KITTELSON & ASSOCIATES, INC.
TRANSPORTATION ENGINEERING / PLANNING
610 SW Alder Street, Suite 700, Portland, OR 97205 P 503.228.5230 F 503.273.8169

FALLS CITY TRANSPORTATION SYSTEM PLAN

Draft Technical Memorandum #4 – Transportation Financing Program

Date:	November 21, 2012	Project #:11988
To:	Amber Mathieson, Amy Houghtaling, & Project Advisory Committee	
From:	Matt Hughart (KAI) and Todd Chase (FCS Group)	
cc:	Naomi Zwerdling (ODOT) and Marjorie Mattson (MWVCOG)	

A list of planned multi-modal transportation improvements were identified in Technical Memorandum #3 (Identified Transportation Improvements). This memorandum also provided a general estimate of the priority/timing of improvements as well as a conceptual capital cost estimates. The following memorandum provides an overview of existing and anticipated funding sources and identifies additional strategies for funding capital projects.

CURRENT TRANSPORTATION FUNDING SOURCES

Falls City currently funds local transportation operations, maintenance and construction activities using a "Street Fund". This fund relies upon the following revenue streams:

- State Highway Fund revenues: For cities and counties in Oregon, distributions from the State Highway Fund (SHF) are a primary source of revenue for transportation needs. These distributions, based on population, represent each local government's share of the State's fuel tax, weight-mile tax, and vehicle registration fees.
- General Fund revenues: At the discretion of the City Council, the City can allocate General Fund revenues (the largest portion of which is property tax) to pay for any portion of its transportation needs.
- State/Federal Grants: The City can apply for various grants to improve their transportation infrastructure. These grants are typically competitive, and to be eligible, most grant applications require a formal acknowledgement/adoption of a project on the local transportation system plan or capital improvement plan.

PROJECTED TRANSPORTATION FUNDING

Technical Memorandum #1 documented the funding sources of transportation projects within Falls City over the previous five years. There were eight projects completed within Falls City over this time

period for a total of approximately &80,700 (2011 dollars). Only a portion of these projects came from dedicated local funds. The majority came from grants administered by ODOT SCA Grants.

An average of approximately $10,100 has been spent on transportation projects over the last eight years in Falls City. Of this, Falls City has provided approximately $4,200 per year on average for transportation projects with the remainder $5,900 being provided by ODOT and ODOT grants. An estimate of future funding was based on past funding trends.

Table 1 provides a summary of the estimated future project funding over the next five, ten, and twenty years based on an assumed average funding level of approximately $10,100 per year (the forecast numbers are cumulative). As shown in Table 1, approximately $202,000 is projected to be available over the next twenty years for transportation projects based on historic funding levels from the City and ODOT/ODOT grants.

Table 1 – Forecast Future Transportation Funding

	5-Year Forecast	10-Year Forecast	20-Year Forecast
City Funds	$21,000	$42,000	$84,000
ODOT/Grant Funds	$29,500	$59,000	$118,000
Total	$50,500	$101,000	$202,000

IDENTIFIED TRANSPORTATION IMPROVEMENT COSTS

Table 2 provides an overview of the identified transportation improvements documented in Technical Memorandum #3. As shown, the total cost of the project list is approximately $1,100,000.

Table 2 – Planning Level Transportation Improvement Costs (Identified List)

Type	Near-Term	Long-Term	Total
Roadway	-	$24,000	$24,000
Bicycle/Pedestrian	$233,400	$832,000	$1,065,400
Total	**$233,400**	**$856,000**	**$1,089,400**

Between the projected transportation funding levels (Table 1) and the costs associated with the Identified Transportation Improvements (Table 2), there is a funding shortfall of approximately $887,400. Based on this shortfall, additional funding will be needed to fund the near- and long-term transportation improvement projects in Falls City.

ADDITIONAL FUNDING AND FINANCING SOURCES

There are several options for enhancing transportation revenues for capital improvement projects. These funding sources are listed in Table 3. A brief description of local considerations for each funding option is provided in Attachment "A".

