



Transportation System Plan



Chapter 9

Funding Plan and Capital Improvement Plan

9 Funding Plan and Capital Improvement Plan

The McMinnville TSP Funding Plan includes:

- a goal and set of planning principles to help guide the City to a successful Funding Plan,
- a summarization of planning-level cost estimates for the transportation facilities and major investments identified in the TSP (intended to provide an estimate of the fiscal requirements to support the land uses in the acknowledged comprehensive plan(s) and allow McMinnville to assess the adequacy and feasibility of existing and possible alternative funding mechanisms),
- a list and general estimate of the timing for planned transportation facilities and major improvements – termed the Capital Improvement Plan, and
- a discussion of existing and potential funding sources to fund the development of each transportation facility and major improvement (which can be described in terms of general guidelines or local policies).

This chapter summarizes the assessment of transportation funding options of the McMinnville TSP. It summarizes the transportation improvement projects, identifies general timing and rough cost estimates of transportation system improvements, and summarizes the existing and potential future funding resources to pay for these improvements, to serve as a general policy guideline.

Overview

As shown in **Exhibits 9-1** and **9-2**¹, McMinnville, like all other Oregon cities and the State, are facing a significant challenge to fund its transportation capital, maintenance and operation programs. Oregon’s major transportation revenue comes in two forms: gasoline taxes and vehicle license fees. Oregon’s tax and fee rates are the lowest in the western United States. Compounding this problem has

been the significant rise in the cost in raw material (which has recently leveled off or decreased some), which has outpaced the increase in transportation revenue over the past decade.

Exhibit 9-1 Comparative Transportation Taxes & Fees

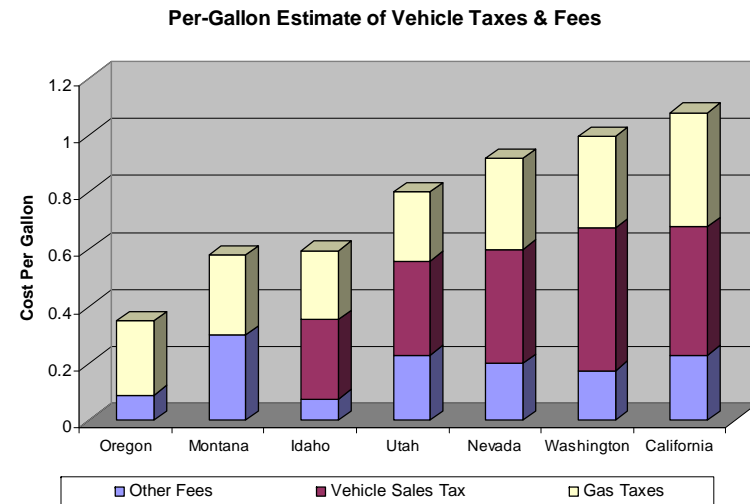
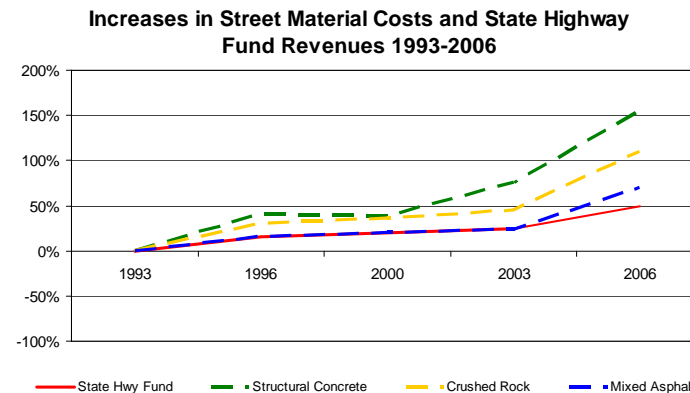


Exhibit 9-2 Comparative Material Costs and Highway Fund Revenue



Oregon per capita revenues are in decline. Transportation construction costs are growing at significantly higher rates than statewide revenue. Simply put, McMinnville purchasing power for transportation capital and maintenance programming is severely diminished.

