

CITY OF KEIZER MISSION STATEMENT
*KEEP CITY GOVERNMENT COSTS AND SERVICES TO A MINIMUM BY PROVIDING
CITY SERVICES TO THE COMMUNITY IN A COORDINATED, EFFICIENT AND
LEAST COST FASHION*

A G E N D A

KEIZER CITY COUNCIL
SPECIAL WORK SESSION

Monday, September 11, 1995

5:30 p.m.

Robert L. Simon Council Chambers
Keizer City Hall, Keizer, Oregon 97303

1. CALL TO ORDER

2. ROLL CALL

3. DISCUSSION

- a. Regional Gas Tax Proposal
- b. Receive and Discuss Consultants' Final Reports on River Road Design Plan

4. OTHER BUSINESS

This time is provided to allow Council members the opportunity to bring matters before the Council which are not on tonight's agenda.

5. WRITTEN COMMUNICATIONS

To inform the Council of significant written communications and petitions.

6. ADJOURNMENT

Upon request, auxiliary aids and/or special services for those with disabilities will be provided. To request services, please contact us at 390-3700 or through Oregon Relay 1-800-735-2900 at least two working days (48 hours) in advance.



PUBLIC NOTICE

KEIZER CITY COUNCIL WORK SESSION

There will be a work session of the Keizer City Council on **Monday September 11, 1995 at 5:30 p.m.** This meeting will be held at Keizer City Hall, Robert L. Simon Council Chambers, 930 Chemawa Road NE, Keizer, Oregon. Agenda items include discussion of a regional gas tax proposal and to receive and discuss the consultants' final reports on the River Road design plan.

Questions regarding this meeting may be directed to Dotty Tryk, City Manager, at 390-3700, extension 112.

DATED this 8th day of September, 1995.

Tracy L. Davis
City Recorder

NOTICE FOR INFORMATION ONLY



City of Keizer

MEMORANDUM

DATE: September 7, 1995

TO: Mayor Koho and Council

FROM: Dotty Tryk, City Manager *Dotty*

SUBJECT: Regional Gas Tax

I was invited to attend a meeting of the City of Salem Transportation Impact Task Force this week. The purpose of the invitation was to discuss our participation in a regional gas tax.

This task force has been assigned to recommend a multi faceted funding program for Salem street maintenance and improvement over time. At this time they are considering either a regional gas tax or a transportation utility. I have attached the staff report which analyzes both of these options. It is their intent to recommend that either funding option be taken to the voters.

At their meeting on Tuesday they asked representatives of Polk and Marion Counties, the Retail Gas Dealers Association and me for our reactions to a regional gas tax. The Polk County commissioner said that they would not actively oppose a district within the urban growth boundary, but are not at all interested in one that includes the entire county. The Marion County representative said that they were supportive and had initiated similar discussions in the county in the early 90s. The Gasoline Dealers representative said that they would adamantly and actively campaign against a regional gas tax. I said that I would present the material to the Council and would not speculate on how you would receive it or on how our voters would respond.

The task force believes that it would be best if the gas tax were regional to eliminate unfair competition among dealers. The Dealers Association said that a typical station pumps 100,000 gallons a month which would be a \$48,000 tax cost and that this is about the profit margin stations survive on. There are some other interesting statistics about service stations and gas charges in the report.

If we were to become a part of a regional service district and receive our per capita portion of a 4 cent gas tax, we would probably receive \$450,000/year which would be restricted for transportation related projects, which could include sidewalks and storm drains.

They have requested a response from us at their September 26 meeting. I would like to discuss this briefly at your workshop Monday night.

MEMORANDUM

TO: Transportation Impact Task Force

FROM: Frank Mauldin, Public Works Director 

MEETING OF: August 22, 1995

SUBJECT: **COMPARATIVE ANALYSIS OF OPTIONS FOR
PERPETUAL LIFE STREET MAINTENANCE:
TRANSPORTATION UTILITY AND
A VEHICLE FUELS TAX**

ISSUE

The Transportation Impact Task Force is considering two optional revenue sources to fund perpetual life street maintenance and additional streets capital improvements as follows: a vehicle fuels tax and a transportation utility.

RECOMMENDATIONS

Staff recommends the following:

1. A vehicle fuels tax be tentatively selected by the Task Force as its preferred option.
2. Follow a process as listed below in selecting either a regional vehicle fuels tax or a City of Salem vehicle fuels tax:
 - a) A regional vehicle fuels tax be discussed with Marion and Polk Counties and the City of Keizer with the objective of creating a taxing district consisting of the Urban Growth Boundary (or other boundaries as mutually agreed). Consider every permutation of jurisdictional cooperation such as Salem/Keizer/Marion/Polk, Salem/Marion/Polk, Salem/Marion, or Salem/Polk, Salem/Keizer, or Salem/Keizer/Polk.
 - b) Failing to form a regional vehicle fuels taxing district, the Task Force should consider a City of Salem vehicle fuels tax with vehicle fuel taxes collected only in the City of Salem.
3. Meet with the Retail Gas Dealers Association representatives and discuss the Task Force's findings of tentatively preferring a regional vehicle fuels tax or a City of Salem vehicle fuels tax.

Transportation Impact Task Force

Meeting of August 22, 1995

Page 2

4. Deliberate with all available information and recommend to the Council a specific preferred option with specific fees for funding perpetual life maintenance, whether a vehicle fuels tax or a transportation utility, and if a vehicle fuels tax is chosen, whether a regional vehicle fuels tax or a City of Salem vehicle fuels tax.
5. If a vehicle fuels tax is chosen, staff recommends a 4¢/gallon tax whether regional or local. This will generate an estimated additional average revenue of \$2.18 million per year for the next five years.

BACKGROUND

At the April 25, 1995, Transportation Impact Task Force meeting, the necessary expenditures for achieving perpetual life street maintenance were presented by staff and discussed by the Task Force. Attachment 1 was presented to the Task Force as the current conditions (FY 94/95) of street maintenance perpetual life needs for the arterial, collector, and residential street systems.

Staff has defined perpetual life maintenance in its simplest terms as "that level of repair and restoration where the streets never wear out." In technical terms, however, the analysis for perpetual life street maintenance is an optimization analysis where a minimum surface street condition is assumed (a "fair" condition) and then various repair techniques are used to extend the life of the street as long as possible before restoration (an asphalt overlay) must be preformed that brings the street back to a like new condition. The latest optimization analysis for perpetual life maintenance was completed by the Streets Division in 1993 and was titled "Street Maintenance Needs Analysis - Pothole Busters."