Table 3 – Existing and Potential Transportation Funding Sources

Funding Source	$ Could be Spent		May Require Voter Approval
	Operations/Maintenance	Capital	
Street Fund (existing)	X		
General Fund (existing)	X	X	
Transportation Utility Fee	X	X	
Transportation System Development Charges		X	
Local Option Taxes (ie., property or fuel tax)	X	X	X
Local Improvement District		X	
Reimbursement District		X	
Economic Improvement District	X	X	
Urban Renewal District		X	
General Obligation Bonds		X	X
Revenue Bonds		X	
Grants and Loans		X	

TRANSPORTATION UTILITY FEE

As part of the Transportation System Plan development, the Falls City Council gave approval to explore the potential creation of a Transportation Utility Fee (TUF). A transportation utility fee recovers a specific set of local transportation-related operating and/or capital costs by charging a fee to users. Since the same set of residences and businesses typically use both the water/sewer system and the transportation system, the transportation utility fee is usually added to an existing water or sewer utility bill.

Fees generated by the utility can finance both operating and capital costs directly, and they can also secure revenue bond debt that is used to finance capital costs. To date, more than 20 Oregon cities have created a utility to provide dedicated revenue for transportation needs. An initial outline for a TUF in Falls City is provided in Appendix B of this memorandum.

Appendix A Potential Funding Sources

Falls City Transportation System Plan

FUNDING OPTIONS

Issue

The City of Falls City is reviewing its options for recovering the costs of local transportation needs. This paper analyzes funding options for city transportation programs in Oregon and provides a recommendation based on that analysis.

Alternatives

Funding options that are most relevant to city transportation programs in Oregon are listed below:

- State Highway Fund
- General Fund
- Transportation Utility Fee (TUF)
- Local gas tax
- System development charges
- Local improvement districts
- Urban renewal districts
- Special programs
- Debt

We briefly analyze these options below.

Analysis

State Highway Fund

For cities and counties in Oregon, distributions from the State Highway Fund (SHF) are a primary source of revenue for transportation needs. These distributions, based on population, represent each local government's share of the State's fuel tax, weight-mile tax, and vehicle registration fees.

According to local city budget documents, the SHF distributed $40,000 to the City during fiscal year 2010-11. The City's share of distribution is projected to increase to $45,600 for fiscal year 20011-12, which would amount to 68.5% of the Falls City annual Street Fund expenditures of $66,545.

General Fund

At the discretion of the City Council, the City can allocate General Fund revenues (the largest portion of which is property tax) to pay for any portion of its transportation needs. In fact, the City's recent practice has been to supplement SHF distributions with General Fund monies. In fiscal year 2010-11, the General Fund contributed an estimated $6,800 to the Street Fund. However, because General Fund monies are the most discretionary, they compete with the broadest range of community priorities and are therefore scarce.

The primary focus of the City's General Fund has been public safety. General Fund expenditures have exceeded revenues in each of the last four fiscal years. Continuing to supplement the Street Fund with General Fund monies is not sustainable.

Raising additional revenue in the General Fund can be legally and/or politically problematic. For example, local governments are prohibited from

raising their permanent tax rate and may only levy a separate local option property tax with voter approval. Cities do have statutory authority to raise certain franchise fees, but these increases would be visibly passed on to customers.

Transportation Utility Fee

Like a water or sewer utility, a transportation utility fee recovers a specific set of local transportation-related operating and/or capital costs by charging a fee to users. Since the same set of residences and businesses typically use both the water/sewer system and the transportation system, the transportation utility fee is usually added to an existing water or sewer utility bill.

A transportation utility can be formed by the City Council without voter approval. Fees generated by the utility can finance both operating and capital costs directly, and they can also secure revenue bond debt that is used to finance capital costs. To date, more than 20 Oregon cities have created a utility to provide dedicated revenue for transportation needs.

Local Gas Tax

According to ODOT, 14 Oregon cities and two counties have adopted local gas taxes that are administered by ODOT. These taxes range from $0.01 per gallon (three jurisdictions) to $0.05 per gallon (Eugene). Multnomah County imposes a tax of $0.03 per gallon. Six additional cities have self-administered local gas taxes.

As a result of Oregon House Bill 2001, which became law in 2009, cities and counties are prohibited from imposing a new gas tax or raising an existing gas tax (Section 25) until January 2, 2014 (Section 26). Thereafter, local gas taxes may be imposed or raised only with voter approval (codified as ORS 319.950).

