

Public Works Department Transportation Discussion



Funding Strategies

City Council Work Session

January 22, 2024

DISCUSSION OUTLINE

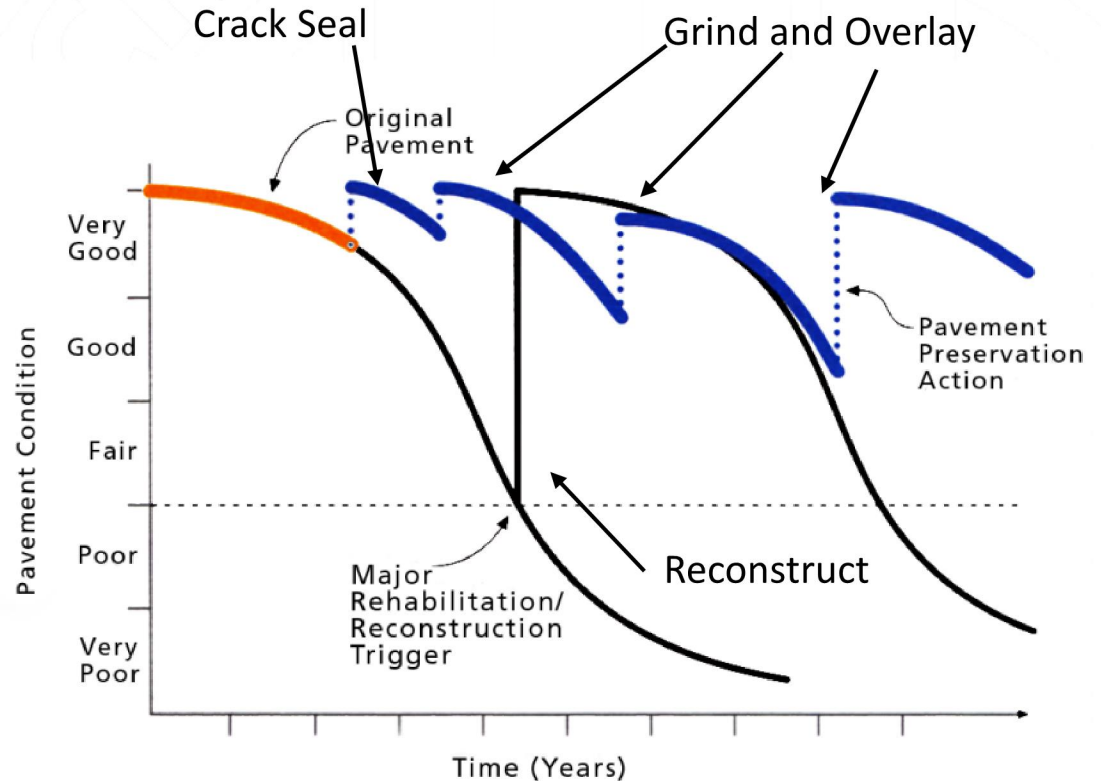
- Pavement Management Goals
 - Defining the target Level of Service for Albany streets
- Translate those goals into revenue need
 - What is the gap in annual funding needed to achieve the Level of Service?
- Possible sources of the needed revenue

WARNING

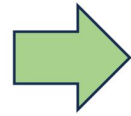
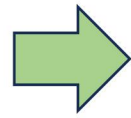
All estimates are based on industry standard assumptions for revenue generation potential, cost escalation, and longevity of capital investments

Keeping the Good Pavements Good

- The ideal strategy for pavement management: invest in (relatively) minor maintenance at appropriate intervals
- Only works for streets in good or fair condition
- The overall goal for our pavement management program is to get all streets to this level

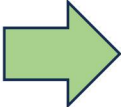
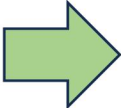
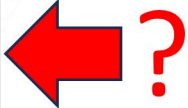


Current PCI for Albany Streets



PAVEMENT CONDITION	ARTERIAL		COLLECTOR		LOCAL	
	MILES	PERCENT	MILES	PERCENT	MILES	PERCENT
GOOD (100 TO 80)	4.3	20.1%	10.4	41.1%	54.1	37.8%
FAIR (79 TO 50)	16.7	78.3%	11.7	46.3%	36.8	25.7%
POOR (49 TO 0)	0.3	1.6%	3.2	12.6%	52.3	36.5%
TOTAL	21.3	100.0%	25.4	100.0%	143.2	100.0%

