TAB/Task Force Transportation Maintenance Funding Considerations

In 2012, the community task force was formed to study and create options for a potential transportation maintenance funding source, including a Transportation Maintenance Fee (TMF) or tax, and to consider other options to address the city's significant unfunded transportation operations and maintenance (O&M) needs.

Transportation Maintenance Funding – Potential Revenue Ranges

In 2012, the task force was provided with information on current O&M spending and unfunded needs. The O&M activities were divided into three categories; Pavement Maintenance, Routine Maintenance and Transit Service Support. Eco Pass and TDM Support was initially included in Routine Maintenance, but was eventually discussed as a separate activity.

Task force members agreed that the main purpose of new funding is to fund the maintenance of transportation infrastructure and, in particular, pavement maintenance. As a result, the task force recommended funding pavement maintenance. Funding that covers both the existing O&M funding gap and current spending (depending on the amount of revenue collected) would be the most viable design. A tax or fee focused on pavement maintenance:

- Is 'pragmatic, measured' and helps "'keep it simple";
- Has the strongest rational nexus between use and fee;
- Is the easiest to explain to residential and commercial property owners;
- Funds the maintenance of most valuable city asset: our roadway infrastructure; and
- Would enable the city to reallocate dedicated sales tax revenue to address other O&M gaps and transportation needs.

However, the TAB and task force also agreed that other maintenance activities, such as maintenance of the multi-use path system, sidewalks and medians, roadway re-striping, snow removal, and signing, could also be included with pavement maintenance. No matter where the rates and associated revenue end up, the task force recommends to focus on infrastructure maintenance with the option of focusing on pavement maintenance or including other infrastructure maintenance activities.

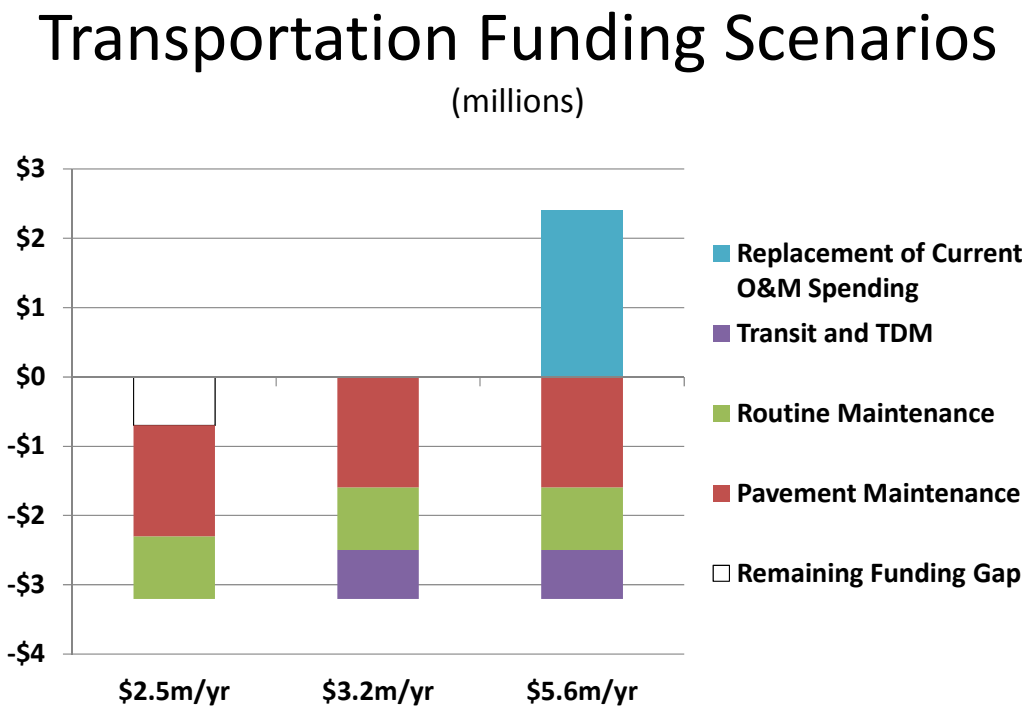
In general, the task force did not support the inclusion of Transit Service Support and TDM/Eco Pass Program Support for TMF revenue. The inclusion of these programs and services may compromise the rational nexus needed to support a fee that is associated with maintenance of physical infrastructure. There also was concern that spending maintenance revenue on transit service "lets RTD off the hook" for the service they should provide through existing sales taxes. The task force also agreed that Eco Pass support needs to be addressed as part of the Community-wide Eco Pass Feasibility Study that the city and Boulder County have funded for 2013. Another alternative perspective is that Transit Service Support and TDM/Eco Pass Program Support could be excluded from an initial funding but could be added in a phased approach.

Under either a pavement maintenance-focused option or an option that also includes other maintenance activities; the task force supported exploring a range of rate levels that would generate between $2.5 million and $5.6 million per year for transportation maintenance. The low end of the range would cover the estimated pavement/routine maintenance funding gap, while the upper end would cover both current spending on transportation infrastructure maintenance and the estimated funding gap. The majority of task force members support a

range of rate levels that would generate between $2.5m and $3.2m per year. The task force understands that ultimately the rates and how to spend the revenue collected is a council decision.

