for discussion purposes.

Diesel Fuel Tax Surcharge

Mr. Hill said that trucks subject to Oregon's weight/mile tax received an 80 percent refund on any fuel taxes paid to the City. He said the idea of a fuel tax surcharge was to recover some of the impact on streets by heavy vehicles, but in fact those vehicles were largely exempt from local gas and diesel taxes. He said as an alternative to the surcharge the committee could consider just eliminating the diesel tax exemption in the City's current fuel tax ordinance.

Ms. Carlson said that staff could provide information on the amount of the exemption, the reasons behind it and any limitations on use of the tax revenue.

Mr. Lidz thought the exemption was based on the understanding that most of the trucks subject to the State's weight/mile tax were used primarily on highways.

Mr. Hoskins stated that discussion of the diesel surcharge and remaining alternatives would resume at the next meeting:

- Employee Per-Capita Tax
- Fees for Dedicated User of Traffic Lanes for Transit Purposes
- Solid Waste Collection Fee
- General Business Privilege Tax: business license
- Heavy Vehicle Fee
- Motor Vehicle Fuel Tax
- Parking Tax
- Vehicle Emissions Tax
- County Vehicle Registration Fee
- Street Lighting Fee (district)
- Transportation Utility/System Maintenance Fee (TUF OR TSMF)

NEXT MEETINGS

Meetings were scheduled for March 21, April 4 and April 10 from noon to 2 p.m.

The meeting adjourned at 2 p.m.

(Recorded by Lynn Taylor)

MINUTES

Council Subcommittee on Transportation
Lyle Conference Room—858 Pearl Street
Eugene, Oregon

March 21, 2007
2 p.m.

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.

OTHERS: Sue Cutsogeorge, Larry Hill, Twylla Miller, Finance; Kurt Corey, Becky Carlson, Jeff Lankston, Eric Jones, Fred McVey, Public Works; Lauren Sommers, City Attorney's Office; John Barofsky, Budget Committee. Jeff Petry, Nancy Young, Planning and Development; Gary Heldt, 4J School District; Jim Carlson, Central Services.

Mr. Hoskins convened the meeting and reviewed the agenda. He said the committee's discussion would begin with the remaining items on the list of funding alternatives from the previous meeting. He said depending on the pace of the discussion it might be necessary to schedule an additional meeting.

APPROVE MINUTES OF MARCH 9, 2007

There being no corrections, Mr. Hoskins deemed the minutes approved as submitted.

CONTINUE TO REVIEW AND DISCUSS FUNDING ALTERNATIVES

Diesel Fuel Tax Surcharge

Mr. Hill reviewed the template and staff response to questions related to the surcharge.

Ms. Bettman said it appeared that only \$5,000 to \$6,000 in revenue would be recovered if the exemption for vehicles subject to the state weight-mile taxes was eliminated. Mr. Hill agreed that only two companies took advantage of the refund, which came to that amount annually. He said it would be up to the council whether any additional surcharge included an exemption provision. He said the current tax was negotiated with the business community based on the assumption that only a few of the miles traveled by vehicles subject to the weight-mile tax were on City streets. Mr. Corey added that the exemption was consistent with a City of Springfield provision in order to maintain a level playing field with that class of users.

Mr. Zelenka asked why only two companies had requested the refund. Ms. Carlson replied that it was unknown whether other companies were eligible but did not apply because the refund amount was not significant. She said those that did apply had persuasive documentation of the limited use of City streets.

Mr. Carlson clarified that the refund provision only applied to those companies that had their own bulk fuel facility on site.

In response to a question from Ms. Solomon, Mr. Hill explained that the surcharge would apply to all vehicles that were not subject to the weight-mile tax and purchased diesel fuel, regardless of weight. He said the only vehicles eligible for an exemption would be those vehicles over 26,000 pounds and subject to the weight-mile tax.

Ms. Bettman asked how much revenue a surcharge was likely to capture. Mr. Jones noted that the template estimated the amount of diesel sold in Eugene annually was 6.8 million gallons. He said each penny of surcharge would result in about \$68,000 in revenue.

Mr. Hill said that surcharge revenue could only be used within the right-of-way, but that could include some alternative mode activities, such as bike lanes, as long as they were within the right-of-way.

Mr. Pryor asked what administrative costs would be associated with the surcharge. Mr. Jones said that the Oregon Department of Transportation (ODOT) fuel tax section had indicated to jurisdictions that it was at capacity for collecting local fees. If the City's local gas tax deviates too much from the state structure, it could mean that ODOT would no longer be willing to administer the tax. He thought it was likely that ODOT would require the City to administer a diesel fuel surcharge as it would mean maintaining separate records on diesel fuel sales. He said that raising the vehicle fuel tax under the current structure would not increase ODOT's administrative costs.

Ms. Solomon asked if there was a staff recommendation regarding the amount of a surcharge, given that each cent would raise about \$68,000. Mr. Jones said the surcharge would be based on market conditions and community tolerance for a surcharge. Mr. Hill said that there could be some market flight if prices were lower in Springfield as a result of the surcharge.

Mr. Zelenka preferred to drop the surcharge and focus on a gas tax. He thought the only issue was whether to repeal the current exemption.

Mr. Pryor agreed. He felt that the revenue realized from a surcharge or elimination of the exemption would be insignificant and not worth pursuing.

Mr. Hill determined there was agreement to eliminate the surcharge from the list.

Employee Per-Capita Tax

Mr. Hill noted that the per capita tax was one way to obtain revenue from nonresidents with a commuter tax component. He was uncertain whether the tax could be applied to public employers. He estimated that a tax of \$10 per employee on private employers would generate about \$1.3 million annually and would require developing an administrative structure. He said the nexus with transportation was not clear.

Ms. Solomon stated she could not support a per capita tax unless it included public employers. Ms. Sommers said the City could not impose a tax on state or federal institutions.

Mr. Zelenka asked how the per capita tax differed from a payroll tax. Ms. Cutsogeorge said a payroll tax was based on an employer's total payroll while the per capita was based on the number of employees.

Mr. Hill determined that the per capita tax would remain on the list.

Fees for Dedicated User of Traffic Lanes for Transit Purposes

Ms. Sommers said there was currently no agreement between the City and Lane Transit District (LTD) for a charge for dedicated transit lanes. Mr. Hill said any agreement for payment for impact or maintenance of the dedicated lanes would need to be negotiated with LTD.

In response to a question from Ms. Bettman, Mr. Corey said there was an upfront agreement with LTD for the conceptual development of bus rapid transit (BRT) that would be supplemented over time through individual appendices, such as maintenance agreements. He said those agreement would stipulate responsibilities and typically LTD would be responsible for maintenance of the exclusive transit lanes and stations while the City would be responsible for the traffic signal system. He said there was no conveyance of land but rather a use agreement for a minimum of 20 years.

Ms. Bettman wondered why the City would subsidize LTD by doing its maintenance. Mr. Corey said that would not be the case under the maintenance agreements. He said if the purpose was to assess LTD and use the money to encourage increased ridership that concept could be proposed to the City's sustainability office once it was in operation.

Ms. Bettman asserted that LTD should be charged for maintenance services the City was providing and asked if the City could lease the right-of-way to LTD. Mr. Corey explained that the current agreement described how BRT would be developed and operated; that agreement stipulated there would be appendices that described individual maintenance responsibilities and that piece was not yet fully developed. He said the idea of BRT as a public benefit envisioned a working partnership between the City and LTD and included making the right-of-way available for transit use as meeting the public's interest. He said that efforts to charge LTD for the right-of-way after the fact would be counter to the current agreement. He noted that LTD had expended funds to purchase some right-of-way in the BRT system.

Ms. Bettman disagreed with the historic agreement to provide right-of-way at no charge to LTD. She asked if the agreement was in writing. Mr. Corey said there was an initial agreement for development of the project and pending agreements for maintenance responsibilities.

Mr. Pryor stated that charging fees to an agency for street maintenance and preservation when the purpose of that agency was to get people out of their cars seemed contradictory.

Mr. Zelenka agreed with Mr. Pryor.

Mr. Corey cited the existing BRT agreement, which states that, as a general principle, the future separate joint maintenance agreements would require LTD to maintain all facilities used exclusively for transit, including stations, bus guideways and bus lanes while the City would be responsible for landscaping, sidewalks, crosswalks, traffic signals and other nontransit improvements. He said having LTD participate in something like a right-of-way franchise arrangement for use of right-of-way for transit lanes could possibly change the nature of the project if the public right-of-way could not be used for that public purpose and a significant capital investment was required.

Mr. Hill determined there was consensus to remove the item from the list.

Solid Waste Collection Fee

Mr. Hill said that an increase of 2.5 percent across all accounts would generate about \$500,000. He said the fee would be charged to garbage haulers and passed through to consumers. He said it would be an easily administered fee.

In response to a question from Mr. Pryor, Ms. Miller said that no other community in the state was collecting a similar fee.

Mr. Hill pointed out that the garbage trucks were over 26,000 pounds and subject to the weight-mile tax. He said that tax was paid to the State and the City received a share of that revenue through the Highway Trust Fund, so the trucks could be considered as contributing to some extent to City roads.

Ms. Solomon asked if other heavy trucks, such as Eugene Water and Electric Board (EWEB) and City vehicles, were subject to the weight-mile tax. Mr. Hill said that vehicles belonging to public agencies and some charitable organizations were exempt from State weight-mile taxes.

Ms. Bettman asked if there was a way to impose the fee on more than just garbage trucks, like landscaping or gravel trucks. Mr. Hill said there was a template for a general heavy vehicle tax that would capture garbage trucks and other heavy trucks, although the challenge would be to create an administrative structure as only the garbage trucks were currently licensed by the City.

Mr. Corey said his experience with another jurisdiction out of the State that had a five percent surcharge on garbage haulers with the funding earmarked for street maintenance was that it worked well and met the administrative ease requirement. He remarked that garbage haulers were frequent users of local City streets and the other classes of heavy vehicles, such as landscaping trucks, only used them periodically. He said that studies had confirmed the impact of garbage trucks on degradation of streets and urged the committee to maintain an interest in the fee.