In summary, the computed costs of perpetual life street maintenance, the currently (FY 1994/95) available revenues, and the shortfall of revenues are as follows:

Total Yearly Perpetual Life Needs	\$ 3,985,122
Existing Gas Tax and Franchise Fee Revenues	<u>(1,831,912)</u>
Perpetual Life Yearly Shortfall	\$ 2,153,210

In previous discussions of the shortfall, the Task Force has rounded off to an even \$2 million per year. Later in this report, a more refined five-year forecast considering the variables of continuing the water and sewer franchise fee and the likelihood of increased state gas taxes will be presented.

Attachment 2 is a summary of the forecast revenues from a regional vehicle fuels tax. If a regional vehicle fuels tax is implemented, Salem's share would be, as assumed in this analysis by the Council of Governments, distributed on the basis of population.

Attachments 3 and 4 are, respectively, a preliminary analysis of a transportation utility presented to the Task Force on April 25, and a legal opinion regarding the "tax" or "utility" nature of the proposed transportation utility. This report refines the analysis of April 25 and presents two optional methodologies that shift fees between residential and commercial users.

FACTS AND FINDINGS

The two optional perpetual life street maintenance revenue sources, the transportation utility and the vehicle fuels tax, have been previously presented to the Task Force. This report will present a refined analysis for the forecast shortfall of revenue versus costs as well as additional data and information for each of the two optional perpetual life street maintenance revenue sources.

The content of this report is as follows:

A.	Shortfall Analysis	p. 4
B.	Transportation Utility Option	p. 8
C.	Vehicle Fuels Tax Option	p. 12
D.	Comparative Analysis	p. 17
E.	Conclusions	p. 19

Even though the following report will likely be praised as a scientific and literary masterpiece, the busy reader may want to skip over the Newtonian mathematics and Aristotelian logic in Sections A, B, and C, and proceed directly to the summaries and conclusions in Section D and E.

A. SHORTFALL ANALYSIS

Attachment 1 shows the FY 94/95 perpetual life maintenance requirements and the FY 94/95 revenue shortfall of \$2,153,210. Forecasting the revenue shortfall is a risky undertaking because several revenue variables exist as follows:

1) Water/Sewer Franchise Fee

This 5 percent franchise fee on all water and sewer revenues is dedicated at the present time to restoring streets damaged by utility cuts. In FY 94/95, a total of \$1,107,000 was available. This franchise fee dedication to street restoration is on a year-by-year approval by the Budget Committee and City Council.

2) State Gas Taxes

There is presently a 24¢/gallon State gas tax. Each 1¢/gallon is 4.17 percent of the total, or very closely equaling the annual inflation on gas tax revenues. So, to offset inflation, at least a 1¢/gallon increase must be approved each year. When the Legislature approves a 2¢/gallon increase per year, then the City of Salem gains net revenues above the inflation rate. A major problem is that the Legislature has not approved any increases for the past two bienniums. By the end of the current biennium in 1997/98, the City will have lost four years of inflationary increases.

3) State Gas Tax Pie

The City divides the State gas tax pie into several slices: City overhead, street tree maintenance, Public Works management (25 percent of Public Works Director's salary), traffic engineering/transportation planning, street signing and markings, traffic signal operations and maintenance, street lights, and surface street maintenance. All of the above are fairly fixed except surface street maintenance, which must absorb cuts with inflationary increases and no offsetting revenue increases.

A forecast of revenues and revenue shortfalls for street surface perpetual life maintenance therefore must consider the above three variables. However, to simplify an analysis of possible assumptions, variable #3, the State Gas Tax Pie, will be assumed fixed. Therefore, the following assumptions will be analyzed:

Assumption #1:

- a) Water/sewer franchise fee continues at 5 percent.
- b) Starting FY 97/98, the Legislature will continue funding 2¢/year annual increases in the State gas tax.

Assumption #2:

- a) Water/sewer franchise fees no longer dedicated to street maintenance.
- b) Same as #1 above.

Assumption #3:

- a) Same as #1 above.
- b) No new State gas taxes approved by the Legislature in 1997.

Following is an analysis of forecast revenue shortfalls for each of the above assumptions.

ASSUMPTION #1

FORECAST REVENUE SHORTFALLS

- 1. Water/Sewer Franchise Fee Continues at 5%.
- 2. Annual 2¢/gallon Increases in State Gas Tax Starting FY 97/98.
(Millions)

	<u>94/95</u>	<u>95/96</u>	<u>96/97</u>	<u>97/98</u>	<u>98/99</u>	<u>99/00</u>
Expected Gas Tax/Franchise Fee Revenue	1.832	1.895	2.016	2.146	2.159	2.172
Gas Tax Increases 2¢/year	0.000	0.000	0.000	0.130	0.453	0.642
Total Revenue	1.832	1.895	2.016	2.276	2.612	2.814
Perpetual Life Needs	<u>3.985</u>	<u>4.145</u>	<u>4.310</u>	<u>4.482</u>	<u>4.661</u>	<u>4.850</u>
Shortfall	(2.153)	(2.250)	(2.294)	(2.206)	(2.049)	(2.036)

ASSUMPTION #2

FORECAST REVENUE SHORTFALLS

1. 5% Water/Sewer Franchise Fees No Longer Dedicated to Streets.
 2. Annual 2¢/gallon Increase in State Gas Tax Starting FY 97/98.
- (Millions)

	<u>94/95</u>	<u>95/96</u>	<u>96/97</u>	<u>97/98</u>	<u>98/99</u>	<u>99/00</u>
Expected Gas Tax/Franchise Fee Revenue	0.725	0.725	0.725	0.725	0.725	0.725
Gas Tax Increases 2¢/year	0.000	0.000	0.000	0.130	0.453	0.642
Total Revenue	0.725	0.725	0.725	0.855	1.178	1.367
Perpetual Life Needs	<u>(3.985)</u>	<u>(4.145)</u>	<u>(4.310)</u>	<u>(4.482)</u>	<u>(4.661)</u>	<u>(4.850)</u>
Shortfall	(3.260)	(3.420)	(3.585)	(3.627)	(3.483)	(3.483)

ASSUMPTION #3

FORECAST REVENUE SHORTFALLS

1. Water/Sewer Franchise Fees Continue at 5%.
 2. No New State Gas Taxes Approved by the Legislature in 1997.
- (Millions)

	<u>94/95</u>	<u>95/96</u>	<u>96/97</u>	<u>97/98</u>	<u>98/99</u>	<u>99/00</u>
Expected Gas Tax/Franchise Fee Revenue	1.832	1.895	2.016	2.146	2.159	2.172
Gas Tax Increases 2¢/year	0.000	0.000	0.000	0.000	0.000	0.000
Total Revenue	1.832	1.895	2.016	2.146	2.159	2.172
Perpetual Life Needs	<u>(3.985)</u>	<u>(4.145)</u>	<u>(4.310)</u>	<u>(4.482)</u>	<u>(4.661)</u>	<u>(4.850)</u>
Shortfall	(2.153)	(2.250)	(2.294)	(2.336)	(2.502)	(2.678)

In summary, shortfalls per year for each assumption are as follows:

	<u>Maximum</u>	<u>Average 5-year 95/96 - 99-00</u>
Assumption #1	\$2.294	\$2.167
Assumption #2	3.627	3.519
Assumption #3	2.678	2.412

Therefore, the average shortfalls range from \$3.519 million/year to \$2.167 million/year.