System Development Charges

ORS 223.297 to 223.314 authorizes local governments to impose system development charges (SDCs) for capital improvements related to transportation. SDCs are one-time fees imposed on new development or certain types of "major redevelopment." They are intended to recover a fair share of the costs of existing and planned facilities that provide capacity to serve growth. Consequently, SDC revenues may only be used as a funding source for capital projects and cannot be used for operation or routine maintenance.

The City does not currently impose SDCs for transportation or stormwater. With little property available for development, little SDC revenue could be generated.

Local Improvement Districts

ORS 223.387 to 223.401 authorizes local governments to establish local improvement districts (LIDs) and levy special assessments on benefited property to pay for capital improvements. Specific procedures that are applicable to the City can be found in Section 42 of its charter and Chapter 3.12 of its municipal code.

Urban Renewal Areas

ORS Chapter 457 authorizes cities and counties to establish urban renewal areas (URAs) in which a dedicated revenue stream is created for capital improvements. This revenue stream is known in statutory language as "division of taxes." When a URA is formed, the assessed value within the area's boundaries is frozen for the incumbent taxing jurisdictions. To the extent that the assessed value rises above that frozen base, the URA receives the property tax revenue that all overlapping jurisdictions would have otherwise received.

Revenues generated in this manner can be substantial but by no means quick. For that reason, capital improvements within a URA are typically financed with debt, and the tax increment is used to service that debt.

Falls City does not currently have an URA, but could consider one for areas that are expected to experience potential redevelopment over the next 10-20 years.

Special Programs

The following special programs are funding sources that use a competitive process.

- **Oregon Transportation Investment Act (OTIA)**. The goal of OTIA is to provide a boost to the state's economy, ensure efficient delivery routes for products and services, and help solve city and county transportation challenges. More than half of the $2.46 billion included in OTIA III, signed into law in July 2003, is designated for repairing or replacing bridges. However, $361 million has been reserved for county and city maintenance and preservation over 10 years. Funds are distributed by a formula: 40 percent to cities and 60 percent to counties. Local governments will select individual projects for city and county roads.
- **TGM Planning Grants**. The State of Oregon TGM Grant Program provides grants for the planning costs related to transportation improvements. Under Category 1 of the program, projects can include system modeling to determine needs, planning for arterials and collectors, bicycle and pedestrian plans, and public transportation plans. Category 2 includes grants for integrated land use and transportation planning projects. This category includes corridor plans, specific development plans, and redevelopment plans for urban redevelopment districts. However, TGM funds cannot be used for actual construction costs or for ongoing maintenance costs.
- **Oregon Pedestrian and Bicycle Program**. The Oregon Pedestrian and Bicycle Program awards grants to local governments for bicycle and pedestrian improvements within the rights-of-way of streets, roads, and highways. Grants generally range between $80,000 and $500,000 and examples of eligible uses include pedestrian islands, bike lane striping, and crosswalks.
- **Oregon Transportation Enhancements Program**. Through the Oregon Transportation Enhancements Program, communities can obtain funds to carry out a variety of pedestrian, bicycle, streetscape and other

improvements that enhance the cultural, aesthetic, or environmental value of transportation systems. Eligible projects include pedestrian and bicycle facilities, pedestrian and bicycle safety education, and landscaping.

- **Federal programs**. The federal government offers a variety of grant and loan programs for transportation-related capital projects. As with all special assistance programs provided by the state and federal governments, funding for specific projects is highly competitive. Two programs currently offered are the Transportation Investment Generating Economic Recovery (TIGER) Program, which provides grants, and the Transportation Infrastructure Finance and Innovation Act (TIFIA), which provides loans and other forms of credit assistance.

Debt

Finally, while not direct funding sources, debt financing can be used to mitigate the immediate impacts of significant capital improvement projects and spread costs over the useful life of a project. Though interest costs are incurred, the use of debt financing can serve not only as a practical means of funding major improvements but also as an equitable funding strategy that spreads the burden of repayment over existing users as well as future users who will benefit from the projects. The obvious caution in relying on debt financing is that a funding source must still be identified to fulfill annual repayment obligations.

