Transportation Operations & Maintenance Introduction

The second phase of the study focuses on funding for on-going Transportation Operations and Maintenance (O&M) for both new and existing development. While the capital side of new development will be completed this year, it is anticipated that the O&M component will take significantly longer as it is essentially a comprehensive review of transportation funding options.

At this time it is estimated that work would conclude a year from now (April/May 2017) to allow for either a fee to be incorporated into the 2018 budget process or for a tax to be place on the 2017 ballot depending on which, if any, finance mechanism(s) were selected by Council. A new working group is expected to be formed for this work. Members from the Development Fees Technical Working Group are invited to continue on this new working group when it is formed. Staff anticipates that additional new Working Group members would be selected from key stakeholders in the community.

Attached are two documents regarding transportation O&M for the working group to review. The first is an overview of Transportation Revenue and Adopted Budgets between 2012 and 2016. Adopted budgets are broken down by mode or program and by enhancements versus O&M. Staff will also provide actual expenditures soon as 2015 expenditure data will soon be finalized. The second document is a matrix of funding options. The options include:

- Property Tax
- Sales and Use Tax
- Head Tax
- Transportation Utility Fees or Maintenance Fees
- On and off Street Parking Fees; and
- Vehicle Miles of Travel Tax

The working group will have an opportunity to ask questions about these materials and provide feedback to be carried forward into the future analysis.

Figure 1: Transportation Revenues

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget
Sales Tax	$16,852,936	$18,143,689	$24,176,661	$24,985,177	$25,647,284
Transportation DET	$585,902	$633,749	$1,807,472	$2,432,842	$1,166,465
Transportation Use Tax	$159,224	$65,166	$56,978	$0	$60,499
Property Tax	$9,404	$9,383	$9,427	$9,452	$10,150
Highway User's Tax	$2,419,853	$2,423,497	$2,468,510	$2,535,993	$2,481,795
City-Auto Registrations	$254,929	$253,658	$264,480	$0	$260,323
County Road & Bridge	$239,268	$229,441	$234,719	$243,295	$240,109
Transfer from State (HOP)	$1,332,462	$1,380,840	$1,204,149	$1,581,369	$1,334,911
Maintenance Contracts	$641,373	$266,892	$363,306	$210,066	$375,928
Reimbursements	$138,199	$170,405	$362,537	$233,714	$450,000
Federal/State Grants	$5,458,582	$2,282,246	$6,259,649	$5,645,645	$996,000
Assessment Revenues	$83,710	$28,448	$4,213	$72,491	$72,491
Land Disposal	$567,021	$0	$0	$1,713,979	$0
Transfers from Other Funds	$2,927,946	$226,064	$267,521	$154,342	$4,660
Lease Revenues	$524,938	$508,380	$584,031	$709,664	$723,955
Interest	$85,857	$82,002	$97,768	$166,488	$95,007
Other	$181,937	$300,646	$113,748	$425,161	$110,976
TOTALS	**$32,463,542**	**$27,004,505**	**$38,275,168**	**$41,119,678**	**$34,030,554**

Figure 2: Transportation Expenditures

	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Budget
Signals & Lights	$2,141,149	$2,268,896	$2,775,543	$2,451,740	$2,950,952
Traffic Operations	$2,105,400	$1,711,713	$1,640,311	$2,754,721	$2,726,004
Transit/HOP	$3,023,376	$3,139,161	$3,419,925	$3,617,123	$4,172,165
TDM	$486,533	$563,701	$780,964	$849,315	$900,173
Planning	$265,549	$493,915	$509,214	$207,493	$220,069
Ped & Bike Planning	$273,237	$259,452	$302,054	$496,172	$566,823
Capital Maintenance	$2,999,439	$2,972,900	$4,380,502	$5,601,374	$6,041,200
Maintenance	$4,318,336	$4,452,100	$5,488,536	$5,855,018	$5,593,913
Storm Sewer Maintenance	$172,361	$181,356	$171,703	$223,465	$185,701
Division Administration	$880,220	$679,899	$729,194	$561,850	$949,342
Airport Maintenance	$323,879	$343,820	$343,505	$335,239	$385,314
Forest Glen GID	$14,309	$10,056	$0	$10,472	$15,533
Capital Improvement Projects	$11,065,706	$5,761,984	$9,408,275	$12,399,896	$8,774,500
Interfund Transfers	$1,655,077	$1,918,456	$1,725,315	$2,008,404	$2,095,992
TOTALS	**$29,724,569**	**$24,757,408**	**$31,675,042**	**$37,372,282**	**$35,577,681**

