



**CITY OF STANWOOD
CITY COUNCIL
AGENDA STAFF REPORT**

SUBJECT: 2013 Street Budget	FOR AGENDA OF: DEPARTMENT OF ORIGIN: DATE SUBMITTED:
ATTACHMENT(S): A – Street Operations Budget B – Historical Costs of PW Supervisor and General Engineering Costs C – AWC Transportation Benefit District FAQ Sheet	CLEARANCES: (check box) <input type="checkbox"/> City Attorney _____ <input type="checkbox"/> City Clerk/HR _____ <input type="checkbox"/> Community Development _____ <input type="checkbox"/> Fire _____ <input type="checkbox"/> Finance _____ <input type="checkbox"/> Police _____ <input type="checkbox"/> Public Works _____ APPROVED FOR SUBMITTAL BY THE CITY ADMINISTRATOR: _____
COST OF PROPOSAL:	AMOUNT BUDGETED:

SUMMARY STATEMENT

The issue in front of the city council is to discuss revenue and expenditure options to balance the 2013 Street Operations Budget (Attachment A).

For the last two years – 2011 and 2012, the city used one-time revenues and reserves to balance the city's Street Operations Budget (Street Fund). The city council should consider levels-of-service (expenditures) and revenue sources to ensure long-term investment in street repair and maintenance.

This agenda cover reviews the proposed expenditures and revenue options presented to the city council at the budget retreat to balance the 2013 Street Fund. City staff are seeking direction from the finance committee on the following proposal to balance the street fund:

- Charge a portion of the interim public works director (15%) and interim field supervisor (15%) salaries and benefits to the street fund as appropriate.
- Dedicate \$50,000 in annual REET 2 revenues to the Street Fund

- Dedicate \$17,000 in garbage franchise fees to the street fund to mitigate the impact of garbage trucks on city streets.
- Transfer \$55,000 in electric utility tax from the General Fund to the Street Fund to pay for street lighting. Backfill the General Fund by raising the cable utility tax from 3% to 5% (\$23,000).
- Form a Transportation Benefit District. Initiate a \$20 car tab fee (\$96,000) to fund street repair and maintenance projects.

DISCUSSION

Maintaining the city's streets, sidewalks, bike paths and trails is one of the most important functions of local government. Most citizens, business owners and visitors expect local government to maintain the public rights-of-way. Usually street maintenance is second only to public safety on the list of vital public services provided by local government.

Street maintenance is also an important part of the city's economic development efforts. The city's streets are often the first impression visitors, potential business owners and customers have when they enter Stanwood. Other economic development incentives may not matter if Stanwood's streets are not well maintained and inviting. In this case "curb appeal" is not just a figure of speech.

The issue is that revenues available to the Street Fund have been declining while expenditures have been rising. Stanwood is not alone in this predicament. The primary reason is that the available funding sources for the Street Fund including property taxes, sales tax and the gas tax have been hard hit by the recession.

In Stanwood's case the primary on-going source of revenue for the Street Fund has been the gas tax. The gas tax alone has been insufficient to meet budgeted expenditures. Since 2008, the city has supplemented the gas tax with transfers from the general fund (property and sales taxes) and Real Estate Excise Tax revenues.

The city council should consider what sources of revenues and/or expenditure cuts need to be implemented to ensure the Street Fund remains sustainable over the next five years and beyond.

FINANCIAL IMPACT

Street Fund Budget

The General Fund and Street Fund typically share revenue sources including property taxes, sales taxes and utility taxes. The only exception is the gas tax. In accordance with RCW47.24.040, all funds distributed to cities from the state motor vehicle fund ("gas tax") must be placed in a fund designated as the "city street fund."

The moneys from this fund are to be used for: salaries and wages, materials, supplies, equipment, purchase or condemnation of right of way, engineering or any other proper

highway or street purpose in connection with the construction, alteration, repair, improvement or maintenance of any city street or bridge, or viaduct or under passage along, upon or across such streets.

The Street Fund supports snow removal, pothole patching, as well as bike path and trail repairs as needed. There are 5 members of the public works crew (1.44 FTE) who are responsible for the maintenance of Stanwood streets and public rights of way. Each year the city contracts with Snohomish County to re-stripe pavement markings along city streets using Street Fund revenues. This funding also provides for concrete curb and gutter work, asphalt patching and localized repair and engineering studies.

