Bend's Transportation Plan

Funding Work Group Meeting #2
Meeting Packet

Contents:

Funding Work Group Meeting #2

MEETING DATE: Tuesday, July 24, 2018

MEETING TIME: 10 a.m. – 12:30 p.m.

LOCATION: Council Chambers at Bend City Hall

Objectives

- Discussion of individual potential funding sources and evaluation criteria
- FWG provides direction on funding sources to focus on; others to potentially eliminate
- Discussion/input about packaging funding options

Agenda

1. **Welcome, agenda overview, where we are in the process, potential opportunity for public comment (10 minutes)**

   The facilitator will ask visitors to see if there is a request for public comment at the beginning of the meeting on agenda topics.

2. **Follow-ups from questions asked at FWG#1 (information, 10 minutes)**

   Brief presentation of information requested at the previous FWG meeting

3. **Funding tools and evaluation criteria (information, 30 minutes)**

   This agenda item will be a second, more specific, discussion of funding tools and evaluation criteria – intended to inform the FWG's prioritization of the tools. The attached summary table and information addresses:

   - *What are the funding tools*
   - *What are their attributes relative to draft evaluation criteria*
   - *Where have they been used in other cities, and what can we learn from that*
   - *What is their (order of magnitude) revenue potential for Bend*

   Please read the attachments prior to the meeting. The team will give a briefing of highlights and pose initial discussion questions for the group.

4. **Prioritization of Funding Tools for Inclusion in Draft Funding Packages (action, 50 minutes)**

   Prior to conducting this exercise, we will have a time to publicly disclose any potential conflicts of interest.

   This agenda item will be a ranking exercise and discussion to identify the FWG's priorities for most (and least) suitable funding tools. Using dots or a similar hands-on ranking technique, the FWG members will identify:

   - *Tier 1 – Most suitable tools*

- *Tier 2 – Suitable, but lower priority than Tier 1*
- *Tier 3 – Least suitable tools, do not utilize*

After the ranking, there will be a discussion of the reasons for the ranking. Following the meeting, the team will use the FWG's guidance to prepare a first draft for funding packages to be discussed in FWG Meeting #3. As a reminder, the cost side of those packages will be "estimated costs" from existing TSP and MTP documents.

5. **Public comment (10 minutes)**

   Three minutes per person at the discretion of the committee

6. **Next steps and adjourn**

Funding Sources Matrix

PREPARED FOR:	Bend Transportation Plan Funding Work Group
COPY TO:	Project Team
PREPARED BY:	Lorelei Juntunen, Kate Macfarlane, Sadie DiNatale, and Korinne Breed (ECONorthwest)
DATE:	July 18, 2018

Introduction

The purpose of this matrix is to provide the Funding Work Group (FWG) with additional information on funding sources to be considered for the Bend Transportation System Plan (TSP) and Metropolitan Transportation Plan (MTP) Initial Funding Assessment. It is intended to facilitate discussion by the FWG at the July 24 meeting about which new or expanded funding sources are most suitable for further evaluation for inclusion in potential funding packages, and which sources are less suitable or feasible and should be excluded from further analysis

Funding Sources Matrix

The funding source matrix presents 17 funding sources that could be conceivably used to provide *additional* funding needed to implement projects and programs identified in Bend's Transportation Plan (See Figure 1). Thus, the matrix is focused on local funding sources that can be controlled at the city or county level. This list of funding sources was selected by consultants and city staff from a longer list of options presented to the FWG.[1] The City currently generates revenue from six sources listed in the matrix, listed in Figure 1 as "Existing Funding Sources That Could Potentially Be Expanded". Eleven sources are potential new sources, meaning the City of Bend or Deschutes County could implement these options to generate revenue. These are listed in Figure 1 as "Potential New Funding Sources".

This matrix excludes formula-funded state or federal sources (such as Surface Transportation Block Grant program or State Special Transportation Fund) because Bend has limited ability to increase revenue from those sources. It also excludes project-specific and grant-based sources such as federal BUILD grants or the state Special Public Works Fund. These sources are outside local control and are difficult to incorporate into hypothetical funding packages absent specific project lists. However, the revenue from these sources will still be forecasted and incorporated into funding packages.

---

[1] See ECONorthwest memoranda from June 2018: "Federal, State, and Local Funding Sources Memo" and "Overview of Transportation Funding Plans and Funding Sources". Available online at https://www.bendoregon.gov/government/citizen-committees/citywide-transportation-advisory-committee

Two sources included in this matrix were not described in previous memos to the FWG: advertising/naming rights and business fees.

For each funding source listed in Column 1, the matrix provides:

- **Brief description of funding source (Column 2).** For more detailed descriptions, please refer to Funding Sources memos provided for FWG Meeting #1.
- **Brief evaluation of funding source using the four general criteria presented at FWG #1 (Columns 3-6).** Each cell is color-coded green, yellow, or red to indicate how each funding source ranks in that criteria. Green indicates that a funding source fares well in that criteria, while red indicates that there are significant concerns. Yellow indicates mixed results.
    - **Legality.** If enabling legislation does not exist at the state or federal level, then funding sources face a much higher hurdle. As a result, most plans focus on funding sources that can be approved by local government under existing state or federal legislation.
    - **Efficiency.** This category covers everything related to creating and maintaining net revenues (net of collection costs). Efficient funding sources are stable, flexible (i.e., can be used for capital expenses or operations and maintenance), and inexpensive to administer.
    - **Equity**. Equity refers to the fair distribution of both benefits and burdens. This criterion has several dimensions:
        - *Impacts to households at different income levels.* Tax systems that require poorer households to pay a larger share of their income than richer households are typically considered less equitable.
        - *Distribution across Bend community.* One perspective on equity is to strive for a fair distribution of costs across people who live, work, or travel in Bend._Using this definition, a tax burden that falls solely on the business community is less equitable.
        - *"User pays" principle.* One definition of equity in the context of transportation funding is that the charges that fund the transportation system are tied to the users who receive benefits from (or impose costs on) the transportation system. Using this definition, user charges like tolls are fairer than broader-based sources like general property taxes, because the drivers using the transportation most are the ones paying most of the cost of the transportation improvement.
    - **Political Acceptability.** Political acceptability plays a critical role in decisions about whether or not to use a funding source. Adopting and implementing taxes or fees that are strongly opposed by the public may be more difficult.
- **Magnitude of additional funding (Column 7)**. A potential funding source must be able to generate needed revenue. The amount any mechanism can raise is directly tied to the rate imposed, and the rate imposed is always at least partially determined by legality and political acceptability. We use a three-category scale of $ to $$$ to indicate approximate magnitude of funding potential. These estimates are preliminary; we will conduct further analysis of funding sources selected by FWG for consideration in funding packages.