McMinnville's needs, however, have not diminished. The *Complete Street* projects, new sidewalk and curb ramps, and new bicycle facilities outlined in previous chapters of the TSP all have a price tag. Complicating matters, the availability of Federal and State funding assistance is not yet fully known. Further, McMinnville does not yet know the full implications of its short-term priorities and long-term pavement maintenance and preservation needs, the combination of which may consume most or all of the City's current annual receipts from the State Highway Fund. The TSP provides the initial guidance for the City to tackle its transportation funding issues.

Funding Policy

Additional policies are outlined here to guide the TSP Funding Plan. Emphasis is placed in the City's ability to pursue Federal and State grants and traditional funding programs, and consider and implement appropriate local funding programs to fund local projects in the McMinnville urban area.

Transportation Funding Plan Goal

A transportation funding plan for the McMinnville urban area that helps identify funding to meet the City's current and future capital, maintenance, and operations needs.

Capital Improvements

- **Motor Vehicle Fuel Tax.** The City should continue to use a combination of Motor Vehicle Fuel Tax and Vehicle License Fee revenue to fund capital improvements to, and maintenance of, the transportation system.

- **Systems Development Charge.** The City should continue to consider the impacts of future growth on the McMinnville transportation system and determine what level of development charges should be collected by the City to mitigate impacts placed on area-wide transportation facilities by expected future development.
- **Development Exactions.** The City should require new developments to mitigate their impacts on the transportation system.
- **Bicycle and Pedestrian System Funding.** The City should consider a new allocation and set aside of its Motor Vehicle Fuel Tax funds for creation of on-street bicycle facilities and curb ramp replacements.
- **Pursuing Federal and State Grants.** The City should continue to aggressively pursue Federal, State, and private grants to augment street and non-motorized capital improvements.

Pavement Management

- **Primary Maintenance Funding Sources.** Assuming no changes in State funding mechanisms, the primary funding sources for street system maintenance activities will be the City's allocation of the Motor Vehicle Fuel Tax.
- **Seeking Additional Funding Sources for Maintenance.** The City should seek additional funding sources to meet the long term financial requirements of sustaining a perpetual life street operations and maintenance program, including the consideration of a street utility fee and utility franchise fee.
- **Responsibilities for System Maintenance.** The City should continue to participate in cooperative agreements with the State for maintenance of traffic signal systems on City streets and State highways based on equitable determinations of responsibility and benefit. The City should continue to participate

in cooperative agreements with the County for the maintenance of county roads within the city.

- **Primary Funding Sources for Operations.** Assuming no changes in state funding mechanisms, transportation system operations activities will likely be funded primarily from the City's allocation of the Motor Vehicle Fuel Tax. Other funding sources should be pursued to augment the financial requirements of providing adequate future system operations.
- **Pursuing Federal and State Grants.** The City should pursue federal and State grants to augment operations activities, especially in the planning and engineering functions.

The timing and funding provisions in the transportation funding program are not considered a land use decision as defined by the Transportation planning Rule (TPR) and ORS 197.712(2)(e) and, therefore, cannot be the basis of appeal under State law. In addition, the transportation funding program is to implement the comprehensive plan policies which provide for phasing of major improvements to encourage infill and redevelopment of urban lands prior to facilities which would cause premature development of developable, urban areas or conversion of rural lands to urban uses.

Capital Improvement Plan

The City of McMinnville, like other cities in Oregon, is faced with the need to improve and expand its transportation system for greater multi-modal safety, access and mobility. Based on the examination of McMinnville's transportation system, as summarized in Chapters 3-8 of the TSP, the City's Transportation Capital Improvement Plan (TCIP) is inclusive of long-range improvements for auto, bicycle, pedestrian, and transit facilities on both City streets and State highways.