Mr. Pryor commented that the frequency of garbage haulers use of City streets was well known and the fee could be easily passed on to consumers without significant individual impact. Ms. Young recommended, if the fee was imposed, requiring that it be separately identified on the bill so the consumer was aware of it.

Mr. Hill noted that all garbage service customers would pay, regardless of whether they were public, private or nonprofit entities. Mr. Jones added that garbage trucks had a unique impact because of the amount of time they spent on local streets.

Ms. Bettman objected to passing the fee through to consumers and felt it should be charged to garbage haulers' profits.

Ms. Solomon remarked that a five percent increase would generate \$1 million annually.

Mr. Hill determined there was agreement to retain the item on the list.

Heavy Vehicle Fee

Mr. Hill reviewed the template and said there were many outstanding questions about how the fee would be administered and the burden it would represent. He said there were also questions about whether the courts would consider it a registration fee. He said the City did not need to use 26,000 pounds as the

definition of heavy vehicle and could create its own threshold and base the fee on classes of vehicles over that weight limit.

Ms. Bettman asked if the fee could be imposed on heavy vehicles other than those registered in the City by requiring a permit or license for heavy vehicles to do business in the City and using that administrative structure to impose the fee. Ms. Sommers said the concern was that the courts would still regard it as a vehicle registration fee, which the City did not have the clear and incontrovertible authority to impose. She said regardless of whether the City labeled it as a license or permit, it was still connected to the use or operation of motor vehicles.

Mr. Hill said it could be tailored to be more clearly not a registration fee if it was a business license or business privilege tax based on certain industries identified as operating heavy vehicles in a way that had a significant impact on streets. He said that might be more defensible than a general heavy vehicle impact fee.

Ms. Bettman said the fee should apply to doing business in a jurisdiction, not just being located in the jurisdiction.

Mr. Pryor said that could be very difficult to administer and identify those who would be subject to the fee.

Mr. Hill determined that the item would remain on the list.

General Business Privilege Tax (business license)

Mr. Hill reviewed the template and said that the City could administer it and revenue was estimated at about \$1.5 million annually. He said the funds could be used for any purpose. He said the basis of the tax was location of a business in Eugene, not doing business in Eugene.

Ms. Bettman did not want to rule out the tax as a potential revenue source for the City but there were alternatives with a better linkage to transportation.

Mr. Carlson pointed out that the revenue could be used for police, fire, library and other services.

Mr. Hill determined that the item would be eliminated from the list of transportation system funding alternatives but considered for discussion of general revenue sources at a later date.

Motor Vehicle Fuel Tax

Mr. Hill commented that the council was currently considering a \$.03 increase to the motor vehicle fuel tax and was scheduled to take action on April 9, 2007.

Mr. Corey asked if the committee wished to stay with that schedule and address the fuel tax out of context, or complete its deliberations and include the fuel tax in its report on transportation funding alternatives.

Following a discussion, committee members agreed to recommend postponement of the scheduled April 9 Council action on the fuel tax and address a motor vehicle fuel tax in the subcommittee's report to Council on recommended funding alternatives.

Parking Tax

Mr. Hill reviewed the template and noted that a number of other jurisdictions had a parking tax. Ms. Cutsogeorge commented that a parking tax was typically levied on parking that generated revenue instead of free parking.

Ms. Bettman indicated she supported a parking tax but it should be configured as a per space fee with some exemptions such as for public structured parking. She preferred a per space fee as parking took land out of the inventory for development and because it was underutilized it was not adding to the tax base and represented a grossly inefficient use of land.

Mr. Pryor asked if the tax would be applicable to all parking throughout the City. Mr. Hill said that it could be configured in a number of ways and that was one option.

Mr. Pryor expressed concern with taxing parking downtown and not elsewhere as it could defeat the City's goal of attracting people into the downtown area. He said that any tax should be applied universally. He noted that many of the parking lots were constructed to code and built because the City required it. He said that should be taken into consideration when structuring a tax. He said it was difficult to make the argument that the City was trying to get people out of their cars when it was requiring parking. He would need more information before deciding to support a parking tax.

Mr. Zelenka said that public parking, including structured parking and on-street parking, would be exempt and that would benefit the downtown core area as the tax would apply primarily to parking outside of the downtown area.

Ms. Cutsogeorge asked if the intent was to apply the tax to residential parking.

Ms. Bettman suggested applying it to off-street parking beyond the minimum requirement. Mr. Carlson said that might require taxing only parking for commercial and industrial that was beyond the minimum requirement.

Mr. Zelenka asked how a parking tax might apply to residential property. Mr. Hill said it would depend on the goal of the tax: whether it was intended to raise revenue or affect behavior. He said that one mechanism might achieve both goals to some extent, but if the goal was to reduce vehicle use a better mechanism might be to change the code and reduce the required number of parking spaces. He said another option might be to allow developers to buy out of the provision of parking spaces, with the revenue going to alternative transportation or transportation systems. He said if the goal was to raise money an efficient and easily administered mechanism was required; trying to achieve both goals was more complex.

Ms. Solomon asked if the University of Oregon, EWEB or schools could be taxed. Mr. Hill replied not unless parking was defined as a utility service and that was the basis for a utility tax. He said whether or not a parking tax was considered a tax or a fee was a legal question. Ms. Sommers indicated it would likely be considered a tax.

Ms. Solomon commented that there was a large number of parking spaces associated with the University's dormitories and sports facilities. She was concerned that a number of organizations and institutions would be exempted. Mr. McVey pointed out that some jurisdictions used the number of parking spaces as the

measure of street use for purposes of a transportation system maintenance fee (TSMF). He said if there was a TSMF it could be based on the number of parking spaces and charged as a utility fee, making it applicable to dormitory and sports facility parking.

Mr. Pryor asked if it would apply to privately owned and operated surface lots. Mr. Hill said it would.

Mr. Zelenka asked if City-owned public parking could be exempted. Ms. Sommers said she would check on whether that could be done.

Mr. Hill determined there was agreement to keep the parking tax on the list.

Mr. Hoskins asked if the intent was to use the number of parking spaces as the driver for a TSMF or to keep it on the list as just a parking tax. Ms. Sommers pointed out that if the number of spaces was used for determining trip generation for purposes of a TSMF, it would apply to the University of Oregon; if it was solely a per space fee it was more like a tax and probably could not be applied to the University.

Vehicle Emissions Tax

Mr. Hill said he had been unable to find any examples of a municipal vehicle emissions tax. He said there were inspection programs that served a regulatory purpose for clean air. He said an emissions tax would be based on a vehicle's engineered emissions and would not involve a testing program; the tax would be levied only on the basis of Environmental Protection Agency (EPA) standards for a vehicle in pristine condition. He said there was a question about whether it would be considered a registration fee by the courts. Ms. Sommers said there was concern about whether the tax could meet the criterion of legally defensible or be determined by the courts as a registration fee.

Mr. Pryor noted that the County could legally impose a registration fee and an emissions tax should be suggested to the County as a potential source of revenue.

Mr. Zelenka asked if a tax could be based on miles per gallons or miles driven. Mr. Hill said that emissions and miles per gallon could be used to develop an environmental score for a vehicle. Mr. Corey said there was a pilot program through Oregon State University that used GPS units to track vehicle miles traveled as a basis for paying for road use.

Mr. Hill determined there was agreement to eliminate the tax from the list and flag it for possible consideration by the County.

County Vehicle Registration Fee

Mr. Hill determined there was agreement to eliminate the fee from the list and flag it for possible consideration by the County.

Street Lighting Fee (district)

Mr. Hill explained the fee would apply to all entities, including private, nonprofit, government and nongovernmental for services received from the City in the form of street lighting. He reviewed the various mechanisms that could be used to assess the fee.

Ms. Bettman asked if people who lived on streets without lights would still be paying for arterial and collector street lighting. She asked if the fee would apply to people who did not want street lights. Mr. Corey replied that one methodology would assess people on streets with no lights and there were a variety of mechanisms that could include provisions for opting in or out of lighting and related fees. He said that street lighting was currently paid for from the Road Fund and cost about \$800,000 annually.

Ms. Bettman indicated she was supportive of keeping the fee on the list if there was a graduated fee schedule that did not impose lights on people who did not want them.

Mr. Zelenka commented that the South University neighborhood had a group working on the issue of pedestrian lighting that would provide smaller, downward directed lighting to improve pedestrian safety.

Ms. Bettman asked if the City was implementing shielded lighting technology. Mr. Lankston said that all new lights were shielded and directed.

Mr. Hill determined there was agreement to keep the fee on the list.

Mr. Zelenka asked for legal clarification from the city attorney's office before the next meeting on the difference between a fee and a tax.

Transportation Utility/System Maintenance Fee (TUF OR TSMF)

Mr. Hill noted that a TSMF had already been discussed at length by the council. He asked if there was interest in keeping it on the list.

Ms. Solomon felt that a TSMF was a fair mechanism.

Mr. Zelenka said that could depend on how it was structured and earlier versions had failed to get support because they were perceived as unfair.

Ms. Bettman felt that the current version was not equitable and Eugene residents were assessed disproportionately. She felt a parking tax was more equitable.

Mr. Pryor said the concept of a TSMF was sound. He said that nonresidents should not pay the same amount as residents because they did not use local streets at the same level. He said the current proposal needed to be restructured and the amount collected resized as the committee's intent was to establish a menu of revenue generators so that no one generator was onerous. He did not support the original TSMF because it was too large, not because it was unfair.

Mr. Pryor asked staff to reduce the amount that was collected by a TSMF and find ways to eliminate some of the inherent inequities.

Mr. Zelenka echoed Mr. Pryor's concerns about the size of the amount to be collected and Ms. Bettman's concerns that residents would be paying several times the amount of nonresidents.

Ms. Solomon asked if the TSMF would be in lieu of a parking tax or would both mechanisms be used.

