

VII. POTENTIAL IMPLEMENTATION MECHANISMS

This chapter identifies potential implementation mechanisms and a spreadsheet that prioritizes projects according to high, medium, or low; identifies cost implications, and potential implementation mechanisms. There are several potential mechanisms available for implementing transportation improvements in Wheeler. This section identifies potential mechanisms according to the following categories:

- Revenue Resources
- Grants and Loans
- ODOT Funding Sources
- Volunteer Labor and Material Donation

REVENUE RESOURCES

In order to finance the recommended transportation system improvements requiring expenditure of capital resources, it will be important to consider a range of funding sources. Although the property tax has traditionally served as the primary revenue source for local governments, property tax revenue goes into general fund operations, and is typically not available for street improvements or maintenance. Despite this limitation, the use of alternative revenue funding has been a trend throughout Oregon as the full implementation of Measure 5 and 47 has significantly reduced property tax revenues (see below). *The alternative revenue sources described in this section may not all be appropriate in Wheeler; however, this overview is being provided to illustrate the range of options currently available to finance transportation improvements during the next 20 years.*

Property Taxes

Property taxes have historically been the primary revenue source for local governments. However, property tax revenue goes into general fund operations, and is not typically available for street improvements or maintenance. The dependence of local governments on this revenue source is due, in large part, to the fact that property taxes are easy to implement and enforce. Property taxes are based on real property (i.e. land and buildings) which has a predictable value and appreciation to base taxes upon. This is as opposed to income or sales taxes that can fluctuate with economic trends or unforeseen events.

Property taxes can be levied through: 1) tax base levies, 2) serial levies, and 3) bond levies. The most common method uses tax base levies, which do not expire and are allowed to increase by six percent per annum. Serial levies are limited by amount and time they can be imposed. Bond levies are for specific projects and are limited by time based on the debt load of the local government on the project.

The historic dependence on property taxes is changing with the passage of Ballot Measure 5 in the early 1990s. Ballot Measure 5 limits the property tax rate for purposes other than payment of certain voter-approved general obligation indebtedness. Under full implementation, the tax rate for all local taxing authorities is limited to \$15 per \$1,000 of assessed valuation. As a group, all non-school taxing authorities are limited to \$10 per \$1,000 of assessed valuation. All tax base, serial, and special levies are subject to the tax rate limitation. Ballot Measure 5 requires that all non-school taxing districts' property tax rate be reduced if together they exceed \$10 per \$1,000 of assessed valuation, then all of the taxing districts' tax rates are reduced on a proportional basis. The proportional reduction in the tax rate is commonly referred to as compression of the tax rate.

Measure 47, an initiative petition, was passed by Oregon voters in November 1996. It is a constitutional amendment that reduces and limits property taxes and limits local revenues and replacement fees. The measure limits 1997-98 property taxes to the lesser of the 1995-96 tax minus 10 percent, or the 1994-95 tax. It limits future annual property tax increases to three percent, with exceptions. Local governments' lost revenue may be replaced only with state income tax, unless voters approve replacement fees or charges. Tax levy approvals in certain elections require 50 percent voter participation.

The state legislature created Measure 50 which retains the tax relief of Measure 47 but clarifies some legal issues. This revised tax measure was approved by voters in May 1997.

The League of Oregon Cities (LOC) estimated that direct revenue losses to local governments, including school districts, will total \$467 million in fiscal year 1998, \$553 million in 1999, and increase thereafter. The actual revenue losses to local governments will depend on actions of the Oregon legislature. LOC also estimates that the state will have revenue gains of \$23 million in 1998, \$27 million in 1999, and increase thereafter because of increased personal and corporate tax receipts due to lower property tax deduction.

Measure 50 adds another layer of restrictions to those which govern the adoption of tax bases and levies outside the tax base, as well as Measure 5's tax rate limits for schools and non-schools and tax rate exceptions for voter approved debt. Each new levy and the imposition of a property tax must be tested against a longer series of criteria before the collectible tax amount on a parcel of property can be determined.

System Development Charges

System Development Charges (SDCs) are becoming increasingly popular in funding public works infrastructure needed for new local development. Generally, the objective of systems development charges is to allocate portions of the costs associated with capital improvements on land development projects, which increase demand on transportation, water, sewer, other infrastructure systems, and public services.

