January 2010

Street Maintenance Utility

A new local option for cities (HB 2618/SB 6616)

Basic questions and answers

What is it?

A street maintenance utility is just that, a utility. Most utilities work the same: if a citizen or business benefits from the use of the utility, then they pay for it. Usually the more they use the utility, the more they pay. For example, customers are charged by the amount of power or water they consume.

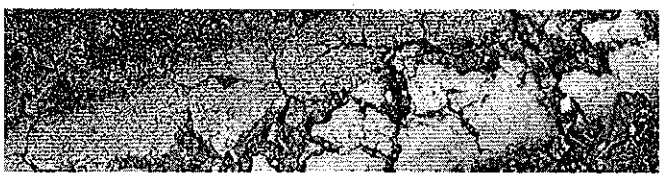
The street utility is being successfully used in other states such as Oregon, and was previously used in Washington. The street maintenance utility option being prepared for the 2010 Legislature is designed to be constitutionally sound and fair – costing only a few dollars a month for homeowners.

Why is a dedicated street maintenance utility funding option necessary?

Cities are seeing more traditional sources of revenue either reduced or eliminated, and the economic downturn has made it difficult if not impossible for cities to use their general funds to keep street maintenance and preservation funding alive.

Consider:

- **City revenues are depleted**: Currently, nearly three of every four city transportation dollars comes from the operating budget that often must compete for other city services such as police and fire protection. In this economy, many cities simply do not have the resources to fund transportation.
- **Initiatives have stripped traditional transportation revenues**: I-695, I-747, and I-776 stripped away revenue that cities used to maintain, operate, replace, and improve their transportation systems. For the City of Kent, as an example, the amount is approximately $4,000,000 per year. The cumulative effect for Kent is $44,000,000 since 1999.



- **State assistance is declining**: The Transportation Improvement Board's ability to partner is reduced due to declining gas tax receipts- some of the TIB's programs have been shelved, to the point that its executive director has predicted "corridor" grant funding will not be available for at least the next four years. Another potential resource, the Public Works Assistance Account, was dried up in 2009 when the legislature redirected $368 million in local government low-interest loan funds to the state's general fund.
- **Funds collected from impact fees must address capacity improvements, not maintenance**: Once capacity improvements are made, they begin to deteriorate. There is no dedicated street funding mechanism to preserve this investment.
- **Maintaining and preserving streets is far more cost-effective than completely rebuilding them**: The transportation system is not unlike your house or your roof – it must be maintained, operated, and replaced as it ages to assure the continued use of the system to the level of service that residents and businesses expect and deserve. And maintenance and repairs are cost effective – transportation engineers estimate it can cost as much as 15 times more to completely rebuild and replace a roadway than it costs to maintain and repair it.
- **The street maintenance utility proposal is premised on fairness**: Those who utilize, benefit from, and impact the street system are the ones who pay for the maintenance and upkeep of that system.

What would a street maintenance utility be used for, and what do you use as the basis for determining rates?

AWC, joined by several individual cities, has designed a street maintenance utility option that would be used for "curb-to-curb," basic street maintenance and preservation.

With a street maintenance utility, the costs of a street system are more closely matched to how street users benefits from the system. A charge is based on how many trips a customer

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uses in the system. In most cases, the trips charges are based on a trip generation manual developed by the Institute of Transportation Engineers, and the trips factors are very accurate. In addition, cities can tailor the trip factors for their community and be sure charges are apportioned fairly.

Can you give more specific details about how costs are determined and what is included?

The cost per trip must be equal for all users or customer classifications, and the fees generated must only be used to fund the operation, maintenance, and replacement of the existing transportation system. That would not include trails, new construction, or bike lanes that are not imbedded into the street network. Under this proposal, it would include:

- Pavement management and maintenance;
- Signs and markings;
- Non-motorized facilities as part of the street network; and
- Traffic control and signalization.

Unlike general taxes and like utility rates from other utilities, street utility charges are proportionate to the benefits or burdens created by identified user classes. Again, unlike general taxes and like utility rates, street maintenance utility charges are dedicated solely to that purpose and cannot be redirected for other city services. In this way, they are similar to the 18th Amendment protections the State of Washington provides to ensure dedicated funding of the state transportation system.

Who would be allowed to implement the street utility?

The street maintenance utility would be an option, just like municipal power, water, sewer or solid waste utility service. A city would be authorized to implement a street maintenance utility if it finds doing so to be in the interest of public health and safety. A city would need to find that city streets are failing to meet, or in danger of no longer meeting, established criteria for pavement ratings and other safety standards. A city would also use an ordinance development process for the street utility, which ensures input and information from community groups and stakeholders.

How are specific rates determined?

Rates apply to residents and businesses within a street utility area or areas. They are based on household unit or type (classification) of business and must be uniform for the same class of person receiving transportation services or imposing burdens on the transportation system. Other factors are:

- The correlation between property uses and the estimated number of automobile trips;
- User location, i.e. proximity to arterial streets and residential streets;
- Incidental trips vs. destination trips;
- Reductions or credits on residential properties to the extent of their occupancy by low-income senior citizens; and
- Reductions to businesses entities, governmental entities, or users served by private streets to the extent they are providing for streets maintenance utility services and based on a showing that the reduction or credit granted is reasonably proportionate to the value contributed/cost avoided by the street maintenance utility.

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What if my business uses trip reduction measures such as vanpools or bus passes?

If adopted, the street maintenance utility would encourage commute trip reduction measures. A business that demonstrates vanpooling, carpooling, or bus passes is eligible for credits because they reduce trips and wear and tear on the street system.

Examples of monthly fees

From City of Corvallis, Oregon's Transportation Maintenance Fee

Type of property	Trips	Monthly fee
Single family	9.6	$1.36
Multi-family (8 units)	53.0	$7.53
Office bldg (21,128 sq ft)	232.0	$4.87
Small retail (23,500 sq ft)	532.0	$11.17
Grocery store (48,000 sq ft)	2,569.0	$53.80
Large retail (132,000 sq ft)	3,962.0	$83.20
Hewlett-Packard	6,459.0	$135.64

Are rates predictable? How much are they?

Yes. Each rate classification is required to be established using trip generation tables. As is the case with other municipal utilities, a city is accountable to its ratepayers to demonstrate that rates are appropriately based on utility needs and expenses. Each city establishes its own rates. For a typical urban city experiencing over 500,000 trips on its system and experiencing a failing transportation system:

- Single family residence could expect $2 to $8 a month (Oregon cities are about $4-$5 a month)
- Senior housing and multifamily housing ranges from 10% to 70% of a single family residence.
- Industrial buildings could expect $10 - $15 a month for every 10,000 square feet.
- Restaurants, office buildings, and other commercial building categories could expect rates of $15 to $35 per month for every 10,000 square feet
- Shopping centers in Corvallis, Oregon, pay about $6 per month for every 10,000 square feet (which are apportioned among the many businesses within the shopping center).

What about citizen and business accountability?

- Street utility charge funds are required to be used for transportation purposes only- they cannot be redirected to a city's operating budget.
- Appeals of rates or rate classifications are heard by an independent examiner.
- An annual report indicating program status is required.
- A street utility advisory board representing the user classifications must be included as part of the ordinance.
- The street utility charge will be identified as a line item as part of a residential or business overall utility bill.

When could this be implemented?

If adopted, the law would go into effect July 2010. Cities would then be required to go through the public involvement and rate setting process, seeking input from stakeholders from the various user groups, and gathering the necessary data to determine appropriate rates. Adoption of the local utility could take up to a year or more.

For questions or more information

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