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Combined Street Annual Funding Gap

Arterials & Collectors	\$1.5 Million
Locals – Good & Fair Condition	\$3.0 Million
Locals – Poor Condition	\$8.3 Million
Total	\$12.8 Million

Assumptions:

- All streets are managed to maintained a target PCI of 60 or greater
- All streets in poor condition receive full reconstruction
- Arterials/Collectors receive grind/overlay every 20 years on average
- Local streets in good/fair condition receive grind/overlay every 40 years on average
- Slurry seal all local streets every 20 years on average
- Existing funding sources continue at current levels

Funding Strategies – Part One

- Keeping the good streets in good condition
- Annual funding gap for this portion of the plan:
 - \$1 million for good/fair arterial & collector streets
 - \$3 million for good/fair local streets
- Objective is to keep good/fair streets from falling into poor condition
 - When you've dug yourself a hole, first thing to do is stop digging.

Funding Strategies – Part Two

- Restoring failed arterials/collectors
- Not a lot of miles in this category
- Option 1: prepare a bond issuance for these roads
 - Not recommended. The street segments identified for the bond might not generate public support
- Option 2: prioritize existing funding to address these street segments over the next 5-10 years
 - Unlike local streets, there are sources of funding (STBG and SDCs) that can be used to rebuild failed arterials/collectors
 - If the condition of these street segments and others declines further, a bond can be considered when the problem is more ripe

Funding Strategies – Part Three

- Restoring failed local streets
- Total cost to reconstruct all local streets in poor condition: \$331.5M
- Important to implement Part One of this strategy to stop adding to the list of failed local streets
- Requires a dedicated portion of potential new local funding
 - Every \$1M in new annual funding could reconstruct approximately 2.75 blocks of typical local street

Funding Strategies – Proposed Revenue Target

Category of Street Work	Amount Needed Annually
Maintenance of Arterials/Collectors	\$1 million
Maintenance of Locals	\$3 million
Reconstruction of Locals	\$2 million
Total	\$6 million

Assumptions:

- All streets in good/fair condition receive slurry seal at appropriate interval
- Arterials/Collectors in good/fair condition receive grind/overlay every 20 years on average
- Local streets in good/fair condition receive grind/overlay every 40 years on average
- Arterials/Collectors in poor condition are reconstructed using other funding sources
- Local streets in poor condition are reconstructed using this proposed funding
- Existing funding sources continue at current levels

Funding Alternative – Franchise Fees

- The General Fund received \$6.1 million in franchise fee revenue in FY 23
- Council can direct all or some franchise fee revenue to the street fund. Council could then raise the City Services Fee to offset the loss of franchise fee revenue
 - Arguments for: PW does essentially all of the work related to managing franchise utilities and their impacts; franchise utilities directly use/impact the public ROW, maintenance of which is paid for by the street fund
 - Arguments against: the loss of \$6.1 million to the General Fund would be catastrophic; future Councils could undo this transfer leaving the street fund vulnerable; residential CSF would need to be increased significantly

Funding Alternative – Local Fuel Tax

- Arguments for:
 - Captures revenue from those using Albany streets, including non-residents
 - Could capture revenue from interstate travelers
- Arguments against:
 - Regressive tax
 - No ability to create a low-income or other discount program
 - Any change would require another vote of the public
- Estimated revenue per penny = \$300,000
 - Would require \$0.20 per gallon tax to fully fund proposed revenue target of \$6M/YR
 - $15,000\text{mi/year} \div 20\text{mi/gal} \times \$0.20/\text{gal} = \$150/\text{year}$ per typical car

Funding Alternative – Transportation Utility

- Arguments for:
 - All properties pay based on their impact to the street system
 - Flexible – can be phased-in, adjustments require only council action, can provide low-income discounts
 - Can be designed to indirectly capture revenue from nonresidents who use the system
- Arguments against:
 - Would not directly gather revenue from non-residents using our street system
- Rough estimate is that a monthly single residential equivalent charge of \$14.00-18.00 would be required to generate revenue target of \$6M/YR

