



**AGENDA**  
**WORK SESSION OF THE VENETA CITY COUNCIL**  
**MONDAY, JUNE 22, 2015 – 6:00 P.M.**  
Veneta Administrative Center, 88184 8th Street, Veneta, Oregon

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1. **IMPLEMENTATION OF A CAPITAL IMPROVEMENT & PAVEMENT PRESERVATION FUNDING PLAN**
2. **OTHER**
3. **ADJOURN**



# Veneta Capital Improvement & Preservation

## Funding Plan

June 22, 2015



# Overview

- Purpose of Transportation Utility Fee (TUF)
- What is a TUF – Fee or Tax?
- Method of Calculation and Who Pays
- Fee Amount & Revenue Generated
- Steps & Timeline to Implement TUF

# Purpose of Transportation Utility Fee (TUF)

- City completed a pavement assessment report which has determined overall need and developed a 6-year plan to address road maintenance and preservation. Potential capital improvement projects will be identified in the updated Transportation System Plan (2016-17).
- TUF will generate a new revenue source to help address the growing backlog of road maintenance and preservation as state gas tax funds have failed to keep pace with transportation costs.
- Collecting a TUF will allow City to complete the 6-year pavement preservation plan and accumulate enough money to address future needed capital improvements, while maintaining a minimum fund balance most years.

# Is a TUF a Fee or Tax?

- Oregon courts have repeatedly ruled TUFs are fees, not property taxes, and therefore not subject to Measure 5 tax limitations.
- Any 'fee vs. tax' analysis can apply a simple two-pronged test:
  1. Is the charge imposed on users of a system or on property owners as a direct consequence of ownership? To be valid, the charge must be imposed on users and not owners.
  2. Does the ordinance authorize the city to possess or take some other ownership interest in the property? A city's authority to possess or take ownership interests in a property may increase the likelihood of the TUF being classified as a tax subject to Measure 5.
- ORS 305.583 (9) requires a city to provide a public notice of the classification of a TUF as a fee not subject to the limits of Measure 5. LOC recommends that cities make findings on the record regarding the purpose, validity, and methodology of the TUF as a fee.

# Method of Calculating TUF

There are two common methods to calculating fee:

## Flat Fee

- Is the same rate charged to residential and non-residential users.
- Generally used when a city does not generate a lot of outside traffic.
- Easy to administer.
- Seen as more fair to users.
- Revenues collected can be less than trip generation method.

## Trip Generation

- Fee is based on traffic generated by use (e.g., residential, office,, retail, manufacturing, etc.).
- Generally used when a city generates significant outside traffic.
- More difficult to administer at first.
- City charges businesses for the extra traffic they generate -- seen as more controversial than flat rate.
- Revenues collected can be greater than flat rate.