Figure 1. Funding Sources Matrix

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
		If enabling legislation does not exist, then funding sources face a higher hurdle. All the benefits of a funding mechanism are moot if the mechanism is not legal or cannot become legal within the desired timeframe.	*This category covers everything related to creating and maintaining net revenues (net of collection costs). Efficient funding sources are stable, flexible, and inexpensive to administer.*	*Transportation costs and benefits (plus related taxes, fees, charges) are fairly distributed to low-income vs. high-income people. Users imposing the greatest cost on the transportation system pay more.*	*Political acceptability plays a critical role in decisions about whether or not to use a source. Politicians are unlikely to support fees or charges that are strongly opposed by the public.*	*The amount any mechanism can raise is directly tied to the rate imposed, and the rate imposed is always at least partially determined by legality and political acceptability.*
Existing Funding Sources that Could Potentially Be Expanded						
Bend General Fund allocation	The City of Bend's 2017-2019 adopted General Fund is about $97 million for the biennium. The allocation of these revenues is a policy choice by Bend City Council. From FYE 2013-2017, general fund allocations for transportation ranged from $2.6 million to $6.0 million per year. General Fund allocations from the City of Bend could conceivably provide a source of additional transportation funding, above and beyond current funding levels.[2]	The Bend City Council has discretion on how to allocate general fund dollars and could legally allocate more to transportation funding.	Growth and predictability are contingent on council prioritization and need for other services. Bend City Council adopts a general fund budget every two years. Overall, general fund revenues are relatively stable from year to year (because allocations are at council discretion, they could easily choose to allocate money to other priorities in difficult financial times) Administrative costs are low, and there are no restrictions on use. The general fund could be used to fund transportation capital or O&M expenses.	The general fund is primarily funded by property taxes. This mechanism is funded by everyone who owns property in city, with no direct connection to transportation users.	Absent property tax increases, devoting a larger share of the general fund to transportation would require making cuts elsewhere in the budget, such as emergency services, which could be politically challenging.	$$ Substantive increases to transportation funding would require equivalent cuts to other programs. It may be possible to offset these "cuts" if additional external funds are higher than anticipated.
Room Tax	The room tax is a fee charged for short-term overnight lodging. Bend charges a fee of 10.4%, which is higher than most Oregon cities (typical rates range between 3% and 9%). Bend's last rate increase was in 2013. ORS requires that a certain percent of room tax revenue must be used for tourism promotion. Of the first 10% levied, 30% of the revenues goes to tourism promotion and 70% goes to the local entity. Any amounts above 10% have the opposite split, with 70% of these revenues going towards tourism promotion. Bend's room tax generates about $10 million per year, of which about $3.5 million goes to Visit Bend. The remainder is used for other city services, including police, fire, and transportation.	A room tax is legal with certain stipulations (ORS 320.300). The City of Bend is in the process of appealing a court decision to the Oregon Court of Appeals regarding a dispute over the interpretation of state law on how room tax funds may be used.	The infrastructure to collect the room tax already exists, making this source inexpensive to administer. Although Bend has seen an increasing amount of tourism, a room tax is not the most stable revenue source. The travel and tourism industries can be volatile and are affected by business cycles, and room tax revenues can decline more than other types of taxes during a recession.	There is not a direct connection between the amount of room tax someone pays, and the benefits they receive from a transportation resource. The room tax, however, is Bend's only existing mechanism for taxing visitors. (A local sales tax or local gas tax would be other mechanisms.) Visitors benefit from local transportation systems and add to maintenance and capacity needs.	Room taxes primarily affect tourists and visitors, not Bend residents. This makes the tax politically acceptable, as local voters are not the ones paying the tax. Raising the room tax would require a public vote. However, modifying the current rate or allocation may be politically difficult due to Bend's pending court case and Bend's comparatively high room tax rate. Bend's room industry is likely to oppose an increase. Other residents may oppose this funding source because it would generate substantial funding for additional tourism promotion. Some residents have expressed opposition to the impacts of large numbers of visitors, including the additional strain on transportation facilities.	$ A hypothetical 1% increase in the tax rate could bring in nearly $1 million more per year but this would only net $300,000 that could be used for transportation funding. Under ORS, 70% of any increase to the room tax would be earmarked for tourism promotion.