The 2012 Street Fund anticipates receiving approximately \$130,000 in gas tax revenues and expending approximately \$351,000 for street operations, maintenance and repairs. In 2012, salaries and benefits comprise approximately one-third (\$100,000) of the Street Fund Budget.

In 2012, gas tax revenues are supplemented by a \$250,000 transfer from REET reserves.

Table 1 – Street Fund Budget

	2010 Actual	2011 Actual	2012 Budget	2013 Proposed
Beginning Fund Balance (Operating Reserve)	\$93,471	\$130,871	\$69,062	\$100,262
Revenues				
MVFT (Gas Tax)	\$121,078	\$128,925	\$131,533	\$131,553
Interest	\$4,803	\$1,300	\$450	\$450
Transfer	\$226,300	\$150,000	\$250,000	
Electric Utility Tax				\$55,000
REET 2				\$50,000
Transportation Benefit				\$96,000
Garbage Franchise Fees				\$17,000
Total Revenues	\$352,181	\$280,225	\$382,003	\$350,000
Expenditures				
Salaries	\$68,099	\$60,845	\$71,535	\$107,433 ¹
Benefits	\$29,062	\$31,244	\$35,137	\$41,937
Supplies	\$29,333	\$21,810	\$30,600	\$30,600
Charges for Services	\$164,637	\$142,200	\$168,531	\$115,531
Capital Projects <\$35k	\$23,639	\$0	\$45,000	\$45,000
Total Expenditures	\$314,782	\$256,098	\$350,803	\$340,501
Ending Balance	\$130,871	\$154,998	\$100,262	\$9,499

¹ Includes \$73,086 existing staff allocations plus \$18,635 PW Director and \$15,712 Field Supervisor

CITY COUNCIL OPTIONS

Expenditure Reductions

The largest expense in the 2012 Street Fund is personnel costs – approximately \$100,000 with the addition of the public works director and field supervisor. The Street Fund supports 1.44 full-time equivalent employees (FTEs) including 10% of the city administrator's position. In 2013, the city needs to add 15% of the public works director's position and 15% of the field supervisor position.

The 2013 Street Fund budget outlined in Table 1 above includes the Street Fund's share of a public works director and field supervisor position. The additional positions increase the Street Fund budget by approximately \$42,000. Attachment B shows the total costs for public works supervisor and general engineering costs.

The city council should note that all other costs have remained relatively stable over the last five years. The proposed 2013 budget shows street striping and RH2 general engineering expenses moving from "professional services" to the "miscellaneous capital projects" line item.

The city council may want to consider other expenditure cuts to balance the 2013 Street Fund.

Revenue Options

Utility Taxes

Under RCW 35.21.870 the city can charge up to six percent on electricity, telephone, natural gas, or steam energy businesses. There is no statutory limit on utility tax rates that a city can impose on its own water and sewer utility. The federal limit on cable television is 5%. In 2012 the city will collect approximately \$895,000 in utility tax revenues.

Table 2 – 2012/2013 Utility Tax Rates and Revenues

Utility	Utility Tax	2012 Revenues	2013 Estimated Revenues
Natural Gas	6%	\$139,105	\$128,000
Garbage	6%	\$61,104	66,000
Cable TV	3%	\$32,823	36,000
Telephone	6%	\$168,973	191,000
Electric	6%	\$278,460	287,000
City Utilities	6%	\$214,295	216,000
Total		\$894,760	\$924,000

Utility taxes are receipted into the General Fund. One alternative for the city council is to consider transferring \$55,000 of the electric utility tax from the General Fund to the Street Fund to cover the cost of street lighting in the Street Fund. The council could

soften the revenue loss in the General Fund by increasing the cable television utility tax from 3% to the maximum 5% allowed by federal law which would generate \$22,465.

Real Estate Excise Tax

The State of Washington is authorized to levy a real estate excise tax on all sales of real estate, measured by the full selling price, including the amount of any liens, mortgages and other debts given to secure the purchase at a rate of 1.28 percent. RCW 82.45.060. A locally-imposed tax is also authorized. All cities and counties may levy a quarter percent tax (described as "the first quarter percent of the real estate excise tax" or "REET 1"). RCW 82.46.010. Cities and counties that are planning under GMA have the authority to levy a second quarter percent tax (REET 2). RCW 82.46.035(2).