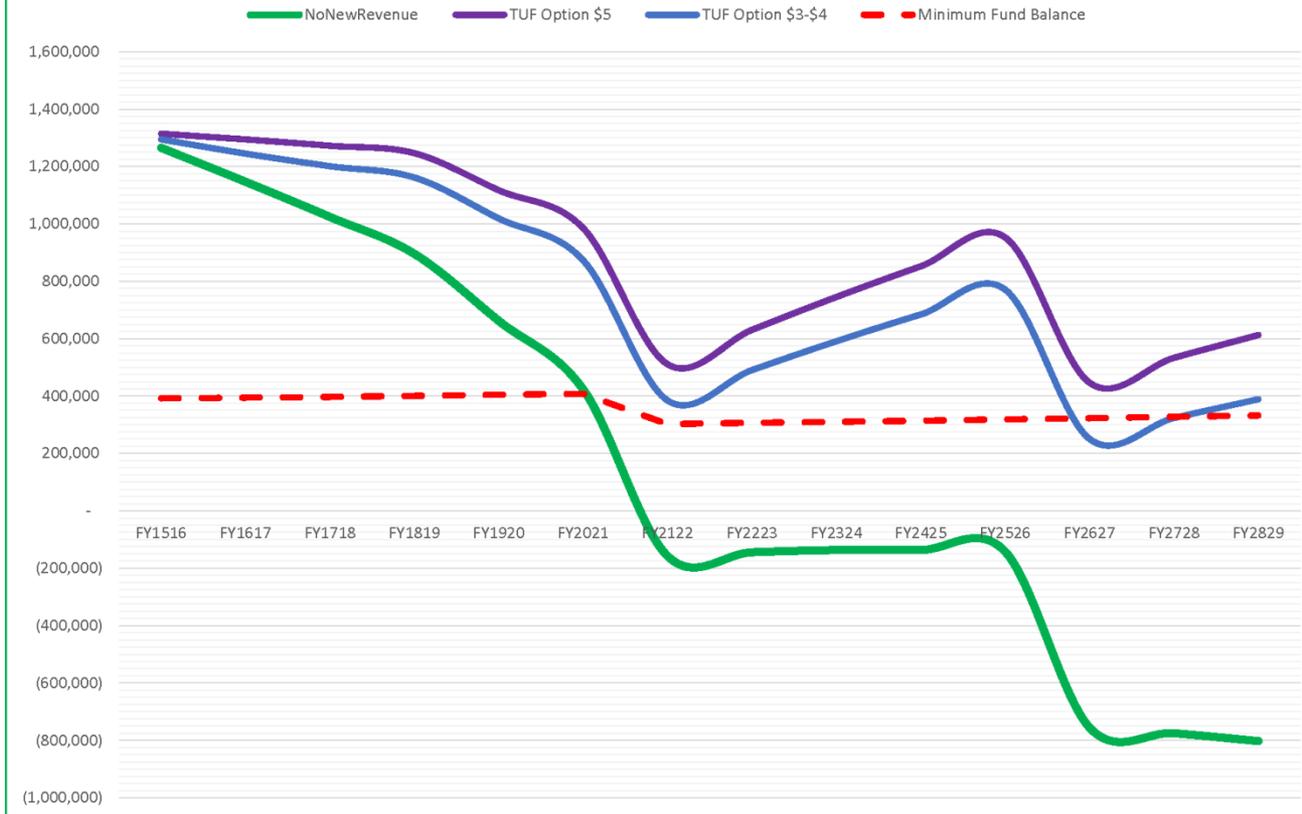
# Street Projects

- Veneta Pavement Assessment Report identified **\$\$3,460,983** worth of preservation projects to be completed over the next six years.
- City also wishes to complete street improvements/upgrades in the next eight to ten years. Costs for capital projects are not yet known and are estimated at a minimum of \$1 million in FY21/22 and \$1 million in FY 26/27.
- To complete the street projects without a new revenue source, the City's street revenue will steadily decline and will result in a negative fund balance by the end of FY 21/22.