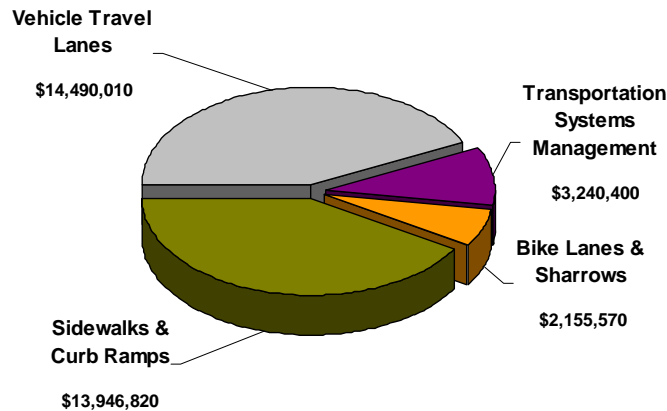
Planning-level Cost Estimates

A summary of the TSP planning-level cost estimates is shown in **Exhibit 9-3**. Nearly half of the TSP total is targeted to bicycle, pedestrian and transportation system management improvements in the form of new traffic and intersection control treatments.

See **Appendix D** for detailed summaries of each project, including their planning-level cost estimates.



Exhibit 9-3 Summary of TSP Planning-Level Costs



Some of the CIP projects are growth related, others are identified to complete streets with appropriate vehicle, pedestrian (and hence transit) and bicycle facilities.

A detailed listing of the CIP is shown in **Exhibit 9-4**. The McMinnville CIP identifies over \$33.8 million (2008 dollars) in proposed transportation improvements over the next twenty years and beyond. Additional funding for a set of proposed improvements is expected to come from the Oregon Department of Transportation (ODOT) on critical, state highway facilities.

It is likely that residents of McMinnville will be faced with the need to consider additional local funding if it chooses to implement the TSP findings and recommendations for *complete streets*, and new traffic management and bicycle and pedestrian systems.

Transportation Funding Sources

Federal and State

Under current Federal and State legislation, there are several methods of funding available to the City of McMinnville for street system studies, capital improvements, programs, and operations and maintenance:

Federal Surface Transportation Program (STP) Funds

These are Federal funds available through SAFETEA-LU legislation that are theoretically available to the City of McMinnville through ODOT. These funds, if available, are flexible and can be used for different types of capital improvements and transportation programs.

Federal Enhancement Funds

Federal funds are available to complete capital improvements and programs related to pedestrian, bicycle, and other alternative travel modes to the automobile. This program can also be used for historic preservation of transportation facilities.

City Allocation of State Highway Fund

The State Highway Fund is comprised of statewide (1) motor vehicle fuel taxes, (2) motor vehicle registration fees, and (3) weight-mile tax. The City's share of these revenues is used in McMinnville to build, operate and maintain the City's street system. These funds are also used to provide transportation engineering and planning support. The state of Oregon allocates the State Highway Fund to cities based on population and counties based on number of registered motor vehicles². The current formula for the State Highway Fund distribution is:

| Recipient | Percent | Basis for Distribution |
|------------------|----------------|------------------------------------|
| State | 60.05% | |
| Cities | 15.57% | Population (ORS 366.805) |
| Counties | 24.38% | Vehicle Registration (ORS 366.764) |

McMinnville’s portion of the State Highway Fund is based on its current population as a proportionate share of total city population in Oregon.

In 2008, McMinnville’s State Highway Fund allocation was roughly \$1,213,000.

State Transportation Program Grants

The State provides grant funds to local jurisdictions to conduct transportation studies, improve bicycle and pedestrian facilities, and participate in State-sponsored transportation activities.

State Transportation/Growth Management Grants

These grant funds are jointly administered through the DLCD and ODOT. The City of McMinnville may use these funds to conduct planning and transportation studies related to managing growth and reducing reliance on the single-occupant vehicle SOV.

Local

General Obligation Bonds (Property Tax Supported)

Bonds are a funding mechanism for constructing capital improvement projects in the City. Voter-approved bonds are sold to

fund street improvement projects. Transportation projects are usually grouped in “bond packages” that go before the public for voter approval. Voter-approved General Obligation Bonds are then supported through the City’s property tax base.

Capital Funding Limitations

General Obligation Bonds are financed with property taxes. When these bonds are issued, the community pledges its “full faith and credit.” This means that the local government has the unlimited power to levy property taxes to ensure that the principal and the interest on these bonds are paid. Because of this broad power, voter approval is required for each bond issue.