Mr. Pryor and Mr. Zelenka said that both mechanisms could be part of a full funding package and that would be discussed when the committee was considering package configurations.

Responding to concerns about residents paying more, Mr. Carlson noted that the TSMF was based on trip rates and each trip was charged the same amount. He said the methodology distinguished between residents and nonresidents and land uses and was a more refined mechanism than a parking tax.

Mr. Hill determined that the TSMF would remain on the list for further discussion.

EVALUATE REMAINING ALTERNATIVES IN MATRIX FORMAT

Ms. Cutsogeorge distributed an evaluation matrix that would be used to compare funding alternatives and begin to assemble funding packages.

Ms. Carlson said it was originally planned that the discussion of alternatives would conclude quickly and a majority of the meeting would be spent on the matrix. She asked if the committee was willing to extend the timeline for presenting a report to the council and reschedule the council's discussion of that report.

Committee members felt that considerable progress was being made and it was acceptable to extend the timeline somewhat.

Mr. Hill reviewed the matrix and noted that the evaluation criteria were based on the committee's earlier discussions. He said the matrix contained existing revenue sources and the estimated amounts generated. He pointed out that LTD got most of its revenue from a gross payroll tax and that amounted to \$23.7 million for taxpayers in the entire district. Mr. Carlson said staff would attempt to identify what amount came from Eugene taxpayers. He reminded the committee that as a payroll tax it essentially represented a commuter tax.

Mr. Hill noted that the \$800,000 in General Fund money for transportation was used primarily for off-street bike paths.

NEXT MEETINGS

Meetings were scheduled for April 4 and April 10 from noon to 2 p.m.

The meeting adjourned at 2 p.m.

(Recorded by Lynn Taylor)

MINUTES

Council Subcommittee on Transportation
Lyle Conference Room—858 Pearl Street
Eugene, Oregon

April 4, 2007
12 p.m.

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.

OTHERS: Sue Cutsogorge, Larry Hill, Twylla Miller, Finance; Kurt Corey, Becky Carlson, Jeff Lankston, Fred McVey, Public Works; Jerome Lidz, Lauren Sommers, City Attorney's Office; John Barofsky, Budget Committee, Gary Heldt, 4J School District; Jim Carlson, Central Services.

Mr. Hoskins convened the meeting and reviewed the agenda. He said the committee's discussion would begin to focus on proposals for funding packages. He distributed a matrix with the funding alternatives that remained on the table. He asked each member to indicate which alternatives were preferred for a funding package. Committee members agreed to use the three levels of consensus established by the committee to indicate their level of support for a particular alternative.

APPROVE MINUTES OF MARCH 21, 2007

Ms. Bettman clarified that she supported the parking tax as the utility in the transportation system maintenance fee (TSMF).

Mr. Hoskins determined there were no other comments on the minutes.

REVIEW STAFF RESPONSES TO SUBCOMMITTEE QUESTIONS

In response to a request from Mr. Zelenka, Mr. Lidz elaborated on his March 28 memorandum regarding registration fees. He said that a court was likely to determine that an emissions fee was a registration fee, but he had changed his position somewhat based on Ms. Sommers' analysis of a Supreme Court case. He felt there were valid arguments that an emission fee was not a registration fee, but the outcome of those arguments was uncertain and therefore did not meet the committee's test of certainty. He thought that the fee as part of a sustainability program could be defended but he could not give full confidence about it as part of a road funding program.

Mr. Lidz said he now saw an argument around the determination that it was a registration fee and could make that defense with new confidence. He said the argument was that the fee was tied to operation and use of a vehicle, not its registration, and the City had the same authority to impose an emissions fee as it did to impose a gas tax, with revenue subject to the same restrictions as a gas tax.

Ms. Solomon said the determination of a registration fee seemed to be tied to assessment of a penalty for nonpayment. Mr. Lidz said the penalty was collected at the time of registration in that case; the City would need to find a different method for collecting a penalty for nonpayment of an emissions tax.

Ms. Bettman said her interest was in a heavy vehicle fee and the nexus was to be able to charge all heavy vehicles that used the roads, regardless of whether they were registered with a City address; the basis would be if they conducted business within the City and there would need to be a way to calculate the percentage of business Lane County businesses conducted on Eugene streets. Mr. Lidz said the question was how the City would collect a fee from a truck from Springfield that might drive into Eugene once a month. He said it would not look like a registration fee if it applied to all trucks that used City streets but was not certain how that could be done.

Mr. Hill said that staff had identified the heavy vehicle tax as the most difficult option to administer; it would be simplified by limiting it to vehicles registered in the City, but that would still be difficult.

Ms. Bettman thought that notices could be sent to all businesses and reputable ones would pay their fee; businesses that did not pay would at some point have their competitors asking why they were not contributing, making the program self-correcting.

Mr. Zelenka asked if emission fees were carbon taxes. Mr. Hill said that an emission fee was a carbon tax only if the fee was high enough to discourage emissions by changing behavior; a lower fee was simply a revenue device. He said the current gas tax was not intended to change behavior, only raise revenue, and was therefore not a carbon tax.

Ms. Solomon observed that it was conceivable that too great an emphasis on a carbon tax could defeat the committee's purpose by changing behaviors and reducing revenue to address the backlog of road projects.

Ms. Bettman commented that a reduction in driving could improve the longevity of the system and reduce the maintenance liability.

Mr. Zelenka said it appeared that the proceeds from a rental vehicle tax could only be used at the airport and 90 percent of rentals occurred at the airport. He said that tax would not appear to be part of the backlog solution. Mr. Lidz said the federal government's rationale for that limitation was that if federal resources subsidized the airport, revenue generated there should not be used elsewhere.

Ms. Bettman said if the council opted for a vehicle rental tax the revenue should be used to cover the cost of additional airport capacity for the Olympic Trials, but would require action very soon. She said the item should be flagged for the council's immediate attention.

Mr. Corey said the tax could also be used to generate an air service development fund, which the City did not currently have.

In response to a question from Mr. Zelenka, Mr. Carlson said that the County imposed a countywide vehicle rental tax, which included airport rentals. He reminded the committee that the airport was not within the City limits and the City did not have the authority to impose a tax outside of City limits.

Mr. Hill determined that the motor vehicle rental tax was off the list of funding alternatives but would be flagged for council consideration for other purposes.

Mr. Zelenka asked if the difference between a per capita tax and a payroll tax was simply methodology. Mr. Carlson replied that one was a flat tax and the other was a percentage of payroll.

Mr. Zelenka said that a commuter tax raised the issue of taxation without representation but it could be done if there was a parallel tax on residents. He asked if the parallel tax had to be parallel in structure or amount.

Mr. Pryor remarked that the parallel taxes could not be separate; they needed to be together so that one could not be rescinded at some point in the future.

Mr. Lidz said there was decreased chance of surviving a legal challenge if a tax was applied to nonresidents that was not also applied to residents.

BEGIN TO DEVELOP AND EVALUATE POTENTIAL FUNDING PACKAGES

Mr. Hoskins asked committee members to complete the funding alternative matrix by indicating their preferred alternatives and level of support and then discuss their choices with the group.

The results of the initial matrix exercise were:

	Solomon	Pryor	Bettman	Zelenka
Employee Per-capita Tax		2	1+	2
Payroll Tax		2	1	2
Capital Local Option Property Tax Levy	1	1	2-3	2
Street Lighting Fee	2	1	1	1
TUF or TSMF	1	1	3	2
Parking Tax	2	2-3	1	2
Solid Waste Collection Fee	1	1	1	2
Heavy Vehicle Fee		2	1	
Carbon Tax		2		2
Motor Vehicle Fuel Tax	1	1	1	1

Ms. Solomon stated that she supported a capital local option levy because it would go to the voters, would spread the amount over a ten-year period and would demonstrate accountability to the public by using funds as they were needed each year. She said she had consistently supported a TSMF and if it was low enough, it was a good mechanism to provide ongoing funding and would apply to everyone. She said that everyone in the community benefited from the transportation system, regardless of how much they actually drove. She also favored the solid waste collection fee and motor vehicle fuel tax as components of a funding package.

Ms. Bettman supported a per capita or payroll tax because those mechanisms would capture nonresidents and were equitable and easy to administer. She supported a street lighting fee if there was a way for neighborhoods that did not have or want street lighting to opt out. Mr. Corey indicated that he had experience with a model that had two levels of assessment: one would apply to all properties in the City to cover the cost of arterial/collector street light and the other would assess neighborhoods that had lighting

and allow those that did not have it, but wanted it, to opt in and those that did not have or want it to opt out.

Ms. Solomon questioned how difficult it would be to assess on a neighborhood-by-neighborhood basis. Mr. Corey said it was not difficult to manage such a model.

Ms. Bettman asked if the reference to arterial/collector streets meant neighborhood collectors. Mr. Corey replied that he was referring generically to collectors.

Ms. Bettman changed her support for a street lighting fee to a level 2. She said she did not support a TSMF as currently configured. She supported a parking tax because it helped to capture some users who were not residents, was a progressive tax and had the effect of charging for a land use that was expensive, land-intensive and wasteful. She could support a solid waste collection fee but preferred the heavy vehicle fee as it was fairer than limiting the assessment to solid waste trucks when other heavy vehicles contributed to deterioration of the infrastructure.

Mr. Pryor said his level 2 support for a per capita or payroll tax meant he was willing to continue discussion but depending on the configuration could move to a 1 or a 3. He said being able to support one of those options meant the fee was low enough, not intrusive to the business and sufficiently easy to administer. He said the local option levy had the potential to generate enough revenue to address the backlog and was not a permanent tax. He said the levy might have issues from a philosophical perspective, from a practical one it could solve the problem.

Mr. Pryor agreed with a street lighting fee as a way to free money in the Road Fund for use on roads and could support a TSMF as a mechanism to cover ongoing expenses to maintain and preserve pavement if it was low enough. He had concerns about fairness and administration of a parking fee and with administrative challenges with a heavy vehicle fee. He supported a solid waste collection fee. He was interested in the concept of a carbon tax and willing to continue discussion. He supported the fuel tax as a component of the package, but the amount would depend on the other components.

