

CHAPTER 8: FUNDING OPTIONS AND FINANCIAL PLAN

The Transportation Planning Rule requires Transportation System Plans to evaluate the funding environment for recommended improvements. This evaluation must include a listing of all recommended improvements, estimated costs to implement those improvements, a review of potential funding mechanisms, and an analysis of existing sources' ability to fund proposed transportation improvement projects. Brookings' TSP identifies 32 specific recommendations that address deficiencies, safety issues, or access concerns in addition to revisions to the development ordinance and the development transportation demand management strategies. This section of the TSP provides an overview of Brookings' revenue outlook and a review of some funding and financing options that may be available to the City of Brookings to fund the improvements.

Pressures from increasing growth throughout much of Oregon have created an environment of estimated improvements that remain unfunded. Brookings will need to work with Curry County and ODOT to finance the alternative route and other potential new transportation projects over the 20-year planning horizon. The actual timing of these projects will be determined by the rate of population and employment growth actually experienced by the community. This TSP assumes Brookings will grow at an annual rate of 3.0 percent. If population growth exceeds this rate, the improvements may need to be accelerated. Slower than expected growth will relax the improvement schedule.

HISTORICAL STREET IMPROVEMENT FUNDING SOURCES

In Oregon, state, county, and city jurisdictions work together to coordinate transportation improvements. In addition to this overlapping jurisdiction of the road network, transportation improvements are funded through a combination of federal, state, county, and city sources.

Table 8-1 shows the distribution of road revenues for the different levels of government within the state by jurisdiction level. Although these numbers were collected and tallied in 1991, ODOT estimates that these figures accurately represent the current revenue structure for transportation-related needs. (Source: ODOT 1993 Oregon Road Finance Study).

TABLE 8-1

SOURCES OF ROAD REVENUES BY JURISDICTION LEVEL

| Revenue Source | Jurisdiction Level | | | All Funds |
|------------------|--------------------|-------------|-------------|-------------|
| | State | County | City | |
| State Road Trust | 58% | 38% | 41% | 48% |
| Local | 0% | 22% | 55% | 17% |
| Federal Road | 34% | 40% | 4% | 30% |
| Other | 9% | 0% | 0% | 4% |
| Total | 100% | 100% | 100% | 100% |

Source: ODOT 1993 Oregon Road Finance Study.

At the state level, nearly half (48 percent in Fiscal Year 1991) of all road-related revenues are attributable to the State Highway Fund (State Road Trust), whose sources of revenue include fuel taxes, weight-mile taxes on trucks, and vehicle registration fees. As shown in the table, the state road trust is a considerable source of revenue for all levels of government. Federal sources (generally the federal highway trust account and federal forest revenues) comprise another 30 percent of all road-related revenue. The remaining sources of road-related revenues are generated locally, including property taxes, LIDs, bonds, traffic impact fees, road user taxes, general fund transfers, receipts from other local governments, and other sources.

As a state, Oregon generates 94 percent of its highway revenues from user fees, compared to an average of 78 percent among all states. This fee system, including fuel taxes, weight distance charges, and registration fees, is regarded as equitable because it places the greatest financial burden upon those who create the greatest need for road maintenance and improvements. Unlike many states that have indexed user fees to inflation, Oregon has static road-revenue sources. For example, rather than assessing fuel taxes as a percentage of price per gallon, Oregon's fuel tax is a fixed amount (currently 24 cents) per gallon.

Transportation Funding in Curry County

Historically, sources of road revenues for Curry County have included federal grants, state revenues, intergovernmental transfers, interest from the working fund balance, and other sources. Transportation revenues and expenditures for Curry County are shown in Table 8-2 and Table 8-3. These tables present receipts and disbursements for road and street purposes as reported by counties to ODOT.

TABLE 8-2
CURRY COUNTY TRANSPORTATION-RELATED REVENUES

| | 1993-1994 | 1994-1995 | 1995-1996 | 1996-1997 | 1997-1998 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| | Actual | Actual | Actual | Actual | Budget |
| Working Capital | \$3,010,002 | \$2,679,024 | \$2,101,003 | \$1,890,500 | \$2,437,000 |
| Federal Apportionments | \$2,164,549 | \$3,017,444 | \$2,914,134 | \$2,810,840 | \$2,690,000 |
| State Apportionments | \$1,204,633 | \$1,232,304 | \$1,264,269 | \$1,211,264 | \$1,245,000 |
| Local Receipts | \$111,995 | \$182,640 | \$192,277 | \$175,930 | \$156,000 |
| Misc. | \$19,737 | | \$13,744 | \$107,071 | \$220,000 |
| Misc. Reimbursement | \$71,382 | | | | \$258,000 |
| Fund Transfers | \$35,592 | \$29,789 | \$62,141 | \$152,584 | \$71,288 |
| Sale of Equipment | \$23,683 | | \$355 | | \$2,000 |
| Revenue Subtotal | \$3,631,571 | \$4,462,177 | \$4,446,920 | \$6,348,189 | \$4,642,288 |