Recommendations

1996 Mayor's Task Force Recommendations

- Additional funding above existing at that time (including general fund and franchise fees)
 - Implement In Lieu of Franchise Fees for water and sewer
 - Establish a Transportation Utility ✘
 - Issue a series of General Obligation bonds for large capital projects ✘

Current Staff Recommendation

- Establish a Transportation Utility
- Consider General Obligation bonds in the future as conditions change

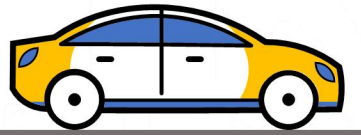
Conclusions and Discussion

- There are not adequate street funds to fully achieve the PCI goal for arterials/collectors or to prevent the further decay of local streets
- There are only a limited number of options to create ongoing dedicated street funding at the local level
- Staff recommends a revenue target that provides additional funding to fill the gap in arterial/collector maintenance; creates ongoing targeted maintenance for good/fair local streets; and begins to address failed local streets
- The approach will depend on the Council and community priorities and goals; any new funding will require significant public outreach

Conclusions and Discussion

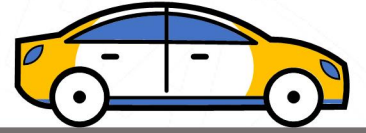
- Staff needs direction:
 - What is the Council's desired Level of Service?
 - For instance, do you want to pursue a different target PCI for arterials/collectors?
 - Do you want to include maintenance of good/fair local streets?
 - Do you want to include restoration of failed local streets?
 - What, if any, change or addition to street funding does the Council want to further explore?
 - Does the Council have specific input on a community outreach effort?

Public Works Department Transportation Discussion



Questions & Discussion

Next Steps



• Pavement 101

- TAC September 26, 2023
- Council Work Session October 9, 2023

• Funding Overview

- TAC October 24, 2023
- Council Work Session November 6, 2023

• Funding Alternatives

- TAC November 28, 2023
- Council Work Session December 11, 2023

Funding Strategy

- TAC January 23, 2024
- Council Work Session January 22, 2024

Recommendations

- TAC February 20, 2024
- Council Work Session February 26, 2024

Community Outreach

Current Street Funding Needs Arterials and Collectors

Average Annual Expenditures \$4,000,000*

Current Average Annual Expenditures \$2,500,000

Additional Annual Funding Needed \$1,500,000

Assumptions:

- Reconstruct streets in Poor Condition
- Grind and Overlay streets every 20 years on average to keep PCI>50
- Funding from STBG, State Gas Tax, and Water and Sewer ILFF

*This scenario will meet the City Council Strategic Plan Goal of maintaining arterial and collector streets to a minimum PCI of 60.

Current Street Funding Needs Local Streets – Good and Fair

Average Annual Expenditures \$3,500,000*

Current Average Annual Expenditures of \$500,000

Additional Annual Funding Needed \$3,000,000

Assumptions:

- Grind & Overlay Good and Fair Streets every 40 years on average
- Slurry Seal all streets every 20 years on average
- Funding from State Gas Tax and Water and Sewer ILFF

* This scenario will maintain local streets to a minimum PCI of 60.