Staff's recommendation of the Task Force supporting and recommending to the City Council a vehicle fuels tax of 4¢/gallon will produce approximately \$2.18 million of revenue per year. Staff's recommendation therefore assumes Assumption #1 for the next five years.

B. TRANSPORTATION UTILITY OPTION

A transportation utility is structured similarly to a storm drainage or a sewer utility. Service fees are collected from all Salem residents and businesses using the street system. Several different methodologies are available for determining the service fees, but the most common is the number of vehicle trips a property generates. Other methodologies could be the length of street frontage or the number of parking spaces. The trip generation methodology, however, appears to have the best nexus related to perpetual maintenance of streets.

The trip generation methodology can itself have at least two methodologies, with each methodology producing different splits of responsibility between residential and commercial sectors. The two methodologies are briefly described as follows:

1. Transportation Utility - Methodology #1

This methodology uses the Institute of Traffic Engineers (ITE) Trip Generation Manual to compute the number of trips for each property in the City. This methodology #1 assumes no allowance for linked trips. Therefore, it is the same methodology as presented on April 25 to the Task Force and included in Attachment 3. Following are the assumptions used in this methodology:

Trip generation	-	ITE Manual
Linked trips	-	Not considered
Equivalent Service Unit (ESU)	-	9.55 trips/day (ITE Manual - Single Family Residential)
Trip definition	-	Either the origin or destination of a full trip. A person leaving his home is a trip and arriving at his work location is another trip.
Total estimated ESUs	=	207,448 (Estimated from a random sample of utility customers with linked trips not considered and government agencies excluded.)

The cost/ESU for the \$2.18 million of required perpetual life maintenance annual revenue is as follows:

$$\begin{aligned}\text{Cost/one ESU} &= \$2,180,000/207,448 \text{ ESUs/12 month} \\ &= \$0.88/\text{month}\end{aligned}$$

This methodology produces 20 percent of total revenue from residential customers and 80 percent of total revenue from commercial/industrial customers.

2. Transportation Utility - Methodology #2

This methodology uses the ITE Manual to compute the number of trips, but adjusts commercial and industrial trips by linked trips. This factoring in of linked trips is extremely rough at this point because this methodology requires a detailed analysis similar to the Kittelson SDC report.

Following are the assumptions used in this methodology:

Trip generation	-	ITE Manual
Linked trips	-	Assumed to decrease all commercial/industrial trips by a factor of two.
ESU	-	9.55 trips/day
Trip definition	-	Same as previous
Total estimated ESUs	=	124,432

The cost/ESU is computed as follows:

$$\begin{aligned}\text{Cost/one ESU} &= \$2,180,000/124,432 \text{ ESUs}/12 \text{ months} \\ &= \$1.46/\text{month}\end{aligned}$$

This methodology produces 33 percent of total revenue from residential customers and 67 percent of total revenue from commercial/industrial customers.

3. Capital Construction and Transit

The Task Force has considered funding with this revenue option not only perpetual life street maintenance, but also, additional capital street construction at \$1.0 million per year and contracting with the Transit District for express bus routes and park and ride lots for an additional \$1.0 million per year.

The proposed \$1.0 million per year capital street construction fund would produce \$20 million of present value over the next 20 years and could either lower future bond issue amounts and thereby lower property taxes, or increase the \$190 million maximum created by the \$2.02 policy for general obligation bonds.

The transit programs of express bus routes and park and ride lots will be needed to implement the developing Transportation System Plan required by the State Transportation Rule. In more practical terms, these transit programs are needed to control within reasonable and fundable limits, new arterial street capacity improvements that would be required without these transit programs.

4. Summary of Transportation Utility Methodologies

METHODOLOGY	COST / ESU / MONTH	
	Perpetual life street maintenance only	Perpetual life street maintenance plus additional capital construction and transit
	\$2,180,000/Year Annual Revenue	\$4,180,000 Annual Revenue
#1 - No Linked Trips	\$ 0.88	\$ 1.68
# 2 - Linked Trips	\$ 1.46	\$ 2.80

5. Examples - Transportation Utility Fees

Transportation utility fees are proposed, if adopted, to be added to water and sewer bills as a new line item fee. Water and sewer fees are currently billed bi-monthly for residential properties and the smaller commercial accounts, and monthly for customers with large water meters such as food processors, large industry, and large commercial businesses.

Examples of transportation utility fees have been prepared to give the Task Force a practical understanding of the magnitude and range of the fees. For each example, four hypothetical fees will be computed corresponding to the four possible combinations of the two methodologies (no linked trips and linked trips) that are possible and the two target yearly revenue amounts (\$2.18 million and \$4.18 million) now being considered.

Following are examples of possible monthly fees for residential, multi-family, commercial, and industrial land uses.

EXAMPLES
TRANSPORTATION UTILITY FEES
FOR FOUR COMBINATIONS

LAND USE	MONTHLY UTILITY FEES			
	NO LINK \$2.18 million	LINKED \$2.18 million	NO LINK \$4.18 million	LINKED \$4.18 million
Single Family Residential	\$ 0.88	\$ 1.46	\$ 1.68	\$ 2.80
Apartment House (100 Units)	59.62	98.91	113.82	189.70
Brookside Apt. (54 Units)	32.19	53.41	61.45	102.42
Commercial Retail (100,000 sq.ft.)	651.20	540.20	1,243.20	1,036.00
WalMart on Lancaster (119,462 sq.ft.)	777.90	645.30	1,485.00	1,238.00
Bank - Drive-in (6,000 sq.ft.)	146.60	121.63	279.89	233.24
Fast Foods (3,000 sq.ft.)	217.28	180.29	414.70	345.80
Siltec Fairview (67,446 sq.ft.)	43.31	39.93	82.68	68.90
Waremart Phase I (500,000 sq.ft.)	224.83	186.51	429.24	357.69

C. VEHICLE FUELS TAX OPTION

Currently, there are five local jurisdictions with a vehicle fuels tax, as follows:

Multnomah County	3¢ /gallon
The Dalles	3¢
Tillamook	1.5¢ /gallon
Washington County	1¢
Woodburn	1¢

The annual revenue for Salem expected from a regional vehicle fuels tax has been estimated by the Council of Governments (COG) as \$545,155 per 1¢/gallon (Attachment 2).