SUMMARY OF FINANCE TOOLS TO SUPPORT THE BOULDER TRANSPORTATION MASTER PLAN							
NAME	**DESCRIPTION**	**APPLICABILITY TRANSPORTATION MASTER PLAN UPDATE**	**INCIDENCE & EQUITY CONSIDERATIONS**	**LEGAL & ADMINISTRATION CONSIDERATIONS**	**APPLIED ELSEWHERE**	**BENEFITS & LIMITATIONS**	**QUANTIFICATION**
Property Tax (Section 94, Article VI, Charter of the City of Boulder) *(Rate increase)*	This is a tax on real and personal property. This would be an increase in the city mill levy from the current amount that would be earmarked for transportation projects. It could be used in conjunction with the issuance of general obligation bonds. Currently, property tax revenues are earmarked for the General Fund, the Permanent Parks Fund, the Library Fund and Public Safety.	An incremental mill levy could be earmarked for the transportation fund; it could be used as debt service to finance particularly large projects of citywide benefit; it could be used within a district. This would be most applicable to finance projects that correct existing deficiencies or finance the local government share of projects partially funded by new development.	Would be imposed on the basis of assessed real estate values. There is a weak connection between assessed values and the need for roads. Due to assessed valuation formulas, residential properties pay 27% of what non-residential properties pay, for the same value of property. Somewhat regressive as lower income earners typically pay a higher proportion of their income as property tax or the increased cost of rent due to property taxes passed on by landlords. Regressivity is lessened by the fact that lower income earners typically own or rent properties with lower values than higher income earners. Visitors do not pay property taxes in a direct way.	Requires a popular vote to increase the mill levy. Per TABOR, annual property tax growth is limited to Denver/Boulder CPI and local growth factor. The administrative staff are in place to manage and disburse sales tax revenues; there would be no incremental cost of administration. Boulder County charges a 1% fee for collection.	Applied in CAGID, UHGID, Boulder Junction Access Districts and for the Forest Glen GID for Eco Passes	− Any increase in the mill levy would require a popular vote. − Property Tax tends to be a very unpopular tax for both citizens and businesses, probably because it is relatively large and very visible. Could be viewed as negative by the business community and could discourage certain businesses from locating in the City. + Generates significant and predictable potential revenue stream.	To be updated

