

# Update on the Transportation Maintenance Fee Process

## BACKGROUND

The Transportation Master Plan (TMP) is Boulder's blueprint for the city's transportation system. While much attention is focused on Boulder's on-going efforts to provide a robust multimodal system that shifts trips from single-occupant vehicles, it is helpful to review the investment priorities of the TMP:

- Highest priority: System operations, maintenance and travel safety;
- Next priority: Operational efficiency improvements and enhancement of the transit, pedestrian and bicycle system;
- Next lowest priority: Quality of life, such as sound walls and traffic mitigation; and
- Lower priority: Auto capacity additions (new lanes and interchanges).

Taking care of the existing system is the most basic and essential function of the Transportation Division. The system provides the backbone of mobility for the functioning of the community. The system serves an approximate 140,000 daytime population, which makes more than 600,000 trips each day. With only a few exceptions, operations and maintenance of this system is the responsibility of the city.

Transportation funding faces a one-two punch: revenues have declined and costs have increased. Transportation has experienced an almost 40 percent decline in purchasing power since 2002. Largely due to global and national influences, the cost of doing business in the public works sector has escalated more than other businesses due to the cost of asphalt, concrete, fuel and other materials.

The Transportation Division has taken a number of steps to improve efficiency and implement best practices in order to reduce operations and maintenance (O&M) expenses. A staffing analysis in 2009 resulted in the reduction of five maintenance positions, with savings reallocated to catch up on cost escalation. Maintenance teams from the Transportation and Utilities divisions have been cross-trained and resources are shared to increase efficiency and to respond more effectively to significant snow storms, water-main breaks and other emergencies.

Even with the efficiencies, reductions have also been necessary to balance the budget. Most of the reductions have been in the realm of system enhancements, with capital improvements delayed, neighborhood traffic mitigation eliminated, and transportation demand management and marketing efforts reduced significantly. However, O&M reductions in street sweeping and median maintenance, and reduction in transit services like the HOP and JUMP were also required. In implementing reductions, staff attempted to minimize their impacts and visibility to the public. While the street repair budget has been preserved, cost escalation has impacted its real purchasing power. The O&M funding challenges are particularly acute in three areas: pavement maintenance; routine O&M; and transit service.

At the Jan. 24, 2012 Study Session on Funding of Operations and Maintenance of the Transportation System, council asked for additional information and asked staff to further investigate the design of a TMF. To assist in the design of a TMF, a task force hosted by the

Transportation Advisory Board (TAB) has been formed with resident and business representatives providing feedback and recommendations for a viable TMF for Boulder.

## **ADDITIONAL INFORMATION REQUESTS**

### **Update on Transportation Operations and Maintenance Figures**

As communicated to City Council in prior information packets, transportation O&M funding challenges are particularly acute in three areas: pavement maintenance; routine O&M; and transit service support. Since the [Jan. 24 Study Session](#) on transportation O&M funding, staff has further analyzed and refined estimates of unfunded needs for the three primary O&M funding challenges to help inform discussions about transportation funding options. Summaries for each of the primary O&M funding challenges are provided below.

### **Pavement Maintenance**

#### Overview

Boulder's largest transportation asset is its street system, which provides the core transportation network for cars, trucks and buses. Bicyclists use most roads as well, and adjacent sidewalks provide mobility for pedestrians. Maintaining the roadway network is the single largest O&M expense of the city, with maintaining the pavement itself the most significant expense in this category. Careful tracking of pavement condition is important in order to minimize costs. Pavement deteriorates over time due to use and weather, developing cracks and potholes. Pavement is rated from 1 to 100 with the commonly used Overall Condition Index (OCI) rating system. If pavement quality is above 55 it can be overlaid or chip-sealed. If it deteriorates below 55, its structural integrity is compromised so it must be replaced. Replacement costs roughly four times as much. Maintaining pavement at a level of 78 is considered a reasonable goal nationwide. Examples of activities within pavement maintenance include overlays, chip-seals, crack-seals and street repair such as major patching.