In accordance with state law, jurisdictions must spend the first quarter percent of their real estate excise tax receipts solely on capital projects that are listed in the capital facilities plan element of their comprehensive plan. RCW 82.46.010(2)(6).

RCW 82.46.010(6) defines "capital projects" as: those public works projects of a local government for planning, acquisition, construction, reconstruction, repair, replacement, rehabilitation, or improvement of streets; roads; highways; sidewalks; street and road lighting systems; traffic signals; bridges; domestic water systems; storm and sanitary sewer systems; parks; recreational facilities; law enforcement facilities; fire protection facilities; trails; libraries; administrative and judicial facilities...

Note that acquisition of land for parks is not a permitted use of REET 2 receipts, although it is a permitted use for street, water, and sewer projects.

2011 legislation allows cities and counties to use REET 2 revenues for operations and maintenance (O&M) of existing capital projects, as defined in the paragraph above. There is a limit, however, on how much can be spent on O&M. The maximum amount of REET 2 that may be spent on O&M is the greater of \$100,000 or 35 percent of the available funds, not to exceed \$1 million. Counties only may use REET 2 revenues to pay existing debt service on capital projects listed in RCW 82.46.010(6) - the kinds of capital projects that may be done with REET 1 revenues. This legislation sunsets on December 31, 2016

At the beginning of 2012 the city had \$619,454 in REET 1 reserves and \$623,238 in REET 2. The city anticipates receiving \$50,000 in REET 1 and \$50,000 in REET 2 in 2012. The city budgeted \$250,000 in 2012 to balance the street fund. Although this is may be an appropriate use of REET funds under RCW 82.46.010, it is not a sustainable approach.

Table 3 – 2012 Real Estate Excise Tax

	REET 1	REET 2
Beginning Balance	\$619,454	\$623,238
Revenues	\$50,000	\$50,000
Transfer	(\$0)	(\$250,000)
Ending Fund Balance	\$672,154	\$423,238

The policy question for the city council is whether to use REET 2 funds to balance the 2013 Street Fund. Should the city budget only REET 2 revenues collected in 2013 and/or a combination of REET 2 revenues and reserves?

Transportation Benefit District

A TBD is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district.

TBD's have several revenue options subject to voter approval:

- Property taxes – a 1-year excess levy or an excess levy for capital purposes;
- Up to 0.2% sales and use tax;
- Up to \$100 annual vehicle fee per vehicle registered in the district; and
- Vehicle tolls.

TBD's have two revenue options that do not require voter approval, but are subject to additional conditions:

1. Annual vehicle fee up to \$20. This fee is collected at the time of vehicle renewal and cannot be used to fund passenger-only ferry service improvements.
2. Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded. In addition, a county or city must provide a credit for a commercial or industrial transportation impact if the respective county or city has already imposed a transportation impact fee.

Foregoing a vote is an option only. The city still has the option of placing either the annual fee of up to \$20 or the impact fees to the vote of the people as an advisory vote or an actual requirement of imposition.

Attachment C provides a full explanation of how to start, fund and manage a Transportation Benefit District.

The .2% sales tax would generate \$200,000. A \$20 car tab fee could generate up to \$96,000.² The city council may want to consider placing a voter approved option on the ballot in 2013. The question is whether this measure would compete unfavorably with a library annexation vote. If the library annexation is approved, the city could increase unrestricted revenues by \$125,000³.

Franchise Fees

In 2011, the city completed its negotiations with Waste Management for solid waste collection. As a part of the contract, the city will collect a \$17,000 road maintenance

² 2400 households x 2 vehicles x \$20 = \$96,00

³ There is a full discussion of the library annexation alternatives available for the committee's review.

fee. The city council could reconsider its previous decision to dedicate the 2012 revenues to the way-finding signs.

City staff recommend dedicating the road maintenance fee to the street fund to mitigate the impact of garbage trucks on the city's rights of way.

RECOMMENDED ACTION

1. Review the Street Fund budget
2. Discuss revenue and expenditure options
3. Consider a policy to use current revenues to support current expenses and maintain one-time sources of revenue and reserves for one-time expenses.
4. Provide direction to staff in preparing the 2013 Street Fund budget.