[2] Allocations from Deschutes County General Fund are another potential funding source. However, Deschutes County is unlikely to want to share revenue in a way that would provide meaningful levels of funding, and the City has limited ability to persuade the County otherwise. Deschutes County generally does not contribute to transportation funding in the MTP/TSP boundary other than to maintain about 50 miles of roads. These lane miles are in UGB expansion areas, which Bend will take over upon annexation, per the Joint Management Agreement.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Transportation System Development Charges (TSDCs)	Transportation System Development Charges (TSDCs) are assessed on new development and must be used to fund growth-related capital improvements. They are intended to reflect the increased capital costs incurred by a municipality or utility as a result of a development. Between FYE 2011-2017, Bend's TSDCs have generated between $1.4 and $8.6 million in annual revenue. Transportation SDC methodology was last adopted by City Council in September 2011. Since the fiscally-constrained TSDC project list was adopted in 2011, construction cost estimates have more than doubled, leading to a funding gap for projects on the TSDC project list. In June 2018, City Council increased TSDCs to $6,800 per peak hour trip, which increases revenue generation, but not nearly enough to cover the TSDC funding gap. A methodology update is underway for TSDCs and this process will consider the fees and project list comprehensively.	Enabling legislation (ORS 223.297-223.314) provides a uniform framework that all local governments must follow to collect SDCs. Local jurisdictions must adopt a TSDC methodology for calculating the charges that sets the fee to reflect the actual cost of the needed capital improvements to which the fee is related. In June 2018, the Bend City Council adopted changes to the TSDC project list to reflect the fact that construction cost estimates have doubled since the list was created. This led to a new maximum-allowable cost per peak hour trip of $10,904. City Council increased the TSDC from $5,285 to $6,800.	The infrastructure to collect TSDCs already exists, making this source inexpensive to administer. Because TSDCs are funded by new development, they are more volatile than many funding sources and are likely to decline sharply during a downturn in the real-estate market – as evidenced in Bend during the recession. TSDC funds can only be used for the portion of project costs to increase capacity to accommodate new development, and must be used for capital projects, not operations.	TSDCs are calculated based on the increased demand that a new development will place on the transportation system. These fees may be passed on to home-buyers through housing prices. There is an exemption for deed-restricted affordable housing, but increases to TSDCs could lead to higher home prices and might affect home affordability for lower-income families that are not eligible for deed-restricted housing. This could also affect particular businesses.	TSDCs are typically more politically acceptable to residents than other types of taxes because they do not increase taxes on existing residents and businesses, although the fees may be passed on to buyers of newly constructed homes through housing prices. The public typically supports the principle that "new development should pay for itself." At present, the TSDC is set significantly lower than it would need to be in order to generate funding for all of the projects on the TSDC list. Some developers may oppose further increases to TSDCs, particularly because the rate was just raised. Provided a TSDC increase is justified by an adopted TSDC methodology, an increase can be made by City Council without a public vote. In practice, the TSDC fee is generally limited by political will; cities often choose to set their TSDC fee at a lower level than what is laid out in their technical methodology. They generally do this by removing projects from their list.	$$$ The maximum-allowable TSDC is $10,904 and the current TSDC is $6,800. An increase to TSDCs, using the current methodology, could lead to up to $4-5 million in annual revenue. The magnitude of the increase corresponds to the magnitude of additional revenue.
Utility franchise fees	A utility franchise fee is a contract between a city and a utility company that outlines certain requirements for the utility to use the city's public rights of way. Bend's Water/Sewer Franchise Fees, implemented in 2006, are currently a 4% charge on revenue generated by water and sewer franchises. Bend has allocated its water and sewer franchise fees to street maintenance, transportation capital projects, and Americans with Disabilities Act (ADA) accessibility improvements. Bend's water/sewer franchise fees generate about $1.3-1.4 million per year. Bend also has franchise fees on electric, gas, cable, and garbage. Garbage revenues go towards Streets and Operations and the remainder of these fees go to the General Fund, with 75% of the franchise fees in the General Fund dedicated to street maintenance. In June 2018, City Council voted to raise water/sewer franchise fees by 1% (from 3% to 4%). Bend could further increase water/sewer franchise fees to 5%. Several Oregon cities—including Albany, Portland, Salem, Wilsonville, and Newberg—charge fees of 5% for certain utilities.	Oregon law authorizes cities to determine the terms under which a utility may operate within the city limits, including payment of up to 5% of the utility's locally generated revenue as compensation for the utility's use of the city's streets and other public property. Franchise fees other than sewer and water can't be changed in the middle of a franchise agreement term. Franchise agreements last up to 20 years each and increases to rates may have to be negotiated separately with each utility, to the extent any utility isn't already paying the statutory maximum.	The infrastructure to collect utility franchise fees already exists, making this source inexpensive to administer. Because fees are based on a percentage of utility revenue, this source is relatively stable from year to year. Flexibility is high; funds generated through franchise fees can be used for the transportation system.	Utilities use public rights of way for their infrastructure. Charging utility franchise fees therefore offsets direct financial burden from other taxpayers and onto companies (and utility ratepayers) which use the right of ways. There is not a direct connection between a utility ratepayer's transportation usage and the amount of the utility franchise fee. Utility franchise fees do not consider a household's ability to pay and could impose a burden on low-income households and particular employers.	Because franchise fees were just increased in 2018, residents and franchisees may oppose an additional increase. The decision to raise the franchise fee rate can be made by City Council without a public vote.	$ The 1% rate increase passed in 2018 is anticipated to generate about $470,000 in additional revenue per year.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Business fee	A business license fee is a charge on businesses for the privilege of conducting business within a jurisdiction. There are a variety of ways that jurisdictions could choose to charge fees on businesses, including a flat one-time fee, to an annual fee based on sales, number of employees, size of building, amount of parking, or other factors. License fees can apply to all businesses or only certain businesses such as automobile dealers or service stations. Bend currently has a flat business license fee of $50, which generates about $300,000 per year and is used to fund the Business Advocacy Program.	There are no legal barriers to implementing business license fees, and the City of Bend already charges a business license fee of $50 per business per year.	Depending on how the fee is set up, revenues should be fairly stable and predictable, though subject to broader economic trends. Because Bend has an existing business license fee, administrative costs would be low. Business license fees have no restrictions on use.	Business fees do not have a direct link to the amount of benefit received from the transportation system. Bend's existing license fee structure is a flat fee and does not consider a business's size or profitability.	Increased business license fees will likely face opposition from the business community. Increasing the business license fee would not require a public vote.	$ Bend's current business license fee generates approximately $300,000 per year.