Local governments have the legal authority to charge property owners and/or developers fees for improving the local public works infrastructure based on projected demand resulting from their development. The charges are most often targeted towards improving community water, sewer, or transportation systems. Cities and counties must have specific infrastructure plans in place that comply with state guidelines in order to collect SDCs.

Typically, the fee is collected when new building permits are issued. Transportation SDCs are based on trip generation of the proposed development. Residential calculations would be based on the assumption that a typical household will generate a given number of vehicle trips per day.

Nonresidential use calculations are based on employee ratios for the type of business or industrial uses. The SDC revenues help fund the construction of transportation facilities necessitated by new development.

State Highway Fund

Gas tax revenues received from the State of Oregon are used by all counties and cities to fund street and road construction and maintenance. In Oregon, the State collects gas taxes, vehicle registration fees, overweight/overheight fines and weight/mile taxes, and returns a portion of the revenues to cities and counties through an allocation formula. The revenue share to cities is divided among all incorporated cities based on population. Oregon cities typically use state gas tax allocations to fund street construction and maintenance.

Local Gas Taxes

The Oregon Constitution permits counties and incorporated cities to levy additional local gas taxes with the stipulation that the moneys generated from the taxes will be dedicated to street-related improvements and maintenance within the jurisdiction. At present, only a few local governments (including the cities of Woodburn and The Dalles, and Multnomah and Washington Counties) levy a local gas tax. The City of Wheeler may consider raising its local gas tax as a way to generate additional street improvement funds. However, with relatively few jurisdictions exercising this tax, an increase in the cost differential between gas purchased in Wheeler and gas purchased in neighboring communities may encourage drivers to seek less expensive fuel elsewhere. Any action will need to be supported by careful analysis to minimize the unintended consequences of such an action.

Vehicle Registration Fees

The Oregon Vehicle Registration Fee is allocated to state, counties and cities for road funding. Oregon counties are granted authority to impose a vehicle registration fee covering the entire county. The Oregon Revised Statutes would allow Tillamook County to impose a biannual registration fee for all passenger cars licensed within the County. Although both counties and special districts have this legal authority, vehicle registration fees have not been imposed by local jurisdictions. A disincentive to employing such a fee may be the cost of collection and administration. In order for a local vehicle registration fee program to be viable in Tillamook County, all incorporated cities and the county would need to formulate an agreement which would detail how the fees would be spent on future street construction and maintenance.

Local Improvement Districts

The Oregon Revised Statutes allow local governments to form Local Improvement Districts (LIDs) to construct public improvements. LIDs are most often used by cities to construct localized projects such as streets, sidewalks, bikeways, or utilities. The statutes allow formation of a district by either the city government or property owners. Cities that use LIDs are required to have a local LID ordinance that provides a process for district formation and payback property owners within a specified area. The cost can be allocated based on property frontage or other methods such as traffic trip generation. The types of allocation methods are only limited by the Local Improvement Ordinance. The cost of LID participation is considered an assessment against the property which is a lien equivalent to a tax lien. Individual property owners typically have the option of paying the assessment in cash or applying for assessment financing through the city. Since the passage of Ballot Measure 5, cities have most often funded local improvement districts through the sale of special assessment bonds.

Local Trust Funds and Fees

Although not commonly implemented, local trust funds and local fees can be assessed by a local jurisdiction to generate revenue. In Wheeler, this could be a method for generating revenue for additional parking. A parking trust fund would be an alternative for meeting parking requirements, i.e. in lieu of providing parking spaces, a fee could be charged for parking spaces. The fees generated in the trust fund would then be used to assist in the financing of a public parking lot or structure.

Businesses could be assessed an annual public parking fee. The parking fee could be based on square footage of the business or by seating capacity for restaurants and charter boats. This would provide the City with an ongoing income that could be used to provide additional parking and to retire any debt incurred to provide additional parking.

GRANTS AND LOANS

There are a variety of grant and loan programs available, most with specific requirements relating to economic development or specific transportation issues, rather than for the general construction of new streets. Many programs require a match from the local jurisdiction as a condition of approval. Because grant and loan programs are subject to change as well as statewide competition, they should not be considered a secure long-term funding source for Wheeler. Most of the programs available for transportation projects are funded and administered through ODOT and/or the Oregon Economic Development Department (OEDD).