Street Fund Attachment A

Street Operations
2013 Budget Discussion

Title	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2011 Budgeted	July 2012 YTD	2012 Budgeted	2013 Proposed	Notes
Revenue									
Beginning Cash & Investments	\$ 67,312	\$ 72,464	\$ 99,472	\$ 130,871	\$ 110,075	\$ 154,998	\$ 69,062	\$ 100,262	2012 Budget Ending Cash
Mvft Unrestricted Fuel Tax	\$ 81,206	\$ 118,554	\$ 121,078	\$ 128,926	\$ 127,315	\$ 50,044	\$ 131,553	\$ 131,553	2008 MVET \$119,175 - \$37,969 deposited in Fund 103
	\$ 81,206	\$ 118,554	\$ 121,078	\$ 128,926	\$ 127,315	\$ 50,044	\$ 131,553	\$ 131,553	
State Pool/cd Interest	\$ 3,768	\$ 799	\$ 687	\$ 392	\$ 650	\$ 308	\$ 450	\$ 450	
Miscellaneous	\$ 1,239	\$ 15	\$ 4,116	\$ 907	\$ -	\$ -	\$ -	\$ -	
	\$ 5,007	\$ 814	\$ 4,803	\$ 1,300	\$ 650	\$ 308	\$ 450	\$ 450	
Trfr From Street Const (103)	\$ 30,000	\$ -	\$ 226,300	\$ -	\$ -	\$ -	\$ -	\$ -	
Transfer in General Fund	\$ -	\$ -	\$ -	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ -	
Transfer in From Reet (120)	\$ 150,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Transfer in From Reet (121)	\$ -	\$ 200,000	\$ -	\$ -	\$ -	\$ 125,000	\$ 250,000	\$ -	
	\$ 180,000	\$ 200,000	\$ 226,300	\$ 150,000	\$ 150,000	\$ 125,000	\$ 250,000	\$ 250,000	
Total Revenue	\$ 266,213	\$ 319,368	\$ 352,181	\$ 280,225	\$ 272,965	\$ 175,352	\$ 387,003	\$ 332,003	