Source: Curry County

As shown in Table 8-2, revenues have increased from \$3.6 million in 1993-1994 to over \$6.3 million in 1996-1997. Approximately \$3 million of the annual revenues come from Federal apportionments (mostly Federal Forest receipts). Twenty-five percent of Federal Forest revenue (the 25 percent fund) is returned to the counties based on their share of the total acreage of Federal Forests. Westside forests are subject to the "Owl Guarantee." Intended to protect Spotted Owl habitat, the guarantee also protects the revenue streams from these forests to a maximum three-percent decline annually. The forest in Curry County is the Siskiyou Forest, which is subject to the Owl Guarantee. Another \$1.2 million in revenues is from the state highway fund. With a healthy working capital balance, the county has also been able to generate over \$100,000 annually in interest and other miscellaneous local receipts. As working capital is the amount carried over from previous years, it is typically reported separately from revenues, which represents the amount of new revenue to the fund each budget year.

TABLE 8-3
CURRY COUNTY TRANSPORTATION-RELATED EXPENDITURES

| | 1993-1994 | 1994-1995 | 1995-1996 | 1996-1997 | 1997-1998 |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| | Actual | Actual | Actual | Actual | Budget |
| Personal Services | \$1,154,062 | \$1,124,785 | \$1,136,899 | \$1,180,297 | \$1,263,249 |
| Materials and Services | \$1,195,697 | \$1,062,897 | \$1,063,999 | \$1,119,027 | \$1,246,813 |
| Capital Outlay | \$1,484,896 | \$1,587,206 | \$880,597 | \$1,051,041 | \$1,656,500 |
| Transfers | \$127,904 | \$1,265,310 | \$829,796 | \$570,656 | \$1,688,198 |
| Operating Contingency | | | | | \$300,000 |
| Expenditure Subtotal | \$3,962,559 | \$5,040,198 | \$3,911,291 | \$3,921,021 | \$6,154,760 |

Source: Curry County.

As shown in Table 8-3, Curry County has spent between \$0.9 million and \$1.6 million annually in capital improvements. The county also transfers money to a reserve fund for larger-scale capital improvements. Some transfers are to the general fund to pay for a portion of general overhead attributed to the street fund.

Historical Revenues and Expenditures in the City of Brookings

The City of Brookings accounts for its road-related revenues and expenditures in two separate accounts: the Street Fund and the Street System Replacement Fund. The Street Fund is used to account for the City's State Highway Fund monies, grant funds, and other related revenue. Expenditures against this fund are categorized as personal services, materials and services, and capital outlay. The capital outlay category is desegregated into the sub-categories of equipment and street construction/repair. The amount expended annually for street construction/repair has ranged between a very negligible amount (\$91 in 1995/96) to over \$74,000 in the year that Brookings benefited from a \$34,000 Small Cities Allocation (SCA) grant (in 1994/95). Excluding the SCA grant, the amount spent on street construction/repair from this fund has averaged \$16,800 over three fiscal years (1994/95 to 1996/97).

The Street System Replacement Fund is a special fund set up to account for materials and labor relating to specific construction projects. Its revenues are generated by a \$2.50 charge on each household's water bill. It has successfully generated revenue in the amount of \$80,000 to \$88,000 annually for the last several years, and is expected to continue providing stable revenues.

Transportation Revenue Outlook in the City of Brookings

ODOT's policy section recommends certain assumptions in the preparation of transportation plans. In its Financial Assumptions document prepared in May 1998, ODOT projected the revenue of the State Highway Fund through year 2020. The estimates are based on not only the political climate, but also the economic structure and conditions, population and demographics, and patterns of land use. The latter is particularly important for state-imposed fees because of the goals in place under Oregon's Transportation Planning Rule (TPR) requiring a 10-percent reduction in per-capita vehicle miles of travel (VMT) in Metropolitan Planning Organization (MPO) areas by year 2015, and a 20-percent reduction by year 2025.