Bike-Pedestrian Grants

By law (ORS 366.514), all road street or highway construction or reconstruction projects must include facilities for pedestrians and bicyclists, with some exceptions. ODOT's Bike and Pedestrian Program administers two programs to assist in the development of walking and bicycling improvements: local grants, and Small-Scale Urban Projects. Cities and counties with projects on local streets are eligible for local grant funds. An 80 percent state/20 percent local match ratio is required. Eligible projects include curb extensions, pedestrian crossings and intersection improvements, shoulder widening and restriping for bike lanes. Projects on urban state highways

with little or no right-of-way taking and few environmental impacts are eligible for Small-Scale Urban Project Funds. Both programs are limited to projects costing up to \$100,000. Projects that cost more than \$100,000 require right-of-way acquisition or have environmental impacts should be submitted to ODOT for inclusion in the STIP.

Enhancement Program

This federally funded program earmarks \$8 million annually for projects in Oregon. Projects must demonstrate a link to the intermodal transportation system, compatibility with approved plans, and local financial support. A 10.27 percent local match is required for eligibility. Each proposed project is evaluated against all other proposed projects in the region. Within the five Oregon regions, the funds are distributed on a formula based on population, vehicle miles traveled, number of vehicles registered, and other transportation-related criteria. The initial solicitation for applications was mailed to cities and counties October 1998. Local jurisdictions had until January 1999 to complete and file applications for funding available during the 2000-2003 fiscal years, which began October 1999.

Highway Bridge Rehabilitation or Replacement Program

The Highway Bridge Rehabilitation Program (HBRR) provides federal funding for the replacement and rehabilitation of bridges of all functional classifications. A portion of the HBRR funding is allocated for the improvement of bridges under local jurisdiction. A quantitative ranking system is applied to the proposed projects based on sufficiency rating, cost factor, and load capacity. They are ranked against other projects statewide, and require state and local matches of 10 percent each. It includes the Local Bridge Inspection Program and the Bridge Load Rating Program.

Transportation Safety Grant Program

Managed by ODOT's Transportation Safety Section (TSS), this program's objective is to reduce the number of transportation-related accidents and fatalities by coordination a number of statewide programs. These funds are intended to be used as seed money, funding a program for three years. Eligible programs include programs in impaired driving, occupant protection, youth, pedestrian, speed, enforcement, bicycle and motorcycle safety. Every year, TSS produces a Highway Safety Plan that identifies the major safety programs, suggests counter measures to existing safety problems, and lists successful projects selected for funding, rather than granting funds through an application process.

Special Transportation Fund

The Special Transportation Fund (STF) awards funds to maintain, develop, and improve transportation services for people with disabilities and people over 60 years of age. Financed by a two-cent tax on each pack of cigarettes sold in the state, the annual distribution is approximately \$5 million. Three-quarters of these funds are distributed to mass transit districts, transportation districts, and where such districts do not exist, counties, or a per-capita formula. The remaining funds are distributed on a discretionary basis.

Special Small City Allotment Program

The Special Small City Allotment Program (SCA) is restricted to cities with populations under 5,000 residents. Unlike some other grant programs, no locally funded match is required for participation. Grant amounts are limited to \$25,000 and must be earmarked for surface projects (drainage, curbs, sidewalks, etc.) However, the program does allow jurisdictions to use the grants to leverage local funds on non-surface projects if the grant is used specifically to repair the affected area. Criteria for the \$1 million in total annual grant funds include traffic volume, the five-year rate of population growth, surface wear of the road, and the times since the last SCA grant.

Immediate Opportunity Grant Program

The Oregon Economic Development Department (OEDD) and ODOT collaborate to administer a grant program designed to assist local and regional economic development efforts. The program is funded to a level of

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approximately \$7 million per year through state gas tax revenues. The following are primary factors in determining eligible projects:

- Improvement of public roads;
- Inclusion of an economic development-related project of regional significance;
- Creation of retention of primary employment; and
- Ability to provide local funds (50/50) to match grant.

The maximum amount of any grant under the program is \$500,000. Local governments which have received grants under the program include: Washington County, Multnomah County, Douglas County, the City of Hermiston, Port of St. Helens, and the City of Newport.

Oregon Special Public Works Fund

The Special Public Works Fund (SPWF) program was created by the 1995 State Legislature as one of several programs for the distribution of funds from the Oregon Lottery to economic development projects in communities throughout the state. The program provides grant and loan assistance to eligible municipalities primarily for the construction of public infrastructure which support commercial and industrial development that result in permanent job creation or job retention. To be awarded funds, each infrastructure project must support businesses wishing to locate, expand, or remain in Oregon. SPWF awards can be used for improvement, expansion, and new construction of public sewage treatment plants, water supply works, public roads, and transportation facilities.