The revenues are collected by a special property tax levy called a “debt service levy.”

Subject to State limitations, the City has the unlimited power to levy property taxes to repay principal and interest for the term of the bonds. Because this is an unlimited pledge, the State imposes a legal debt ceiling which does not permit outstanding bonds of more than 3 percent of a City’s true cash value.

Transportation System Development Charges (SDC)

The City of McMinnville adopted its transportation SDC in 1994. These funds are collected from developers as new development occurs in the City. Charges (fees) are roughly based on trip generation rates by different types of land uses (i.e., single family residential, commercial, industrial, etc.). These funds may only be used to fund transportation improvements caused through the impacts of new growth and may not be used to fix existing capacity deficiencies.

The City has a nominal amount of transportation SDC’s awaiting project allocation, but currently lacks other transportation funding to match the SDC’s for full project development and construction.

Development Exactions

To provide adequate infrastructure in response to site-specific growth, capital improvements can be exacted as conditions of approval for building permits, subdivisions, and zoning actions. Developers are usually required to complete frontage street improvements and other off-site transportation improvements to mitigate traffic impacts. The majority of the city's new neighborhood, local routes and some collector streets are created and improved as a result of development exactions (exactions are to be related to the project's measured impact on the infrastructure, known as "rational nexus").

Local Improvement Districts

This method allows neighboring property owners to group together to improve public facilities and then pay for them over time through individual assessments. These districts are generally used to complete local street improvements, sidewalk improvements or improvements to business districts.

Street Utility Fee

A transportation system utility fee is an option for funding street maintenance. This method charges city residents and nonresidential users a monthly or yearly fee for use of the city road system--similar to water and sewer utility fees. The fees would be calculated based on the estimated number of vehicle trips generated for each land use.

The principle behind a street utility fee is that a street is a utility used by the citizens and businesses of a city just like a water or a sewer line that supplies a connection to a home or business. A fee would be assessed to all businesses and households by the City for use of City streets based on the amount of use typically generated by that particular use. For example, a single-family home typically generates 10 trips per day, so the fee is based on that amount of use. A small retail/commercial use typically generates 130 trips per day per 1,000 square feet of gross building area, so the fee for the

retail/commercial use would be significantly greater than the fee for a single-family residence.

Revenue from a street utility fee can only be used for existing maintenance purposes, not for capital improvement projects. However; this money could be used to supplement revenue from the State Highway Trust Fund, which could then be used for capital improvement projects.

The cities of Tualatin, Medford, Ashland, and LaGrande currently have transportation system utility fees.

Utility Franchise Fees

Public utilities that use the public right-of-way to convey their services can be charged a fee for that privilege.

City General Funds

Though seldom available for transportation purposes, the City may choose to use general property tax revenues to build or operate transportation facilities. However, using general fund revenues places transportation system funding in direct competition with other City services which are already obligated, such as police, fire, libraries, and parks.

Recommended Funding Strategy

McMinnville's TSP and CIP identify about \$33.8 million in multi-modal transportation capital improvement needs, or \$1.74 million annually. Notwithstanding inflation, these capital needs significantly surpass the City's total State Highway Fund annual receipts (2008) of \$1.21 million, which must also fund the City's transportation operations and maintenance program. Clearly, McMinnville will need to seek additional funding to balance its capital and operation/maintenance needs.

To address its long-range funding needs, the McMinnville TSP emphasizes a funding strategy through ODOT partnering and local supplement funding.

ODOT Partnering

Most Federal funding is passed through ODOT to the local jurisdictions. A good working relationship with ODOT Region 2 is important to successfully define and include McMinnville transportation improvement projects as part of the STIP, as it is updated every two years. ODOT maintains interstate and state highways - in McMinnville this includes Highways 18 and 99W. State and federal funds administered through ODOT are the primary sources of funding for improvements to these facilities.

ODOT's contribution towards transportation improvements in McMinnville are needed within the next 20 years. Five significant projects include partnering with McMinnville to:

- (1) Coordinate, implement and administer the city-wide traffic signal system control program,
- (2) Replace the Yamhill River Bridge,
- (3) Replace the Highway 18/Three-Mile Lane Interchange,
- (4) Reconstruct Highway 99W along the Adams-Baker one-way couplet, and
- (5) Complete the Highway 18/99W South Interchange Access Management Plan.