Mr. Zelenka was pleased that all committee members identified several preferred alternatives. He fully supported a street lighting fee and gas tax. He said the street lighting fee because it would be easy to administer, was a base fee as everyone benefited from street lighting and could be assessed by neighborhood. He also liked the fact that it would free money in the Road Fund. He supported the gas tax because it approximated a carbon tax, had a clear nexus and would be paid by nonresident commuters. He agreed with Mr. Pryor's comments about the per capita and payroll taxes as they would also capture nonresidents, but should be small enough and not intrusive.

Mr. Zelenka said he was at level 2 on the capital local option levy because there was a vote component, making it somewhat uncertain, and the nexus between property values and road use was not clear. He could consider it if it was not a major component of a funding package. He said the TSMF might be workable if modified and exemptions or rebates included for those who did not own cars. He has concerns about the fairness of requiring parking and then taxing it, but felt the parking tax had a good nexus with road use. He supported a solid waste collection fee because those vehicles traveled frequently throughout the City and did more damage to the streets than cars. He said the heavy vehicle fee had too many problems legally and administratively and would not generate much revenue. He was intrigued with a carbon tax as it could solve future problems by addressing behavioral changes to reduce carbon emissions.

Ms. Bettman commented that if the other mechanisms in a funding package were progressive and sustainable, she would consider a local option levy as a component. She would not support a package that consisted only of a local option levy and a TSMF.

Ms. Solomon noted that a TSMF was based on trip generation and every business paid according to the nature of the business. She said a business like Wal-Mart, which had a large amount of parking, could be assessed for both trip generation under a TSMF and parking under a parking tax but a business with high trip generation but little parking would not be assessed appropriately if there was only a parking tax. She felt a TSMF was the better mechanism to keep the fee low and fairly assess everyone.

In response to a question from Ms. Bettman, Mr. Hill said that the University of Oregon and Lane County would both pay under either a parking fee or a TSMF. He added that a TSMF was based on the concept that the transportation system was a utility provided by the City and consumption was measured by the number of trips. He said consumption could also be measured by the number of parking spaces, although that was a much less precise measurement. He said using parking as a measure would shift the burden from high trip generators with a low number of parking spaces to businesses with a large number of parking spaces, regardless of the number of trips generated.

Ms. Bettman said the ITB manual and modifiers were also inequitable. She used the example of discounts given to employers that provided bus passes to employees, which resulted in an increase to everyone else in order to collect a certain amount of money. She said that some people paid an inequitable amount as a result and 20 percent of the public did not drive but were charged. She acknowledged that children and elderly people were included in that 20 percent.

Referring to the question of whether transportation was a utility or a public work important enough that everyone should be paying for it, Mr. Pryor pointed out that only 20 to 25 percent of families in metropolitan areas had children in school, yet 100 percent of the families were paying for education so those children could attend school. He said the argument was that education was important enough that everyone should pay for it and a similar argument could be made for the importance of a transportation system. He said that the funding package should be structured so that everyone paid something, even if only a small amount.

Ms. Bettman said that society subsidized the automobile in every sense, far beyond the infrastructure that was provided for pedestrians or bicycles or transit users. She said that everyone was being charged over and over for an auto infrastructure and she wanted a mechanism that had some progress element to it and a TSMF did not.

Mr. Zelenka said the problem with a TSMF was that it was blanket approach and if there was a behavioral component that would encourage alternative modes of transportation and provide a rebate base on little or no driving it would be more palatable to him. He said a funding package would likely have a base of everyone paying through different mechanisms and could include other mechanisms to encourage behavioral changes.

Ms. Solomon asked if TSMF rebates were practical. Mr. Corey said the last ordinance was written to allow those considerations to be covered in the administrative rules. He said it would work best administratively if customers who believed they met the criteria applied for the rebates. Mr. McVey said it would be important to keep the process simple and the threshold for documentation low.

Mr. Hill asked the committee to provide staff with direction on three or four potential funding packages so they could begin the work of pricing the components and packages.

Ms. Bettman said that instead of eliminating alternatives such as the heavy vehicle fee because of administrative difficulties, she preferred to have staff research that issue and determine how those difficulties could be overcome.

Mr. Zelenka said he did not score the heavy vehicle fee because he was of the administrative problems and he did not see how much revenue would be generated unless the fee was extremely high.

Mr. Hill said the City did not have the information available to answer questions about revenue and it would take significant staff research to collect it.

Mr. Hoskins asked if the committee wished to have staff spend time researching the matter.

Mr. Carlson said it would be possible to develop a heavy vehicle fee but would require the City to establish a mechanism similar to the State's weight/mile system, including logs of miles traveled in the City and weigh stations.

Mr. Hill suggested a limited heavy vehicle tax that would include garbage trucks and be expanded to other heavy vehicles known to be operated in the City and treat it as a business privilege tax.

Ms. Bettman said she would not support a solid waste collection fee unless it was expanded to include the other types of heavy trucks.

Mr. Hill noted that staff had identified garbage trucks as actually having a measurable impact on a range of streets because of their frequency of travel, whereas a gravel truck might go through a neighborhood once a year.

Mr. Zelenka pointed out that garbage trucks were traveling on residential roads not designed for them while gravel trucks and other heavy vehicles primarily used arterials and other main roads. He agreed that the fee would be passed on to customers but the service was almost universal and everyone, including business, would pay. He also liked the clear nexus to damage done to the streets.

Mr. Pryor asked what amount of funding was required annually to pay for preservation.

Ms. Carlson used a table to illustrate the annual costs. She said in a given year approximately 75 percent of the backlog was reconstruction projects and 25 percent in overlays. She said an annual funding need to buy down a \$75 million backlog over a ten-year period would be \$7.5 million. She said, historically, if the reconstruction backlog was addressed with another revenue source, the current pavement preservation funding would be sufficient to take care of ongoing overlay projects.

Mr. Lankston commented that the overly program kept streets from becoming much more expensive reconstruction projects. He said the figures Ms. Carlson presented were a couple of years old and more recent figures from last year's construction suggested there was a 30 to 70 percent increase in prices for asphalt and construction in general. Mr. Hoskins clarified that these percentage increases would mean that the new backlog figure could range from \$130 million to \$170 million.

Ms. Carlson said that dramatic increases in estimated costs of overlay and reconstruction projects meant that current pavement preservation dollars might no longer be sufficient to fund even the overlay program. She said that declining revenue in the Road Fund resulted in projected operating deficits.

Ms. Carlson reviewed the potential revenue that could be generated from each of the funding alternatives and noted it was estimated on a known basis, but could change depending on the configuration of the alternative and structure of the funding package.

Mr. Corey explained that the answer to the question of how much funding was needed depended on how quickly the committee wanted to resolve the problem. He said that the portion of the backlog in reconstruction was somewhat fixed while the overlay category had streets that could move to reconstruction. He said a reasonable goal was to capture to the extent possible those streets as quickly as possible. He said that was one example of how to estimate needed funding but there were others, which made it difficult for staff to provide specific revenue targets. He said the table simply represented a starting point.

Mr. Pryor said there should be a commitment to maintain a road from the day it was built and the first priority should be ensuring that streets that were in good shape were maintained to keep them that way. He said the next priority was preservation of streets to prevent them from moving into the reconstruction category, followed by maintenance of streets that did not require reconstruction and finally addressing the backlog of streets that required reconstruction.

Mr. Hill asked the committee to review the funding alternatives and try to reduce the list of the elements of a preferred package.

Mr. Hoskins pointed out that there was some agreement on a capital local option levy, street light fee and motor vehicle fuel tax.

Ms. Bettman said she no longer supported the solid waste collection fee and changed her level to 3. She said it appeared that a TSMF was the only option likely to generate sufficient revenue and the potential package that was developing was not one she could support.

Mr. Lidz remarked that every tax was unfair to someone and the challenge was the find a package that was least unfair to the most people.

Committee members agreed that it was not necessary to adhere to the original timeline it had established as considerable progress was being made.

Mr. Zelenka said he would need to know the amount of potential revenue an option could generate and how it could be used in order to put together a package.

Mr. Pryor suggested that a range of revenue estimates could be provided for each option so the committee could consider what tradeoffs might be necessary to create a funding package.

Ms. Bettman asked for information on how different local option levy rates would affect the cap and what other measures were planned for the ballot.

Mr. Hoskins said that staff would begin with the three options on which there was the most agreement and committee members could fill in the gaps with options that each member needed to see in the package to make it acceptable.

NEXT MEETINGS

The next meeting was scheduled on April 10 from noon to 2 p.m. Committee members would be contacted regarding an additional meeting date during the week of April 16-20.

The meeting adjourned at 2 p.m.

(Recorded by Lynn Taylor)

MINUTES

Council Subcommittee on Transportation
Lyle Conference Room—858 Pearl Street
Eugene, Oregon

April 10, 2007
Noon

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.

OTHERS: Sue Cutsogeorge, Larry Hill, Twylla Miller, Finance; Kurt Corey, Becky Carlson, Jeff Lankston, Eric Jones, Public Works; Jerome Lidz, Lauren Sommers, City Attorney's Office; Jim Carlson, Central Services.

Mr. Hoskins convened the meeting. He recapped the process thus far. He said the goal was to reach agreement, hopefully at a level of 1 or 2, as a group. He noted that there might be components within the packages that the group put together that individuals felt merited a 2 or merited a 1. He underscored that the group was not looking for the perfect end for everyone, rather it was seeking general consensus on things that an individual either could support even if he or she did not personally choose it or supported wholeheartedly.

CONTINUED DISCUSSION OF POTENTIAL FUNDING PACKAGES

Mr. Hoskins reviewed the matrix from the previous meeting and the annual funding targets. He stressed that the goal was to balance the needs with the revenue and funding sources.