- **General obligation bonds**. Subject to voter approval, the City can issue general obligation (GO) bonds to finance capital improvements. Debt service for GO bonds is provided by a bond levy that increases property taxes outside the limitations of Measure 5. Depending on (1) the criticality of the planned projects and (2) the willingness of the electorate to accept increased taxation for transportation improvements, voter-approved GO bonds may be a feasible funding option for specific projects. Proceeds may not be used for ongoing maintenance.
- **Revenue bonds**. If user charges (such as a transportation utility fee) produce a reliable revenue stream, revenue bonds may be an option. Revenue bonds do not require voter approval, but they do require adherence to covenants such as minimum debt service coverage ratios. Revenue bonds are slightly riskier for investors than GO bonds and therefore require a modestly higher yield.

Appendix B Initial Transportation Utility Fee Outline

Falls City
Oregon

Draft Report for

TRANSPORTATION UTILITY FORMATION

November 2012

CONSULTING SERVICES PROVIDED BY:

FCS GROUP
Solutions-Oriented Consulting

River Forum I
4380 SW Macadam Ave., Suite 220
Portland, OR 97239
T: 503-841-6543
F: 503-841-6573

www.fcsgroup.com

FALLS CITY
TRANSPORTATION UTILITY FORMATION STUDY REPORT

Table of Contents

SECTION 1: INTRODUCTION

A. EXECUTIVE SUMMARY

As part of the Falls City Transportation System Plan update, the City of Falls City is exploring the formation of a Transportation Utility Fee (TUF) in lieu of forming a Transportation Systems Development Charge. FCS GROUP worked closely with City staff, Kittelson Associates (lead traffic consultant) and a technical subcommittee throughout the study.

B. SCOPE OF SERVICES

The City's general objectives for the study were (1) to ensure reliable, ongoing funding and proper maintenance for the City's transportation infrastructure, and (2) to recover costs in a way that is equitable among users (rate equity). The contractual scope of services, developed to meet the City's goals for the study, is summarized below.

- Develop Funding Options and Policy Framework. In this step, we worked with City staff to identify, analyze, and agree on potential funding options and key policy issues for considering a new local Transportation Utility Fee (TUF).
- Prepare Baseline Street Utility Costs. In this step, we worked with City staff to identify maintenance costs and to refine the transportation project list, which represented the non-maintenance capital costs that require funding.
- Prepare Financial Analysis. In this step, we combined proposed capital and operating costs to project revenue requirements for six years.
- Provide Implementation Assistance. In this step, FCS GROUP will develop a draft utility implementing ordinance for use by staff.
- Support Public Involvement Program. In this step, FCS GROUP will participate in technical workshops and City Council public hearings to answer questions and provide recommendations.

C. PURPOSE AND NEED FOR A TUF

Transportation funding in Falls City is now primarily funded by State Highway Fund (gas tax) revenues. As the City's transportation infrastructure has expanded to serve the needs of new development over the years, the cost of maintaining the City's transportation system has increased accordingly. However, the State gas tax rate has not kept up with the cost of maintaining local streets. Moreover, the Oregon Department of Transportation estimates that vehicle efficiency has increased from 18.4 miles per gallon in 1990 to 19.6 miles per gallon. The result is that, for each mile driven on the City's roadways, State gas taxes have actually declined – while service has increased and maintenance costs have grown.

Falls City currently relies upon its General Fund and beginning fund balances for providing additional local funding resources to the transportation budget. As indicated in Exhibit 1, future transportation funding requirements are likely to outpace available funding resources, leading to a significant funding shortfall that is projected to grow over time.

Unless an additional funding source is identified, Falls City is likely to fall behind in basic maintenance needs, which can result in higher street reconstruction costs overtime. A transportation utility fee has been identified as a potentially logical local source of funding.