Current Street Funding Need Local Streets – Poor

Average Annual Cost of \$8,300,000

Current Average Annual Expenditures of \$0

Additional Annual Funding Needed \$8,300,000

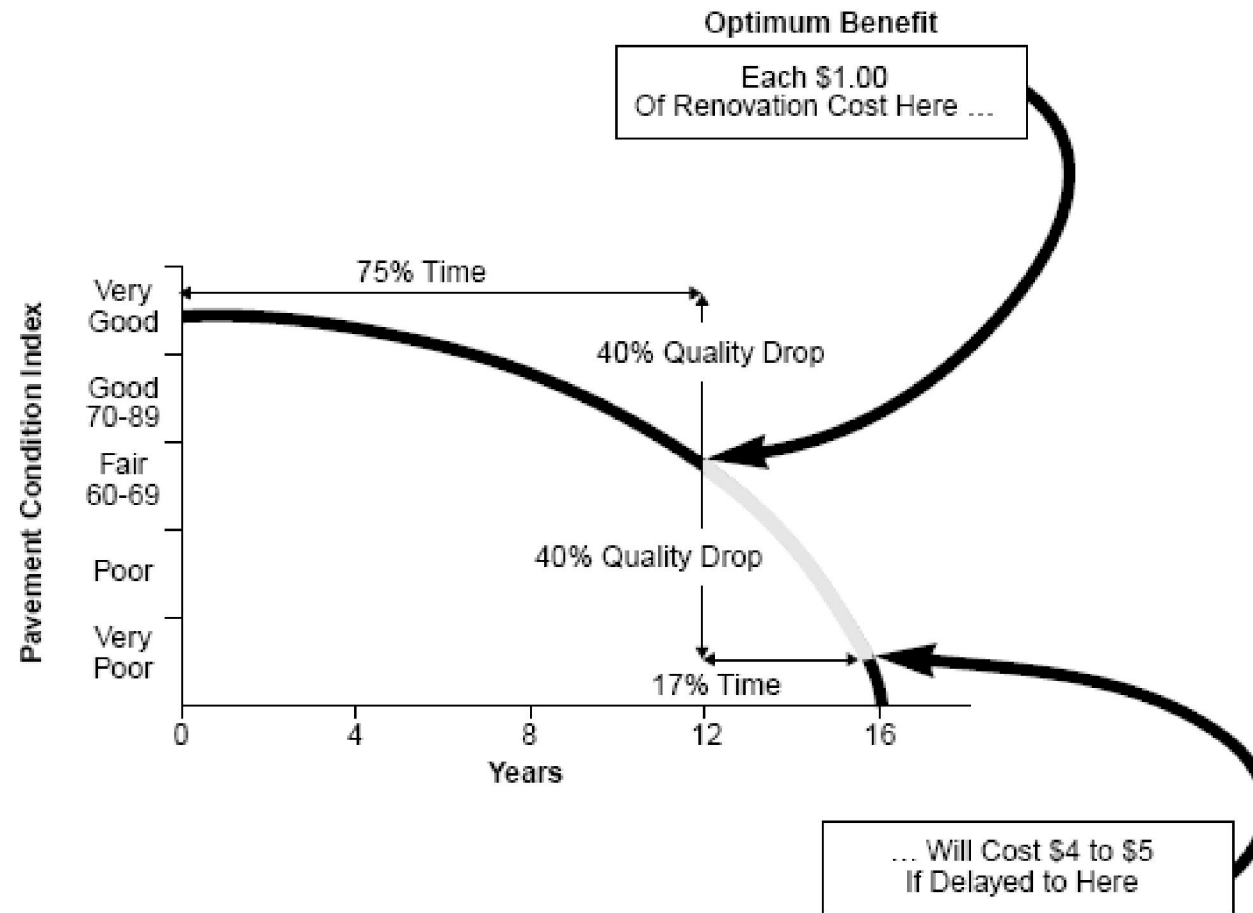
Assumptions:

- Reconstruct local streets in poor condition
- Improvements made over a 40-year period