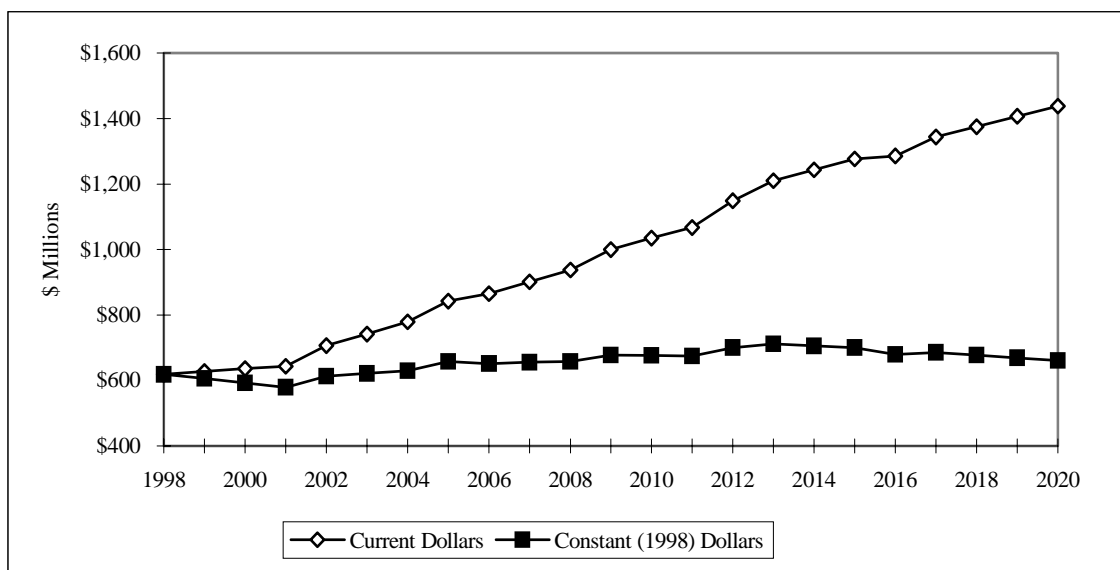
This requirement will affect the 20-year revenue forecast from the fuel tax. ODOT recommends the following assumptions:

- Fuel tax increases of one cent per gallon per year (beginning in year 2002), with an additional one cent per gallon every fourth year;
- Vehicle registration fees would be increased by \$10 per year in 2002, and by \$15 per year in year 2012;

- Revenues will fall halfway between the revenue-level generated without TPR and the revenue level if TPR goals were fully met;
- Revenues will be shared among the state, counties, and cities on a “50-30-20 percent” basis rather than the previous “60.05-24.38-15.17 percent” basis; and
- Inflation occurs at an average annual rate of 3.6 percent (as assumed by ODOT).

Figure 8-1 shows the forecast in both current-dollar and inflation-deflated constant (1998) dollars. As highlighted by the constant-dollar data, the highway fund is expected to grow slower than inflation early in the planning horizon until fuel-tax and vehicle-registration fee increases occur in year 2002, increasing to a rate somewhat faster than inflation through year 2015, continuing a slight decline through the remainder of the planning horizon.

FIGURE 8-1
STATE HIGHWAY FUND FORECAST



Source: ODOT Financial Assumptions.

As the State Highway Fund is expected to remain a significant source of funding for Brookings’ street operations, the city is highly susceptible to changes in the Fund. In recent years, the State Highway Fund has supplied the majority of Brookings’ total street fund revenue.

In order to analyze the City’s ability to fund the recommended improvements from current sources, DEA applied the following assumptions:

- The State Highway Fund will continue to account for the majority of the City’s Street Fund;
- Interest, the Street Replacement Fund, and other local sources continue to provide stable revenue streams; and
- The proportion of revenues available for capital expenditures for street improvements will be a small, but stable, proportion of overall street expenditures.

Applying these assumptions to the estimated level of the State Highway Fund resources, as recommended by ODOT, resources available to Brookings for all operations, maintenance, and capital outlay purposes are estimated at between \$220,000 and \$280,000 annually (in current 1998 dollars), as shown in Table 8-4.

TABLE 8-4
ESTIMATED RESOURCES AVAILABLE TO CITY OF BROOKINGS
FROM STATE HIGHWAY FUND, 1998 DOLLARS

| Year | Total Estimated Resources from State Highway Fund | Estimated Funds Available for Capital Outlay |
|------|--|--|
| 1999 | \$240,000 | \$99,000 |
| 2000 | \$230,000 | \$97,000 |
| 2001 | \$220,000 | \$95,000 |
| 2002 | \$240,000 | \$100,000 |
| 2003 | \$240,000 | \$102,000 |
| 2004 | \$240,000 | \$103,000 |
| 2005 | \$260,000 | \$107,000 |
| 2006 | \$250,000 | \$107,000 |
| 2007 | \$250,000 | \$107,000 |
| 2008 | \$260,000 | \$108,000 |
| 2009 | \$260,000 | \$111,000 |
| 2010 | \$260,000 | \$111,000 |
| 2011 | \$260,000 | \$110,000 |
| 2012 | \$270,000 | \$114,000 |
| 2013 | \$280,000 | \$116,000 |
| 2014 | \$270,000 | \$115,000 |
| 2015 | \$270,000 | \$114,000 |
| 2016 | \$260,000 | \$111,000 |
| 2017 | \$270,000 | \$112,000 |
| 2018 | \$260,000 | \$111,000 |
| 2019 | \$260,000 | \$109,000 |

The amount actually received from the State Highway Fund will depend on a number of factors, including:

- the actual revenue generated by state gasoline taxes, vehicle registration fees, and other sources; and
- the population growth in Brookings (since the distribution of state highway funds is based on an allocation formula which includes population).

Based on the amount of resources historically available to fund capital improvements this analysis suggests that the City of Brookings will have between \$95,000 and \$116,000 available annually for capitol improvement.