Parking fee	Parking revenues can be raised from both operations (e.g., parking meters or permits) and fines. Current parking revenue supports the Downtown Parking Fund, which is used to cover the costs of administering the parking system, maintaining the parking infrastructure, and providing sufficient capital to cover improvements. Bend has no on-street metered parking downtown, but drivers can pay to park for a longer amount of time at the Mirror Pond lots and the public parking garage. Bend also has an employee parking permit program, with rates ranging from $20 to $50 per month. The 2017 Downtown Strategic Parking Management Plan recommended eliminating free parking at Mirror Pond Lots and Centennial Garage, and considering implementing on-street pricing downtown.	Parking fees are allowed in Oregon.	Revenue from parking fees is relatively stable and predictable. Expanding the use of metered parking would require additional staff and capital to enforce the parking policies. Parking revenues go to the Downtown Parking Fund. City practice is to use these funds for downtown parking-related projects.	Parking revenue is paid by roadway users, including tourists visiting downtown. However, the amount paid by each user is not directly proportional to the level of use or the impact on the system.	Parking fees are widely used by local jurisdictions and are generally politically acceptable, if unpopular. Adding parking meters to areas that previously had free parking is likely to meet with resistance. In general, people in most cities seem to accept their current level of parking fee structure: fairness and political issues arise when cities talk about big changes in parking programs or fees.	$ In FYE2018, revenue from parking generated $820,000 per year and are used for infrastructure maintenance, capital improvements, enforcement, and administration; there is not additional funding available to support transportation projects. A new City of Bend study will examine potential for revenue generation from new parking revenue sources.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Existing Funding Sources that Could Potentially Be Expanded						
Local Improvement Districts (LIDs)	An LID is a type of special assessment district where nearby property owners are assessed a fee to pay for capital improvements within the LID boundary. Local street infrastructure improvements that benefit specific properties in a defined area may be funded by LID assessments. LIDs do not apply citywide and are typically used at the neighborhood or sub-neighborhood level. If funds from other sources are available, an LID is not required to fund 100% of project costs. LIDs are most commonly initiated by property owners. If at least 50% of property owners sign a petition in favor of the LID, City Council can approve the LID. Once an agreement is reached on the portion of funding to come from the LID, the jurisdiction would sell a 10- or 20-year bond to finance the project, and the bonds would be repaid through annual payments by affected property owners within the LID. Bend Code 2.10.005 provides the governing rules and procedures to create a LID for funding street improvements.	LIDs are legally allowed in Oregon and have been formed in the past in Bend.	Capital projects including all modes of transportation are eligible to receive funding from LIDs. Revenue is fairly stable and predictable once enacted. LIDs have relatively low ongoing administrative costs, but can require significant effort to put in place. The City of Bend is discussing initiating one or more LIDs to connect homes currently on septic systems to sewer, which could create some of the enabling systems that would also be needed to support transportation LIDs.	LIDs are funded by nearby property owners in order to pay for capital improvements that improve property values. The charges established by the LID should be proportional to the benefits individual property owners will enjoy. New LIDs may pose financial burdens for fixed-income homeowners and particular businesses.	The creation of LIDs usually requires extensive political outreach to gain support from property owners who will be asked to voluntarily increase their tax burden. If property owners believe they will receive tangible benefits from the capital improvement and the costs are acceptable, then the political acceptability can be relatively high. If matching funds were available from another source, that could raise political acceptability and neighborhood interest.	$ The revenue capacity for LIDs is more of a political question than a technical question. If a LID covered enough assessed value, and had high enough rates, then it could generate substantial revenue for specific projects. But, due to political acceptability and the need for property-owner support, LIDs tend to be fairly humble. However, LIDs may be an attractive option for projects that are important to local residents but otherwise would not be priority projects for City funding.
Property tax: general obligation (GO) bonds	State law allows local governments to issue general obligation debt for infrastructure improvements. The GO bond is paid for by increased property taxes over the life of the bonds. GO bond levies typically last for 20 to 30 years for transportation projects and therefore must be approved by a public vote. In 2011, Bend voters approved a $30 million general obligation bond to fund various transportation capital improvements. Payments for this debt will complete in 2032. In FYE 2018, the GO bond tax rate was $0.18 per $1,000 of assessed value (or $70 per year for a home assessed at $400,000.)	The tool is legal and allowed in Oregon (ORS 287A.001-287A.145). Under state law, a city may not issue, or have outstanding, general obligation bonds that exceed 3% of the real market value (RMV) of the taxable property within its boundaries. The City's RMV for 2017-18 was $17.8 billion, providing for a legal debt margin of $533 million. The City is in compliance with its legal debt limitation.	GO bonds are among the most stable funding sources available, as the bonds are backed by the full faith and credit of the City. Property tax rates associated with GO bonds are not affected by Measure 5 tax compression. GO bond proceeds can only be used for capital projects, not operations or maintenance. Collection mechanisms already are in place for property taxes, so administrative burden is relatively low.	GO bonds are funded through property tax increases, with no direct connection to transportation users. However, the tax is subject to a public vote, which implies this tool could only be used in situations where the public believes it is a fair use of funds. GO bonds often include a package of projects that address different areas or needs, in order to generate broad support from residents.	Any new GO bonds require a public vote. Bend voters approved a $30 million transportation bond in 2011; this tax will be levied until 2032.	$$$ The amount of debt that Bend can issue is limited by statutory limits and city policy (to protect the city's credit rating).