Street Fund Attachment A

Street Operations
2013 Budget Discussion

Title	2008		2009		2010		2011		2012		2013		Notes
	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	YTD	Budgeted	Proposed		
Expense													
Salaries & Wages	\$ 68,516	\$ 63,490	\$ 66,917	\$ 59,310	\$ 72,626	\$ 28,350	\$ 70,535	\$ 110,975					
Overtime	\$ 1,132	\$ 1,852	\$ 1,183	\$ 1,534	\$ 1,000	\$ 641	\$ 1,000	\$ 1,000					
Total Wages	\$ 69,648	\$ 65,342	\$ 68,099	\$ 60,845	\$ 73,626	\$ 28,992	\$ 71,535	\$ 111,975					
Social Security	\$ 5,229	\$ 5,092	\$ 5,378	\$ 5,604	\$ 5,632	\$ 2,218	\$ 5,472	\$ 8,566					
Retirement	\$ 4,300	\$ 4,069	\$ 3,566	\$ 4,036	\$ 4,695	\$ 1,982	\$ 4,708	\$ 7,598					
Medical Benefits	\$ 14,551	\$ 15,310	\$ 18,487	\$ 18,984	\$ 21,570	\$ 10,032	\$ 22,083	\$ 30,011					
L & I	\$ 1,576	\$ 1,546	\$ 1,491	\$ 1,742	\$ 1,811	\$ 769	\$ 2,016	\$ 2,175					
Unemployment Insurance	\$ 209	\$ 133	\$ 141	\$ 879	\$ 884	\$ 688	\$ 858	\$ 1,344					
Total Benefits	\$ 25,865	\$ 26,150	\$ 29,062	\$ 31,244	\$ 34,592	\$ 15,638	\$ 35,137	\$ 49,694					
Supplies	\$ 15,725	\$ 22,083	\$ 24,001	\$ 16,709	\$ 24,000	\$ 4,434	\$ 24,000	\$ 24,000					
Uniforms	\$ 3,954	\$ 828	\$ 762	\$ 843	\$ 1,075	\$ 325	\$ 1,200	\$ 1,200					
Fuel	\$ 4,571	\$ 4,012	\$ 4,204	\$ 4,239	\$ 3,500	\$ 2,096	\$ 5,000	\$ 5,000					
Small Tools & Equipment	\$ 703	\$ 734	\$ 367	\$ 19	\$ 350	\$ 184	\$ 400	\$ 400					
Total Supplies	\$ 24,982	\$ 27,658	\$ 29,334	\$ 21,810	\$ 28,925	\$ 7,040	\$ 30,600	\$ 30,600					
Professional Services	\$ 37,597	\$ 50,482	\$ 52,920	\$ 42,183	\$ 57,000	\$ 18,474	\$ 55,000	\$ 6,000	Removed Interim Ca and Street Striping and RH2 GE				
Communications	\$ 782	\$ 1,911	\$ 2,553	\$ 2,519	\$ 2,500	\$ 1,069	\$ 2,700	\$ 2,700					
Advertising	\$ -	\$ 303	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Rentals	\$ 209	\$ 385	\$ 185	\$ 300	\$ 300	\$ 60	\$ 300	\$ 300					
Insurance	\$ -	\$ 27,750	\$ 30,152	\$ 27,603	\$ 27,603	\$ 24,674	\$ 25,173	\$ 25,173					
Payments To Claimants	\$ -	\$ -	\$ -	\$ 1,100	\$ -	\$ -	\$ -	\$ -					
Utilities	\$ 8,048	\$ 5,328	\$ 10,526	\$ 9,703	\$ 10,593	\$ 20,159	\$ 64,000	\$ 60,000	Waste Mng. Reduced \$2,000 - 2012 YE Est Reduce \$2,000				
Street Lighting	\$ 47,584	\$ 57,995	\$ 54,056	\$ 48,426	\$ 53,040	\$ 3,965	\$ -	\$ -					
Repair/maintenance	\$ 16,727	\$ 14,741	\$ 13,639	\$ 10,185	\$ 20,000	\$ 2,646	\$ 20,000	\$ 20,000					
Miscellaneous	\$ 1,643	\$ (74)	\$ -	\$ 32	\$ 257	\$ -	\$ 100	\$ 100					
Meetings, Training & Travel	\$ 995	\$ 369	\$ 584	\$ 148	\$ 500	\$ -	\$ 758	\$ 758					
Dues	\$ -	\$ 19	\$ 33	\$ -	\$ 150	\$ 33	\$ 500	\$ 500					
Total Charges for Services	\$ 113,525	\$ 159,211	\$ 164,648	\$ 142,200	\$ 171,943	\$ 71,080	\$ 188,531	\$ 115,531					
Machinery & Equipment	\$ 27,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Misc Capital Projects	\$ -	\$ -	\$ -	\$ -	\$ 15,000	\$ -	\$ 15,000	\$ 45,000	Keep for Street Striping and Misc Capital projects				
Right Of Way Const. & Repair	\$ -	\$ -	\$ 23,639	\$ -	\$ 30,000	\$ -	\$ 30,000	\$ -					
Total Capital Outlay	\$ 27,092	\$ -	\$ 23,639	\$ -	\$ 45,000	\$ -	\$ 45,000	\$ 45,000					
Transfer to Equip. Reserve	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Total Transfers	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Total Expense	\$ 261,061	\$ 298,360	\$ 314,782	\$ 256,098	\$ 354,086	\$ 122,749	\$ 350,803	\$ 352,900					
Ending Cash & Investments	\$ 71,464	\$ 93,472	\$ 130,871	\$ 154,998	\$ 28,954	\$ 207,600	\$ 100,262	\$ (120,535)					

Street Fund Attachment B

City of Stanwood
Historical Costs PW Supervisor and general engineering

ACCOUNT NUMBER	2007	2008	2009	2010	2011	2012	2013	Notes
	Actual	Actual	Actual	Actual	Actual	Estimate	Anticipated	
Wages and Benefits								
Public Works Director	\$110,037	\$122,176	\$124,271	\$125,809	\$99,167	\$0	\$124,236	Position vacant Sept 2011
Water Supervisor	\$75,158	\$66,951						Position Vacant Oct 2008
Waste/Storm Water Supervisor	\$91,678	\$96,629						Promoted to Utilities Superintendent
Utilities Superintendent			\$100,272	\$101,103	\$107,303	\$115,349	\$104,748	
City Engineer							\$112,647	
Total Wages and Benefits	\$276,873	\$285,756	\$224,543	\$226,912	\$206,470	\$115,349	\$341,631	
Engineering (Rh2) General Fund								
Engineering (Rh2) Streets	\$183,769	\$34,919	\$43,903	\$25,685	\$23,784	\$20,120	\$20,623	
Engineering (Rh2) Utilities	\$2,449	\$34,919	\$32,128	\$32,579	\$24,783	\$1,473	\$1,510	2012 is based on first 6 months actual cost
Total Engineering	\$64,788	\$119,359	\$106,791	\$129,854	\$87,923	\$22,692	\$23,259	2013 includes 2.5% increase based on notice
	\$251,005	\$189,198	\$182,821	\$188,118	\$136,490	\$44,285	\$45,392	
Total Wages and Engineering	\$341,661	\$405,115	\$331,334	\$356,766	\$294,393	\$138,041	\$364,890	

