



TO: Albany City Council
VIA: Wes Hare, City Manager
FROM: Jeff Blaine, P.E., Public Works Engineering and Community Development Director
Chris Bailey, Public Works Operations Director
DATE: February 14, 2018, for the July 11, 2016, Council Work Session
SUBJECT: Local Gas Tax

RELATES TO STRATEGIC PLAN THEME: ● A Safe City
● Great Neighborhoods

Action Requested:

Staff recommends Council review the enclosed information and provides direction regarding a local gas tax ballot measure for the November 8, 2016, election.

Discussion:

At the June 22, 2016, City Council meeting, the Mayor suggested that Council consider whether or not to pursue a ballot measure establishing a local gas tax for the November election. Staff was directed to bring local gas tax information back to a Council work session to help facilitate further discussion. In order to meet the August 19 deadline to file a ballot title for the November election, Council would need to pass a resolution by the August 10, 2016, City Council meeting.

History of Local Street Funding

Having the needs of the street system exceed the financial resources available to address those needs is not a new problem for the City of Albany. Albany is not alone in this problem; the entire state system is declining. Over the years Albany has attempted to bridge the funding gap through several local street funding attempts.

In 1982 and 1991, Albany tried to create a local gasoline tax. Those attempts failed. In 1995 Albany tried to pass a \$10.8 million General Obligation bond. That attempt also failed. In 1996 a Mayor's Task Force was created to investigate the condition of the street system and to recommend possible solutions to the problems identified. The Task Force forwarded two primary recommendations to Council for further consideration.

The first recommendation was that a series of General Obligation bonds should be sold to repair specific streets. The second recommendation was the formulation of a Street System Utility to bridge the funding gap. A \$10 million street bond was successfully passed in 1998 but a second bond was defeated by the voters in 2000. A Street System Utility has not been pursued out of concern of overburdening rate payers.

Transportation System Development Charges (SDCs) were adopted in 1997. Franchise fees on the Water and Sewer Utilities that were dedicated to the street system were implemented in 1999; however, the revenues from the previously dedicated franchise utilities were moved to the General Fund. In 2011 the General Fund stopped contributing toward street light costs and street funds have been used in its place.

Current Street Funding & Condition

Most street maintenance activities and capital projects are currently funded through a mix of state shared gas taxes, In-Lieu of Franchise Fees (ILFF's) from sewer and water, SDC's, and Surface Transportation Program (STP) funds from the State through the Albany Area Metropolitan Planning Organization (AAMPO). The funds received through these revenue sources are not enough to adequately address all of the needs within the street system. Funds that are available for capital

projects and major maintenance activities are typically directed to arterial and collector streets. Residential streets receive the least attention, although some targeted projects around high use/need areas, such as schools, are completed. The lack of resources dedicated to residential streets is evident in staff’s condition assessment summary below. Without additional resources to adequately maintain street infrastructure, streets in each of the classifications will degrade over time.

Pavement Condition in Miles

Street Classification	Total (Lineal)	Very Good	Good	Poor	Very Poor
Arterial	26.09	14.75	11.34	0.00	0.00
Collector	16.16	7.10	7.27	1.79*	0.00
Residential/Local	153.62	69.88	29.93	42.11	11.70
Total	195.87	91.73	48.54	43.90	11.70

Pavement Condition by Percent

Street Classification	Very Good	Good	Poor	Very Poor
Arterial	57%	43%	0%	0%
Collector	44%	45%	11%*	0%
Residential/Local	45%	19%	27%	8%

*Over one mile of this is Hill Street which is scheduled for reconstruction within the five-year window of the CIP.

Local Gas Tax Revenue Estimate

The amount of revenue Albany could receive through a local gas tax is dependent on the amount of gas sold in Albany and the voter-approved tax rate. Accurate information regarding the amount of gas sold by community is not readily available. For estimating purposes, ODOT staff suggests relying on local gas tax data from the City of Springfield, which is a similarly sized community with a similar geographic relationship to Interstate 5. Based on that comparison, ODOT estimates that Albany could potentially receive around \$250,000 per penny tax.

Local gas tax rates vary by community. At least 20 cities in Oregon have gas taxes that range from \$0.01 to \$0.05 per gallon. The most common rate is \$0.03 per gallon. Portland voters recently approved Oregon’s highest local gas tax at \$0.10 per gallon (expires in four years). If Albany were to pass a \$0.03 per gallon gas tax, it could potentially generate around \$750,000 per year in additional revenue for the street system.

Use of Local Gas Tax Revenue

How local gas tax revenues are used is largely a policy decision. The only requirement is that revenues must be used exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas. Council could choose to direct funds towards a specific street classification, the worst streets regardless of classification, the location that provides the best long-term return on investment, or any other criteria that Council identifies.

The table below provides a general estimate of the typical amount of work that could be completed with \$750,000 of gas tax revenue for three different treatment options. Standalone overlays are generally a preservation technique and only appropriate for streets in very good condition. Streets

in lesser condition will require some level of rehabilitation or full reconstruction. Rehabilitation can include varying degrees of spot repairs or alternative full width rehabilitation techniques such as full depth reclamation.

<i>Pavement Treatment in Miles</i>			
<i>Street Classification</i>	<i>2-inch Overlay</i>	<i>Rehabilitation</i>	<i>Reconstruction</i>
Arterial	0.59	0.15	0.14
Collector	0.68	0.21	0.19
Residential/Local	1.09	0.47	0.24

One-inch overlays may also be an option for residential streets. The cost to complete 1.31 miles of 1-inch overlay would be \$750,000.

Preparation for a Ballot Measure

There is a great deal of work that would need to be completed in order to ensure the best chance at a successful vote. Public Works staff has identified a list of tasks that they would suggest be completed prior to an election on a local gas tax. These include detailed evaluations of priority streets; developing the methodology for the fuel tax including identifying specific projects to be funded; gathering input from the community on the local gas tax concept and the types of projects proposed under the gas tax; and engaging with stakeholders such as the Traffic Safety Commission, Bike and Pedestrian Commission, the Chamber of Commerce, local fuel retailers, and others.

Even if other projects are put on hold to prioritize gas tax efforts, staff is concerned that the timeline may be too short for the type/volume of work necessary to create a successful ballot measure. The City of Portland approved a local tax measure in the May 2016 election. Portland Bureau of Transportation staff began working on transportation funding three years prior to the election, and began work in earnest on a local gas tax more than one year prior to the election. The City of Bend, who was unsuccessful in their March 2016 attempt at a local gas tax, began their efforts approximately one year prior to the election. Staff is also concerned about proposing a local gas tax at the same time new stormwater fees are being developed.

Staff has identified the following questions to consider should Council decide to pursue additional street funding:

- Is a gas tax the Council’s preferred street funding alternative or should a street utility, general obligation bonds, local improvement districts, increased in-lieu-of franchise fees, redirection of franchise fees, or cost sharing for street lights also be considered?
- What is the desired level of service (what is the revenue target)?
- What is the desired scope of improvements to be completed with the tax?
- Should the tax be applied to gas and diesel?
- Should the tax sunset at a specific point in time?
- What is the desired public outreach process?
- Should the City retain a consultant experienced with developing gas taxes?
- What additional, on-going resources may be needed to manage the local gas tax and deliver capital projects?

Budget Impact:

There is no budget impact at this time.