Summary

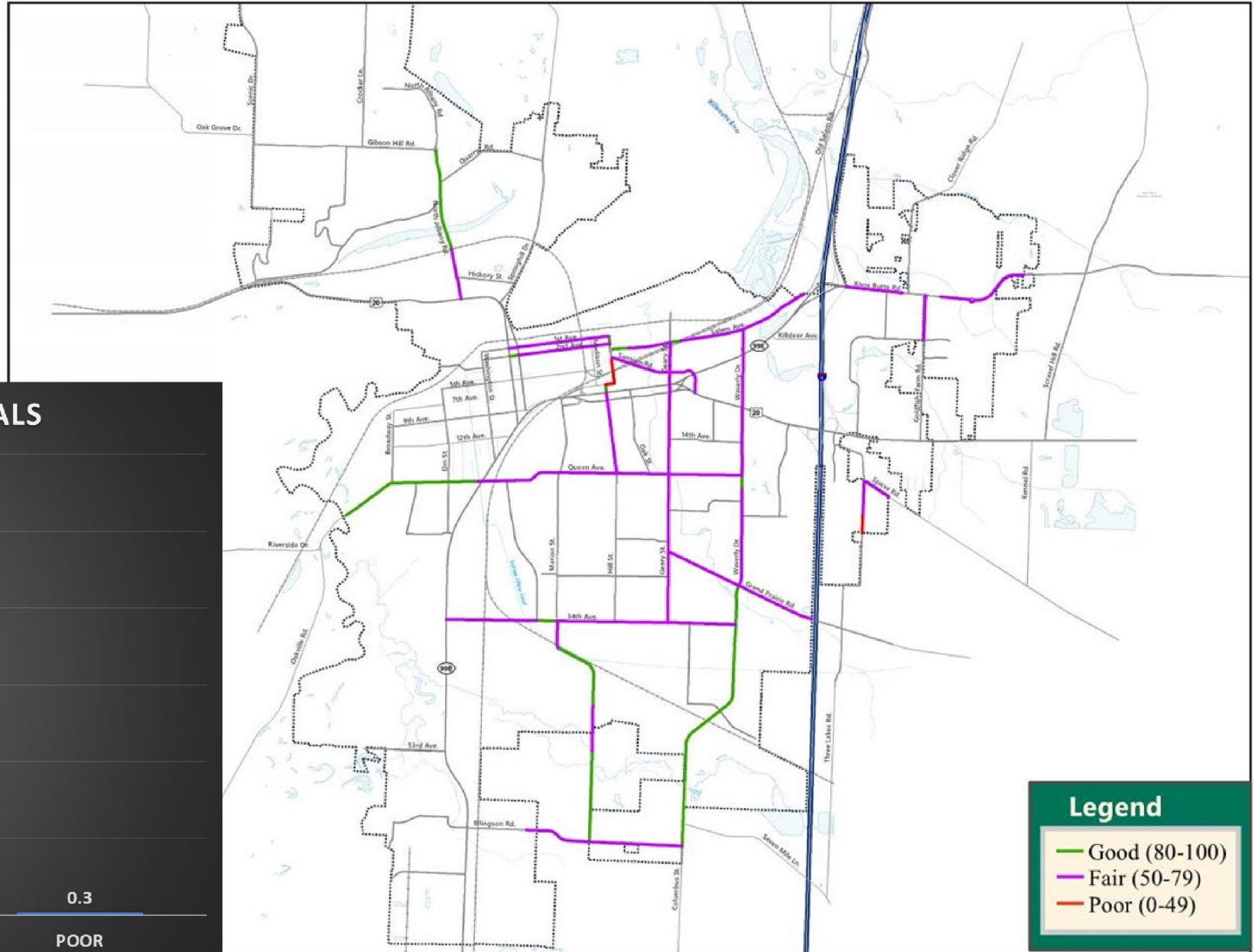
- Investing in routine pavement management is the most efficient way to keep streets in good/fair condition
- Targeted investment in arterials & collectors for the past 20 years has resulted in the majority of those streets being in good/fair condition
- The street fund receives on average \$7.8 million per year to fund all street fund activities of which pavement management is just one part
- The funding gap to get and keep all city streets to good/fair over the next 40 years is \$12.8 million per year in today's dollars