July 2010



Transportation Benefit District Legislation in Effect

Through the cooperative efforts of the Association of Washington Cities (AWC) and the Washington State Associations of Counties (WSAC), significant legislation went into effect in 2007, which resulted in the most important local transportation tool for cities and counties in sixteen years – Transportation Benefit Districts (TBDs). Newly enacted 2010 legislation enhanced the TBD's authority.

TBDs are independent taxing districts that can impose an array of taxes or fees either through a vote of the people or through district board action. TBDs are flexible-- they allow cities and counties to work independently or cooperatively on addressing both local and regional transportation challenges.

Frequently Asked Questions

Background

In 1987, the Legislature created TBDs as an option for local governments to fund transportation improvements. In 2005, the Legislature amended the TBD statute to expand its uses and revenue authority. In 2007, the Legislature amended the TBD statute to authorize the imposition of vehicle fees and transportation impact fees without a public vote. In 2010, the Legislature amended the TBD statute again to clarify project eligibility, the use of impact fees, and sales tax expenditures, and make TBD governance more flexible.

What is a Transportation Benefit District (TBD)?

A TBD is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district.

Who may create a TBD?

The legislative authority of a county or city may create a TBD by ordinance following the procedures set forth in Chapter 36.73 RCW. The county or city proposing to create a TBD may include other counties, cities, port districts, or transit districts through interlocal agreements.

Who governs the TBD?

The members of the legislative authority (county or city) proposing to establish a TBD serves as the governing body of the TBD. The legislative authority is acting ex officio and independently as the TBD governing body. If a TBD includes

additional jurisdictions through interlocal agreements, then the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions, or may be the governing body of a metropolitan planning organization if the TBD boundaries are identical to the boundaries of the metropolitan planning organization serving the district.

What are the boundaries of a TBD?

The boundaries of a TBD may be less than the boundaries of those jurisdictions participating in the TBD. For example, a county or city may choose to have the TBD boundaries identical with the county or city, or it may choose just to include a portion of the county or city. However, if a TBD chooses to exercise the tax authority that does not require a public vote (e.g. vehicle and impact fees), the boundaries of the TBD must be countywide, citywide, or unincorporated countywide.

Why create a TBD if the county or city legislative authority is the governing board?

A TBD is an independent legal creature. Although a TBD has many of the powers of a county and city (impose taxes, eminent domain powers, can contract and accept gifts, etc.), - it is a separate taxing district. Additionally, by being a separate legal and taxing entity, TBDs have more flexibility. For example, more than one type of jurisdiction can be part of a TBD and the boundaries can be less than countywide or citywide.

continued

Street Fund Attachment C

Can a TBD be created without imposing fees or proposing voter approved revenue options?

Yes. A county or city takes legislative action through the ordinance process to create a TBD. The ordinance must include a finding that the creation of a TBD is in the public's interest, describe the boundaries of the TBD, and specify the activities or functions to be implemented or funded by the district. The county or city ordinance creating the TBD may also specify and authorize what fees or revenues that the TBD may pursue. The TBD, acting in its own official capacity, has the authority to identify proposed fees or revenue options.

Are TBD revenues required to be spent as they are collected?

No. The governing body which creates a TBD must develop a plan that specifies the transportation improvements to be provided or funded by the TBD. As part of this plan, the TBD's governing board can indicate if the funds will be used immediately, or if they will be collected for a specified period, prior to spending the accumulated funds. Typically, funds that are collected for a specified period before being expended are used to fully fund large projects, when bonding, or serve as a match for state or federal funds that may only become available in a specified time frame.

Does a TBD have to meet certain tests?

There are three threshold tests for transportation improvements in a TBD: 1) the type of transportation improvement contained within the boundaries of the TBD, 2) whether the improvements are identified in any existing state, regional, county, city or eligible TDB jurisdiction's (port or transit) transportation plan and that the improvements are 3) necessitated by existing or reasonably foreseeable congestion levels. The definition of "congestion" does not have a set standard in law; each TBD has the discretion to tailor and make its own determination of congestion levels when implementing its TBD ordinance.