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Sales Tax *(Rate increase)*	The City currently imposes a sales tax of 3.86% (excluding the 0.15% food service supplemental tax) and earmarks revenues to 8 funds. Included in this total is 0.75%, which is earmarked for the Transportation Fund, pursuant to a vote in 1967 and increased in 2014.. With voter approval, the sales tax rate (excluding the 0.15% food service supplemental tax) could be increased. Alternatively, sales tax rate could be increased on food and lodging or any other category of taxable expenditure.	The voter-approved allocation to transportation states that funds are earmarked "for projects related to transportation or for related or appurtenant to transportation services, or facilities..." (BRC 3-2-39) Sales tax revenues are the largest single source of Transportation Fund revenues.	Households and businesses that purchase retail goods in the county pay these taxes. The sales tax is also imposed on visitors and travelers who purchase retail goods and stay in local lodging. Regressive – Those with lower incomes generally spend a higher proportion of their incomes on sales tax commodities. Regressivity is lessened by the City's Low Income Food Tax Refund Program. Boulder offers a refund on sales taxes paid for food based on family income and family size. For example, a family of 4 earning between $33,300 and $33,700 is eligible to receive a $236 refund.	The administrative staff is in place to manage and disburse sales tax revenues; there would be no incremental cost of administration. A popular vote is necessary to increase the tax rate.	Boulder earmarks 0.75% of its sales tax revenues for the Transportation Fund. Fort Collins dedicates 0.25% to capital projects including transportation; set to expire but may be reinstated just for transportation. Boulder County has a 0.1% sales tax for transportation improvements. Jefferson County imposes a sales tax in a local improvement district.	– Would increase costs for both individuals and firms within the City. – Elastic revenue – highly responsive to change in the economy or inflation. This volatility puts the services funded at risk. + Produces a significant and somewhat predictable revenue stream. + Historically sales tax revenues have increased without a change in the rate. + The total sales tax rate in the City of Boulder is currently 8.845%. A relatively small rate increase would result in only a modest tax increase for citizens and should not negatively impact shopping behavior.	In 2016, the City is expected to raise approximately $25.6m from the 0.75% dedicated sales tax.
Use Tax *(Rate increase)*	The City currently imposes a use tax of 3.86%. With voter approval, it could be increased to 4.0%. A use tax is a compliment to a sales tax. It is imposed on the same items as a sales tax for products purchased outside of the city and used in the city. Use tax revenues are typically from building materials, machinery and equipment and motor vehicle sales. Use tax revenues are earmarked the same as sales tax revenues; 0.75% is earmarked for the Transportation Fund. In Colorado, municipal sales and use tax rates are often (but not always) imposed at the same rate.	Since a substantial portion of this fee is from building materials, which are growth-related, use tax revenues might be more applicable to projects that serve new growth.	This tax is imposed on households and businesses that purchase or use taxable retail items in the city and on contractors who purchase building materials for use in the city. Use tax revenues from building materials correlate with new construction.	A popular vote is necessary to increase the use tax.	Sixty percent of Colorado municipalities that impose a sales tax also impose a use tax. A few have dedicated use tax revenues to capital projects. Eagle adopted a 4% use tax for capital improvement. Louisville imposed a 3.375% use tax on building materials for schools and open space.	– Requires a vote to increase the use tax rate. – Elastic revenue – highly responsive to change in the economy or inflation. This volatility puts the services funded at risk. – Use tax revenues on building materials fluctuate with real estate construction activity. – As the city matures and approaches buildout, construction use tax will decline. + Use tax revenues on automobiles are generally predictable.	In 2016, it is expected that the Transportation Use Tax will raise approximately $60K.

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Tax Increment Financing (TIF) *(Additional application of an existing tool)*	The concept of tax increment financing is to earmark incremental sales and property tax revenues from redevelopment toward public improvements within the redevelopment area. If the urban renewal authority (URA) is used, then all incremental property tax revenues (school, county, city, etc.) can be earmarked for project area improvements. By contract, establish tax increment financing areas in some or all of the retail areas in the city to fund public improvements that could increase retail sales. The owner could initially fund the improvement and then be reimbursed from incremental sales/property tax revenue over CPI.	This tool is most appropriate to finance improvements in a specific geographic area where the improvement will generate substantial additional development activity. Most appropriate when the benefits of transportation improvements can be clearly delineated.	This is a reallocation of property and sales tax revenues to improvements within a specified area that has been declared blighted. If the formal urban renewal authorities are invoked, then property tax revenues previously flowing to the School District and the County would be earmarked for improvements within the blighted area.	If the urban renewal powers are used, then there are significant administrative costs in establishing the project area. If the concept of tax increment is used, then implementation is more streamlined. Authorized under State Statutes. It may be helpful to coordinate with County and School District, since property tax revenues would be frozen at base year levels. TIF depends on new development and in application is very retail dependent.	Boulder has used tax increment financing (TIF) in the Crossroads Area and in Downtown, including most recently for the 9th and Canyon hotel parking. Fort Collins and Santa Barbara have used tax increment financing to build parking structures. With strong development pressures, California has been a leader in tax increment financing.	− Must be within blighted area, if urban renewal authorities are used. + Can provide additional financing (property tax revenues from the County and School District) for Boulder projects at no additional cost to Boulder taxpayers. + TIF makes most sense for improvements in high growth areas. - TIF requirements were significantly tightened in Colorado and there are very limited areas in Boulder that would meet the current requirements.	Revenues would tie directly to the forecasted sales and property tax revenues.