It is important to recognize that a TMF or tax that collects $3.2m per year or less does not provide any funding for transportation enhancements. It would only be filling in the existing estimated O&M funding gap. A TMF or tax that raises more than $3.2m per year (such as the $5.6 m level) would fill the existing O&M funding gap and could replace some of the current O&M spending collected through Transportation's existing dedicated sales tax, which would then allow those funds to be spent on transportation enhancements .

Chart 4: Transportation Funding Scenarios



TMF Options

A TMF levies a fee on residences and businesses for the basic upkeep of the multimodal system, based on estimates of their proportional share of impacts. The fee is collected on utility bills and the revenues must be spent on O&M of the system. TMFs are a legally allowable financing mechanism in Colorado, and as a fee for particular services, can be applied without voter approval. A 1989 case before the Colorado Supreme Court (Bloom v. City of Fort Collins) found that the transportation utility fee imposed by the city was "reasonably related to the expenses incurred by the city in carrying out its legitimate goal of maintaining an effective network of city streets."

TMF Rate Structure Methodology

Most communities that implement TMFs use trip-generation rates developed by the national Institute of Traffic Engineers (ITE) as the basis for determining rates. For residential properties, a flat rate is typically applied on a per unit basis. TMFs for commercial properties are assessed based on square footage or acreage, using the standard ITE trip-generation rates for a variety of uses, including industrial, institutional, retail, high-traffic retail, and miscellaneous uses. While it can be argued that the number of trips generated by commercial and residential properties may be different from ITE figures in absolute terms, the relative ratios of trips by size and land use are accurate and suitable for designing a rate structure for a TMF. ITE Trip Generation rates are the best surrogate for actual transportation behavior data, which would be cost prohibitive to collect and administer.

Guiding Principles

The TAB and Task Force understand that additional funding is needed to maintain Boulder's transportation infrastructure and that a viable finance mechanism is needed that would provide a reliable source of funding to help maintain the transportation infrastructure.

In the Fall of 2012, the TAB and task force agreed upon the following guiding principles to define the characteristics of a viable transportation funding source for the City of Boulder. These guiding principles include:

1. The approach to a TMF should be pragmatic and measured.
2. A TMF should focus on maintaining the City's most valuable asset, its transportation infrastructure, by focusing on basic operations/maintenance funding, rather than behavior change.
3. A TMF should be flexible to respond to changing funding needs in the future. The Task Force expressed the need to index the fee to inflation and/or construction costs.
4. Keep it simple: To effectively communicate to residential and commercial property owners and the public why a TMF is needed and how it will be assessed, the design of the TMF needs to be straight-forward and easy to understand.
5. The rate structure of a TMF should provide a clear justification with respect to user impacts on the transportation system. A viable fee should avoid components that impact the rational nexus between use/impact and the fee, open the fee to legal challenges, and could be difficult to clearly communicate to the community.
6. A TMF is one piece of the transportation funding puzzle, and doesn't have to, and likely can't, solve all transportation funding needs

Tax versus Fee Option

Fees can be more flexible, rather than as a tax which may be more limited in its application, particularly in making future changes or adjustments to the amount of revenue collected. For example, a fee could be indexed to inflation. According to initial consultation with the City Attorney's Office (CAO), fees can typically be assessed on local, state and federal government agencies, while taxes can be avoided by local, state and federal governmental agencies and institutions. Recently, attorneys for the Federal Labs interpreted the TMF as a tax and not a fee and that federal institutions would have sovereign immunity. The city's consultant, Tischler-Bise, estimates that moving from a fee to a tax could result in a 20 percent decrease in potential revenue. Furthermore, how council addresses the issue of exemptions (discussed below) will directly impact the fee versus tax discussion. While exemptions may not be preferred, they are important for the City Council to consider.

Currently, the dedicated transportation sales tax of $0.006 raises approximately $16.85 million per year. If the city were to enact an additional sales tax rather than a fee, the table below illustrates the sales tax equivalent to the various transportation funding scenarios.

Table 2: Sales Tax Equivalents

Transportation Funding Scenario	Sales Tax Equivalent
$2.5 m/yr	< $0.001
$3.0 m/yr	$0.001
$3.2 m/yr	$0.001
$5.6 m/yr	$0.002

Exemptions

While the TAB and task force would prefer not to include exemptions, they understand the issue of exemptions as a political consideration that council will need to address. While each entity generates significant amounts of vehicle trips, it's important to take into account their current financial situations and economic importance to the community as well the current level of support they provide to support trip reduction programs. However, according to the CAO and the project consultant, if council decides to exempt certain properties from the TMF there is a risk that the TMF could be found to be a tax instead of a fee. In any case, if the TMF is implemented as a tax then government properties would be exempt.