REVENUE SOURCES

In order to finance the recommended transportation system improvements requiring expenditure of capital resources, it will be important to consider a range of funding sources. Although the property tax has traditionally served as the primary revenue source for local governments, property tax revenue goes into general fund operations, and is typically not available for street improvements or maintenance. Despite this limitation, the use of alternative revenue funding has been a trend throughout Oregon as the full

implementation of Measures 5 and 47 have significantly reduced property tax revenues (see below). The alternative revenue sources described in this section may not all be appropriate in Brookings; however, this overview is being provided to illustrate the range of options currently available to finance transportation improvements during the next 20 years.

Property Taxes

Property taxes have historically been the primary revenue source for local governments. However, property tax revenue goes into general fund operations, and is not typically available for street improvements or maintenance. The dependence of local governments on this revenue source is due, in large part, to the fact that property taxes are easy to implement and enforce. Property taxes are based on real property (i.e., land and buildings) which has a predictable value and appreciation to base taxes upon. This is as opposed to income or sales taxes that can fluctuate with economic trends or unforeseen events.

Property taxes can be levied through: 1) tax base levies, 2) serial levies, and 3) bond levies. The most common method uses tax base levies that do not expire and are allowed to increase by six percent per annum. Serial levies are limited by amount and time they can be imposed. Bond levies are for specific projects and are limited by time based on the debt load of the local government or the project.

The historic dependence on property taxes is changing with the passage of Ballot Measure 5 in the early 1990s. Ballot Measure 5 limits the property tax rate for purposes other than payment of certain voter-approved general obligation indebtedness. Under full implementation, the tax rate for all local taxing authorities is limited to \$15 per \$1,000 of assessed valuation. As a group, all non-school taxing authorities are limited to \$10 per \$1,000 of assessed valuation. All tax base, serial, and special levies are subject to the tax rate limitation. Ballot Measure 5 requires that all non-school taxing districts' property tax rate be reduced if together they exceed \$10 per \$1,000 per assessed valuation by the county. If the non-debt tax rate exceeds the constitutional limit of \$10 per \$1,000 of assessed valuation, then all of the taxing districts' tax rates are reduced on a proportional basis. The proportional reduction in the tax rate is commonly referred to as compression of the tax rate.

Measure 47, an initiative petition, was passed by Oregon voters in November 1996. It is a constitutional amendment that reduces and limits property taxes and limits local revenues and replacement fees. The measure limits 1997-98 property taxes to the lesser of the 1995-96 tax minus 10 percent, or the 1994-95 tax. It limits future annual property tax increases to three percent, with exceptions. Local governments' lost revenue may be replaced only with state income tax, unless voters approve replacement fees or charges. Tax levy approvals in certain elections require 50 percent voter participation.

The state legislature created Measure 50, which retains the tax relief of Measure 47 but clarifies some legal issues. This revised tax measure was approved by voters in May 1997.

The League of Oregon Cities (LOC) estimated that direct revenue losses to local governments, including school districts, will total \$467 million in fiscal year 1998, \$553 million in 1999, and increase thereafter. The actual revenue losses to local governments will depend on actions of the Oregon Legislature. LOC also estimates that the state will have revenue gains of \$23 million in 1998, \$27 million in 1999, and increase thereafter because of increased personal and corporate tax receipts due to lower property tax deduction.

Measure 50 adds another layer of restrictions to those which govern the adoption of tax bases and levies outside the tax base, as well as Measure 5's tax rate limits for schools and non-schools and tax rate exceptions for voter approved debt. Each new levy and the imposition of a property tax must be tested against a longer series of criteria before the collectible tax amount on a parcel of property can be determined.

System Development Charges

System Development Charges (SDCs) are becoming increasingly popular in funding public works infrastructure needed for new local development. Generally, the objective of systems development

charges is to allocate portions of the costs associated with capital improvements upon the developments that increase demand on transportation, sewer or other infrastructure systems.

Local governments have the legal authority to charge property owners and/or developers fees for improving the local public works infrastructure based on projected demand resulting from their development. The charges are most often targeted towards improving community water, sewer, or transportation systems. Systems Development Charges must be established through an ordinance or resolution, supported by a capital improvement plan, public facility plan, master plan, or other comparable plan documenting the projects eligible for SDCs and establishing the methodology for calculating the proportionate share.

SDCs are collected when new building permits are issued. Transportation SDCs are based on expected trip generation of the proposed development. Residential calculations would be based on the assumption that a typical household will generate a given number of vehicle trips per day. Nonresidential use calculations are based on employee ratios for the type of business or industrial uses. As a fast-growing community, Brookings currently utilizes transportation SDCs to help fund the infrastructure required to support new development.

State Highway Fund

Gas tax revenues received from the State of Oregon are used by all counties and cities to fund street and road construction and maintenance. In Oregon, the State collects gas taxes, vehicle registration fees, overweight/overheight fines and weight/mile taxes and returns a portion of the revenues to cities and counties through an allocation formula. The revenue share to cities is divided among all incorporated cities based on population. Like other Oregon cities, the City of Brookings uses its state gas tax allocation to fund street construction and maintenance.