While SPWF program assistance is provided in the form of both loans and grants, the program emphasizes loans in order to assure that funds will return to the state over time for reinvestment in local economic development infrastructure projects. Jurisdictions that have received SPWF funding for projects that include some type of transportation-related improvement include the cities of Baker City, Bend, Cornelius, Forest Grove, Madras, Portland, Redmond, Reedsport, Toledo, Wilsonville, Woodburn, and Douglas County.

Oregon Transportation Infrastructure Bank

The Oregon Transportation Infrastructure Bank (OTIB) program is a revolving loan fund administered by ODOT to provide loans to local jurisdictions (including cities, counties, special districts, transit districts, tribal governments, ports, and state agencies). Eligible projects include construction of federal-aid highways, bridges, roads, streets, bikeways, pedestrian accesses, and right-of-way costs. Capital outlays such as buses, light-rail cars and lines, maintenance yards and passenger facilities are also eligible.

ODOT FUNDING OPTIONS

The State of Oregon provides funding for all highway related transportation projects through the Statewide Transportation Improvement Program (STIP) administered by the Oregon Department of Transportation. The STIP outlines the schedule for ODOT projects throughout the State. The STIP, which identifies projects for a three-year funding cycle, is updated on an annual basis. Starting with the 1998 budget year, ODOT will then identify projects for a four-year funding cycle. In developing this funding program, ODOT must verify that the identified projects comply with the Oregon Transportation Plan (OTP), ODOT Modal Plans, Corridor Plans, local comprehensive plans, and TEA-21 planning requirements. The STIP must fulfill federal planning requirements for staged, multi-year, statewide, intermodal program of transportation projects. Specific transportation projects are prioritized based on federal planning requirements and the different State plans. ODOT consults with local jurisdictions before highway related projects are added to the STIP.

The highway-related projects identified in Wheeler's TSP will be considered for future inclusion on the STIP. The timing of including specific projects will be determined by ODOT based on an analysis of all the project needs within Region. The City of Wheeler, Tillamook County, and ODOT will need to communicate on an

annual basis to review the status of the STIP and the prioritization of individual projects within the project area. Ongoing communication will be important for the city, county, and ODOT to coordinate the construction of both local and state transportation projects.

ODOT also has the option of making small highway improvements as part of their ongoing highway maintenance program. Types of road construction projects that can be included within the ODOT maintenance programs are intersection realignments, additional turn lanes, and striping for bike lanes. Maintenance related construction projects are usually done by ODOT field crews using state equipment. The maintenance crews do not have the staff or specialized road equipment needed for large construction projects.

An ODOT funding technique that may have future application to Wheeler's TSP is the use of state and federal transportation dollars for off-system improvements. ODOT has the authority and ability to fund transportation projects that are located outside the boundaries of the highway corridors. It is expected that this funding technique will be used to finance local system improvements that reduce traffic on state highways or reduce the number of access points for future development along state highways.

Financing Tools

In addition to funding options, the recommended improvements listed in this plan may benefit from a variety of financing options. Although often used interchangeably, the words financing and funding are not the same. Funding is the actual generation of revenue by which a jurisdiction pays for improvements, some examples include the sources discussed above: property taxes, SDCs, fuel taxes, vehicle registration fees, LIDs, and various grant programs. In contrast, financing refers to the collecting of funds through debt obligations.

There are a number of debt financing options available to the City of Wheeler. The use of debt to finance capital improvements must be balanced with the ability to make future debt service payments and to deal with the impact on its overall debt capacity and underlying credit rating. Again, debt financing should be viewed not as a source of funding, but as a time shifting of funds. The use of debt to financing these transportation-system improvements is appropriate since the benefits from the transportation improvements will extend over the period of years. If such improvements were to be tax financed immediately, a large short-term increase in the tax rate would be required. By utilizing debt financing, local governments are essential; spreading the burden of the costs of these improvements to more of the people who are likely to benefit from the improvements and lowering immediate payments.