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Property tax: local option levy	Local option levies are temporary property tax increases, approved by voters, to fund operations of local government services. Local option levies cannot exceed five years (10 years for capital projects), though they can be reviewed and extended indefinitely at five-year intervals, if the public continues to vote in favor of the levies. It is possible that a local option levy for maintenance and operations of transportation systems could be passed. The City of Bend currently has one local option levy of $0.20 per $1,000 that is used to support the fire department (or $80 per year for a home assessed at $400,000). This five-year levy was last renewed in May 2018 with 77% of the vote.	This tool is legal and allowed in Oregon.	Property tax revenues tend to be very predictable and stable. Local option levies can be used to fund operations or capital expenses. Collection mechanisms already are in place for property taxes, so administrative burden is relatively low.	Local option levies are funded through property tax increases, with no direct connection to transportation users. However, the tax is subject to a public vote, which implies this tool could only be used in situations where the public believes it is a fair use of funds.	Any new local option levy requires a public vote. Operations levies must be renewed every five years. Several cities in Oregon, including Bend, use local option levies to fund emergency services but they may be less attractive to voters when proposed for transportation funding, particularly for operations and maintenance costs.	$$$ About 28 cities have local option levies, and in FY 2014-15 they ranged from $.20 to $7.22. The average local option rate for cities with a local option levy was $1.29 per $1,000.
Urban renewal funding	Urban renewal diverts property tax revenues from growth in assessed value inside an urban renewal area (URA) for investment in capital projects within the URA to alleviate blight. Transportation projects are frequently included in urban renewal plans. Bend has two existing urban renewal districts: Juniper Ridge and Murphy Crossing. A new urban renewal district(s) could be created to fund transportation improvements in that area.	Urban renewal is currently legal (ORS Chapter 457). Among other stipulations, it requires public involvement at all stages, a plan identifying proposed projects, and accompanying analysis. There are statutory restrictions on the size of urban renewal areas (acres and assessed value), but Bend is well under these limits.	Establishing a new URA is a lengthy process. For projects to receive urban renewal funding they must be located within the URA boundary, be identified in the plan, and contribute to the alleviation of blight within the URA. Funding is constrained by the ability to increase assessed values within the URA to generate sufficient tax-increment financing (TIF) to service debt on long-term bonds.	The equity of urban renewal depends on the types of projects funded by this tool and the overall direct/indirect impact those projects have on low-income and vulnerable populations. A fair use of urban renewal would focus on projects that have a strong likelihood to stimulate new development in the URA and generate additional property tax revenue. Urban renewal does not raise taxes, so there is no additional burden to low-income households or small businesses.	Urban renewal does not require a public vote and does not increase taxes. Urban renewal can be politically contentious due to the impact on overlapping tax districts, and because of the perception that school districts are adversely impacted. The City of Bend views this tool as an opportunity, in suitable areas, to help achieve Bend's growth plan.	$$$ The funding available depends on the specific boundary of the urban renewal area and the anticipated growth forecast. A preliminary analysis found that a new URA in Bend Central District could generate $50 million in funding capacity over the 25-year life of the urban renewal area. The City of Bend is pursuing this as a potential option for this Opportunity Area.
Transportation utility fees (e.g. transit utility fee, street tree program)	A transportation utility fee applies the same concept as water and sewer utility fees. The fee is typically assessed to all businesses and households in the jurisdiction. The fee may be flat or based on estimated trip generation. A transportation utility fee could take a variety of forms, such as a road maintenance utility fee, transit utility fee (e.g., Corvallis), or street tree program. More than thirty Oregon cities have some form of transportation utility fee.	Transportation utility fees are legal and have been enacted in more than 30 cities in Oregon.	Because transportation utility fees are based on the number of households and businesses, revenue is predictable and grows in proportion to population growth. Transportation utility fees are typically used by jurisdictions to pay for maintenance rather than for capital projects, but there are no restrictions on use.	Fairness from a "user pays" perspective depends on whether the fee is flat (e.g., per household and business) or based on estimated trip generation. However, even with trip-generation models, fees are based on broad averages and are not directly tied to actual transportation usage. Transportation utility fees disproportionately affect lower-income households because they do not consider a household's ability to pay. However, rates are typically low ($5-$10 per single-family household per month).	Based on success in other cities, Oregon residents seem more amenable to transportation utility fees than to some other taxes. However, new fees and taxes are never popular. Depending on the specific rate structure, a transportation utility fee may face opposition from businesses with high trip generation. Under Bend's charter, enacting a transportation utility fee would not require a public vote.	$$$ The funding available depends on the rate. Of the 12 Oregon cities with a transportation utility fee and more than 20,000 people, median revenue in FYE 2014 was $1.3 million. Medford reported the most revenue from transportation utility fees, at $8.1 million. In Bend, a flat fee of $10 per household per month could generate about $4 million per year.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Local seasonal fuel tax (city or county)	A fuel tax is a tax on the sale of gasoline and other fuels. Local jurisdictions in Oregon may enact their own fuel taxes, which apply in addition to state ($0.34 per gallon) and federal ($0.184 per gallon). Bend could enact a seasonal fuel tax to better target tourists and through-traffic. Newport and Reedsport both have seasonal local fuel taxes. In Newport, the tax is $0.03 from June – October and $0.01 from November – May. In Reedsport, the local fuel tax of $0.03 only applies from May to October, with no local tax the remainder of the year.	Local gas taxes are currently legal and have been enacted by more than 25 cities and counties in Oregon, including Sisters; rates range from $0.01 to $0.10 per gallon. As with all funding tools, the legality of local fuels taxes could change. In 2009, the state imposed a five-year moratorium on the creation of new local fuels taxes.	A seasonal gas tax targeted at tourists would be more vulnerable to economic downturns. As vehicles become more fuel-efficient over the long-term, gas tax revenues will decline. Gas tax funds could be used for a variety of transportation uses, including operations, maintenance, and capital projects. Motorists already pay federal and state motor fuel, so the levy would not impose a new type of tax. In Oregon, local fuels taxes are typically administered by the state.	Local gas tax revenue is paid only by users of the transportation system, and the amount of tax paid is generally proportional to the amount of use. However, non-motorized users (e.g. bicycles and pedestrians) do not pay fuel tax while using these transportation modes. Also, the amount of fuel used is not directly proportional to the cost a user imposes on the system. As property costs rise within Bend, more area residents and businesses (particularly those with lower incomes) are locating farther from the center of town. A local gas tax could disproportionately impact these people.	In 2016, Bend voters rejected a local gas tax of $0.05 per gallon that was expected to generate approximately $2.5 million per year. The measure lost by a nearly 2-to-1 margin. A seasonal fuel tax may be met with greater public support since it would capture revenue from tourists as well as residents. Better outreach, including the potential tax as a ballot measure during a regular election, and having a well-defined set of initiatives could help this to be more successful. In Portland, a gas tax was proposed several times before it was approved.	$$ The $0.05 gas tax that was proposed in 2016 would have generated $2.5 million per year. A seasonal fuels tax and/or a lower tax rate would generate less revenue.
County vehicle registration fee	Vehicle registration fee is a recurring charge on individuals that own cars, trucks, and other vehicles. In Oregon, counties (but not cities) can implement a local vehicle registration fee. Fees are limited to $43 per vehicle, charged every two years. The fee would operate similar to the state vehicle registration fee. A portion of a county's fee could be allocated to local jurisdictions.	There are no legal barriers to implementing vehicle registration fees. This tool, however, can only be implemented by counties, and not by cities.	Vehicle registration fees tend to be a fairly stable and predictable source of revenue. There is already a system in place to collect statewide vehicle registration fees, which could be used to collect local (County) fees as well. There are no restrictions on the use of vehicle registration fee revenues.	Vehicle registration fees are only paid by individuals and businesses that own automobiles, which is a rough approximation of the population that will use the transportation system. Vehicle fees disproportionately affect lower-income households because they do not consider a household's ability to pay. However, the maximum fee would still be relatively low (less than $2 per month per car).	The public tends to view all new taxes as unpopular. A new county registration fee would likely require a public vote. In addition, this funding source would need to be pursued by the County.	$$$ In 2017 there were 244,000 vehicles registered in Deschutes County. Enacting a fee of $43 every two years could generate more than $5.2 million per year. However, revenue sharing between Deschutes County and cities would need to be determined.
Payroll tax	A payroll tax is a tax on wages and salaries paid by employers or by employees as a payroll deduction. A payroll tax generates revenue from people who work inside an area, even if they live outside of the area in which the tax is applied. Employers, including those out-of-state, are required to pay payroll tax on employees who work in the area, including telecommuters. Low rates (<1%) have potential to generate substantial levels of revenue. Payroll tax revenue can be used for operations and maintenance expenses associated with the transit systems. Payroll taxes are used by TriMet, Lane Transit, Canby Area Transit, Sandy Transit, Wilsonville SMART, and South Clackamas. The State of Oregon recently passed a statewide 0.1% payroll tax to fund transit services (HB 2017).	There are no legal barriers to implementing a payroll tax.	Payroll taxes are relatively stable, though dependent upon larger economic trends. Administration costs could be fairly low, depending on implementation. For HB 2017, employers are required to withhold and report payroll tax. Oregon Department of Revenue administers TriMet's payroll tax. Payroll taxes can only be used to fund transit operations and maintenance.	Payroll taxes do not have a direct link to the amount of benefit received from the transportation system. Bend residents who are unemployed, retired, or work outside of Bend do not pay this tax.	Although several cities in the Portland area and Willamette Valley use a payroll tax, it has not been a popular tool elsewhere in Oregon. A new payroll tax would require a public vote and would likely face public and business opposition.	$$$ Because payroll taxes are broad-based, low tax rates have the potential to generate large amounts of revenue. In FYE 2017, Lane Transit District generated about $32 million from a payroll tax of 0.72%.