Local Gas Taxes

The Oregon Constitution permits counties and incorporated cities to levy additional local gas taxes with the stipulation that the moneys generated from the taxes will be dedicated to street-related improvements and maintenance within the jurisdiction. At present, only a few local governments (including the cities of Woodburn and The Dalles and Multnomah and Washington Counties) levy a local gas tax. The City of Brookings may consider implementing a local gas tax as a way to generate additional street improvement funds. However, with relatively few jurisdictions exercising this tax, an increase in the cost differential between gas purchased in Brookings and gas purchased in neighboring communities may encourage drivers to seek less expensive fuel elsewhere. Any action will need to be supported by careful analysis to minimize the unintended consequences of such an action.

Vehicle Registration Fees

The Oregon Vehicle Registration Fee is allocated to the State, counties and cities for road funding. Oregon counties are granted authority to impose a vehicle registration fee covering the entire county. The Oregon Revised Statutes would allow Curry County to impose a biannual registration fee for all passenger cars licensed within the County. Although both counties and special districts have this legal authority, vehicle registration fees have not been imposed by local jurisdictions. In order for a local vehicle registration fee program to be viable in Curry County, all the incorporated cities and the county would need to formulate an agreement which would detail how the fees would be spent on future street construction and maintenance.

Local Improvement Districts

The Oregon Revised Statutes allow local governments to form Local Improvement Districts (LIDs) to construct public improvements. LIDs are most often used by cities to construct localized projects such as streets, sidewalks or bikeways. The statutes allow formation of a district by either the city government or property owners. Cities that use LIDs are required to have a local LID ordinance that provides a process for district formation and payback provisions. Through the LID process, the cost of local improvements are generally spread out among a group of property owners within a specified area. The cost can be

allocated based on property frontage or other methods such as traffic trip generation. The types of allocation methods are only limited by the Local Improvement ordinance. The cost of LID participation is considered an assessment against the property which is a lien equivalent to a tax lien. Individual property owners typically have the option of paying the assessment in cash or applying for assessment financing through the city. Since the passage of Ballot Measure 5, cities have most often funded local improvement districts through the sale of special assessment bonds.

GRANTS AND LOANS

There are a variety of grant and loan programs available, most with specific requirements relating to economic development or specific transportation issues, rather than for the general construction of new streets. Many programs require a match from the local jurisdiction as a condition of approval. Because grant and loan programs are subject to change as well as statewide competition, they should not be considered a secure long-term funding source for Brookings. Most of the programs available for transportation projects are funded and administered through ODOT and/or the Oregon Economic Development Department (OEDD). Some programs which may be appropriate for the Brookings are described below.

Bike-Pedestrian Grants

By law (ORS 366.514), all road street or highway construction or reconstruction projects must include facilities for pedestrians and bicyclists, with some exceptions. ODOT's Bike and Pedestrian Program administers two programs to assist in the development of walking and bicycling improvements: local grants, and Small-Scale Urban Projects. Cities and counties with projects on local streets are eligible for local grant funds. An 80 percent state/20 percent local match ratio is required. Eligible projects include curb extensions, pedestrian crossing and intersection improvements, shoulder widening and restriping for bike lanes. Projects on urban state highways with little or no right-of-way taking and few environmental impacts are eligible for Small-Scale Urban Project Funds. Both programs are limited to projects costing up to \$100,000. Projects that cost more than \$100,000, require the acquisition of ROW, or have environmental impacts should be submitted to ODOT for inclusion in the STIP.

The ODOT Bike and Pedestrian Program can be reached at (503) 986-3555.

Enhancement Program

This federally-funded program earmarks \$8 million annually for projects in Oregon. Projects must demonstrate a link to the intermodal transportation system, compatibility with approved plans, and local financial support. A 10.27 percent local match is required for eligibility. Each proposed project is evaluated against all other proposed projects in its region. Within the five Oregon regions, the funds are distributed on a formula based on population, vehicle miles traveled, number of vehicles registered and other transportation-related criteria. The solicitation for applications was mailed to cities and counties the last week of October 1998. Local jurisdictions have until January 1999 to complete and file their applications for funding available during the 2000-2003 fiscal years, which begin October 1999.

The ODOT Enhancement Program can be reached at (503) 986-3528.

Highway Bridge Rehabilitation or Replacement Program

The Highway Bridge Rehabilitation or Replacement Program (HBRR) provides federal funding for the replacement and rehabilitation of bridges of all functional classifications. A portion of the HBRR funding is allocated for the improvement of bridges under local jurisdiction. A quantitative ranking system is applied to the proposed projects based on sufficiency rating, cost factor, and load capacity. They are ranked against other projects statewide, and require state and local matches of 10 percent each. It includes the Local Bridge Inspection Program and the Bridge Load Rating Program.

The ODOT Highway Bridge Rehabilitation or Replacement Program can be reached at (503) 986-3344.