SUMMARY OF FINANCE TOOLS TO SUPPORT THE BOULDER TRANSPORTATION MASTER PLAN

NAME	DESCRIPTION	APPLICABILITY TRANSPORTATION MASTER PLAN UPDATE	INCIDENCE & EQUITY CONSIDERATIONS	LEGAL & ADMINISTRATION CONSIDERATIONS	APPLIED ELSEWHERE	BENEFITS & LIMITATIONS	QUANTIFICATION
Head Tax *(New tax)*	This would be a tax imposed on employees and/or employers who work in the City of Boulder. The City has substantial flexibility regarding who pays (employer versus employee) and who is exempt (public, nonprofit, low-wage earners).	This would be applicable to finance projects that correct existing deficiencies and projects that serve commuters.	The tax could be imposed on 100% on employees or 100% on employers or shared between the two. This is one of few tools that can target people who work in Boulder and reside elsewhere. Employee portion is somewhat regressive as lower income wage earners pay a higher proportion of their income; those earning less than some minimum amount could lessen the regressive impact. Potential equity issue – Private vs Public. The city cannot <u>require</u> the Federal government, the School District, the County, or the State to collect the employee portion or pay the employer portions for their employees. An intergovernmental agreement would be necessary to collect any revenue from these other governments which comprise a significant portion of the city's employee base. Since the Federal Government and the State collect the employee share and remit it to Denver, it seems reasonable to assume that they would also perform this service for Boulder. The willingness of the County and the School District is unknown at this time. But, even if all government and exempt employers were willing to collect and remit the employee share, private sector employers would be required to pay the employer share while public sector and exempt employers would not..	This taxing authority is available to home rule cities only, such as Boulder. Could be administered by Finance Dept/Revenue Division for an estimated ongoing incremental cost of $100,000 per year. Start up costs (modify computer programs, etc., are estimated at $25,000.	Current Annual Head Taxes: Aurora = $48 Denver = $117 Glendale = $120 Greenwood Village = $48 Sheridan = $52 In Denver, the employee pays 58% vs employer's 42%. All others are paid 50/50 by employee and employer. Boulder voters turned down a $116 per year head tax in 1994.	– Requires a vote to impose a new tax. – Could be viewed as negative by the business community and discourage certain businesses from locating in the City. + Produces a predictable stream of revenue + Tax would be paid by employees and/or employers who use municipal facilities and who benefit from municipal services.	City staff estimates that there are about 98,510 employees in the City including public and private sector. However, this excludes public sector employees of the US Postal Service, State (other than CU), and non-profits for which numbers aren't readily available. If imposed on all employees & employers, • a $4 per month ($48 per year) tax would generate $4.7M per year • a $10 per month tax ($120 per year) would generate $11.8M per year