Funding Source	Description of Funding Source	Legality	Efficiency	Equity	Political Acceptability	Magnitude of Additional Funding
Advertising/naming rights	Transportation systems can raise revenue by selling advertising space to businesses and non-profits. Opportunities for advertisements include on benches, buses, or stops. Cascades East Transit has an advertising program administered by a third party, for its buses.	Potential legal barriers could include first amendment issues, including potential challenges relating to the City's regulation of speech (commercial and otherwise) and what advertisements may be placed where.	Successful advertising campaigns are usually facilitated by a third-party advertising vendor, which raises administrative costs. Controlling the content of the advertising can be difficult and contentious. Advertising revenue is unrestricted and could be used for operations, maintenance, or capital costs.	Advertising is funded on a voluntary basis by businesses.	Political acceptability is typically high, as this does not impose any new costs on residents or businesses.	$ Advertising revenue is generally quite small.
Tolls	Tolls are charges for users to access a particular road. Tolls are most appropriate for high-speed limited access corridors, service in high-demand corridors, and bypass facilities to avoid congested areas. Toll revenue can be used for capital projects (through use of toll-backed revenue bonds) or maintenance. Congestion pricing, where drivers are charged for the trips they make based on location and time of day, is an efficient policy for dealing with congestion. Charging tolls at peak travel times can reduce the number of trips and reduce the need for costly roadway expansion projects. Tolling can also be implemented on specific lanes on a highway through a high-occupancy toll lane (HOT lane). Carpools and transit can use HOT lanes for free; all other vehicles must pay a toll.	Tolling is allowed on Oregon roads to fund transportation projects. In 2009, the Oregon Legislature passed legislation requiring transportation officials to develop a congestion pricing pilot program (toll) to study the effect on traffic congestion in the Portland metro area.	Oregon has no tolled bridges or highways, and there is no organizational structure in place to deal with tolling. Administration and compliance costs for tolling are greater than for motor fuel taxes. These costs can be reduced greatly through electronic toll collection, but again, no system for electronic tolling has been established in Oregon and implementing such a system would be costly and time consuming. Traditionally tolls are used to finance individual projects; the jurisdiction issues a revenue bond backed by projected future tolling revenue. However, there are no restrictions on use.	Tolls have a strong connection between the fees paid and the benefits received by users. As property costs rise within Bend, more area residents and businesses (particularly those with lower incomes) are locating farther from the center of town and also to neighboring communities. Introducing a toll on a highway leading into Bend could disproportionately impact these people.	Toll roads are nonexistent in Oregon and likely would not receive public support unless the benefits (improved access, safety, or decreased travel times) were clearly perceived by users. However, tolls for new limited-access facilities might be more acceptable.	$$$ Tolls on highly-used facilities have the potential to generate substantial revenue.
Sales tax	A tax on retail sales, typically added to the price at the point of sale. Oregon does not currently have a sales tax, though state law does not preclude cities from adding one of their own. It is possible for a jurisdiction to adopt a sales tax on specific items, such as prepared foods or transportation-related items. Bend's charter requires a citywide vote on any direct sales tax.	Nothing in the Oregon Constitution or Revised Statutes currently prohibits local jurisdictions from implementing a sales tax on transportation-related goods. Bend's charter requires a citywide vote on any direct sales tax.	A general sales tax would be relatively stable and predictable, though (as with many other funding sources) it would track with broader economic trends. A sales tax targeted towards a specific sector (e.g., tourism) would be more vulnerable to revenue swings. Adopting a sales tax would require new staff to oversee the system. Other than the hurdles with implementation, the tax could be administered relatively affordably. Sales tax revenue could be used for operations, maintenance, or capital expenses.	A general sales tax is considered regressive because low-income people pay a higher percentage of their income than high-income people. The fairness of a sales tax from a “user pays” perspective would depend on how it is applied. By applying the tax only to goods and services related to transportation, there is a stronger connection between the benefits received and taxes paid.	Sales taxes are traditionally unpopular in Oregon. Statewide, numerous sales tax proposals have been defeated at the polls by wide margins. A popular vote would be required to enact a sales tax in Bend. However, sales tax on specific goods are viewed as more politically acceptable than broad-based sales taxes, this is particularly true for taxes that are perceived to be paid mostly by non-locals, like a rental car tax. Other Oregon cities with a sales tax on prepared foods and nonalcoholic beverages include Ashland (since 1993; 5%) and Yachats (since 2007, 5%). No Oregon cities currently have a general sales tax.	$$$ A broad-based sales tax could generate substantial revenue. For sales taxes applied to more specific goods, revenue capacity would vary. The narrower the tax, the smaller the potential revenue.