Exhibit 1: Falls City Transportation Budget Forecast

Description	Annual 3-Yr Trend	Projected Change	Fiscal Year (forecast) 2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Requirements								
Personnel services	16.83%	10.00%	$ 33,932	37,325	41,058	45,163	49,680	54,648
Materials and services	7.58%	4.00%	29,570	30,753	31,983	33,262	34,593	35,976
Capital outlay	-47.06%	0.00%	500	500	500	500	500	500
Transfers	0.00%	0.00%	500	500	500	500	500	500
Total requirements			$ 64,502	$ 69,078	$ 74,041	$ 79,426	$ 85,273	$ 91,624
Resources								
Beginning fund balance			$ 5,640	-	-	-	-	-
State Highway Fund	9.62%	4.00%	52,500	54,600	56,784	59,055	61,418	63,874
Other revenues	0.00%	0.00%	-	-	-	-	-	-
Subtotal resources			$ 58,140	$ 54,600	$ 56,784	$ 59,055	$ 61,418	$ 63,874
Proj. Shortfall before General Fund or TUF			**$ (6,362)**	**$ (14,478)**	**$ (17,257)**	**$ (20,370)**	**$ (23,855)**	**$ (27,750)**

This report has been organized in accordance with the approach taken during the study. Section II discusses the key policy and funding issues that were reviewed. In Section III, the analysis of revenue requirements is summarized. In Section IV, the customer base is identified, and finally in Section V the transportation utility fee scenarios are formulated and rates are presented.

SECTION 2: POLICY ANALYSIS

The following is a summary of the issues that will be reviewed by the Falls City transportation advisory committee and the resulting findings.

1. LOCAL FUNDING OPTIONS FOR TRANSPORTATION

Transportation program funding options range from local taxes, assessments, and charges to state and federal appropriations, grants, and loans. Each of these resources can be constrained by a variety of factors, including the burden that they place on residents and businesses, the availability of local funds to be dedicated or diverted from other competing City programs, and the availability and competitiveness of state and federal funds.

Due to limits in the availability and eligibility of many transportation funding options, we recommended that the City consider the establishment of a transportation utility as the backbone of its ongoing local transportation funding approach. Street utility fees can provide a stable source of dedicated revenue useable for transportation system operations, maintenance, and capital construction. In addition, the City may pursue grant and other special program funding in order to mitigate the costs of transportation capital construction.

2. RATE STRUCTURE OPTIONS

Four potential rate structures often serve as the basis for a TUF, including: peak-hour trips, average daily trips, parking spaces, and a flat rate per parcel. Of these, peak-hour and average daily trips provided the strongest link between charge basis and transportation costs.

Peak-hour trips are often a determining factor in the sizing of the physical transportation system. However, the need for system maintenance is generally linked to the total number of trips, regardless

of when they occur. Therefore, **we recommend that the City base its transportation rate on the number of average daily trips generated by its customers** (residences and employers).

3. ELIGIBLE COSTS FOR RECOVERY

In order to provide the strongest nexus between the fee basis and the activities funded, and taking into account what other Oregon jurisdictions do, we recommend that the costs of pavement treatments, roadway operations, and capital construction – to the extent that it benefits existing users and not growth – be included in the transportation utility rate, as practical.

Furthermore, future adjustments to the fee must be tied to changes in the revenue requirement. Rate adjustments cannot be made arbitrarily or in a way that generates a profit. Rather, adjustments in rates should be initiated by either a change in the cost of service provided or a change in the level of service provided by the utility.

4. POTENTIAL RATE CREDITS

Generally, if the City wishes to pursue a policy of granting rate credits or exemptions for reasons that are not based on service demands, the utility and its ratepayers should not bear the cost. To preserve the cost-of-service approach to rate design and avoid causing utility customers to subsidize other users, the general fund could possibly be used to fund the costs of senior citizen, low-income, and perhaps public or tax-exempt customer credits or exemptions.

5. FISCAL POLICIES

Additionally, there are a number of fiscal policies that a transportation utility may adopt. Our review of the four that are most relevant is summarized below.

A. Inflationary Rate Adjustments

We recommend that the City adopt a TUF policy of implementing an initial TUF that remains fixed for the initial five years, then is subject to annual increases linked to an appropriate index or combined index, although inflationary increases should not exceed 3% per year. This approach, combined with comprehensive rate reviews no less frequently than every five years, should ensure utility fiscal health – assuming a constant level of service.