What transportation improvements can be funded by a TBD?

The definition of transportation improvements is broad. This can include maintenance and improvements to city streets, county roads, state highways, investments in high capacity transportation, public transportation, transportation demand management and other transportation projects identified in a regional transportation planning organization plan or state plan.

In developing criteria for a transportation improvement, it can include one or more of the following: reduced risk of transportation facility failure and improved safety; improved travel time; improved air quality; increases in daily and peak period trip capacity; improved modal connectivity; improved freight mobility; cost-effectiveness of the investment; optimal performance of the system through time; and other criteria, as adopted by the governing body.

Note: In 2010, cities within King County are specifically authorized to provide or contract for supplemental

public transportation improvements to meet the mobility needs of the city, and may contract for such improvements with private and nonprofit entities and may also form public-private partnerships.

If a jurisdiction uses the SEPA process to collect impact fees, would this preclude a TBD from using impact fees?

No. However, the law requires the jurisdiction to provide a credit to commercial or industrial developments that are subject to SEPA, or transportation impact fees authorized under GMA. This is commonly called a "no double-dipping" provision.

continued

Street Fund Attachment C

What revenue options do TBD's have?

TBD's have several revenue options subject to voter approval:

- Property taxes – a 1-year excess levy or an excess levy for capital purposes;
- Up to 0.2% sales and use tax;
- Up to \$100 annual vehicle fee per vehicle registered in the district; and
- Vehicle tolls.

Please Note: There are exemptions or unique requirements when using the vehicle fee or vehicle tolls.

TBD's have two revenue options that do not require voter approval, but are subject to additional conditions:

1. Annual vehicle fee up to \$20. This fee is collected at the time of vehicle renewal and cannot be used to fund passenger-only ferry service improvements.
2. Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded. In addition, a county or city must provide a credit for a commercial or industrial transportation impact if the respective county or city has already imposed a transportation impact fee.

Please Note: Foregoing a vote is an option only. A county or city still has the option of placing either the annual fee of up to \$20 or the impact fees to the vote of the people as an advisory vote or an actual requirement of imposition.

What are the additional conditions required to impose revenue options not subject to voter approval?

To impose either fee, the TBD's boundaries must be countywide or citywide, or if applicable, in the unincorporated county.

Vehicle Fees:

When the Legislature revised the TBD authority in 2007 to enable councilmanic vehicle fees, it was intended to ensure a county-wide or regional approach for first consideration of this new option. That is why counties had the exclusive authority of the \$20 vehicle fee for the first six months

after enactment of the 2007 legislation. Today, a county that creates a countywide TBD (incorporated and unincorporated areas) and proposes to impose up to a \$20 non-voted vehicle fee should first attempt to impose a countywide fee to be shared with cities by interlocal agreement. Sixty percent (60%) of the cities representing seventy-five (75%) of the incorporated population must approve the interlocal agreement for it to be effective. The Legislative expectation is that if an interlocal agreement cannot be reached between a county and city or cities, the county is authorized to create a TBD and impose the fee only in the unincorporated area of the county.

Credits must be provided for previously imposed TBD vehicle fees. Credits are not required for voter approved vehicle fees.

Commercial and Industrial Transportation Impact Fees:

A TBD that is either countywide or citywide must provide a credit for a commercial or industrial transportation impact fee if the respective county or city has already imposed a transportation impact fee. This is commonly called a "no double-dipping" provision.

If we create a countywide TBD for the up to \$20 vehicle fee, how is the revenue distributed to cities?

The revenue must be shared according to the interlocal agreement. The law does not prescribe what the interlocal agreement contains. Consequently, the revenue can be shared by population, number of vehicles within each jurisdiction, project list, a combination of these, or whatever the county and cities can reach agreement on.

What happens if a city imposes the up to \$20 vehicle fee and then the county imposes a countywide fee without voter approval?

The law requires TBDs to provide a credit for vehicle fees previously imposed by a TBD.

continued

Street Fund Attachment C

For example, if a city was the first to create a TBD and impose a \$20 vehicle fee and subsequently its county creates a countywide TBD imposing a \$20 vehicle fee, the county TBD must provide a \$20 credit against its fee for vehicles registered within the city. As a result, no fee would be collected by the county TBD from vehicles registered within the city. Additionally, the city would not be part of the interlocal agreement with the county or be included in the number/percentages needed for the interlocal agreement to be effective.