#### Current Funding

The estimated 2013 budget for pavement maintenance is just more than \$4 million. Beyond the ongoing budget, one-time Capital Improvement Bond funds of approximately \$12.5 million will also benefit pavement maintenance activities through 2014. The addition of one-time funding from the Capital Improvement Bond to the ongoing budget for pavement maintenance will enable the city to catch up on deferred pavement repair through 2014 and help achieve the OCI target of 78, while the current OCI is 75. The bond funding allows the city to repair or reconstruct the streets in poor condition, moving them into the good category, and to a point where they are less expensive to maintain in the future.

#### Unfunded Need

Once the bond funding has been fully expended, the estimated unfunded need for pavement maintenance in 2015 and beyond is approximately \$1.6 million annually. Staff determined this unfunded need figure using the city's transportation asset management software, assuming the goal of maintaining the OCI at 78.

### **Routine O&M**

## Overview

Operating and maintaining the system on a daily basis is another major cost. Examples of routine O&M include sign and pavement marking maintenance, traffic signal operation and maintenance, operation and maintenance of street lighting, pothole repairs, pathway and sidewalk repairs, median and right of way maintenance, and other basic services. The level or need to deliver routine O&M services is influenced by multiple factors including the guiding principles and investment policies of the Transportation Master Plan, feedback from the community (by phone calls, emails or through community surveys) and legal mandates to provide services.

The Transportation Division has taken a number of steps to improve efficiency and implement best practices. For example, a staffing analysis in 2009 resulted in the reduction of five maintenance positions, with savings reallocated to catch up on cost escalation. Most recently, the Transportation Division is conducting an analysis of snow and ice control to determine service delivery options and scenarios for levels of service. Efficiency studies typically occur on a rotating basis in an effort to provide in-depth analysis for service areas.

Even with efficiency efforts, reductions have also been necessary to balance the budget. Reductions in routine O&M have led to lower service levels when compared to 2001. Specific examples of service level impacts include reduced mowing frequencies for median maintenance, reduced landscaping efforts and reduced frequencies of street sweeping activities.

Similar to pavement maintenance, routine O&M received one-time assistance from the 2011 Capital Improvement Bond to replace traffic signs to meet new federal requirements, and to upgrade traffic signals to use LEDs. An added benefit of the LED replacement is ongoing energy efficiency and cost savings. This one-time infusion is most welcome and will address some deferred maintenance items, but does not resolve the ongoing funding issues. Examples of activities within routine O&M include sidewalk and bike path maintenance, median maintenance, snow and ice control, signs and markings, and signal maintenance.

## Current Funding

The estimated 2013 budget for routine O&M is just more than \$7 million.

## Unfunded Need

The 2013 estimated unfunded need for routine O&M is approximately \$1 million. The method used to estimate the unfunded need for Routine O&M was based on cost escalation. Staff first identified a base budget year (2001) and adjusted the approved budget using the Denver-Boulder-Greeley Consumer Price Index (CPI) factors to estimate an equivalent budget for 2013. The CPI adjusted budget was compared to the estimated 2013 budget to identify the unfunded need.

## **Transit Service Support**

### Overview

One of the keys to Boulder's high transit mode share has been the Community Transit Network (CTN), which includes the HOP, SKIP, JUMP, BOUND, DASH and STAMPEDE. During peak hours, these buses run every 10 minutes, providing "schedule free" service. This strategy has

proven effective in building transit ridership beyond those who are dependent on transit to those who choose to ride the bus because it is convenient.

RTD has not been willing or able to provide 10 minute frequencies on all of the CTN routes (and its capacity to do so will continue to diminish), so the city, Boulder County and the University of Colorado have partnered to cover the cost increment between RTD's basic services and the more desirable level of service. RTD has been reducing services for the past three years, and there is little news to suggest that this trend will reverse. In order to restore the CTN to 2010 service levels and maintain this standard into the future, additional contributions will be required to RTD. Examples of activities within transit support service include CTN service buy-ups from RTD, transit service operations and transit service planning and design.

#### Current Funding

The estimated 2013 budget for transit support service is just more than \$1.8 million.

#### Unfunded Need

With the goal of restoring the CTN to 2010 service levels, the estimated unfunded need of 2013 Transit Support Service is approximately \$550,000.