Mr. Zelenka related that when filling out the spreadsheet he found the ranges to be "huge," from \$12 to \$20 million per year. It had spurred him to consider the administrative costs which were higher for some areas and lower for others. He also had asked himself how many of the funding options he was willing to consider and what the political viability for each level was. He noted that the employee per-capita tax and the gas tax had potential to be political firestorms.

Mr. Pryor said he was at a point where he had to think about what he would get in relation to what would be spent, both financially and in terms of political support. He underscored that going to the public with a funding option the public was unwilling to support would net nothing.

Ms. Bettman had felt discouraged that there was almost no information about the two items she had the most interest and excitement around.

Mr. Hill explained that staff had asked the Lane Council of Governments (LCOG) and the tax assessor's office for information on the parking inventory.

Ms. Bettman asked if the Permit and Information Center (PIC) had a parking inventory. Mr. Hill replied that it would have a record of parking that was included in a permit application and this would reveal a

certain area for parking. He said the City did not have that information for older established businesses. He stated that it had been difficult to determine how to track and encode that information. He noted that the assessor also had not been able to identify it. He related that another way to find the information would be to take the amount of impervious surface which the City had records for stormwater and back out the building footprints. He felt this would still be imprecise as there was still a lot of impervious surface that was not parking. He said the other way would be to conduct an inventory of parking, which was a research task that would take time.

Regarding the heavy vehicle fee, Mr. Hill explained that staff would have to get the information from the State Department of Motor Vehicles (DMV) and try to discover those heavy vehicles that were operating inside the City of Eugene from that information. He said both could be accomplished if the council directed staff to do so.

Mr. Zelenka also could not figure out how data could be obtained for a parking tax.

Mr. Hoskins recalled, regarding the heavy vehicle fee, that Mr. Hill had said at the last meeting that the City received about \$2 million per year from the State heavy vehicle fee.

Ms. Bettman asked if it was included in the Road Fund. Mr. Hill replied that the City received a lump sum from the State Highway Trust Fund and it came from different fees. He said the weight/mile portion amounted to about \$2 million per year, all of which was put into operation and maintenance of the system.

Mr. Zelenka asked how the weight/mile tax was allocated to the different jurisdictions. Mr. Carlson explained that all of the money, i.e. vehicle registration fees, weight/mile fees, gas tax monies, went into the State Highway Trust Fund and then it was split into three parts for the State, Counties, and Cities, and then the City pot was allocated based on the population level within the City.

Mr. Pryor averred that the City was not obligated to come up with the complete solution right now. He said what the subcommittee was considering could be phase 1 and could accomplish time sensitive goals. He supported maintaining the current operations and maintenance, keeping things from “falling off the edge,” and then to start buying down the backlog of maintenance and preservation projects. He thought if the backlog reduction could be spread out over enough time they would not have to put something in place that was onerous and potentially difficult to support “right out of the chute.”

Mr. Pryor reviewed the net unfunded transportation costs: \$2 million per year for operations and maintenance, \$3 to \$5 million per year for overlays, and \$6.5 to \$12.5 million per year for road reconstruction. He felt the latter category of funding needs could be spread out over a longer period of time.

In response to a question from Mr. Zelenka, Mr. Lankston stated that the current year’s numbers were not in at this point. He said increasing costs put the projected numbers into flux.

In response to a question from Ms. Bettman, Mr. Corey affirmed that the overlay and reconstruction was contracted out. Ms. Bettman asked if the contracting out in the community would increase the price because it was a lot of work to spread around in a small community. Mr. Corey responded that the contracting community could meet that level of construction.

Ms. Bettman asked if going outside of the community would increase competition and potentially lower the price. Mr. Lankston replied that if the City put out multimillion dollar per year contracts the City would get contractors from outside of the community and the bidding would remain competitive. Mr. Jones noted that the River Road/Santa Clara sewerage project had brought in contractors from outside of the region and outside of the state who won contracts based on submitting the lowest bid.

In response to a follow-up question from Ms. Bettman, Mr. Lankston affirmed that all contracts go to bid.

Mr. Pryor asked if a funding package in the amount of \$10 million per year, as an example, would be sufficient to pay for operations and maintenance, overlay, and some of the backlog. Mr. Corey replied that it would be enough to start to draw down the backlog.

Mr. Pryor surmised that a phase 1 package level could be \$10 million annually.

Mr. Lankston pointed out other factors, such as inflation, noting that the City had seen a recent dramatic increase in the cost of asphalt. Mr. Corey added that all construction materials were increasing in cost.

Mr. Zelenka averred that the range from \$12 to \$20 million per year was too big and should be narrowed. He felt once the subcommittee had narrowed its range it could determine which sources it wanted to draw from. He cautioned against taking one tax source and making it so high it was not politically viable.

Ms. Bettman commented that she preferred to look at the fees and taxes she was willing to support and then to configure them to an amount that was near the amount of the need.

Mr. Zelenka observed that taking the low end of the numbers added up to \$12.5 million. Mr. Hill noted that \$12 million per year was similar to the amount the Mr. Pryor had suggested earlier.

Mr. Zelenka modified the staff-developed spreadsheet and added columns for the funding proposals that his colleagues had presented. Copies were made for those present. A working version is attached as Exhibit A

The committee reviewed and discussed the areas of agreement and disagreement in the proposals..

Ms. Bettman reiterated her opposition to a Transportation System Maintenance Fee (TSMF). She said she might have considered a TSMF if it used parking spaces as the modifier. She also did not believe the employee per capita tax was viable. She expressed concern that the local option levy would push the area into compression.

Mr. Carlson assured her that there was more room in the local option levies because the \$10 cap was on real market value and the assumption was that the cap would not be reached on the assessed value. He said there was a lot more available under the real market value cap, adding that the library levy would be eliminated in four years.

Ms. Bettman asked what would happen if the County went out for operating levies. Mr. Carlson replied that there would be properties in compression in Eugene, Cottage Grove, and Veneta. He clarified that there would be capacity but it would not be even across all properties in Eugene.

Ms. Cutsorge explained that the cap was shared, in other words if it was reached the levies that were out at the time would all be proportionately reduced.

Ms. Bettman averred that charging a solid waste collection fee would make city residents responsible for all of the cost of the road work.

Mr. Hoskins observed that the only taxes that captured the commuters were the payroll tax, the per capita tax, the TSMF, and the fuel tax.

In response to a question from Ms. Bettman, Mr. Hill added that the TSMF also captured revenue from people outside the community because it was a pass-through in that big box stores, as an example, would pass the costs to their customers.

Ms. Solomon reviewed the numbers she had opted for as street funding mechanisms. She continued to believe a TSMF was fair. She related that people with whom she had discussed the funding mechanisms had indicated to her that the solid waste collection fee made sense. She noted that she had opted to add a 3-cent per gallon gas tax.

Mr. Hoskins said the TSMF was keyed on trip generation and the parking tax assessed fees on parking spaces used. He noted that the two were similar. Mr. Hill stated that the City did not provide a parking utility. He said while the City could tax spaces, such as at the Valley River Center, it could not be applied to public agencies such as the University of Oregon and the Federal Government. He said a street fee could be based on the number of parking spaces instead of trip generation rates, which could then be applied to the public agencies.

Ms. Solomon asked, in the case of a mall, whether the parking tax would be charged to the businesses or to the mall itself. Mr. Hill responded that he imagined it would be whoever was in control of the parking. Ms. Solomon said the parking tax did not make sense to her.

Mr. Hoskins asked Ms. Bettman to clarify why taxing parking spaces appealed to her over a fee that was trip generated. Ms. Bettman explained that she perceived the big service area parking lots as a waste of land. She said such properties were counted in the land inventory as developed though in her opinion they were not.

Ms. Solomon asked if the City code required businesses to provide parking spaces. Ms. Bettman replied that she would remove that requirement if she could.

Mr. Carlson surmised that Ms. Bettman's interest lay in taxing land use because of the inefficient way a parking lot utilized land as opposed to a TSMF based on the transportation use of an area.

Ms. Bettman believed it was both given that a big box store would draw a lot of cars to its parking lot. She felt that not only did it take the land out of the inventory, it also put pressure on the transportation infrastructure to bring vehicles to that location. She averred that such a business could locate more closely to the downtown where it could be developed more densely and be located near a transit stop.

Mr. Zelenka did not see the parking tax as being substantially different from the TSMF. He thought something on trip generation seemed more equitable, though it "ended up at the same place by different methodologies."

Mr. Carlson said it would be possible to base a component of the TSMF on the number of parking spaces or the square footage of the impervious surface on a parking lot. He said if the group chose to utilize the TSMF it would probably also serve as the vehicle to bill the street lighting component.

Mr. Pryor did not want to start charging businesses money because of a dislike of big box stores or that the City wished to discourage them. He thought land use could be a legitimate part of the discussion, but he did not want to move too far away from transportation.

Ms. Bettman countered that assessing a fee to big box stores captured the cost of the impact such businesses created on the system. She stressed that her main interest lay in using parking as the nexus for a utility fee.

Mr. Hill suggested focusing on the low-hanging items for the remaining time, as those might be easier to reach agreement on.

Mr. Zelenka observed that all four of the councilors supported an increase in the tax on gasoline, the street/bicycle path lighting fee, and the capital levy, though at differing levels. He noted that Ms. Solomon had opted for the local option levy at a much higher level and asked her if she could agree to a reduction in that amount.

Ms. Solomon did not think it would be necessary given that enough people were unhappy with street conditions. She believed people would support the levy but she would be willing to reduce the level of the levy. She added that she would be willing to reduce her suggested gas tax to 2 cents per gallon.

Mr. Zelenka thought the only way to get from \$12 million to \$20 million would be through a large levy or a large TSMF.

Ms. Bettman noted that even though the library was popular the vote on its levy was close. Ms. Solomon countered that the parks bond had been passed twice.

Mr. Carlson said streets were a major issue and polls indicated that it was a top issue for citizens. Mr. Pryor observed that polling did not always translate into money.

Mr. Carlson recommended passing a lower bond measure in 2008 and then passing another one in ten years after the track record for the bond had been established. Mr. Hoskins concurred.