The administration of a fuels tax is simple because the City or taxing district could contract with the State Department of Revenue for collection of the tax. No additional City staff would be required to administer this tax.

Two alternatives exist in structuring a local vehicle fuels tax as follows:

Alternative 1 - Regional Vehicle Fuels Tax

Where county taxing districts would be created in Marion and Polk counties. Regardless of the size of this taxing district, the City of Salem's share would be computed based on population and would remain constant at the COG estimate of \$545,155 per 1¢/gallon.

Alternative 2 - City of Salem Vehicle Fuels Tax

A City of Salem Vehicle Fuels Tax where the tax would be collected from retail dealers only within the City of Salem. For purposes of this preliminary analysis, the same estimate of \$545,155 per 1¢/gallon will be used. The estimate can be refined later if this option is chosen by the Task Force.

A vehicle fuels tax has a distinct advantage over other revenue options because the nexus is extremely good for fuel consumed and responsibility for maintenance and construction of streets. Presently, we have 24¢/gallon of State fuels taxes and 18.4¢/gallon of Federal fuels taxes for a total of 42.4¢/gallon. It is extremely likely both the State and Federal taxes will greatly increase in the future because of massive transportation needs nationally and in the Willamette Valley in particular.

It appears logical to staff that a small (4¢/gallon) vehicle fuels tax will look small compared to future state and federal fuel tax increases.

Alternative 1 - Regional Vehicle Fuels Tax

The major advantage of a regional fuels tax over a City of Salem fuels tax is that it eliminates the argument that a jurisdictional boundary such as a city limits will put a retail gas dealer at a business disadvantage due to the fuels tax. Another advantage of the regional approach is additional revenues are available to cooperatively solve regional transportation problems.

The City has pursued a regional vehicle fuels tax partnership with Marion and Polk Counties for several years. However, other cities in both counties have been reluctant to participate, so the counties have not moved on this issue.

There are two alternatives that have been discussed related to the size of a regional vehicle fuels taxing district: first, the entire Marion/Polk Counties area; and second, the Salem/Keizer Urban Growth Boundary area.

As previously stated, the first alternative has not moved ahead because of the reluctance of several cities in both Marion and Polk Counties. The second alternative needs the unanimous consent of Salem, Keizer, and both counties to move ahead.

A regional vehicle fuels taxing district would need to be implemented with a vote of the people. Revenues would be collected by the State Department of Revenue and distributed to participating jurisdictions based on population.

Attachment 2 shows Salem's potential share of a regional fuels tax of \$545,155 for each 1¢/gallon of tax. Therefore, to meet Salem's need of \$2.18 million yearly as an average for the next five years, the following vehicle fuels tax would be needed:

$$\begin{array}{rcll} \text{Regional Vehicle Fuels Tax} & = & \underline{\$2,180,000} & = & 4.0\text{¢/gallon} \\ & & \$ 545,155 \text{ per } 1\text{¢/gallon} & & \end{array}$$

Alternative 2 - City of Salem Vehicle Fuels Tax

The policy of the City Council in the past is to consider a local vehicle fuels tax only if it is regional in size so that local vehicle fuel taxes within artificial jurisdictional boundaries do not put retail gas stations at business disadvantages.

However, in light of the improbability of creating a large two-county regional system or even a smaller Urban Growth Boundary regional system, staff believes it time to re-examine the City Council's regional policy.

Staff recently surveyed all retail gasoline dealers within and slightly outside the Urban Growth Boundary. Attachment 5 shows the locations which are coded for City of Salem, Keizer, and Marion and Polk Counties. The totals for each jurisdiction and the population served by each gas station are as follows:

<u>Jurisdiction</u>	<u>Retail Gas Stations</u>	1990 Census <u>Population</u> <u>Inside UGB</u>	<u>Population per</u> <u>Gas Station</u>
Salem	31	107,786	3,476
Keizer	6	21,884	3,647
Marion	10	29,164	2,916
Polk	<u>1</u>	<u>858</u>	<u>858</u>
Total	48	159,692	3,327

Staff concludes from the above data that retail gas stations are reasonably evenly distributed throughout the Urban Growth Boundary (and slightly outside). Therefore, it is reasonable to assume that just a City of Salem vehicle fuels tax would collect vehicle fuels taxes approximately proportional to its population. This is a key assumption because with a regional vehicle fuels tax, it would make no difference in the region where the fuel was sold because tax revenue would be distributed to cities and counties based on population. This assumption needs to be confirmed with retail sales data if a City of Salem vehicle fuels tax is selected.

Staff also sampled the pump price of gasoline on August 1, 1995, at 14 Salem gas dealers, 5 Keizer dealers, and 8 Marion County dealers. That information, along with a listing of all 48 gas dealers is shown on Attachment 6. In summary, the gas price ranges for unleaded regular are shown below.

Gas Prices of Unleaded Regular
August 1, 1995
(\$/gallon)

Salem	1.16 - 1.39
Keizer	1.18 - 1.23
Marion	1.17 - 1.37

The above information shows Salem had a range of 23¢/gallon, Keizer only 5¢/gallon, and Marion County 20¢/gallon. Staff concludes from this data in the City of Salem, a City of Salem vehicle fuels tax of 4¢/gallon does not appear significant with the 23¢/gallon range.

Staff continued its sampling of pump prices on August 14, 1995, to isolate possible direct gas dealer competition along the boundaries of the city limits.

Four areas were identified where direct competition could occur along the boundaries of the Salem city limits. Attachment 7 shows the areas and gas stations in each jurisdiction. Following is a summary of collected data:

POSSIBLE COMPETITION AREAS

<u>Direct Competition Area</u>	<u>Jurisdiction and Station No.</u>	<u>Unleaded Gas Price August 14, 1995</u>
1	Polk 1	\$ 1.22
	Salem 19	1.29
2	Keizer 4	1.19
	Keizer 5	1.19
	Keizer 6	1.19
	Salem 3	1.21
	Salem 4	1.25
	Salem 31	1.25

POSSIBLE COMPETITION AREAS Cont'd

<u>Direct Competition Area</u>	<u>Jurisdiction and Station No.</u>		<u>Unleaded Gas Price August 14, 1995</u>
3	Marion	1	1.22
	Salem	1	1.21
	Salem	2	1.29
4	Marion	6	1.17
	Marion	7	1.35
	Marion	10	1.21
	Salem	21	1.35

Staff concludes that gasoline prices in Salem are already significantly higher in most cases compared to competitors outside the Salem city limits. The reason for this is unclear, but they are apparently competing successfully with higher pump prices. The question is whether they can still compete successfully with a Salem fuels tax of 4 ¢/gallon.