This unfunded need was estimated by comparing CTN service hours provided in 2010 to estimated service hours for 2013. Once this service hour deficiency was determined, the unfunded need was calculated by applying the estimated 2013 rate per service hour to the service hour deficiency. Estimates for the 2013 service hour deficiency and rate per service hour were calculated using historical trend data.

#### **TMF as a Fee versus a Tax**

Another issue discussed during the January 2012 Study Session was the possible impact of implementing a transportation maintenance tax rather than a fee, with regard to state and federal properties. The initial conclusion of the City Attorney's Office (CAO) is that a special/service fee appears to be the best option for a funding mechanism that could be charged to the State of Colorado. Additional input from the CAO will be provided to council through future confidential memorandums.

Furthermore, according to the draft rate structure report by the consultants from Tischler-Bise, enacting the TMF as a tax would eliminate approximately 20 percent of the potential revenue from state and federal agencies and institutions in the City of Boulder. A tax would also significantly raise the rates for other commercial and residential properties in the city.

#### **Update on TMF Taskforce Process**

##### TMF Task Force Workshop #1

Following the January 2012 Study Session, staff formed the TMF Task Force that includes a wide variety of Boulder resident and business representatives. The purpose of the Task Force is to deliver council a recommended design of a TMF that meets the O&M needs of the Transportation Division and fits the cultural values of Boulder. The Task Force will also evaluate parking fee revenue and other finance mechanisms that could replace or work in conjunction with a TMF. The list of the Task Force members is included in Attachment A.

The first TMF Workshop was held on June 25, 2012. Following a welcome from Council Member KC Becker, the agenda covered roles and responsibilities and purpose of the Task Force. Staff presented background information on the work completed to date on transportation finance and a concise overview of the current O&M funding needs.

The Task Force's facilitator led the participants through a small group exercise to identify viable revenue levels and the specific O&M activities that could be funded by a TMF. For this small group exercise, participants were divided into three groups and asked to identify which O&M activities they would fund with a TMF and at what annual funding level. Then they were asked to justify their recommended levels by describing the criteria they used to come to a recommended level. Two of the groups reached similar conclusions of designing a TMF that would cover the unfunded pavement maintenance and routine maintenance needs, but could not reach a consensus on whether to fund Eco Pass/TDM and transit service support programs. One group compromised and recommended funding transit service but not Eco Pass/TDM and the other group could not reach an agreement. Both groups reported that maintenance of our transportation infrastructure was critical, but the TMF needed to start off at a low rate by simply raising the revenue to cover unmet pavement maintenance and routine maintenance funding needs. While some supported the idea of funding both Eco Pass/TDM and transit service support as important programs and services that reduce vehicle trips, others believed that fees for such programs and services were untested legally and may be harder to "sell" to the public in an advisory vote.

The third group took an entirely different approach and recommended a TMF that would only cover pavement maintenance, but at the total cost of \$5.6 million per year (current spending plus projected unmet need). Their rationale for a pavement maintenance-only TMF was that it would be easier to communicate the need and the use of the funds to the public and it would ultimately "free up" some revenue from the dedicated sales tax that could be used on system enhancements.

To complete the work of the Task Force, four sub-groups were formed at the end of the first workshop. The sub-groups include Rate Structure, Incentives and Rebates, Public Outreach, and Parking and Other Finance Mechanisms. Each sub-group is led by a TAB member and meets in between workshops on their specific focus area.

At the end of the first workshop, there was general agreement that the Rate Structure sub-group should evaluate a TMF that would raise between \$2.5m per year (unfunded pavement maintenance and routine maintenance needs) to \$3.2m per year (unfunded pavement maintenance and routine maintenance needs plus transit service support and Eco Pass/TDM), but also to evaluate a pavement maintenance-only TMF at \$5.6m per year.

#### Rate Structure Sub-Group

Following the first workshop the Rate Structure group met to examine the rates that would be imposed on residential and commercial properties. Their first task was to develop a set of criteria that a viable TMF for Boulder would have. Their initial list included:

- Setting a TMF at a minimal rate; raising revenue for only the funding gaps as it would be easier to "sell" to the public.
- Base all rates on square footage when data is available.
- Avoid rebates and incentives to keep the TMF simple and lower administrative costs.