B. Operating Reserve

Given the possibility of significant fluctuations in maintenance expenses, we recommend that an operating reserve be established to accommodate variations in expenditures and revenues. It is our recommendation that the utility adopt and sustain a minimum operating reserve of no less than 45 days (about 12.3%) of annual cash operating expenses.

C. Capital Funding for System Replacement

It is preferably that City's attempt to fund annual depreciation expense to the maximum extent practical, and fund transportation planning efforts including an evaluation of system replacement needs to determine if funding greater than annual depreciation is necessary. However, these additional expenses have not been included in the TUF revenue requirements at this time to help keep TUF charges as low as possible.

D. Separate Accounts

We recommend that the City establish an account to track the receipt and expenditure of transportation utility rate proceeds separately from other City funds. Furthermore, we recommend that the City create separate accounts to track the utility's operating and capital revenues and expenditures.

SECTION 3: REVENUE REQUIREMENT

Proceeding with the transportation utility study, the next step was to identify the specific activities and costs that such a utility might fund.

At the discretion of the City Council, the City can allocate General Fund revenues (the largest portion of which is property tax) to pay for any portion of its transportation needs. In fact, the City's recent practice has been to supplement State Highway Fund distributions with General Fund monies. In fiscal year 2010-11, the General Fund contributed an estimated $7,800 to the Street Fund. However, because General Fund monies are the most discretionary, they "compete" with the broadest range of community priorities (such as disbursements for police and emergency services) and are therefore scarce.

The City's current adopted transportation budget for FY2012/13 is $65,940 (see **Exhibit 2**). These costs represent system needs, and are in-part limited by available revenues at the current level of expenditure for transportation activities.

Wishing to minimize the burden of the proposed Transportation Utility on residents and businesses, FCS GROUP initially targeted a "reasonable" Utility revenue requirement, under two TUF funding scenarios:

TUF Scenario 1: Allocate up to a maximum of $7,800 of general fund to the street fund, and fund remaining requirements through state highway funds and a new local TUF (equates to an estimated $8,145 in FY 2013/14).

TUF Scenario 2: Apply no general fund dollars to the street fund; instead fund 100% of the difference between Revenue Requirements and planned resources through a new local TUF (equates to an estimated $15,945 in FY 2013/14).

Exhibit 2: Falls City Transportation Budget Trends

Category	Actual 2009-10	Actual 2010-11	Budget 2011-12	Budget 2012-13	CAGR
Resources					
Beginning fund balance	$15,130	$ 7,790	$15,080	$ 5,640	
State Highway Fund	39,857	45,741	45,600	52,500	9.62%
City General Fund	-	6,800	7,200	7,800	
Other revenues	1,700	-	-	-	
Total resources	$56,687	$60,331	$67,880	$65,940	
Requirements					
Personnel services	$21,280	$21,487	$36,190	$33,932	16.83%
Materials and services	23,748	22,775	25,050	29,570	7.58%
Capital outlay	3,369	489	500	500	-47.06%
Transfers	500	500	500	500	0.00%
Ending fund balance	7,790	15,080	5,640	1,438	
Total requirements	$56,687	$60,331	$67,880	$65,940	
Revenue gap (excluding contingency)	$ 9,040	$ (490)	$16,640	$12,002	9.91%
					Source: Adopted budget for fiscal year 2012-13

Source: City budget documents; compiled by FCS GROUP.

The revenue requirement can be split into residential and non-residential cost shares based on the amount of trip generation activity that serves each customer type. Based on that review, shown in **Exhibit 3**, 93.7% of the road system cost was identified as serving residential customers, and 6.3% serves non-residential customers.

Accordingly, the residential rate requirement and non-residential rate requirement will depend upon funding scenario.