Transportation Safety Grant Program

Managed by ODOT's Transportation Safety Section (TSS), this program's objective is to reduce the number of transportation-related accidents and fatalities by coordination a number of statewide programs. These funds are intended to be used as seed money, funding a program for three years. Eligible programs include programs in impaired driving, occupant protection, youth, pedestrian, speed, enforcement, bicycle and motorcycle safety. Every year, TSS produces a Highway Safety Plan that identifies the major safety programs, suggests countermeasures to existing safety problems, and lists successful projects selected for funding, rather than granting funds through an application process.

The ODOT Transportation Safety Grant Program can be reached at 986-4192.

Special Transportation Fund

The Special Transportation Fund (STF) awards funds to maintain, develop, and improve transportation services for people with disabilities and people over 60 years of age. Financed by a two-cent tax on each pack of cigarettes sold in the state, the annual distribution is approximately \$5 million. Three-quarters of these funds are distributed to mass transit districts, transportation districts, and where such districts do not exist, counties, on a per-capita formula. The remaining funds are distributed on a discretionary basis.

The ODOT Special Transportation Fund can be reached at (503) 986-3885.

Special Small City Allotment Program

The Special Small City Allotment Program (SCA) is restricted to cities with populations under 5,000 residents. Unlike some other grant programs, no locally funded match is required for participation. Grant amounts are limited to \$25,000 and must be earmarked for surface projects (drainage, curbs, sidewalks, etc.). However, the program does allow jurisdictions to use the grants to leverage local funds on non-surface projects if the grant is used specifically to repair the affected area. Criteria for the \$1 million in total annual grant funds include traffic volume, the five-year rate of population growth, surface wear of the road, and the time since the last SCA grant. In Curry County, Port Orford has benefited from a grant from this program in 1995-96. Although Brookings received a grant under this program in 1994-95, Brookings' population was most recently estimated at 5,440 (1997), making Brookings too large to remain eligible for this program.

The ODOT Special City Allotment Program can be reached at (503) 986-3893.

Immediate Opportunity Grant Program

The Oregon Economic Development Department (OEDD) and ODOT collaborate to administer a grant program designed to assist local and regional economic development efforts. The program is funded to a level of approximately \$7 million per year through state gas tax revenues. The following are primary factors in determining eligible projects:

- Improvement of public roads;
- Inclusion of an economic development-related project of regional significance;
- Creation or retention of primary employment; and
- Ability to provide local funds (50/50) to match grant.

The maximum amount of any grant under the program is \$500,000. Local governments which have received grants under the program include Washington County, Multnomah County, Douglas County, the City of Hermiston, Port of St. Helens, and the City of Newport.

The ODOT Immediate Opportunity Fund program can be reached at (503) 986-3463.

Oregon Special Public Works Fund

The Special Public Works Fund (SPWF) program was created by the 1995 State Legislature as one of several programs for the distribution of funds from the Oregon Lottery to economic development projects in communities throughout the State. The program provides grant and loan assistance to eligible

municipalities primarily for the construction of public infrastructure which support commercial and industrial development that result in permanent job creation or job retention. To be awarded funds, each infrastructure project must support businesses wishing to locate, expand, or remain in Oregon. SPWF awards can be used for improvement, expansion, and new construction of public sewage treatment plants, water supply works, public roads, and transportation facilities.

While SPWF program assistance is provided in the form of both loans and grants, the program emphasizes loans in order to assure that funds will return to the State over time for reinvestment in local economic development infrastructure projects. Jurisdictions that have received SPWF funding for projects that include some type of transportation-related improvement include the Cities of Baker City, Bend, Cornelius, Forest Grove, Madras, Portland, Redmond, Reedsport, Toledo, Wilsonville, Woodburn, and Douglas County.

The Oregon Special Public Works Fund can be reached at (503) 986-0136.

Oregon Transportation Infrastructure Bank

The Oregon Transportation Infrastructure Bank (OTIB) program is a revolving loan fund administered by ODOT to provide loans to local jurisdictions (including cities, counties, special districts, transit districts, tribal governments, ports, and state agencies). Eligible projects include construction of federal-aid highways, bridges, roads, streets, bikeways, pedestrian accesses, and right-of-way costs. Capital Outlays such as buses, light-rail cars and lines, maintenance yards and passenger facilities are also eligible.

The Oregon Transportation Infrastructure Bank can be reached at (503) 986-3922.

Oregon Ports Division, Oregon Economic Development Department

The Oregon Ports Division provides technical, financial, and intergovernmental coordination assistance to ports to help them develop facilities that aid the efficient shipping of products and improve the local economy. It includes three financial assistance programs to finance port infrastructure development and port-related business development projects, planning for business operations and facilities development, marketing port facilities and services, and navigation projects.

The Oregon Ports Division can be reached at (503) 986-0243.