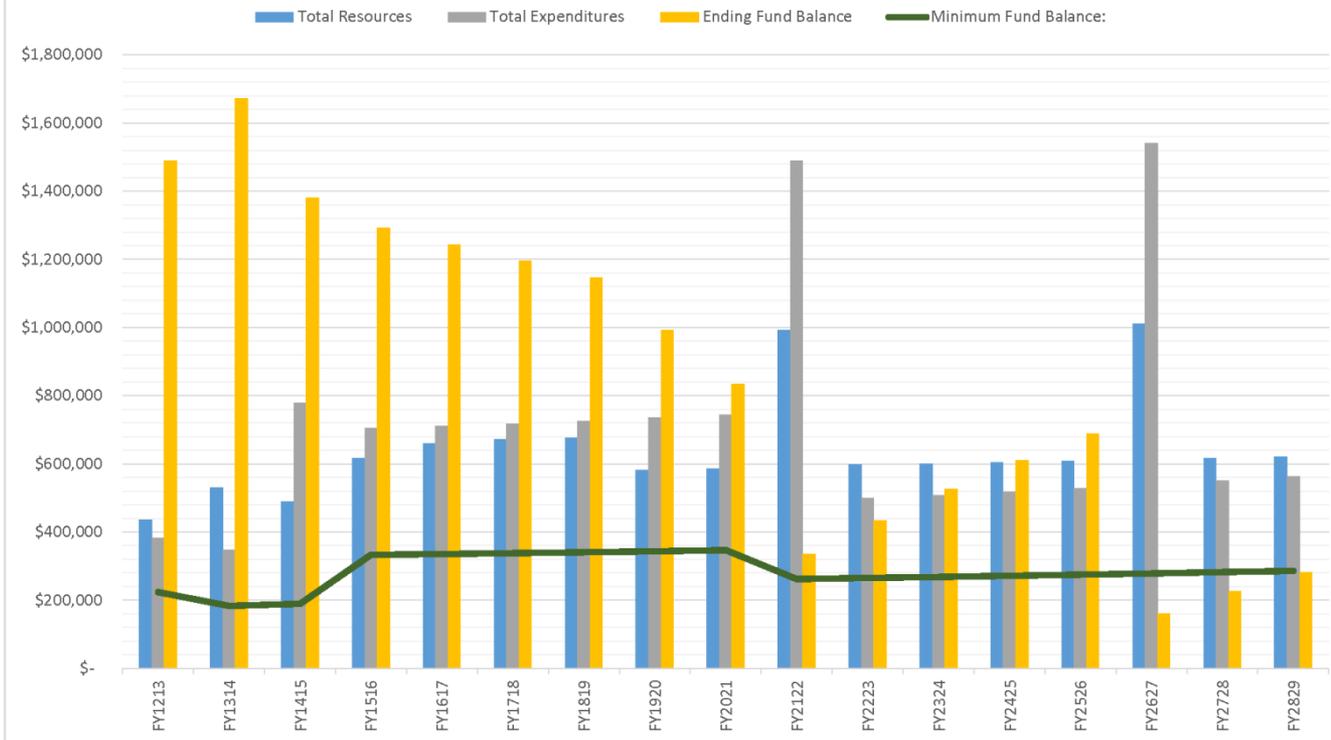
# TUF Options

1. Option 1: Prior options presented a \$3.00 TUF for all users that will increase \$0.50 each year up to \$4.00 then increase by 2% per year for 5 years.
2. Option 2: \$ Prior options presented a \$5.00 TUF for all users.
3. Option 3: \$3.00 flat rate for residential users and \$6.00 plus \$1.00 per 1,000 square feet for commercial/industrial users.
4. Consider using TUF for maintenance and preservation projects only and identify alternative funding source for capital projects; e.g. bond, gas tax.

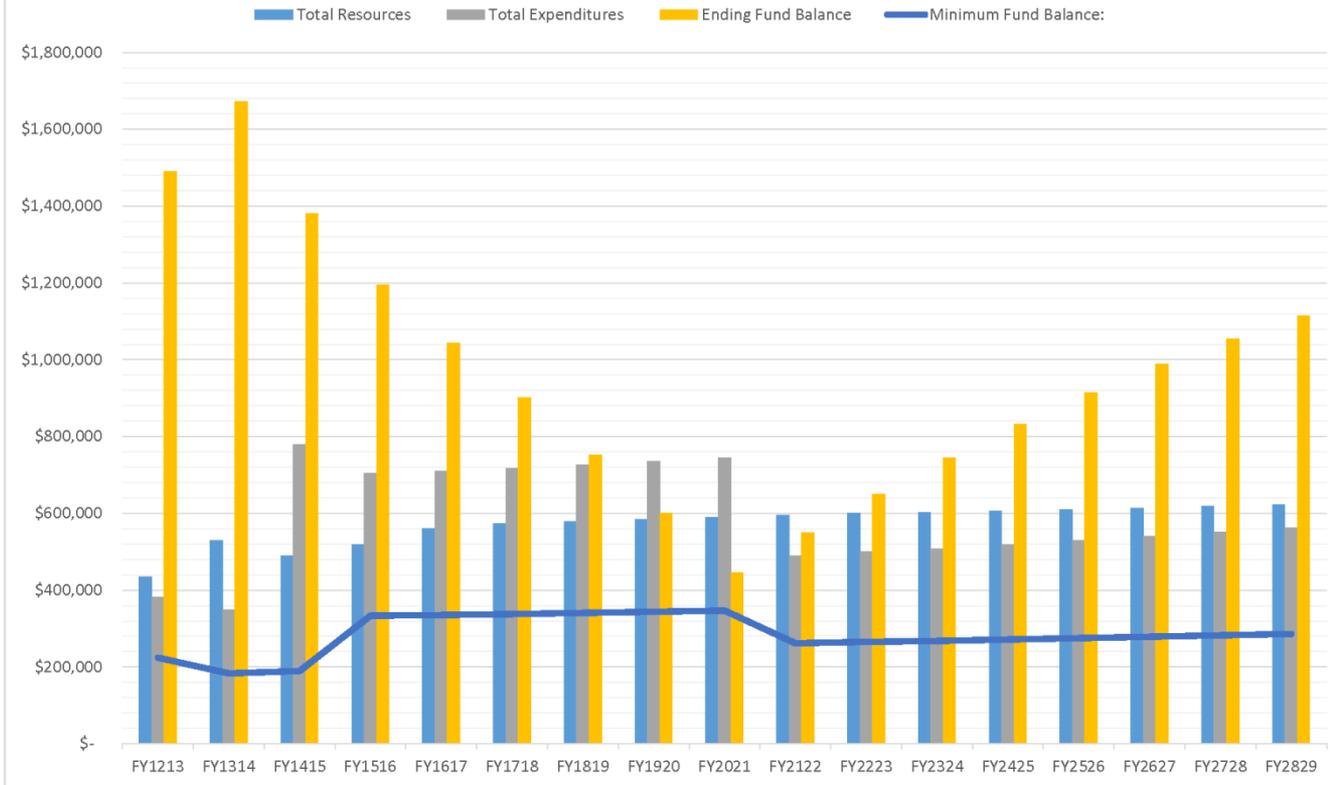
## Changes in Street Fund Balance by Option Preservation with Capital Improvement Projects