MEETING SUMMARY

Funding Work Group Meeting #1 Summary

MEETING DATE: Thursday, June 7, 2018

MEETING TIME: 2:30-5:00 pm

LOCATION: Council Chambers at Bend City Hall

Meeting Overview

The Funding Work Group (FWG) approved the Charter and developed understanding and agreement about the process, timeline, format, and dates for FWG meetings. The FWG reviewed information about previous funding plans, alternative approaches, and potential funding sources, and they discussed methods and potential criteria for evaluating funding sources. Finally, the group determined dates and times for the next three FWG meetings.

Attendees

CTAC Members: Ruth Williamson, Nicole Mardell, Dale Van Valkenburg, Katy Brooks, Steve Hultberg, Mike Riley, Suzanne Johanssen, Richard Ross, Karna Gustafson,

City Representatives: Emily Eros, Transportation Planner; Brian Rankin, Planning Manager; Sharon Wojda, Finance Director; Camila Sparks, Budget and Financial Planning Manager; Russ Grayson, Community Development Director; Elizabeth Oshel, Associate City Attorney; Tyler Deke, MPO Manager; Susanna Julber, Senior Policy Analyst; Casey Roats, Mayor; Eric King, City Manager; David Abbas, Streets and Operations Director

Consultants: Bob Parker, ECONorthwest, Joe Dills, APG

Agenda

1. **Welcome, introductions, agenda overview, potential opportunity for public comment**

   Casey Roats, Mayor, and Eric King welcomed the group.

2. **Funding Work Group charge and process, legal briefing, and work plan**

   The Work Group went over the charter and approved it. Elizabeth Oshel, Associate City Attorney, summarized conflict of interest rules and explained how and when to declare potential conflicts of interest. Emily Eros, Transportation Planner, summarized the work plan and highlighted the differences between the MPO funding plan and the TSP funding plan.

3. Overview of funding plans and funding sources

Joe Dills, APG, framed the agenda item, with Emily walking the group through the presentation and discussing the previous funding plans and the differences between them. In summary, developing a funding plan involves several key steps: forecasting funding from existing sources, comparing funding needs to what is available, identifying and evaluating additional funding sources, developing packages of funding options, and assessing funding packages. The next FWG meeting in July will focus on narrowing the list of most promising funding sources. In order to do this, the group had an initial discussion about evaluation criteria. In October we'll be looking at packages of projects and funding. By next April, draft TSP and draft MTP for review, with this work group's products built into the funding chapter.