ODOT FUNDING OPTIONS

The State of Oregon provides funding for all highway related transportation projects through the Statewide Transportation Improvement Program (STIP) which is adopted by the OTC and administered by ODOT. The STIP outlines funding and schedules for ODOT projects throughout the State. The STIP, which identifies projects for a four-year funding cycle, is updated every two years. In developing this funding program, ODOT must verify that the identified projects comply with the Oregon Transportation Plan (OTP), ODOT Modal Plans, Corridor Plans, local comprehensive plans, and TEA-21 planning requirements. The STIP must fulfill federal planning requirements for a staged, multi-year, statewide, intermodal program of transportation projects. Specific transportation projects are prioritized based on federal planning requirements and the different State plans. ODOT consults with local jurisdictions before highway related projects are added to the STIP. Further, all projects to be forwarded to the OTC for consideration for the STIP must first be recommended by the Southwest Area Commission on Transportation (SWACT), a body commissioned by the OTC to provide regional support for transportation improvement projects.

The highway-related projects identified in Brookings' TSP will be considered for future inclusion on the STIP. The timing of including specific projects will be determined by ODOT and the SWACT based on an analysis of all the project needs within Region 3. The City of Brookings, Curry County, and ODOT will need to communicate on an annual basis to review the status of the STIP and the prioritization of individual projects within the project area. Ongoing communication will be important for the City, County, and ODOT to coordinate the construction of both local and state transportation projects. In addition, the city's active participation in the SWACT process is essential for advancement of local projects to the STIP.

ODOT also has the option of making some highway improvements as part of their ongoing highway maintenance program. Types of road construction projects that can be included within the ODOT maintenance programs are intersection realignments, additional turn lanes, and striping for bike lanes. Maintenance related construction projects are usually done by ODOT field crews using State equipment. The maintenance crews do not have the staff or specialized road equipment needed for large construction projects.

An ODOT funding technique that will likely have future application to Brookings' TSP is the use of state and federal transportation dollars for off-system improvements. Until the passage and implementation of ISTEA, state and federal funds were limited to transportation improvements within highway corridors. ODOT now has the authority and ability to fund transportation projects that are located outside the boundaries of the highway corridors. The criteria for determining what off-system improvements can be funded has not yet been clearly established. It is expected that this new funding technique will be used to finance local system improvements that reduce traffic on state highways or reduce the number of access points for future development along state highways.

FINANCING TOOLS

In addition to funding options, the recommended improvements listed in this plan may benefit from a variety of financing options. Although often used interchangeably, the words financing and funding are not the same. Funding is the actual generation of revenue by which a jurisdiction pays for improvements, some examples include the sources discussed above: property taxes, SDCs, fuel taxes, vehicle registration fees, LIDs, and various grant programs. In contrast, financing refers to the collecting of funds through debt obligations.

There are a number of debt financing options available to the City of Brookings. The use of debt to finance capital improvements must be balanced with the ability to make future debt service payments and to deal with the impact on its overall debt capacity and underlying credit rating. **Again, debt financing should be viewed not as a source of funding, but as a time shifting of funds.** The use of debt to finance these transportation-system improvements is appropriate since the benefits from the transportation improvements will extend over the period of years. If such improvements were to be tax financed immediately, a large short-term increase in the tax rate would be required. By utilizing debt financing, local governments are essentially spreading the burden of the costs of these improvements to more of the people who are likely to benefit from the improvements and lowering immediate payments.

General Obligation Bonds

General Obligation (GO) bonds are voter-approved bond issues which represent the least expensive borrowing mechanism available to municipalities. GO bonds are typically supported by a separate property tax levy specifically approved for the purposes of retiring debt. The levy does not terminate until all debt is paid off. The property tax levy is distributed equally throughout the taxing jurisdiction according to assessed value of property. General obligation debts typically are used to make public improvement projects that will benefit the entire community.

State statutes require that the general obligation indebtedness of a city not exceed three percent of the real market value of all taxable property in the city. Since general obligation bonds would be issued subsequent to voter approval, they would not be restricted to the limitations set forth in Ballot Measures 5, 47, and 50. Although new bonds must be specifically voter approved, Measure 47 and 50 provisions are not applicable to outstanding bonds, un-issued voter-approved bonds, or refunding bonds.

Limited Tax Bonds

Limited tax general obligation bonds (LTGOs) are similar to general obligation bonds in that they represent an obligation of the municipality. However, a municipality's obligation is limited to its current revenue sources and is not secured by the public entity's ability to raise taxes. As a result, LTGOs do not require voter approval. However, since the LTGOs are not secured by the full taxing power of the issuer, the limited tax bond represents a higher borrowing cost than general obligation bonds. The municipality must pledge to levy the maximum amount under constitutional and statutory limits, but not the unlimited

taxing authority pledged with GO bonds. Because LTGOs are not voter approved, they are subject to the limitations of Ballot Measures 5, 47, and 50.