Exhibit 3: Falls City Customer Basis, Existing Conditions

Census Data		ITE Category		Average Daily Weekday Trips per Unit	Total Daily Weekday Trips
Description	Count	Code#	Name		
Households	366	210	Single-family residence	9.57	3,503
Employees in construction	3	110	General light industrial	3.02	9
Employees in manufacturing	1	140	Manufacturing	1.47	1
Employees in retail trade	4	814	Specialty retail center	22.36	89
Employees in transportation and warehousing	1	151	Mini-warehouse	8.50	9
Employees in real estate and rental and leasing	4	710	General office building	3.32	13
Employees in accommodation and food service	3	932	High-turnover restaurant	29.10	87
Employees in public administration	8	710	General office building	3.32	27
	452				**3,738**

Source: U. S. Census Bureau (2010 data from decennial census and OnTheMap Application) and Trip Generation, 8th ed. (low end of range)

SECTION 4: CUSTOMER BASE

As noted previously, average daily trips (ADTs) provide the most appropriate basis for recovering the cost of maintaining the City's transportation system. Estimates of average daily trip generation, as reported in the ITE Trip Generation manual, vary by the type of land use and the size of the development (as measured in terms that are relevant to the type of land use – for example, building square footage for an office building, students for a high school, or fueling positions for a gas station).

In order to estimate ADTs for Falls City, FCS GROUP reviewed detailed Census information from 2010. Census estimates reported 366 households (occupied dwelling units), and estimated employment to consist of 86 workers.

Residential trip generation of 3,503 ADTs in 2010 was estimated by applying ITE estimates of 9.57 average daily trips for each occupied dwelling unit.

Non-residential trip generation of 236 ADTs in 2010 was estimated by applying ITE trip generation estimates to the employment land use codes.

SECTION 5: UTILITY FEE SCENARIOS

The transportation utility fee calculations are based on residential and non-residential estimated average daily trip generation, and revenue requirements. The rate is then expressed as a dollar amount per ADT. Under this approach, the rate calculation is relatively simple: annual program costs, or the rate revenue requirement, are divided by the total number of average daily trips in the customer base. The result is divided by twelve to convert it to a monthly rate. The annual revenue requirements and rate calculations for the two TUF Scenarios are depicted in **Appendix A**.

TUF Funding Scenario 1

The annual average revenue requirement for TUF Scenario 1 is $12,942, and is assumed to remain constant for five years. The allocation of residential and non-residential funding requirements will depend on the local policy option of charging or not charging non-residential customers for a portion of the revenue requirements (based on ADT generation). If the City decides to only assess residential

customers for the revenue requirement, the average fee for occupied residential dwellings is expected to be $2.84 per month. The residential fee would be slightly lower ($2.66/month) if the City decides to charge non-residential customers. In that scenario, the non-residential fee would be $2.37 per 1,000 square feet of floor area. (**Exhibit 4**).

Exhibit 4: TUF Funding Scenario 1 (limited general fund allocation of $7,800/year)

Avg. annual revenue requirement over next 5 years	Residential	Non-Res.
With charges to res. and non-res. customers	$12,126	$816
With charges to res. customers only	$12,942	$0
Average monthly fee over next 5 years	**Residential Fee (Per Occupied Dwelling)**	**Non-Res. Fee (per 1,000 SF of occupied floor area)***
With charges to res. and non-res. customers	**$2.66**	**$2.37**
With charges to res. customers only	**$2.84**	***n/a***

** based on trip distribution estimates shown in Appendix A; assumes 3 employees per 1,000 square feet of floor area.*

TUF Funding Scenario 2

The annual average revenue requirement for TUF Scenario 2 is $20,742, and is assumed to remain constant for five years. The allocation of residential and non-residential funding requirements will depend on the local policy option of charging or not charging non-residential customers for a portion of the revenue requirements (based on ADT generation). If the City decides to only assess residential customers for the revenue requirement, the average fee for occupied residential dwellings is expected to be $4.56 per month. The residential fee would be slightly lower ($4.28/month) if the City decides to charge non-residential customers. In that scenario, the non-residential fee would be $3.80 per 1,000 square feet of floor area. (**Exhibit 5**).

Exhibit 5: TUF Funding Scenario 2 (limited or no general fund coverage)

Avg. annual revenue requirement over next 5 years	Residential	Non-Res.
With charges to res. and non-res. customers	$19,435	$1,307
With charges to res. customers only	$20,742	$0
Average monthly fee over next 5 years	**Residential Fee (Per Occupied Dwelling)**	**Non-Res. Fee (per 1,000 SF of occupied floor area)***
With charges to res. and non-res. customers	$4.28	$3.80
With charges to res. customers only	$4.56	*n/a*

** based on trip distribution estimates shown in Exhibit 1; assumes 3 employees per 1,000 square feet of floor area.*

Next Steps

FCS GROUP will refine these funding scenarios and develop a recommended TUF after these draft assumptions are reviewed by Falls City staff and transportation committee members. We will then create a draft TUF Ordinance for city review and subsequent public input during the local public hearing process.