D. COMPARATIVE ANALYSIS

A transportation utility tax dedicated to street perpetual life (\$2.18 million per year) and a City of Salem vehicle fuels tax can be compared with the assumption the transportation utility option is the linked trip methodology. The comparison follows.

Comparison Factor	Transportation Utility	Salem Vehicle Fuels Tax 4¢/gallon
1. Nexus for street maintenance Public Perception	Fair to Poor	Excellent
2. Cost for Setup	High \$50,000 to \$75,000 A Kittelson SDC type analysis would be required.	Very Low
3. Voter Approval	Yes	Yes
4. Administrative Costs	Moderate Customer Service, staff, and Council would have many inquiries and complaints	Very Low Collection contracted to State Motor Vehicles
5. Adoption Process by Council	Opposition and support groups are not known at this time.	Retail gas dealers would be opposed. Developers support.
6. Residential tax impacts	Annual Tax = $12 \times \$1.46$ = \$17.52	For a two-car family and 30,000 miles at 20 mpg - Annual tax = \$60
7. Commercial tax impacts	Highly variable Range of examples: \$7,692 to \$428 per year	Highly variable depending on nature of business.
8. Residential/commercial impacts	High commercial Low residential	High residential Variable commercial

Comparison Factor	Transportation Utility	Salem Vehicle Fuels Tax 4¢/gallon
9. Economic Development	Could be a negative factor	Very low impact
10. Progressivity (Ability to pay)	Residential - Poor (all residential customers pay the same) Commercial - Good Fee is based on number of customers/employee trips	Residential - Fair (Depends on whether fuel consumption increases with increased income) Commercial - Variable
11. General Exemptions	None proposed at this time except government. Council may consider an exemption for residents that do not own vehicles.	Off-road vehicles, boats, farm vehicles, agricultural, and non-vehicle use can be reimbursed for the fuel tax.
12. Government Exemptions	City Attorney has ruled government is exempt because it is a tax.	Government fleets can be exempted but they do not have to be. If required in the final ordinance, all State, County, and City vehicles would pay. Military vehicles are exempt by Federal law.
13. Taxes paid by outside City residents	<u>Indirect</u> Many commercial businesses in Salem draw from a large region and increase the trip generation and the utility tax.	<u>Direct</u> All gas sold at Salem gas stations to I-5 commuters and others outside the City.
14. Transit Operations Express Bus Service	Yes	Constitution forbids its use.
15. Capital construction of streets	Yes	Yes

E. CONCLUSIONS

Staff concludes from the Comparative Analysis, the following:

1. Since both options, the transportation utility and the vehicle fuels tax, must be approved by the voters, the public perception of the relationship or nexus of the tax and the street maintenance needs is crucial. Staff believes the public understands this relationship for a vehicle fuels tax, but would not understand it for the transportation utility.
2. The cost to study and create the methodology for the Transportation SDC was high (\$75,000). Many citizens and several Councilors were very critical of this front end cost. The cost to set up a transportation utility will also be high. A methodology, probably using linked trips, must be created as well as a specific custom bill for every commercial account in Salem must be developed. In contrast, the vehicle fuels tax has very low set up costs. An agreement with State Motor Vehicles must be developed for Salem to contract collections to them.
3. The adoption process by the City Council will probably be difficult for either option. The Retail Gas Dealers Association will vigorously oppose the local vehicle fuels tax. The development community, however, are on record as supporting a vehicle fuels tax. The difficulty in adopting a transportation utility tax is completely unknown. No opponents have surfaced at this time, but because it is a new tax, the public perception will probably be that there is a weak relationship of this new tax with street maintenance. Opposition from residents and commercial businesses should be expected. A new Task Force will probably need to be created of all impacted parties if a transportation utility is chosen.
4. The vehicle fuels tax will fall heavily on residents and the transportation utility will impact commercial businesses more heavily.
5. Government would be exempted from paying the transportation utility tax, but it would not be automatically exempted from the vehicle fuels tax except for military vehicles.
6. The vehicle fuels tax proposed at 4¢/gallon is believed superior to the transportation utility for the purpose of providing revenues for perpetual life street maintenance because public perception is that gas taxes have a better nexus. A disadvantage of the vehicle fuels tax is that it cannot be used for transit express bus operations, which is a critical need in Salem.

LN/COR7/ANALYSIS.UV

Transportation Impact Task Force
Meeting of August 22, 1995
Page 20

LN/COR7/ANALYSIS.UV3

- Attachments:
- 1) Funding Perpetual Life Maintenance Strategies
 - 2) Regional Vehicle Fuels Tax
 - 3) Transportation System Utility
 - 4) Legal Opinion - Transportation Utility
 - 5) Gas Dealer Locations
 - 6) Listing of Gas Dealers/Locations
 - 7) Possible Competitive Areas/Gas Stations

FUNDING "PERPETUAL LIFE" MAINTENANCE STRATEGIES PROGRAM ALLOCATION/SHORTFALL				
PROGRAMS:	ARTERIAL	COLLECTOR	RESIDENTIAL	TOTAL
Routine Maintenance	\$468,535	\$150,070	\$371,870	\$990,475
Preventative Maintenance	\$25,398	\$14,142	\$591,955	\$631,494
Restoration/Resurfacing	\$1,118,400	\$293,784	\$950,988	\$2,363,152
Total "Perpetual Life" Needs	\$1,612,333	\$457,996	\$1,914,793	\$3,985,122
AVAILABLE FUNDS:				
Gas Tax & Franchise Fee	\$411,735	\$366,657	\$1,053,520	\$1,831,912
"Perpetual Life" Shortfall	\$1,200,598	\$91,339	\$861,273	\$2,153,210

V. C.

REGIONAL VEHICLE FUEL TAX

Currently, three cities and two counties have a local fuels tax: Tillamook (1 ½ cent), The Dalles (3 cents), Woodburn (1 cent), Multnomah County (3 cents), and Washington County (1 cent). A Marion-Polk County fuels tax could be implemented with a vote of the people and distributed based on population. This source of funding would require coordination and support throughout Marion and Polk Counties. Gasoline sales have flattened out and are expected to increase gradually over time.