Mr. Zelenka commented that the discussion on the political viability of a local option levy would be appropriate for the whole council. He noted that 50 percent of the people who work in the City do not live in the City. He wanted to find a way to capture the commuter dollars. He thought the only way to capture this would be through the employee per capita tax, the payroll tax, the gas tax or utility fees. He wanted Mr. Pryor to clarify why he did not favor the employee tax. Additionally, he thought a solid waste fee could work as citizens seemed to be amenable to it. He also questioned why the council would not want to maximize the gas tax.

Mr. Carlson explained that the solid waste fee would be based on weight; a person who utilized a smaller garbage container would pay a smaller fee.

Ms. Bettman thought any argument made for charging a garbage hauler a fee could also be made for roofing companies or landscapers. She thought if the nexus was that the heavy trucks deteriorated the streets then the other companies should be assessed fees as well.

Mr. Zelenka observed that the nexus was the damage that the trucks caused and it was also that it was a facile way to collect the fees. He thought it would be a way to raise money with very little administrative cost. He was uncertain how other agencies such as roofing companies would be assessed.

Mr. Lidz commented that home improvement businesses could be targeted through a licensing process but it would involve a large administrative cost. He stated that the fee could be charged to businesses that drive through Eugene and businesses based in another area, to the extent they do business in Eugene.

Mr. Pryor remarked that the two payroll options would be a new item that citizens were not familiar with, but the TSMF was a known commodity. He thought the TSMF could be tinkered with and modified to suit the current need and it would not be a surprise to the community. He felt this would contribute to the political viability of the package.

Mr. Zelenka pointed out that there was a payroll tax for Lane Transit District (LTD) though people largely did not know they were paying it.

Mr. Pryor said, in response to Mr. Zelenka's suggestion for a maximized gas tax, that there was a threshold at which people would actively go to other places for fuel.

Ms. Bettman said the TSMF was a known commodity and this meant people already knew about it and some people hated it. She questioned whether an operating levy would pass in north and west Eugene.

Mr. Carlson pointed out that the Bethel and Willakenzie areas both approved the County tax.

Mr. Zelenka asked Ms. Bettman if she would reconsider her support for the heavy vehicle fee. He explained that administratively it would be challenging and expensive to do. Mr. Jones agreed, saying he was at a loss as to what mechanism could be used to exact the heavy vehicle fee.

Ms. Bettman related that she thought there were certain categories of businesses that use heavy vehicles and the City could extrapolate from data how much impact those vehicles had on the streets and send the businesses a letter explaining that they would be charged this fee and why. Mr. Hill affirmed that the City had the power under home rule authority to impose a requirement on all businesses operating within the City that they obtain a license. He stated that under that authority the City could also require the businesses to pay based on heavy vehicle usage.

Mr. Carlson noted that this would only address those vehicles operated within the City of Eugene; it would not get at the heavy vehicles that bring produce to a grocery store.

Mr. Lidz said it would be possible to write the fee so that it could conceivably charge the grocery store as well based on estimated truck usage. He stated that the fee could not be charged to businesses that drive through Eugene, nor could it be charged to businesses that were based in another area.

Mr. Hill averred that the administrative difficulty lay in identifying the population subject to the fee and monitoring it and enforcing it.

Mr. Zelenka noted that almost everyone hated the TSMF for one reason or another with the exception of the people who understood it. He did not believe it could have traction.

Mr. Pryor stressed that he wanted to avoid having a TSMF, a tax on payroll, and more fees beyond that so that people felt they were being taxed “to death.”

Ms. Solomon disliked the payroll tax or the per capita employee tax because it did not capture the public sector. She thought the four members of the subcommittee could create a “transportation system parking utility maintenance fee” that they could all buy off on.

NEXT MEETINGS

Mr. Hoskins ascertained from the subcommittee that they could meet again on April 20 from 1:30 to 3:30 p.m. He suggested they meet again to finish up the work on April 30. The subcommittee agreed to meet at 5:30 p.m.

Ms. Carlson noted that the date the report would be made to the City Council may have to be bumped.

Mr. Hoskins asked what information the subcommittee members needed from staff in order to complete the work.

Ms. Solomon asked staff to try to add the parking component into the TSMF. Mr. Pryor noted that the residential part would be difficult to figure into it.

Mr. Zelenka requested a memorandum on what the trade-off would be between either the payroll or per capita employee tax and the TSMF. He said Ms. Bettman had wanted more work on the heavy vehicle fee.

Mr. Carlson recalled that two of the members had asked if the per capita fee could be levied on the public agencies.

The meeting adjourned at 2 p.m.

(Recorded by Ruth Atcherson)

Exhibit A

City of Eugene																		
Summary of Major Unfunded Transportation System Needs and Worksheet for Developing Potential Fund Packages																		
April 2007																		
(M = Millions)																		
Total Pavement Repair Backlog Cost Estimates																		
Annual Funding Needs by Major Category																		
LESS EXISTING FUNDING SOURCES THAT COULD BE DEDICATED TO OTHER USES																		
General Fund for off-street bike path O&M																		
Transportation Utility Fund for Pavement Preservation Program																		
Transportation SDC - reimbursement portion for Pavement Preservation Program																		
																	\$12,350,000	
Net Unfunded Transportation Costs																	\$20,350,000	
NEW FUNDING OPTIC	Basis for the Revenue	Rate for the Revenue	Est. Annual Amt. Generated	Alan			Chris			Bonny			Jennifer			Emerging Recommendation		
				Amount	Unit or %	Percent	Amount	Unit or %	Percent	Amount	Unit or %	Percent	Amount	Unit or %	Percent	Amount	Unit or %	Percent
Employee Per-Capita Tax	73,000 private employees	\$10	\$700,000	\$2,520,000	3.6	21%	\$0	0	0%	\$0	0	0%	\$0	0	0%	\$0	0	0%
Payroll Tax	approx \$2.4 billion of private payroll	0.1%	\$2,400,000	\$0	0.0%	0%	\$0	0.0%	0%	\$2,400,000	0.1%	21%	\$0	0.0%	0%	\$0	0.0%	0%
Capital Local Option Levy	per \$1000 of AV	\$0.75	\$10,000,000	\$4,075,500	33%	34%	\$5,000,000	50%	43%	\$2,500,000	25%	22%	\$5,000,000	50%	41%	\$0	0%	0%
Street/Bike Path Lighting	Two components service level	avg. \$1.50/mo.	\$850,000	\$850,000	100%	7%	\$850,000	100%	7%	\$850,000	100%	7%	\$850,000	100%	7%	\$0	0%	0%
Transportation System Maintenance Fee	trips / other metric of usage		\$6,700,000	\$1,675,000	25%	14%	\$3,350,000	50%	29%	\$0	0%	0%	\$3,350,000	50%	28%	\$0	0%	0%
Parking Tax	per space? per SF?			\$0	??	0%	\$0	??	0%	\$2,500,000	??	22%	\$0	??	0%	\$0	??	0%
Solid Waste Collection	% of bill	5%	\$1,000,000	\$1,000,000	11	8%	\$1,000,000	11	9%	\$0	23	0%	\$1,000,000	11	8%	\$0	0	0%
Heavy Vehicle Fee	no basis	TBD	TBD??	\$0	??	0%	\$0	??	0%	\$2,000,000	??	17%	\$0	??	0%	\$0	??	0%
Carbon Tax - natural gas	per metric ton CO2	\$20.00	\$9,000,000	\$0	??	0%	\$0	??	0%	\$0	??	0%	\$0	??	0%	\$0	??	0%
Local Motor Vehicle Fuel Tax	per gallon	\$0.01	\$660,000	\$1,980,000	3	16%	\$1,320,000	2	11%	\$1,320,000	2	11%	\$1,980,000	3	16%	\$0	-	0%
				\$12,100,500		100%	\$11,520,000		100%	\$11,570,000		100%	\$12,180,000		100%	\$0		0%
Select O&M Cost Subcomponents:																		
Street/bike path lighting																		
Concrete/asphalt repair																		
Median maintenance																		
Note * - Stormwater Fund funds an additional \$700,000 in street tree/median maintenance expenses within the ROW.																		

MINUTES

Council Subcommittee on Transportation
Lyle Conference Room—858 Pearl Street
Eugene, Oregon

April 20, 2007
1:30 p.m.

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, Bonny Bettman, members.

OTHERS: Twylla Miller, Finance; Kurt Corey, Becky Carlson, Eric Jones, Jeff Lankston, Fred McVey, Public Works; Jerome Lidz, Lauren Sommers, City Attorney's Office; John Barofsky, Budget Committee, Gary Heldt, 4J School District; Jim Carlson, Central Services.

Mr. Hoskins convened the meeting and reviewed the agenda.

APPROVE MINUTES OF APRIL 4, 2007

Ms. Bettman, seconded by Ms. Solomon, moved to approve the April 4, 2007, meeting minutes. The motion passed unanimously.

DEVELOPMENT OF A TRANSPORTATION FUNDING PACKAGE AND RELATED RECOMMENDATION

Mr. Hoskins said he felt there was general agreement on the following funding options:

- fuel tax increase
- capital local option levy
- street lighting fee
- solid waste collection fee

Mr. Hoskins said the objective for the meeting was to develop a package and staff would prepare a final report for the committee at its next meeting. He referred to the handout that provided a summary of major unfunded transportation system needs and a worksheet for developing potential funding packages and suggested that could guide the committee's deliberations.

Mr. Zelenka asked about the source of data in Larry Hill's memorandum that indicate 13 percent of vehicle miles traveled (VMT) on City streets were by nonresidents. Mr. McVey said data extracted from the regional transportation model was examined in terms of VMT on the regional road network and the Eugene portion of that network. He said the percentage came from a table in an earlier memorandum to

the committee and reflected home-based trips. He reviewed the table and said it was difficult to distinguish between residents and nonresidents in the model.

Mr. Pryor commented that it was clear that a majority of trips were not related to work.