Pavement Renovation Economics

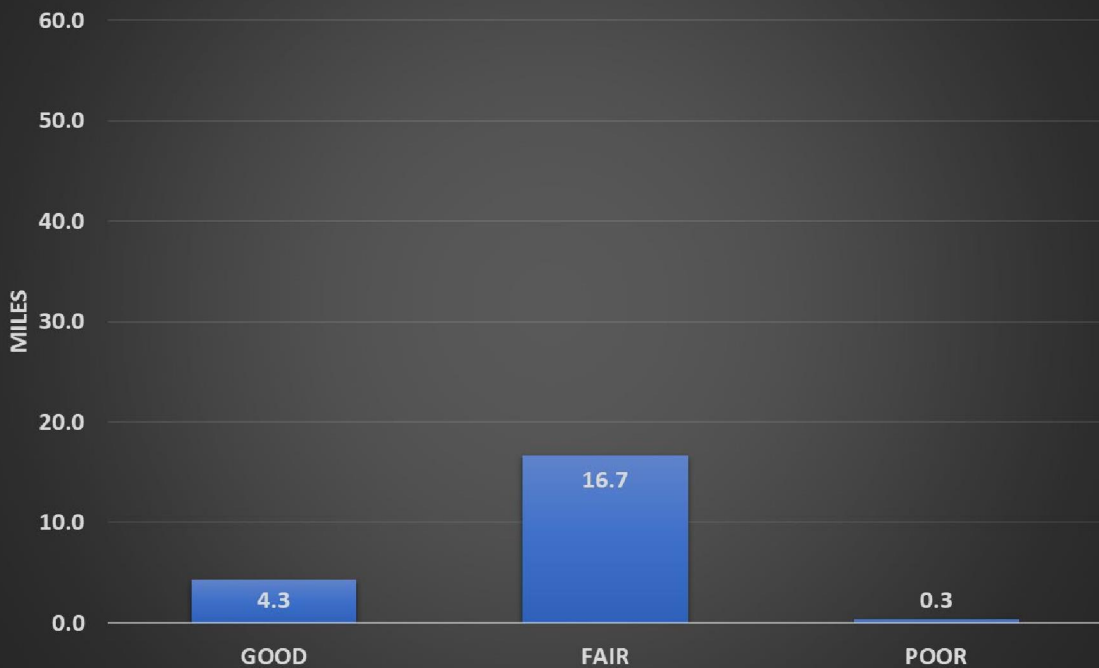


From the Local Agency Pavement Management Application Guide
Published by the Northwest Technology Transfer Center