- Explore possible categorical exemptions, such as for Boulder Valley School District.

Based on information from the city's consultant, Tischler-Bise, the Rate Structure sub-group concluded that the financial impacts on residential and commercial properties were reasonable, but they had a number of questions they would like answered prior to making any recommendations to the larger Task Force. Those questions and issues have been sent to the consultant. After receiving information, a follow-up Rate Structure Sub-Group meeting will be scheduled to prepare recommendations for Workshop #2, which is scheduled for early August 2012.

#### Incentives and Rebates Sub-Group

The Incentives and Rebates Sub-Group has met twice since the first workshop and worked on developing a set of criteria for incentives and rebates tied to a TMF and an initial list of possible incentives and rebates for Boulder's residents and commercial properties:

- Data for any rebate/incentive should be easily measured.
- Measurement does not require creating new data/measurement sources.
- Administration is low or no-cost.
- Clear justification for rebate or incentive with respect to:
  - Adjusting for actual impact on transportation system.
  - Incentivizing behaviors (mode share shift, fewer trips total, fewer SOV trips).

The sub-group also developed an extensive list of possible incentives and rebates for both residential and commercial properties. The list they produced includes a number of rebates/incentives that may not be viable according to their criteria, but they were interested in coming up with a universal list first.

- Residential rebates/incentives include:
  - Neighborhood Eco Pass Program participation;
  - Boulder B-Cycle membership;
  - eGo Carshare membership;
  - Low-income residential rebate (could be related/tied to the City's Food Tax Rebate program);
  - Minimal vehicle ownership households;
  - Multi-family residential complexes with unbundled parking or TDM Site Review Plan; and
  - Households that use neighborhood school due to the impact of open enrollment.
- Commercial rebates/incentives include:
  - Eco Pass Program participation;
  - Boulder B-Cycle corporate membership;
  - eGo Carshare corporate membership;
  - Businesses that require employee to pay for parking or offer parking cash-out; and
  - Businesses with approved and monitored TDM plans.

At the second workshop with the full TMF Task Force, the Incentives and Rebates Sub-group will share their criteria and initial ideas of possible rebates/incentives. Since the Rate Structure Sub-group is opposed to incentives/rebates it will be important to reach some consensus, either

way, with the full task force. The Incentives and Rebates Sub-group does think it is important to recognize residents and businesses that are making efforts to reduce vehicle trips.

#### **NEXT STEPS**

City Council will receive additional updates about the Transportation Maintenance Fee Task Force in the coming months, prior to a November 2012 agenda item and a scheduled March 2013 study session. In November 2012, staff will provide City Council with a summary of the TMF Task Force's recommendations for a viable TMF in terms of the rate structure, incentives and rebates, and public outreach process. Staff will also report on other potential finance mechanisms, such as parking fees, which could be implemented in conjunction with, or instead of, a TMF. If council directs staff to continue to develop a TMF, the March 2013 study session will focus on a detailed implementation plan to include a transportation maintenance fee on the November 2013 ballot.

## ATTACHMENT A

### TMF Task Force Members

First	Last	Organization/Business
Barbara	Lewis	Facilitator
Sue	Prant	Community Cycles
Kevin	Knapp	Boulder Housing Partners
Bob	Whitson	Boulder East TMO
Sam	Cohen	Elevations Credit Union
Matt	McMullen	UCAR/NCAR
Ken	Hotard	Boulder Realtor Association
Frank	Bruno	Western Disposal
John	Tayer	RTD Board
Kai	Abelkis	Boulder Community Hospital
JT	Fulton	Macerich (29th Street Mall)
Bill	Roettker	Sierra Club
David	Driscoll	Transportation Advisory Board
Matt	Moseley	Transportation Advisory Board
Jessica	Yates	Transportation Advisory Board
Andria	Bilich	Transportation Advisory Board
Zane	Selvans	Transportation Advisory Board
Clint	Folsom	Rental Property Owner
Mary	Cobb	VIA Transit
Glen	Segrue	Boulder Valley School District
Jim	Hartman	NECO Pass Coordinator
David	Cook	University of Colorado
Susan	Osborne	Former Council member
Dan	King	Boulder Outlook Hotel