Mr. Zelenka added that a recent study funded by ODOT indicated that most travel by personal car was within five miles of home. He said the study also identified mode choice selections and it was determined that when people shifted from cars it was to bikes and walking, not buses. He said discussions about moving people out of cars raised the question of whether the \$850,000 need currently projected for off-street bike/pedestrian paths was adequate funding for bike and pedestrian facilities if they were going to play a larger role in the transportation system over the next decade.

Mr. Pryor agreed it was important to consider alternate modes in planning for the future, but there were people who would always use cars and would need a system that accommodated them.

Ms. Bettman wanted to see a fixed-rail streetcar circulating in downtown and would support any option that included investment in a streetcar infrastructure. She said the fix for pedestrian infrastructure was not necessarily money; it was the code. She said current code requirements were not pedestrian-friendly and that should be flagged for inclusion as a code amendment.

In response to a question from Mr. Hoskins, Mr. Zelenka said he did not have a specific recommendation for increasing funding for bicycle and pedestrian improvement, but a fixed amount each year was not appropriate.

Ms. Solomon cautioned against expecting major changes in transportation modes; people who lived in the suburbs would continue to rely on their personal vehicles for primary transportation.

Mr. Pryor said he was willing to consider a larger funding package to accommodate increased funding for bicycle and pedestrian improvements and it would be a question of compromise and adjustments. He said a pivotal discussion for him was a transportation system maintenance fee (TSMF) versus a payroll or employee per capita tax. He felt those represented trade-offs and only one of those options was feasible for the package.

Ms. Bettman noted that Ashland and Tigard both had a transportation utility fee (TUF) based on parking spaces and asked how those funds were used in those cities. Mr. McVey said that Tigard's fee was dedicated to preservation and maintenance.

Referring to a TSMF based on parking spaces, Ms. Bettman asked how TSMF based on parking spaces would be charged to businesses when they were renting space in a building if the fee was assessed to the property owner. Mr. McVey said it was likely that the property owner would apportion the fee amongst tenants based on benefit similar to the method used for stormwater fees.

Ms. Bettman pointed out that a flat residential fee based on parking spaces would not be equitable as some homes had multiple garages and driveways that accommodated several cars. Mr. McVey said that could be addressed in the fee structure.

Ms. Bettman asked why staff had concluded it would not be feasible to use impermeable surface data to develop parking data. Mr. McVey explained that there was no direct correlation between impervious areas and parking because of the variability among sites.

Ms. Bettman indicated she was still interested in parking spaces as a metric for the TSMF. She asked if it would be feasible to identify and impose a business license fee on businesses with vehicles over a certain weight.

Ms. Solomon felt that imposing a fee on local businesses would be unfair as there were many large trucks coming into the City from out of the area for deliveries and those would not be subject to the fee, putting local businesses at a disadvantage.

Ms. Bettman asked if the business license fee would have to be restricted to businesses within Eugene. Mr. Lidz replied that depending on the model, businesses outside the City could be required to obtain a license to do business within the City; however, enforcement would be very difficult.

Ms. Bettman remarked that the employer would be charged under either a payroll tax or employee per capita tax, but employees could be directly charged with an income tax, even if they did not live in the City. She said the employees of the University and state and local agencies could be charged. She said the number of people who would pay an income tax would provide enough revenue to meet the transportation system needs, even if the rate was quite low.

Mr. Hoskins reminded the committee of its earlier discussion about the nexus between the source of revenue and its use. He said an income tax was a broader revenue source that could be used for many different purposes other than transportation.

Mr. Pryor asked about the respective challenges of using parking spaces or trip generation as the mechanism for measuring a TSMF. Mr. McVey said both had administrative challenges, although in the long run parking spaces would be easier once the initial inventory was completed, particularly if there was a per space rate.

Mr. Pryor said he liked the concept of a TSMF as both businesses and residences would pay and a fee based on parking spaces would maintain that approach. He said another attraction was that a fee based on parking spaces would apply to everyone, whereas a payroll or employee per capita tax did not capture residential trips. He felt there was a clearer nexus with actual road use.

In response to a question from Mr. Pryor, Mr. Carlson explained that Eugene Water & Electric Board (EWEB) paid a fee of six percent of sales as a contribution in lieu of tax and that money went into the General Fund.

Mr. Pryor asked if there was an opportunity to use any increase in that amount that might be generated when EWEB rates were raised to pay for bicycle and pedestrian facilities.

Ms. Bettman remarked that the committee had agreed to rule out the use of General Fund money.

Mr. Zelenka said his concern with the TSMF was that it treated everyone the same and did not send the right signal about using alternate modes. He liked using parking spaces as a metric for the fee as it was a

straightforward approach but should have a mechanism for self-initiated rebates if a person did not have a car.

Ms. Bettman said that the parking space fee should be assessed to residences based on garage capacity, even if the garage contained only a bicycle; that was equitable as some funds would be going to bicycle improvements. She preferred that approach to a TSMF based on trip generation. She did not think there should be an exemption for parking spaces required by code as they were still based on the anticipated use of the facility by vehicles.

In response to a question from Mr. Zelenka, Mr. Carlson said that maintenance of publicly-owned parking was entirely paid for by parking fees, which additionally contributed several hundred thousand dollars annually to the General Fund.

Ms. Solomon stated that she was willing to continue discussing a TSMF based on parking spaces and the concept was becoming more appealing as it would apply to everyone, including the University and public agencies.

Mr. Hoskins determined there was consensus on a street fee based on parking spaces.

Ms. Bettman said she was opposed to a solid waste fee because the City guaranteed garbage haulers an 11 percent profit and garbage rates were based on volume, with the larger volumes given bulk rates. She said another issue was that other heavy vehicles would not be charged a fee. She could consider a solid waste fee under certain circumstances that did not increase profits for haulers.

Mr. Pryor suggested developing an initial package based on those items on which there was general agreement and identifying a second set of options that required additional study and discussion, such as a heavy vehicle fee and county vehicle registration fee.

Mr. Zelenka listed the items of agreement as gas tax increase, street lighting fee, street fee based on parking spaces, local option levy and possibly a solid waste fee. He asked staff for an estimate for how much revenue was needed to provide ongoing funding and buy down the backlog in ten to fifteen years.

Mr. Lankston said based on current cost estimates there was a backlog of approximately \$170 million. He said a funding package of \$14.5 million, which reflected a \$10 million increase over current funding, would result in a \$150 million backlog in ten years. He said that approach would stabilize those streets that were nearing the point of requiring reconstruction. He said that taking no action would result in a backlog of \$285 million in ten years.

Ms. Bettman expressed concern that a focus on fixing streets overlooked the fact that the transportation system was unaffordable. She said there needed to be a conversation about future transportation modes.

Mr. Corey reminded the committee that an earlier chart had reflected an estimated overlay backlog of \$45 million and reconstruction backlog of \$125 million. He said the chart broke costs down into the components of operation and maintenance, overlay and reconstruction to illustrate what was needed on an ongoing basis to resolve those issues. He said that included a \$2 million shortfall in operation and maintenance. He indicated that an annual investment of \$7.5 to \$9.5 million in the overlay program was needed to prevent streets from going into the reconstruction category and the current investment was \$4.5 million, leaving a \$3 to \$5 million gap. He said it was more difficult to answer the question of how much

was needed to reduce the reconstruction backlog to zero because it depended on how long the City wished to take to do that.

Mr. Pryor noted that the committee had previously discussed a first goal of stabilizing funding to avoid having more streets go onto the reconstruction project list and a second goal of beginning to buy down the reconstruction backlog at a reasonable rate and speed.

The committee discussed scenarios for revenue generation from various funding mechanisms to meet its funding goals.

Ms. Bettman opined that the second set of options as discussed earlier by Mr. Pryor should include lobbying the State to increase the gas tax to a rate sufficient to provide jurisdictions with enough funding to maintain their transportation systems. Mr. Jones remarked that the League of Oregon Cities had surveyed cities and determined that other jurisdictions were experiencing similar problems with transportation system funding and that could help set the stage for a gas tax increase.

Ms. Solomon stated that she was pleased with the way the funding package was developing with multiple revenue sources, but was somewhat concerned that the revenue estimate for a street fee based on parking spaces was unrealistic. She felt there was greater capacity under a capital local option levy.

Mr. Hoskins said it appeared the committee had met its objective for the meeting by agreeing on four components of the package: capital local option levy, street lighting fee, gas tax increase and street fee based on parking spaces. He asked if the solid waste fee should be included on the list.

Ms. Bettman reiterated her objections to the solid waste fee.

Mr. Zelenka suggested making the solid waste fee a straight pass-through and exempt from the profit guarantee as was the current County tip fee.

Ms. Bettman agreed with the suggestion and also wanted to see some adjustment based on the bulk rates. Her concern was that those who generated larger amounts of garbage paid proportionately less per pound. She was willing to consider a solid waste fee but pointed out that other heavy vehicles would not be required to pay anything.

Mr. Hoskins determined there was consensus to add the solid waste fee to the list, contingent on revisions to address Ms. Bettman's concerns.

Ms. Bettman left the meeting at 3:10 p.m.

NEXT STEPS

Mr. Zelenka recommended providing the council with an overview of the committee process to date. He volunteered to develop a brief presentation for the Budget Committee at its next meeting. He would email the presentation to other committee members for review.

Ms. Carlson said that staff would develop a discussion draft of a report to council on the subcommittee process and the developing funding recommendation, including a conceptual outline for a street fee based

on parking spaces. She said staff would also bring back more information on solid waste rate setting as well as additional pavement preservation scenarios for buying down the reconstruction backlog at varying rates and periods of time. She also acknowledged hearing support for an increase to bicycle and pedestrian funding to address both preservation and new construction

Mr. Corey pointed out that the council was scheduled to take action on the gas tax increase on May 14, two days before they would be presented with the committee's recommendations.

Mr. Carlson said action on the gas tax could be moved to the May 29 agenda.

Ms. Solomon pointed out that the committee also needed to address sequencing of the funding mechanisms contained in the package. Mr. Jones said staff could provide some information in the draft report on rolling out the five different components.