Bancroft Bonds

Under Oregon Statute, municipalities are allowed to issue Bancroft bonds which pledge the city’s full faith and credit to assessment bonds. As a result, the bonds become general obligations of the city but are paid with assessments. Historically, these bonds provided a city with the ability to pledge its full faith and credit in order to obtain a lower borrowing cost without requiring voter approval. However, since Bancroft bonds are not voter approved, taxes levied to pay debt service on them are subject to the limitations of Ballot Measures 5, 47, and 50. As a result, since 1991, Bancroft bonds have not been used by municipalities who were required to compress their tax rates.

Funding Requirements

Brookings’ TSP identifies both capital improvements and strategic efforts recommended during the next 20 years to address safety and access problems and to expand the transportation system to support a growing population and economy. They have been classified within three priority levels:

- Short-Range: within the next five years;
- Intermediate-Range: between year six and year 10; and
- Long-Range: after year 10.

The projects include 26 high-priority projects, totaling an estimated \$19.1 million, seven medium-priority projects estimated to total about \$3.4 million, and one low-priority project, estimated to cost \$530,000 million. Total estimated costs, listed by financial leader and priority level, are shown in Table 8-5.

TABLE 8-5
RECOMMENDED PROJECTS AND FINANCIAL RESPONSIBILITY

| | Local Cost | State Cost | Federal Cost | Total Cost |
|--------------------------|--------------------|---------------------|------------------|---------------------|
| Subtotal High Priority | \$3,575,000 | \$15,019,000 | \$478,000 | \$19,072,000 |
| Subtotal Medium Priority | \$3,410,000 | \$0 | \$0 | \$3,410,000 |
| Subtotal Low Priority | \$530,000 | \$0 | \$0 | \$530,000 |
| Total | \$7,515,000 | \$15,019,000 | \$478,000 | \$23,012,000 |

Although this preliminary analysis shows a potential revenue surplus, this surplus is based on a review of existing funding sources and projects identified at this time. It is likely that new projects requiring additional resources will arise during this TSP’s 20-year planning horizon.

The projects have been categorized by their intended financial leader. As noted in Table 8-5, the city will be responsible for projects totaling just over \$6.6 million in estimated cost, with nine projects totaling over \$3.5 million in the first five years, six projects estimated to cost just over \$2.5 million in the next five years, and one project estimated to cost \$530,000 in the next 10 years. Based on the resources available as estimated in Table 8-4, the City of Brookings is expected to experience a budget deficit, as shown in Table 8-6.

TABLE 8-6
ESTIMATED CAPITAL FUNDING BALANCE

| | Years 0-5 | Years 6-10 | Years 11-20 |
|---------------------------------|---------------|---------------|---------------|
| Available | \$492,000 | \$526,000 | \$1,342,000 |
| Needed for city-funded projects | \$3,575,000 | \$3,410,000 | \$530,000 |
| Surplus (Deficit) | (\$3,083,000) | (\$2,884,000) | \$812,000 |
| Cumulative Surplus (Deficit) | (\$3,083,000) | (\$5,967,000) | (\$5,155,000) |

Of the nearly \$3.6 million in city-funded projects classified as high-priority projects, over \$3.2 million are Port of Brookings projects. The City of Brookings will need to work with the Port and the Oregon Ports Division to finance these port infrastructure projects. As described earlier in this chapter, the Oregon Ports Division of OEDD manages three financial assistance programs to finance port infrastructure development and port-related business development projects, planning for business operations and facilities development, marketing port facilities and services, and navigation projects. The other projects classified as high-priority are primarily sidewalk projects, which may be eligible for bike and pedestrian funds, described earlier in this chapter.

The six projects classified as medium-priority projects include improving Parkview Drive, adding lanes to Pioneer Road and East Benham Lane, and upgrading Old County Road, Carpenterville Road, Easy Street, and Pelican Bay Drive to collector status. Adding lanes increases the capacity of roadways, making such improvements eligible for SDC funding. At this time, the City of Brookings is looking to SDCs to fund approximately 45 percent of SDC-eligible projects. In addition, the improvements to Parkview Drive may be eligible for OEDD funding, as this roadway serves as the primary access to the airport.

This TSP identifies 34 projects recommended for Brookings' planning area over the 20-year planning horizon. The City of Brookings is expected to experience a budget deficit between the projects planned and the projects for which the City has a financial role. This budget deficit begins in the first five years of the planning horizon, increases in the second five years, and then decreases over the last ten years of the planning horizon. The City of Brookings will need to work with Curry County, ODOT, and OEDD to fund the other projects identified in this transportation system plan.

In addition, cost for improvements that are needed to mitigate new development which impacts the roadway system must be shared between jurisdictions responsible for the roadway and the developer causing a degradation of service along that roadway. To address this issue, any Traffic Impact Study required to determine the impacts of land use changes will include estimated costs for the required mitigation, as well as a determination of the equitable sharing of costs among all responsible parties.

The City or developers cannot rely on state funding sources to mitigate traffic impacts unless a transportation improvement project is programmed in the STIP or ODOT submits a letter to the City verifying that a transportation improvement project is "Reasonably Likely" to be funded by the end of the 20 year planning period.