APPENDIX A

A-1: Transportation Utility Fee, Funding Scenario 1 Assumptions and 5-Year Forecast

Falls City Transportation Funding Model								
	Annual		Fiscal Year (forecast)					
Description	3-Yr Trend	Projected Change	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Requirements								
Personnel services	16.83%	10.00%	$ 33,932	37,325	41,058	45,163	49,680	54,648
Materials and services	7.58%	4.00%	29,570	30,753	31,983	33,262	34,593	35,976
Capital outlay	-47.06%	0.00%	500	500	500	500	500	500
Transfers	0.00%	0.00%	500	500	500	500	500	500
Ending fund balance			1,438	1,438	1,438	1,438	1,438	1,438
Total requirements			$ 65,940	$ 70,516	$ 75,479	$ 80,864	$ 86,711	$ 93,062
Resources								
Beginning fund balance			$ 5,640	1,438	1,438	1,438	1,438	1,438
State Highway Fund	9.62%	4.00%	52,500	54,600	56,784	59,055	61,418	63,874
Transportation utility fee				**6,678**	**9,457**	**12,570**	**16,055**	**19,950**
City General Fund			7,800	7,800	7,800	7,800	7,800	7,800
Other revenues	0.00%	0.00%	-	-	-	-	-	-
Total resources			$ 65,940	$ 70,516	$ 75,479	$ 80,864	$ 86,711	$ 93,062
Total daily weekday trips		0.55%	3,799.85	3,820.61	3,841.49	3,862.48	3,883.59	3,904.81
Annual fee per trip			$ -	$ 1.75	$ 2.46	$ 3.25	$ 4.13	$ 5.11
Monthly fee per trip			$ -	$ 0.15	$ 0.21	$ 0.27	$ 0.34	$ 0.43
Monthly fee for single-family residence			**$ -**	**$ 1.39**	**$ 1.96**	**$ 2.60**	**$ 3.30**	**$ 4.07**

A-2: Transportation Utility Fee, Funding Scenario 2 Assumptions and 5-Year Forecast

Falls City Transportation Funding Model								
	Annual 3-Yr	Projected	Fiscal Year (forecast)					
Description	Trend	Change	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Requirements								
Personnel services	16.83%	10.00%	$ 33,932	37,325	41,058	45,163	49,680	54,648
Materials and services	7.58%	4.00%	29,570	30,753	31,983	33,262	34,593	35,976
Capital outlay	-47.06%	0.00%	500	500	500	500	500	500
Transfers	0.00%	0.00%	500	500	500	500	500	500
Ending fund balance			1,438	1,438	1,438	1,438	1,438	1,438
Total requirements			$ 65,940	$ 70,516	$ 75,479	$ 80,864	$ 86,711	$ 93,062
Resources								
Beginning fund balance			$ 5,640	1,438	1,438	1,438	1,438	1,438
State Highway Fund	9.62%	4.00%	52,500	54,600	56,784	59,055	61,418	63,874
Transportation utility fee				**14,478**	**17,257**	**20,370**	**23,855**	**27,750**
City General Fund			7,800					
Other revenues	0.00%	0.00%	-	-	-	-	-	-
Total resources			$ 65,940	$ 70,516	$ 75,479	$ 80,864	$ 86,711	$ 93,062
Total daily weekday trips		0.55%	3,799.85	3,820.61	3,841.49	3,862.48	3,883.59	3,904.81
Annual fee per trip			$ -	$ 3.79	$ 4.49	$ 5.27	$ 6.14	$ 7.11
Monthly fee per trip			$ -	$ 0.32	$ 0.37	$ 0.44	$ 0.51	$ 0.59
Monthly fee for single-family residence			**$ -**	**$ 3.02**	**$ 3.58**	**$ 4.21**	**$ 4.90**	**$ 5.67**