SUMMARY OF FINANCE TOOLS TO SUPPORT THE BOULDER TRANSPORTATION MASTER PLAN							
Name	**Description**	**Applicability Transportation Master Plan Update**	**Incidence & Equity Considerations**	**Legal & Administration Considerations**	**Applied Elsewhere**	**Benefits & Limitations**	**Quantification**
Transportation Utility Fee or Street Maintenance Fee or Street User Fee or Street Utility Fee *(New fee)*	Cities have the authority to create, franchise or license utilities under ' 31-21-101 CRS. While this statute is typically used to franchise electric, gas and telephone services, it has also been used by the City of Fort Collins to create a street utility. This is a monthly fee collected on residences and businesses within a city's corporate limits-essentially a user's fee tied to the use and "consumption" of the transportation system. The fee is based on the number of trips a particular use generates, on average, and is typically included on the city's regular monthly sewer and water bill.	This may be applicable to maintenance of transportation improvements rather than to constructing capital projects. This tool could replace exiting Transportation Fund revenue sources.	The utility fee would need to be structured to share costs equitably among users. For example, the Fort Collins fee schedule was based on land use and trip generation and was imposed on developed properties on a per front foot basis. Providing favorable treatment to properties abutting roads maintained by the State could cause an inequity. The fee is calculated using trip generation rates established by the Institute of Traffic Engineers (ITE) manual-a national standard.	The Fort Collins utility was tested in the Colorado Supreme Court. The Court ruled that the street maintenance fee was a form of special services fee and the fee schedule reasonably correlated with use and was appropriately imposed. The Fort Collins City Attorney does not believe that it was necessary to create a utility to impose a street maintenance fee. There may be significant costs (technical, administrative, and legal) to establish a utility. The administrative staff is in place to manage and disburse fee revenues; there would be a cost to change the billing system to incorporate the fee as well as administrative costs.	Fort Collins implemented and then abandoned the utility in favor of a simpler transportation finance program. Fort Collins is now considering an extension to the .25% sales tax that expires in Dec '05. The measure would be on the April '05 election. A proposed Transportation Maintenance Fee was rejected by council. Eight Oregon cities impose a transportation utility fee. It took Medford four years to pass their fee.	– Initially may be time-consuming to impose fee based on trip generation. – Politically, may not be popular. – Residents and businesses pay while commuters who use the system do not. + May be perceived as an equitable technique to collect street maintenance costs as charges are based on usage. + Frees up existing revenues currently used for street maintenance. + Charges are not based on ownership or property values. + Fee does not require voter approval and can be adjusted to CPI.	As an illustration, there are 657 lane miles in Boulder that are maintained by the City. A maintenance fee of $0.10 per linear foot per lane would generate about $ 346,900 per year. (657 x 5,280 x $0.10) Typical monthly fees: Single Family Residential: $3-6/mo. Multi-Family Residential: $2-5/unit/mo Non-Residential: $50-100/mo. (based on square footage and property use type).
Off-Street Parking Space Fee *(New application of fee)*	This is a one-time, annual or monthly fee imposed on property owners per off-street parking space. Property owners could pass this fee on to users in a variety of ways. CAGID and UHGID use a form of this fee in that they charge for use of spaces in the parking garage and parking lots within their district boundaries.	This fee would be applicable to any project that reduces dependence on the automobile, such as funding the ECOPASS and community transit.	This fee would impact all parking space users, including residents, businesses, commuters and visitors. It penalizes properties that have complied with city parking regulations and benefits properties that have not. High tax generators with lots of parking (retail, lodging) are particularly impacted. It imposes a direct charge on a less desirable travel mode, potentially impacting mode choice.	There are significant administrative costs associated with developing and maintaining a database showing off-street parking spaces per property and sending monthly or annual bills.	CAGID and UHGID impose parking fees to finance their parking lots and structures. Eugene uses parking fee revenues from municipal facilities to finance buss passes for its employees. CAGID meter revenues have supported the downtown Eco Pass program for 13 years.	+ Once established, parking space fees generate a predictable stream of revenue.	No revenue estimates have been calculated for additional application of this concept. In 2015, CAGID raised $8.3 million in Parking Revenue, UHGID raised about $600K from lot revenues and Boulder Junction approximately $15K.
On-Street Parking Fee *(Additional application of existing fee)*	This concept would involve a charge to use on-street parking in a more universal way than parking meters, which are currently in place in some high-demand portions of the City. For example, residents might be charged for on-street parking if they do not have adequate off-street parking.	This tool may be particularly useful in managing parking within multi-modal corridors.	This fee might particularly impact university students.	There would be costs associated with administering and enforcing this fee.	Boulder imposes on street parking fees is some locations; revenues go to the General Fund. Boulder issues on-street parking permits to residents in	+ Could be a self-financing tool to better allocate a scarce resource, on-street parking. + Can be accomplished under current State statutes.	Typically, permits are used as a tool to allocate a scarce resource (parking) rather than as a revenue generator.

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					neighborhoods abutting downtown.		
Vehicle Miles of Travel Tax	**Motor vehicle registrants would pay a tax based on number of miles travel. A vehicle weight factor can be included specifically for roadway maintenance.**	This type of tax may be useful in relationship to TMP of reducing VMT per capita and tying what residents pay to how much they drive	**Owners of any motor vehicle registered in the city or state** would pay the tax. The **amount paid is directly dependent on use,** measured by vehicle miles traveled. Wealthier households tend to travel more, hence would pay a larger share. Residents with the most travel	Though an argument may be made that this charge represents a specific fee for services rendered by government, it might appear difficult to implement this program without voter approval. A vote would be required to exempt VMT revenues from the restriction on annual revenue growth.	Oregon DOT conducted pilot program between 2006 and 2007 and the governor has proposed moving toward implementing over the next 7 to 8 years. Areas identified in Oregon as needing improvement include process to retrofit existing vehicles, technical assistance to fuel stations and improved data collection.	Depending on how the tax is collected, its impact could be direct and immediate, maximizing the potential effect on behavior. Residents and drivers that change their travel behavior will pay less. Neighborhood and employer-based TDM programs can be implemented to promote and support travel behavior change. Likely not for several years, as the technology is not yet available to implement this on a community-wide scale. Important legal issues could also arise around the implementation of this concept.	Oregon DOT conducted pilot program between 2006 and 2007 and the governor has proposed moving toward implementing over the next 7 to 8 years. Areas identified in Oregon as needing improvement include process to retrofit existing vehicles, technical