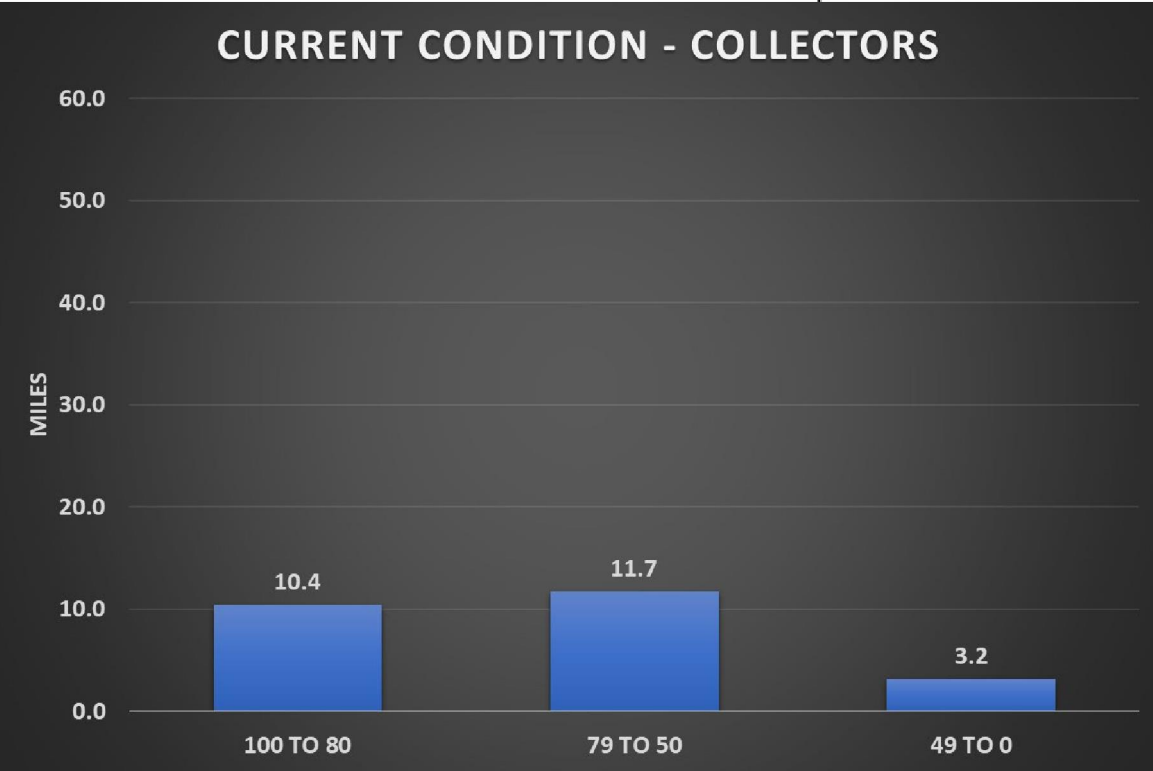
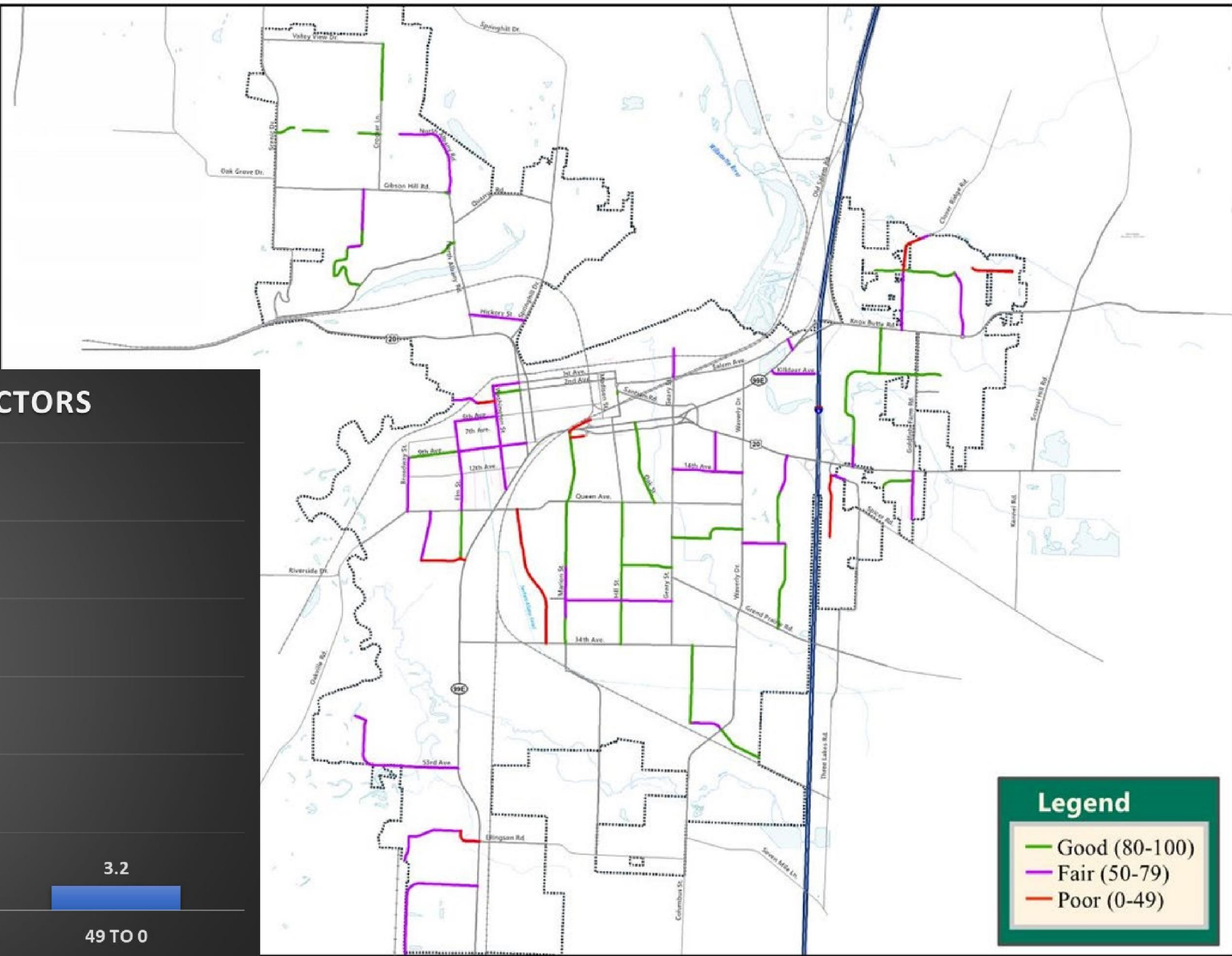
Current Condition - Arterials



CURRENT CONDITION - ARTERIALS



Current Condition - Collectors



Current Condition - Locals