However, if in the same example, the city TBD imposed only \$10 of the \$20 vehicle fee and the county TBD imposed a countywide \$20 vehicle fee, only a \$10 credit would be provided for vehicles registered within the city. The county TBD would collect \$10 from vehicles registered in the city. Consequently, the county TBD would need to include the city in the interlocal agreement discussions and the city is included in the number/percentages needed for the interlocal agreement to be effective.

If a county or city is considering the \$20 vehicle fee, how does a county or city estimate revenues?

Currently, no TBD has been in effect for an entire year and therefore revenue estimates and histories are incomplete. What TBDs around the state have learned to date: vehicles per household calculations vary significantly around the state. Statistical data shows that there tends to be about one vehicle per person in rural areas and 0.8 vehicles per person in urban areas. Another factor to strongly consider is seasonality; vehicles sales are not evenly distributed throughout the year and this will affect monthly receipts. Finally, a city or county must understand and recognize that other factors such as people failing to register their vehicles, and data accuracy can affect actual revenues when compared to forecasted revenues.

What other requirements should I be aware of?

Revenue rates, once imposed, may not be increased, unless authorized by voter approval.

If project costs exceed original costs by more than 20 percent, a public hearing must be held to solicit public comment regarding how the cost change should be resolved. This is typically called a material change policy.

The TBD must issue an annual report to include the status of project costs, revenues, expenditures, and construction schedules.

The TBD must be dissolved upon completion of the project(s) and the payment of debt service.

Who has imposed a TBD?

The cities of Lake Forest Park, Edmonds, Des Moines, Olympia, Prosser, and Shoreline imposed the \$20 vehicle fee. Ridgefield and Sequim passed the 2/10% sales tax. Point Roberts and Liberty Lake formed TBD's prior to the legislative changes in 2005.

Checklist

For a checklist that highlights many of the important considerations when creating a Transportation Benefit District (TBD), please see www.awcnet.org/tbd.

Eligibility requirements vary. For additional questions on Transportation Districts, please contact AWC staff Ashley Probart at ashieyp@awcnet.org Sheri Sawyer at sheris@awcnet.org.

Street Fund Attachment C

REVENUE SOURCE: Local Option Taxes: Transportation Benefit Districts

RCW: Chapter 36.73

WHO'S ELIGIBLE

Transportation Benefit Districts which can be established city-wide up to multi-county. Presently, TBD's may be established in all counties except in King, Pierce and Snohomish Counties. After December 1, 2007, a TBD can also be established in those counties. See *Resource Manual Section: Agencies and Jurisdictions—Local/Regional* for TBD discussion, page 344.

WHERE ESTABLISHED

<u>District</u>	<u>Fee</u>	<u>Effective Date</u>
Burien No. 1	\$10	2/1/2011
Des Moines	\$20	9/1/2009
Edmonds	\$20	9/1/2009
Lake Forrest Park	\$20	9/1/2009
Olympia	\$20	10/1/2009
Prosser	\$20	11/1/2009
Seattle	\$20	5/1/2011
Shoreline	\$20	2/1/2010
Snoqualmie	\$20	3/1/2011

PURPOSE

To finance construction of, and operate, improvements to roadways, high capacity transportation systems, public transit systems, and other transportation management programs.

FINANCE PROVISIONS (Ch 36.73 RCW and RCW 36.73.040)

Sales and Use Tax (82.14.0455)

- Up to 0.2%, with voter approval
- Tax may not be in effect longer than 10 years unless reauthorized by voters

Motor Vehicle License Renewal Fee (82.80.140)

- Up to \$100 annual fee, with voter approval
- Vehicles of 6000 lbs or less

Excess Property Tax Levies (36.73.060)

- One year, voter approved
- Multi-year for GO bonds

Tolls (36.73.040(2)(d))

- Tolls on facilities including state routes and local roads
- Tolls on state routes must be administered by WSDOT
- All tolls must be approved by Transportation Commission

Other Revenue Sources

- Border Area Motor Fuel and Special Fuel Tax (RCW 82.47.020) *
- Late-comer fees (36.73.140)
- Development fees (36.73.040(2)(c) and 36.73.120)
- LID formation (36.73.080)

* Restricted to TBDs with an international border crossing with its boundaries.