SALEM'S POTENTIAL SHARE OF A REGIONAL FUEL TAX

Based On 1994 Vehicle Registration, Population Estimate, and Fuel Use Data.

Tax Per Gallon	First Year City of Salem Total	City of Salem Years 1-5 Total	City of Salem Years 6-20 Total	City of Salem 20 Year Total
1 cent	\$545,155	\$2,848,929	\$10,142,790	\$12,991,719
3 cents	\$1,635,464	\$8,546,786	\$30,428,371	\$38,975,158
5 cents	\$2,725,774	\$14,244,644	\$50,713,952	\$64,958,596
7 cents	\$3,816,083	\$19,942,501	\$70,999,533	\$90,942,034

TO: Transportation Impact Task Force

FROM: Frank Mauldin, Director
Public Works Department



DATE: April 20, 1995

SUBJECT: **TRANSPORTATION SYSTEM UTILITY**

The purpose of this memorandum is to discuss the establishment of a City transportation system utility as a means of financing a defined program of transportation system related services. A utility is not a taxing entity. A utility fee is not a tax; it is a user fee. Since utility fees are not taxes, a benefitted governmental entity is generally required to pay them.

Cities utilizing a transportation utility fund and operating all or a defined portion of their transportation system, will typically collect the transportation utility fee through the city's normal utility billing system. This minimizes the administrative costs of the utility.

In a utility, a fee is collected from those persons or entities receiving the benefits of utility's services based upon the amount of service or benefit received. The amount of the utility fee collected is determined annually by dividing the utility's budget by a defined number of units of service. For example, in a water utility, the unit of service is the measured quantity of water, typically a measured gallon or cubic foot. The utility fee paid by the water service customer is a based upon the number of gallons or cubic feet of water utilized.

Defining the equivalent units of service (ESU) and establishing the number of units of service within a transportation utility must be rationally linked to the benefits provided by the utility. To be "rational" implies the definition of the ESU and assignment of value to the ESU must approximate the benefits received by the user of the service in order for equity to exist. The three most common measures of service used by transportation utilities are "trips" and "front-foot", or combination "front-foot" for residential use and another measure such as "number of employees" or "parking spaces" for commercial/industrial land use. It is generally conceded the most equitable of the three allocating measures the "trip." It is also conceded that utilizing "trips" is somewhat more complex than other measures.

In development of a utility fee based upon the number of "trips" a property generates, municipalities almost uniformly utilize the Institute of Traffic Engineers Trip Generation Manual. This manual lists trip generation by property use category. The trips generated by a parcel of property include not only the trips generated by occupants of the property, but also the trips such as mail, service and deliveries, garbage service, and customers.

To demonstrate how Salem might utilize "trip generation" as the basis for allocating cost of service for transportation utility, the example is presented. The following table is a very rough estimate of the number of ESU's for a City of Salem transportation system utility.

This estimate is an update of a rough estimate first prepared in March, 1984. The estimate assumes the water accounts model the user category's generation of vehicle trips. The accuracy

of the 1984 estimate, and this one too, is reduced due to the small sample size and difficulty in obtaining site specific data which forms the basis for calculation of commercial, industrial, institutional, and public service trip generation.

The ESUs in this estimate are based upon February, 1995, water utility customer data, and vehicle trips generated by user classification as defined by the Institute of Traffic Engineers (ITE) trip generation manual published in 1984. One ESU is defined as 9.55 trips. Coincidentally, the ITE manual ascribes 9.55 trips/day to a single family residence. The public service and institutional categories contain all government entities.

USER CATEGORY	NUMBER OF USERS	TRIPS PER DAY PER USER	TRIPS PER DAY	EQUIVALENT SERVICE UNITS
Residential	29,202	9.55	278,879	29,202
Multi-Family	18,031	6.47	116,661	12,215
Commercial	2,464	635	1,564,640	163,837
Industrial	33	635	20,955	2,194
Institutional	12	635	7,620	798
Public Service	205	635	130,175	13,631
			Total Estimated ESUs	221,877

Assuming, for example, City of Salem transportation utility has an annual budget of \$2,000,000. What is the monthly cost of an ESU?

$$\text{One ESU} = \$2,000,000 / 221,877 \text{ ESUs} / 12 \text{ months} = \$.75 / \text{month}$$

Under this scenario a single family residence would have a bi-monthly transportation utility fee of \$1.50.

Three cities in Oregon presently have transportation utilities. The fees they charge are as follows:

Ashland	-	\$2.03/ESU/month
Medford	-	\$2.00/ESU/month
Tualatin	-	\$1.42/ESU/month

Preliminarily, three options are being identified with increasing fees and expanded objectives as follows:

Option 1

\$2,000,000 per year to meet the street maintenance perpetual life needs. Total = \$2,000,000/year

Option 2

\$2,000,000 per year street maintenance plus \$1,000,000 per year for contract services to the Transit District for express bus service and park and ride lots. Total = \$3,000,000/year

Option 3

\$2,000,000 per year street maintenance, plus \$1,000,000 per year transit service, plus \$1,000,000 per year for street capital projects. Total = \$4,000,000 per year

Following are short- and long-term revenue estimates for the three options assuming an annual ESU increase of two percent.

**Transportation System Utility
Estimated Revenue**

Option	First Year Revenue	1 - 5 Years Revenue	6 - 20 Years Revenue	Total Revenue
1	\$2,000,000	\$10,400,000	\$38,194,000	\$48,594,000
2	\$3,000,000	\$15,612,000	\$57,279,000	\$72,891,000
3	\$4,000,000	\$20,816,000	\$76,372,000	\$97,188,000

MEMORANDUM LEGAL OPINION



To: Robert G. Wells
Assistant City Manager

Through: Stephanie Smythe
City Attorney

From: David J. De Martino
Deputy City Attorney

DJD: 9-95

Date: May 9, 1995

Subject: Transportation Utility Fee

You pose the following

QUESTION:

Does the transportation utility fee require voter approval?

ANSWER GIVEN:

Yes, if the utility fee will be imposed on other governmental units based on estimated trip generation rather than actual trips made.

DISCUSSION:

The Transportation Impact Task force is considering a transportation utility fee. There would be a monthly utility charge placed on the water bill. The fee is imposed on the party responsible for the water bill.