Discounts and Rebates

The Discounts and Rebates Subgroup has examined a wide variety of discounts and rebates for commercial and residential properties. The most viable and intuitive rebate identified were for Eco Passes since data is readily available and administration costs would be relatively low. The subgroup also recommended that the task force consider rebates for low-income residents, and possibly link the rebate to the current Food Sales Tax Rebate program.

Task force members had different opinions regarding discounts and rebates (as a strategy to rewarding households and businesses) for making particular travel behavior changes (and encouraging that travel behavior change) versus minimizing administrative costs and keeping the revenue based simply on covering basic O&M funding gaps. They questioned whether a variety of rebates and discounts only reward those doing the right thing or if it is possible to provide sufficient incentives that would encourage behavior change without negatively impacting revenue, raising rates, creating legal challenges or creating a cost-intensive bureaucracy. In regard to an Eco Pass discount, the task force felt that Eco Pass eligibility does not necessarily translate into use and that the results of the Community-wide Eco Pass Feasibility Study will need to be taken into account. They did agree that with any discounts or rebates should minimize administrative costs and should not require a new expensive data collection or administrative process.

In Fall 2012, the consensus of the TAB and task force was not to include any discounts or rebates with the possible exception of a rebate for low-income households. The task force recommends that the council carefully consider the inclusion of any rebates or discounts. While they are based on good intentions, they are latent with downsides, including adding complexity to implementation and public outreach, and the cost of monitoring and administration.

Other Funding Options Investigated

While previous work has identified the TMF as the most viable finance mechanism, there are a number of other funding options that have been explored over the years. A variety of other options were identified by the BRC and considered by TAB and the funding group as reported in

the **Transportation Funding Report**. For a variety of reasons, these were not considered viable options to address the O&M shortfall.

Vehicle Miles Travelled (VMT) Fee or Tax
Levying a charge on vehicle miles traveled is attractive, as it provides a direct nexus between driving and paying for transportation costs. It also puts in motion a shift from fuel-based taxes to actual use of the system. However, the technology and systems required to implement a full-scale VMT tax or fee have yet to be developed to a point that it could be implemented on a city-wide level. Most experts predict that VMT may be a viable option in 10 to 15 years. A current focus on VMT at a national level is on pilot programs focused on truck traffic.

Local Gas Tax
The State of Colorado statutes limit the collection of gas taxes to the state itself. Local communities are not allowed to collect a local gas tax. While a work-around in the form of a fee charged at the pump each time gas is dispensed is a possibility, the funding group did not recommend this for further exploration.

Development Excise Tax
In 2008, City Council increased rates on the Development Excise Tax (DET) and the percentage that goes to transportation. DETs are one small and useful piece of the transportation funding puzzle. In 2010, DETs made up less than 2 percent of the city's transportation budget. In its discussions, council has opted to pursue DETs as the means for development and growth to pay its share, rather than using other approaches such as an adequate public facilities ordinance.

Although transportation's share of the DET grew as a result of council's 2008 actions, the slowdown in development has resulted in a net reduction in funds from this source in 2011 over previous years. DET revenues are down from a historical average of around $900,000 to $680,000. Generating enough funding to address O&M shortfalls would require a very significant increase in these taxes. Such an increase would curtail development, which in turn would reduce revenues generated from this source.

Advertising and sponsorship
The Transportation Funding group explored advertising and sponsorship as means to generate new revenues. The group concluded that the opportunities to raise revenues through these mechanisms are very limited. They recommended that these mechanisms should be explored in the context of supporting specific programs and services, due to the needs of advertisers and Boulder's constraints on public advertising. The group identified transit shelters and bike share as two possibilities.

Council adopted minor ordinance changes in April 2011 to allow sponsor logos to be displayed on bike-share kiosks, as a means to help fund the ongoing O&M of the system. The bike share system is owned and operated by Boulder Bike Sharing (BBS), a local non-profit. The city partners with BBS to identify capital funds for system expansion and to allow bike kiosks to be placed on public property.

Advertising on transit shelters could be explored as a way to improve maintenance of transit shelters. However, regional experience in transit shelter advertising has shown that the program does not generate significant revenue beyond providing and maintaining shelters.

At the December 2009 study session, council asked how other communities raised new local revenues for transportation. An Information Packet item distributed on July 28, 2010, provides more information on this topic. In short, cities use a wide variety of funding sources for transportation, and are implementing numerous strategies for new revenues, including taxes on fuel, property taxes, sales taxes and transportation maintenance fees.

Parking

The concept of using parking charges as a means to fund transportation O&M was identified by the BRC I and has been suggested by some members of council and the public. Charging for parking, in some form, could generate significant revenue. There is also a strong connection between paying for parking and the use of other travel choices. However, parking management is complicated and often contentious. The TAB and the Transportation Funding workgroup did not recommend parking charges as a revenue source for transportation O&M.

Any significant revisions to the city's current parking policy would require a comprehensive approach to considering how, why and where the city manages parking. The complexity of the issue would require that it be considered over a period of years in deliberate and incremental steps. At the Dec. 18th check-in with Council on the TMF, Council endorsed looking at parking fees and other changes in parking management policies and programs as part of the Parking and Access Management Strategy work item starting in 2013.