Committee members agreed there was a need for at least 90 minutes of work session time to discuss their recommendations. There was consensus to use the 45 minutes allocated at the May 16 work session to introduce the recommendations and ask the mayor, council president and city manager to schedule a second work session to fully discuss those recommendations.

The meeting adjourned at 3:30 p.m.

(Recorded by Lynn Taylor)

MINUTES

Council Subcommittee on Transportation
Lyle Conference Room—858 Pearl Street
Eugene, Oregon

May 11, 2007
1:30 p.m.

PRESENT: Roland Hoskins, Facilitator; Chris Pryor, Alan Zelenka, Jennifer Solomon, members.

ABSENT: Bonny Bettman, member.

OTHERS: Twylla Miller, Finance; Kurt Corey, Becky Carlson, Eric Jones, Jeff Lankston, Fred McVey, Public Works; Lauren Sommers, City Attorney's Office; Nancy Young, Planning and Development; Jim Carlson, Central Services; Rick Wichmann, Jack Kauble, Sanipac; Ed Russo, Register-Guard.

Mr. Hoskins convened the meeting and reviewed the agenda.

APPROVE MINUTES OF APRIL 10 and 20, 2007

Ms. Solomon, seconded by Mr. Pryor, moved to approve the April 10 and April 20, 2007, meeting minutes. The motion passed unanimously.

REVIEW, DISCUSSION AND APPROVAL OF DRAFT REPORT AND RECOMMENDATIONS TO THE CITY COUNCIL

Ms. Carlson pointed out errors in the draft document that would be corrected when the final report was prepared. She said that a graph depicting a scenario for complete elimination of the reconstruction backlog was referenced on page 5, but not included. She said it would take \$27 million annually, beginning in FY09, to completely eliminate the reconstruction backlog within a ten-year period and to fully fund the overlay program to the extent that no new reconstruction projects developed.

Mr. Zelenka asked how much would be required annually to eliminate the backlog in 15 years. Mr. Lankston replied that the system was less accurate projecting beyond a ten-year period, but he estimated the cost would be \$21 million annually.

Ms. Solomon asked how staff had determined that \$5 to \$6 million could be raised from a utility fee based on parking when there was so little information available about an inventory of parking spaces in the City. Mr. Carlson replied that the committee established the revenue targets for each funding element and staff then determined what rate was necessary to achieve those targets and the amount to be collected from individual payers.

Ms. Solomon indicated she supported the concept of a parking space utility fee but was somewhat uncomfortable with establishing a revenue target with so little information available. She was concerned that the fee could be unacceptably high and felt that should be balanced by adjusting revenue targets from other funding mechanisms. She said increasing the capital local option levy revenue target was her preference. She thought that target could be as high as \$10 million and in a meeting with the Chamber of Commerce she had been told that a target of \$7 or \$8 million was realistic. She said a higher revenue target for the levy would allow greater flexibility with the other elements in the funding package.

Mr. Pryor agreed with the need to set realistic goals for each mechanism, both from a total revenue and individual fee perspective. He said the committee would need to identify an acceptable per space rate for parking and then adjust other revenue targets once the parking space inventory had been completed.

Mr. McVey indicated there were about 52,000 Eugene Water & Electric Board (EWEB) residential accounts in Eugene. Mr. Corey estimated that a fee of \$5 per month would raise about \$3 million annually just from residential parking. He said that public entities would also be assessed the parking space fee.

Ms. Solomon commented that the administrative costs associated with a street utility fee based on parking seemed high and questioned how many times parking could be taxed. She noted that owners already paid property taxes and stormwater fees for impervious surfaces. She questioned whether the utility fee was defensible.

Mr. Zelenka noted that the fee was a proxy for transportation system use. He said that the trip generation approach was so complex that it could not be easily explained to the voters, while the street utility fee based on parking spaces had an obvious link to use of the transportation system.

Mr. Pryor remarked that his concern was the outcome, in this case sufficient revenue to address transportation system funding, and not necessarily the methodology details.

Ms. Solomon asked if the street utility fee based on parking would distinguish between office and retail parking, which had very different turnover rates, or those who parked on the street. Mr. Corey said staff would work through those issues during development of the methodology.

Mr. Pryor observed that the first step would be council approval of the concepts and parameters represented by the recommended funding package and then a committee could continue to work with staff on the details of revenue targets and methodology. He was willing to consider a higher revenue target for the local option levy.

Mr. Zelenka said that he did not want to see the levy revenue target raised and felt it should not represent more than a third of the entire revenue goal.

Ms. Solomon pointed out that a \$5 million target for the levy represented approximately \$67 per year for the average home. She wanted to see a target of \$7 to \$8 million for the levy.

Mr. Pryor said an argument in favor of a higher levy target was that the reconstruction backlog was the biggest problem facing the City and could be addressed with one-time money. He said even though the levy was spread over a ten-year period it could be considered one-time funding to address the urgent backlog problem.

In response to a question from Ms. Solomon, Mr. Jones said a bill to increase the gas tax had not been amended since introduction but could still be significantly amended in the legislation process. He said that insertion of a preemption clause would be unacceptable to the City.

Mr. Pryor suggested that the committee establish an overall revenue target with which members were comfortable, and then determine how much of that target each element of the funding package should raise. Committee members agreed that at least a \$15 million annual revenue target was reasonable.

Regarding sequencing of the funding elements, Ms. Solomon expressed some concern with implementing a \$.03 gas tax, followed by a capital local option levy in November. She thought that a \$.02 gas tax and a local option levy of \$7.5 million would reach the revenue target.

There was a general discussion of a gas tax and its relationship to the other funding package components and the need to share the financial burden of repairing and maintaining streets across the entire community.

Ms. Solomon asked if administrative costs for implementing funding mechanisms would be paid from the revenue generated. Mr. Corey said that the City's budget process would determine the administrative costs associated with each funding element and the appropriate source of payment.

Mr. Carlson remarked that staff had discussed using the local option levy revenue for the reconstruction backlog and focusing revenue from the four remaining sources on filling the \$2 million operations and maintenance gap and assuring sufficient resources to maintain the pavement preservation overlay budget and prevent streets from going into the reconstruction category. He said that meant \$5 to \$7 million would need to be generated annually from those four revenue sources.

Mr. Zelenka stated he wanted language permanently dedicating funding for bike paths and traffic calming in the amounts of \$350,000 and \$150,000 respectively. He did not want to see revenue from the local option levy be greater than revenue from the parking utility fee. Mr. Corey said that using local option levy revenue for traffic calming could be a problem given limitations on use, but that funds could be dedicated from an ongoing revenue source such as the street utility fee.

Ms. Solomon asked for a discussion of sequencing as there seemed to be general agreement on the funding package components.

Mr. Zelenka emphasized the importance of the council approving the package as a whole, rather than piecemeal. He said implementation of funding mechanisms could be done sequentially.

Ms. Solomon agreed that the committee's charge had been to develop a comprehensive funding package and the entire package should be adopted, not just pieces of it.

Committee members agreed that the basic proposal would be as follows, with the option for adjustments to any of the funding elements based on council deliberation and direction:

<u>Funding Option</u>	<u>Estimated Revenue Target</u>
Capital local option levy	\$6,000,000
Street/bike path lighting fee	850,000
Street utility fee based on parking	6,197,500

Solid waste collection fee	1,000,000
Local motor vehicle fuel tax	<u>1,980,000</u>
Total recommended new funding	\$16,027,500

In response to a question from Ms. Solomon, Ms. Miller said that the solid waste collection fee target of \$1 million meant an approximate five percent rate increase, which would result in about a \$1 per month increase for the typical residential customer.

Mr. Zelenka asked that the report, in addition to language assuring funds for traffic calming and bike paths, include a matrix of revenue sources, potential uses and current funding gaps.

Mr. Pryor asked that the report also include a table showing how the reconstruction backlog would be reduced over time and illustrating the overall impact of the funding package, if possible.

Ms. Solomon asked if staff cost projections assumed the recent increases in the cost of materials would continue to climb at the same rate. Mr. Lankston said that projected costs were based on last summer's costs and an assumption of a two percent annual inflation. Mr. Carlson said that the capital local option levy could be levied as a flat amount of \$5 to \$6 million annually or as a rate that generated that amount the first year but would generate increasing amounts in subsequent years as property values increased.

Ms. Solomon cautioned staff to be conservative in estimating administrative costs. She felt that 20 percent was too high and every effort should be made to achieve a very lean administrative overhead.

Mr. Hoskins summarized changes to the subcommittee's final report as follows:

- Add language dedicating approximately \$350,000 to bike paths from the capital local option levy and \$150,000 to traffic calming from the street utility fee based on parking spaces
- If possible, include a graph illustrating projected buy down of the reconstruction backlog
- Include matrix of funding package components, revenue targets and uses and, to the extent possible, estimated impact per household of each component
- Emphasize administrative efficiency as a criterion for evaluating any funding solution
- Change language in "Conclusion" section, Item 2, to generate net revenue of approximately \$6 million annually, instead of \$5 million to \$6 million
- Change language in "Conclusions" section, Item 4, to seek voter approval in May 2008 for a capital local option levy of approximately \$6 million, either as a rate or as a flat amount annually
- Include language recognizing that the funding package was a large-scale overview and recommending an ongoing process to refine elements once the concept has been approved
- Include language in the section on "Implementation" that stressed the importance of approving the entire package, followed by refinements and implementation
- Eliminate individual committee member signatures from the report
- Eliminate "5%" from Item 5 relating to a solid waste collection fee in the "Conclusions" section

Next Steps

- Staff preparation of final report with changes in accordance with committee direction
- May 23 council work session on funding package

- Council adoption of funding package by motion or resolution at May 23 work session or May 29 meeting
- Refine funding components and develop implementation schedule following package approval

Mr. Corey pointed out that council action on the \$.03 gas tax increase was scheduled for May 29 and the discussion at the May 23 work session could determine whether that action item needed to be postponed.

The meeting adjourned at 1:40 p.m.

(Recorded by Lynn Taylor)