General Obligation Bonds

General obligation (GO) bonds are voter-approved bond issues which represent the least expensive borrowing mechanism available to municipalities. GO bonds are typically supported by a separate property tax levy specifically approved for the purposes of retiring debt. The levy does not terminate until all debt is paid off. The property tax levy is distributed equally throughout the taxing jurisdiction according to assessed value of property. GO debts typically are used to make public improvement projects that will benefit the entire community.

State statutes require that the GO indebtedness of a city not exceed three percent of the real market value of all taxable property in the city. Since GO bonds would be issued subsequent to voter approval, they would not be restricted to the limitations set forth in Ballot Measures 5, 47, and 50. Although new bonds must be specifically voter approved, Measure 47 and 50 provisions are not applicable to outstanding bonds, unissued voter-approved bonds, or refunding bonds.

Limited Tax Bonds

Limited tax general obligation (LTGO) bonds are similar to general obligation bonds in that they represent an obligation of the municipality. However, a municipality's obligation is limited to its current revenue sources and is not secured by the public entity's ability to raise taxes. As a result, LTGO bonds do not require voter approval. However, since the LTGO bonds are not secured by the full taxing power of the issuer, the limited tax bond

represents a higher borrowing cost than GO bonds. The municipality must pledge to levy the maximum amount under constitutional and statutory limits, but are not the unlimited taxing authority pledged with GO bonds. Because LTGO bonds are not voter approved, they are subject to the limitations of Ballot Measures 5, 47, and 50.

Bancroft Bonds

Under Oregon Statute, municipalities are allowed to issue Bancroft bonds which pledge the city's full faith and credit to assessment bonds. As a result, the bonds become general obligations of the city but are paid with assessments. Historically, these bonds provided a city with the ability to pledge its full faith and credit in order to obtain a lower borrowing cost without requiring voter approval. However, since Bancroft bonds are not voter approved, taxes levied to pay debt service on them are subject to the limitations of Ballot Measures 5, 47, and 50. As a result, since 1991, Bancroft bonds have not been used by municipalities who were required to compress their tax rates.

VOLUNTEER LABOR AND MATERIAL DONATION

Volunteer labor and material donation is a potential mechanism for implementing transportation related improvements. This type of implementation mechanism typically should not be viewed as an ongoing long-term solution for making improvements.

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WHEELER TRANSPORTATION SYSTEM PLAN PROJECT LIST					
#	Project	Priority	Cost Estimate	Constraints	Potential Implementation Mechanisms
HIGHWAY 101/DOWNTOWN IMPROVEMENTS					
A.	Prepare a Downtown Refinement Plan	High	\$15,000-25,000	Obtain grant for Plan Significant cost for final design and construction. Downtown Refinement Plan needs to include phasing plan	City, State Grant
LOCAL STREET NETWORK CONNECTIONS					
B.	First Street Extensions	Medium	\$200,00 (excluding land acquisition)	Topographical constraints	City, State, Developers/Property Owners
C.	Fourth Street Extensions	Medium	\$600,000 to \$1,500,000 per phase (3 phases)	Topographical constraints	City, State, Developers/Property Owners
SITE SPECIFIC STREET-RELATED IMPROVEMENT PROJECT					
D.	Waterfront Circulation and Parking Improvements	High	Estimate in Downtown Refinement Plan		Port of Tillamook Bay, State
E.	Highway 101/Pennsylvania Intersection Realignment	Medium	Detailed study (\$5,000) needed to determine construction estimate.	Topographical constraints	State
F.	Hall Street/Third Street Curve	Medium	Acquisition of land if not able to negotiate access easement	Negotiations with current property owner	City
G.	Hemlock Street/Third Street	Medium	Acquisition of land	Negotiations with current property owner	City
H.	Additional and Convenient RV Parking	Medium	Estimate in Downtown Refinement Plan	Limited locations	
I.	Gateway Improvements	Medium	\$25,000		City, ODOT
J.	Citywide Stormwater Master Plan	Medium	\$15,000 to \$25,000 to produce plan		City, State Grant
PEDESTRIAN AND BIKEWAY SYSTEM ELEMENT					
K.	Highway 101	Medium	\$250,000		City, ODOT
L.	Gervais Creek Pathway	Low	\$40,000	Topographic constraints	City, State Grant
M.	Akin Street	Low	\$20,000		City, State Grant
N.	Second Street	Low	\$35,000		City, State Grant
O.	Vosburg Creek Pathway	Low	\$60,000		City, State Grant
P.	Third Street and Dichter Drive	Low	\$50,000		City, State Grant