Questions and discussion points:

- How does the FWG process fit w/ what is going on w/ CTAC and SC (see meeting packet, page 8)? Mike Riley asked when we figure out how we move the estimated gap to the real gap? Joe clarified that we need a project list from CTAC, which will come in spring 2019 and that the projects will be prioritized by the full CTAC but providing a recommendation for how to pay for them is the FWG's role.
- Emily asked about meeting logistics. The group determined that receiving the meeting packet a week ahead of time will allow enough time to prepare, though additional time would be appreciated if the packet is really large. The group discussed how it will share and approach information and independent research; they determined that they can send materials to Emily and she will distribute/post as needed. For public comments, the group decided to approach this the same way that they do at CTAC, asking for comments at the beginning and end of the meeting.
- The group brought up SDCs and had a discussion about this. Russ Grayson explained the fiscally-constrained project list concept; the cost estimate for all projects on a fiscally-constrained project list must equal the amount of projected SDC revenue, based on a particular level of SDC fees. This requires that an initial complete list of projects must be prioritized into a fiscally-constrained list. Katy clarified it is worth having a constrained and unconstrained list. Then you can have projects in a queue on a list for funding. Emily discussed the four potential funding sources that were identified in the previous TSP and noted what steps the City took for each and why these sources did not come to fruition. Steve Hultberg asked about the Transportation Utility Fee and noted that Corvallis was able to impose it on trip generation for commercial uses vs. residential uses - ECO will look into this for more information. Regarding potential funding sources identified in the last TSP, Richard says he hopes that the past ideas that were not successful won't be thrown out.
- The group discussed what we can learn from previous funding plans. Emily noted that we can better coordinate the MTP and TSP now, with this update, and that Bend's sensitivity to economic changes (since it is very reliant on SDCs for transportation capital funding) meant that recessions will affect SDC revenue very severely. Ruth noted and Katy confirmed that we have a different economic profile than we did in 2008. We are continuing to advance in the tech sector and OSU Cascades, diversifying.
- The group expressed concern that we are vulnerable being heavily reliant on SDCs. Also our property taxes are very low compared to other communities, Sharon clarified. Katy Brooks asked for info on the split of other communities' sources of funds for transportation improvements and maintenance.
- Karna noted that lots of jurisdictions have moved to private streets. Russ said the policy direction is that even if you're building them privately, you have to build to city standards.

- Joe asked about any other lessons learned. He brought up the Westside Consortium. Karna asked about the SDC credits and Russ clarified that the project list includes cost estimates, but the developer is credited the actual cost they spent on the project.
- Nicole Mardell noted the importance of equity and having a good combination of projects of different modes. She brought up the importance of including a good suite of projects and relating them to CTAC goals. Mike echoed that we need to ensure that bike and pedestrian projects are getting equal treatment in prioritization and policy so that those projects get built. He also noted the importance of geographic equity.
- Emily gave a brief overview of transportation SDCs in general and discussed the current SDC increase process. On June 20th, City Council will consider an SDC increase from the current amount ($5,285 per peak hour trip) to $6,800 per peak hour trip (which is what is charged on one single-family home). We'll be updating the whole SDC methodology in the next couple of years because the growth/reimbursement shares need to be updated for the current UGB growth model. The FWG won't be involved directly in that, but they will be kept apprised of the process and, as with any other existing or potential funding source, the FWG can consider whether this funding source could be enhanced, given political and economic considerations and the funding evaluation criteria that the group will discuss. The group compared other cities' SDCs and discussed differences in methodology. Also touched on supplemental SDCs as a possibility for certain areas in town. Suzanne Johanssen explained her experience as a City Councilor and the implementation of the first Transportation SDC.
- Dale asked about the TSDC list the cost of the full list was estimated at $124 million then and updated cost estimates place it at $308 million now. Why? Emily explained that the cost of materials has increased, but largely the increase comes from a very high increase to the cost of labor in the current economy (where there is a labor shortage) compared to a labor surplus in 2010 when the cost estimates were first developed. Updated design standards are another key factor; the standards to which features like roundabouts are built have increased, which means that costs have also increased. Finally, increased information plays a role – we have a much better idea of what it costs to resurface a former county road after completing local projects of that nature.

Break- 3:50-4:05

4. Initial discussion about evaluating funding options (methods and criteria)

Bob walked the group through the presentation slides, which covered types of funding sources and included material regarding funding sources that include visitors instead of just residents, which was something that CTAC members asked about in CTAC meeting #2. These included, for example: Transient Lodging Tax and fees/taxes on short term rentals, car sharing, vehicle rentals, food and beverages, etc. Bob noted that Newport and Reedsport have seasonal fuel taxes that are higher during summer months.

Bob discussed initial themes for evaluation criteria: efficiency, legality, fairness, political support. He also showed three examples of funding matrices, which have to do with how materials are presented so that funding sources can be evaluated. These materials are in the slide presentation.

Discussion points and questions:

- Richard Ross- asked about Registration Fee (Multnomah County for the bridge). Local Street Improvement Partnership. Transit operation fees (Corvallis, Missoula). Richard suggested innovative funding sources that may drive performance.

- Karna asked about #6- South Hillsboro- supplemental SDC paid over time. SDC and then also LID so payment over time.
- Mikepointed out things that are important: how to pay for tourism's impacts and transit. He noted that we can't rely on property taxes only and advocated fora combination of funding sources. He asked about payroll taxes. He also asked how we might get at that issue of the different uses and the need for trips. He commented that stability seems like a very important theme to add as a dimension for evaluating funding sources and packages, especially for our community.
- Katy – under the fairness/equity dimension, she would like the group to consider potential adverse impacts to the economy. We need to think about that. For example, a payroll tax would have effects on local businesses, so would taxes on food, etc.) Katy explained that we need to weigh these types of impacts on businesses as the group considers funding packages.

5. Public Comment

Anne Marie Carlucci (unsure on spelling) talked about the range of different developers and development approaches, and that the Funding Plan should anticipate implementation for both small, medium and large developers/projects.

6. Scheduling next meetings, close/initial discussion of next meeting

The group decided on the following dates and times for future meetings, and Emily will schedule these:

- FWG#2: July 24, between 10am and 3:30pm (exact time later determined as 10-12:30)
- FWG#3: September 12, 3-5:30pm
- FWG#4: October 10, 1-3:30pm