There are a number of implications to be considered in adopting a utility fee. The first is meeting a Measure 5 challenge. Although a number of cities have adopted a transportation utility fee, no Measure 5 case has been decided on the merits. However, the Attorney General, in Opinion No. 8216 dated September 7, 1990, found that the City of Ashland's transportation utility fee was subject to the limits of Measure 5. There the fee is the responsibility of the owner or occupant. The closest case on point is Roseburg School Dist. v. City of Roseburg, 316 Or 374 (1993). In that case the court held that the city ordinance requiring the person responsible for paying the city's water utility charge to be responsible for the storm drainage fee was outside the limits of Measure 5; i.e., the charge was not upon property or upon a property owner as a direct

consequence of ownership of that property. The ordinance in question placed no lien on property and allowed a reduction or elimination of the monthly charge by demonstrating that the service is not being used. These provisions of the ordinance were further factors which satisfied the court that the fee was not subject to Measure 5. If challenged, a very good argument can be made that placing the responsibility of the transportation utility fee on the one responsible for the utility water bill with similar ordinance provisions as the Roseburg case is not a tax or a fee subject to the limits of Article XI, Section 11b of the Oregon Constitution.

A second concern is whether the proposed utility fee is a true user fee rather than a tax. The difference is important since there is a desire to impose the fee on governmental units. As stated in a letter opinion of the Attorney General dated June 26, 1987 (OP-6091) a city's home-rule authority is not sufficient to impose a tax burden on another public body. However, the opinion suggests a city may impose a user fee on another public body.

This opinion of the Attorney General held that the transportation utility taxes of the cities of Ashland and Monmouth were taxes and not user fees, thus the local public colleges were exempt from payment of the utility fees. The basis of the opinion with respect to the City of Monmouth was that the methodology used to calculate the fee was based on estimates of vehicle trips rather than actual vehicle trips generated by the responsible party.

A state circuit court decision held that the City of Medford's transportation utility fee based upon estimated trip generation was a tax rather than a user fee. The trial court found that placing the utility fee on the city water bill for street maintenance was a tax which had a rational basis and did not violate either the uniformity clause of the Oregon Constitution or the equal protection clause of the 14th Amendment to the United States Constitution. The circuit court decision was appealed and the court of appeals affirmed without opinion. Seus, et al. v. City of Medford, 125 Or App 686, Rev. Denied 318 Or 478 (1994). A direct Measure 5 challenge was not made.

The third concern is the scope of power to initiate a tax granted by the City Charter. Under the general grant of powers clause of the City Charter (Section 3) a true user fee may be imposed without a vote of the people. However, as pointed out above, the proposed utility fee is a tax since it is based on estimates of trip generation by the person responsible for the water bill.

In the past this office has advised that in the area of taxation our charter authority may be limited to the specific taxes named in the charter. See opinion of the City Attorney 17-92. Consistent with this view the City sought and obtained voter approval for the transient occupancy tax and creation of a parking district linked to a business tax. There is no mention of a transportation utility tax in the charter.

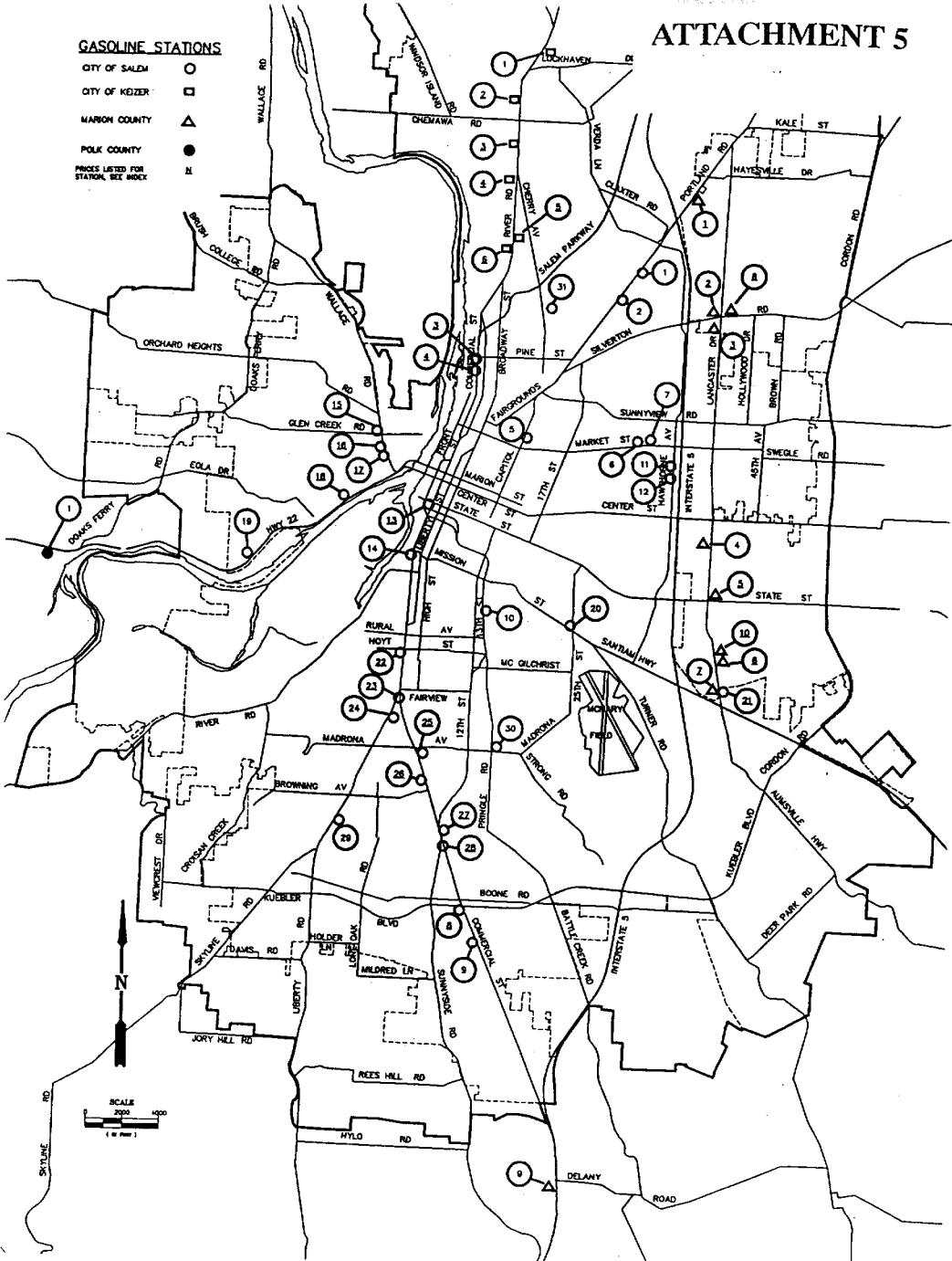
In order to remove any uncertainty which could surround the proposed fee because of the second and third concerns discussed above, we recommend voter approval if estimated trip generation is used as a basis for the charge and the fee is imposed on the person responsible for the water bill.