## Street Fund Resources, Expenditures and Fund Balance Fiscal Year 2015-16 to FY2028-29 (with Capital Improvement Projects)



## Street Fund Resources, Expenditures and Fund Balance (without Capital Improvement Projects)



# Features of the Transportation Utility Fee program

- Annual revenue projection - \$80,000.00 (Option 1: \$3.00 flat fee).
- Seven year duration with option to continue collecting fee.
- City will spend up to \$425,000 per year towards pavement preservation and maintenance projects.
- Revenues dedicated to specific street preservation and maintenance programs.
- Project selection based on pavement assessment report prepared by Pavement Services, Inc. 2014.

# Who Pays and When

- The TUF applies to all residents and business owners (users of the street system) within the City of Veneta.
- TUF only applies to developed properties (so as not to be a tax).
- City collects fee through utility billing system.
- Non-utility account holders will have to be added to City's billing system.
- City can implement TUF with the passage of an Ordinance.
- City would like to implement TUF by December 31, 2015 and begin collection January 2016.

# Next Steps & Timeline

## Administrative Tasks

- **JULY:**
  - Begin to draft the elements of a TUF Ordinance.
- **AUGUST:**
  - Identify and compile contact info for non-utility account holders.
- **SEPTEMBER:**
  - Add non-utility account holders to utility billing system.
- **OCTOBER:**
  - Council Work Session to review elements of TUF Ordinance.
  - Publish notice – stating fee not tax (M5 requirement)
- **NOVEMBER:**
  - Council First & Second reading of TUF Ordinance and amendments to VMC for adoption.
- **DECEMBER:**
  - TUF Ordinance/Fee becomes effective.
- **JANUARY**
  - TUF fee is sent out to residents as part of utility bill.

## Public Relations Tasks

- **JULY:**
  - Draft press releases, flyer, letters, FAQs and town hall meeting materials.
- **AUGUST:**
  - Draft press releases, flyer, letters, FAQs and town hall meeting materials.
- **SEPTEMBER:**
  - Publish newsletter article /press release/flyer and FAQ.
  - Update City web site with informational materials.
- **OCTOBER:**
  - Hold Town Hall meeting.
  - Publish newsletter article in City Newsletter. Send info to non-utility account residents & property owners.
- **NOVEMBER**
  - Continue with public outreach.
- **DECEMBER**
  - Send letters to Utility and non-utility account residents & property owners of upcoming bill.
- **JANUARY**
  - Respond to inquiries as needed.

# Policy Issues for Discussion

- Should City dedicate TUF to preservation & maintenance program only?
- Should business owners pay more than residents? Non-residential TUF could be based on square footage of building or trip generation method.
- Should city form a separate task force to identify funding source for capital projects? A TSP Advisory Committee will be forming to complete TSP FY16/17.
- Will TUF Ordinance include a low income waiver consistent with current policy for utility bills (25% reduction in base rate)?