Rough Pavement on Adams Street

Local Supplement Funding

The City of McMinnville will likely look to local measures to fund additional operations and maintenance and future capacity projects. Potential funding sources are typically judged based on a number of criteria, including:

- legal authority
- financial capacity
- stability
- administrative feasibility
- equity
- political acceptability

The McMinnville TSP includes an assessment of the following measures which could be used to fund McMinnville's share of needed transportation system improvements:

- Street Utility Fee
- Street Improvement Bonds
- System Development Charges (SDC) (update or expansion)

Street Bond Measure

Local property taxes could be used to fund transportation improvements. Street capital improvements are typically funded by a serial levy that implements property taxes for a set period of time, often for a specific set or list of projects. Voter approval is required for serial levies. Property tax levies are primarily used to support General Obligation bonds that finance transportation improvements, because levies for bonded indebtedness are exempt from property tax limitations.

Since 1995, McMinnville voters approved of a \$ 7,415,000 million bond levy, from which the following street projects were completed:

- Lafayette Avenue Improvements
- West 2nd Street
- 2nd and Michelbook Signal
- Baker Creek Road Extension
- Fellows Street Pedestrian Improvements

System Development Charge

SDCs are generally based on a measurement of the demand that a new development places on the street system and the capital cost of meeting that demand. These are one time fees collected as the development comes on line. McMinnville adopted their SDC in 1994 for transportation SDCs by Ordinance.

Street Utility Fee

A new street utility fee could be adopted by the City to help off-set the annual costs of maintenance and operations, thereby enabling the City to apply a larger portion of State Highway Fund revenues towards needed capital improvements. The fee would be assessed to all businesses and households by the City for use of City streets based on the amount of use typically generated by that particular use, similar to how SDC's are applied to new land uses using the ITE Trip Generation Manual rates.

Summary Funding Strategy and Sources

The range of transportation funding mechanisms was reviewed to determine the most feasible methods available to meet the identified funding needs. A funding package combining current State revenues, SDCs, general obligation bond financing and local street utility fees appears to represent the most feasible funding strategy available to the City to meet expected, long-range capital and maintenance funding needs.

Table 9-1 summarizes the recommended strategy to enhance local funding options in support of the McMinnville TSP.

Additional evaluation of the economic impact of any new tax and bonding measures, particularly a street utility fee and general obligation bond, should be completed before holding a public vote and eventual implementation (assuming voter approval). Furthermore, the introduction of new local funding measures will require significant public support, and the City needs to define the local program to administer the street utility fee.

Table 9-1 Recommended Funding Strategy

| Local Funding Source | Targeted TSP Projects |
|----------------------------------|---|
| <i>Transportation SDC Update</i> | Capital Improvements that Add Capacity to meet Growth Demand |
| <i>City-Wide Street Bond</i> | Complete Street Projects of City-wide Benefit |
| <i>Street Utility Fee</i> | Supplement Funding of Maintenance and Operations Programs, Enables Redirection of City's State Highway Funds to CIP |

Summary

Like other cities in the state and nation, McMinnville faces challenges in providing a local transportation system able to meet the needs of its citizens. Having identified a total of over \$33.8 million in needed city transportation system improvements, the City must develop a strategy for funding its share of the need.

The City of McMinnville should coordinate with ODOT and the Governor's office to enhance the State's investment levels for Highways 18 and 99W and critical bridge replacements in and through McMinnville. Further State investment on these McMinnville projects are consistent with the state policy to maintain and enhance downtown areas, with direct and effective growth management and livability policy.

A combined funding package that includes the use of general obligation bonds, street utility fees and system development charges represents the preferred funding strategy. The City of McMinnville should conduct additional funding analysis of all of its programs to determine an appropriate type and mix of transportation funding program enhancements.

¹ City Streets: Investing in a Neglected Asset, League of Oregon Cities, 2007.

² See www.oregon.gov/ODOT/CS/FS/