GASOLINE STATIONS

○

△

PRICES LISTED FOR
STATION, SEE INDEX



INDEX
Gasoline Station
Location

All prices where field verified on August 1, 1995
 Prices shown do not include the 9/10 of a cent which should be added to reflect actual cost per gallon.

CITY OF SALEM

1) AM - PM Mini Mart 3820 Portland Road NE	2) Portland Road Texaco 3502 Portland Road NE				
3) B P Kar Kleen Gas Sta-Car Wash 280 Pine Street NE	4) Pacific Pride Service Station 205 Columbia Street NE				
<u>Regular</u> \$1.19	<u>Unleaded</u> \$1.23	<u>Premium</u> \$1.39			
5) B P Oil 1516 Capitol Street NE	6) Arco 2795 Market Street NE				
7) AM PM 2979 Market Street NE	8) B P Oil 5095 Commercial Street SE				
	<u>Regular</u> \$1.17	<u>Unleaded</u> \$1.24	<u>Super</u> \$1.39		
9) Atlantic Richfield Co. (ARCO) 5401 Commercial Street SE	10) Time Oil Co. 1098 13th St. SE				
11) I-Z Enterprises, Station No. 1 1500 Hawthorne Avenue NE	12) Fast Serv Center 1477 Hawthorne Avenue NE				
13) Marion Auto Service 195 Commercial Street SE	14) AM PM South Salem 805 Commercial Street SE				
<u>Unleaded</u> \$1.35	<u>Plus</u> \$1.39	<u>Supreme</u> \$1.50			
15) West Salem Chevron 1115 Wallace Road NW	16) West Salem Texaco 583 Wallace Road NW				
<u>Unleaded</u> \$1.38	<u>Plus</u> \$1.42	<u>Supreme</u> \$1.55	<u>Regular</u> \$1.28	<u>Unleaded</u> \$1.37	<u>Premium</u> \$1.41

17) West Salem Shell
545 Wallace Road NW

<u>Regular</u>	<u>Unleaded</u>	<u>Premium</u>
\$1.25	\$1.28	\$1.42

18) B P
1191 Edgewater Street NW

<u>Regular</u>	<u>Unleaded</u>	<u>Premium</u>
\$1.27	\$1.28	\$1.45

19) RB Texaco
2385 Salem-Dallas Hy NW

20) Chuck's Texaco
2485 Mission Street SE

21) Lancaster Chevron Service
1110 Lancaster Drive SE

<u>Unleaded</u>	<u>Plus</u>	<u>Supreme</u>
\$1.37	\$1.45	\$1.53

22) Earl's Unocal 76
2316 Commercial Street SE

<u>Unleaded</u>	<u>Plus</u>	<u>High Per.</u>
\$1.33	\$1.41	\$1.49

23) D & L Arco
2955 Commercial Street SE

<u>Regular</u>	<u>Unleaded</u>	<u>Premium</u>
\$1.16	\$1.21	\$1.37

24) Liberty Road Texaco
3220 Liberty Road SE

25) South Salem Chevron
3514 Commercial Street SE

<u>Unleaded</u>	<u>Plus</u>	<u>Supreme</u>
\$1.39	\$1.49	\$1.59

26) South Salem Unocal 76
3883 Commercial Street SE

<u>Unleaded</u>	<u>Plus</u>	<u>High Per.</u>
\$1.23	\$1.29	\$1.39

27) Towne Pump Chevron
4310 Commercial Street SE

<u>Unleaded</u>	<u>Plus</u>	<u>Supreme</u>
\$1.24	\$1.29	\$1.39

28) South Salem Texaco
4395 Commercial Street SE

<u>Unleaded</u>	<u>Power</u>	<u>Power Plus</u>
\$1.24	\$1.29	\$1.39

29) Sunnyslope Texaco
4292 Liberty Road SE

30) B P Service Center No. 4
3498 Pringle Road SE

31) Pacific Pride
SE Cor. Salem Industrial Drive
& Del Webb Ave. NE

CITY OF KEIZER

1) Keizer Texaco
6160 River Road NE

2) Chevron Service Station
5195 River Road N

<u>Unleaded</u>	<u>Plus</u>	<u>Supreme</u>
\$1.21	\$1.28	\$1.36

- 3) Keizer Arco Service
4669 River Road N

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.20	\$1.21	\$1.36

- 5) River Road Shell
3510 River Road N

<u>Regular</u>	<u>Unleaded</u>	<u>Premium</u>
\$1.18	\$1.21	\$1.36

- 4) Bob's Keizer Service Station
4495 River Road N

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.21	\$1.20	\$1.36

- 6) M & M Mart No. 3
3401 River Road N

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.23	\$1.27	\$1.41

MARION COUNTY

- 1) BP Oil
4592 Portland Road NE

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.22	\$1.26	\$1.41

- 3) Towne Pump Chevron
3333 Lancaster Drive NE

<u>Unleaded</u>	<u>Plus</u>	<u>Supreme</u>
\$1.21	\$1.29	\$1.36

- 5) Lancaster BP
102 Lancaster Drive NE

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.19	\$1.25	\$1.41

- 7) Lancaster Texaco
1491 Lancaster Drive SE

<u>Unleaded</u>	<u>Power</u>	<u>Power Plus</u>
\$1.37	\$1.45	\$1.53

- 9) Texaco
SW Cor. I-5 & Delany Road SE

- 2) BP Oil Co.
3995 Silverton Road NE

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.19	\$1.23	\$1.39

- 4) AM PM
501 Lancaster Drive NE

- 6) I-Z Enterprises, Station No. 6
810 Lancaster Drive SE

<u>Regular</u>	<u>Unleaded</u>	<u>Super</u>
\$1.17	\$1.23	\$1.39

- 8) Lancaster Shell
4005 Silverton Road NE

<u>Regular</u>	<u>Unleaded</u>	<u>Premium</u>
\$1.18	\$1.21	\$1.36

- 10) Jackpot Foodmart
NE Cor. Lancaster & Macleay Rd.

<u>Regular</u>	<u>Unleaded</u>	<u>Extra</u>
\$1.21	\$1.28	\$1.45

POLK COUNTY

- 1) Ernie's Pay-Less
5322 Salem-Dallas Hy NW

GASOLINE STATIONS

CITY OF SALEM ○
 CITY OF KEDZEE □
 MARION COUNTY △
 POLK COUNTY ●
 PRICES LISTED FOR STATION, SEE INDEX

ATTACHMENT 7 COMPETITION AREAS

