

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 the existing sources' ability to fund proposed transportation improvement projects. Philomath's TSP identifies nearly \$24 million in 27 specific projects over the next 20 years. This section of the TSP provides an overview of Philomath's revenue outlook and a review of some funding and financing options that may be available to the City of Philomath to fund the improvements.

Pressures from increasing growth throughout much of Oregon have created an environment of estimated improvements that remain unfunded. Philomath will need to work with Benton County and ODOT to finance the 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 Philomath and neighboring communities will grow at a rate comparable to past growth, consistent with the countywide growth forecast, and that the resulting traffic will increase as anticipated. If the population and traffic 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. 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.

**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 U.S. Forest Service revenues) comprise another 30 percent of all road-related revenue. The remaining sources of road-related revenues are generated locally, including property taxes, Local Improvement Districts (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 Benton County

Historically, sources of road revenues for Benton County have included federal grants, state revenues, intergovernmental transfers, interest from the working fund balance, and other sources. Transportation revenues and expenditures for Benton County are shown in Table 8-2 and Table 8-3.

**TABLE 8-2
BENTON COUNTY TRANSPORTATION-RELATED REVENUES**

	1994-1995	1995-1996	1996-1997	1997-1998
	Actual	Actual	Budget	Budget
Cash on Hand	\$976,971	\$873,066	\$1,497,689	\$1,728,050
Revenues				
Fees	\$128,513	\$265,874	\$285,677	\$207,898
Unrestricted funds and taxes		\$242,500		
Other unrestricted	\$70,846	\$100,322	\$73,518	\$97,312
Program-dedicated funds				
Intergovernmental services	\$117,505	\$132,071	\$113,599	\$187,029
Highway apportionment	\$2,955,080	\$3,049,842	\$2,946,717	\$2,989,711
Federal forest revenues	\$266,351	\$257,178	\$247,643	\$237,777
Federal Aid- Secondary System	\$329,001	\$907	\$413,160	\$231,562
FEMA		\$208,767	\$60,571	\$84,735
Capital Improvements	\$225,329	\$233,011	\$193,662	\$22,747
Other dedicated funds	\$119,044	\$46,049	\$144,347	\$39,839
	\$4,211,669	\$4,536,521	\$4,478,894	\$4,098,610

Source: Benton County.

As shown in Table 8-2, revenues have remained relatively stable (between \$4 and \$4.5 million). Approximately \$3 million of the annual revenues come from the State Highway Fund. A declining amount has come from 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 National Forests in Oregon and Washington are subject to the Spotted Owl Guarantee, which limits the decline of revenues from these forests to three percent annually. Oregon forests under the Owl Guarantee include the Deschutes, Mount Hood, Rogue River, Siskiyou, Siuslaw, Umpqua, and Willamette National Forests. Forest revenues distributed to Benton County are from the Siuslaw National Forest, subject to the Owl Guarantee.

**TABLE 8-3
BENTON COUNTY TRANSPORTATION-RELATED EXPENDITURES**

	1994-1995	1995-1996	1996-1997	1997-1998
	Actual	Actual	Budget	Budget
General Services & Administration	\$460,581	\$421,474	\$391,837	\$409,930
General Engineering Services	\$601,725	\$593,098	\$607,846	\$661,177
Road Maintenance	\$2,571,000	\$2,485,083	\$2,411,778	\$2,564,655
Road Overlay Projects	\$392,150	\$179,229	\$643,108	\$443,870
Spot Improvements	\$39,299		\$299	
Capital Improvements	\$124,812	\$166,854	\$171,095	\$625
	\$4,189,567	\$3,424,264	\$3,834,126	\$3,670,327

Source: Benton County.

As shown in Table 8-3, Benton County categorizes its expenditures into the following categories: general services and administration, general engineering services, road maintenance, road overlay projects, spot improvements, and capital improvements. As shown in the table, the county has spent between \$125,000 and \$170,000 annually in capital improvements, with significantly less money budgeted for capital improvements in the 1997-1998 budget year. The bulk of expenditures in the road fund are for services relating to road maintenance.

Historical Revenues and Expenditures in the City of Philomath

Revenues and expenditures for the City of Philomath's Street Fund are shown Table 8-4 and Table 8-5. Sources of revenues available for street operations and maintenance include the State Highway Fund, interest from the working capital balance, and grants for specific projects.

**TABLE 8-4
CITY OF PHILOMATH STREET FUND REVENUES**

	1994-95	1995-96	1996-97	1997-98	1998-99
	Actual	Actual	Actual	Budget	Budget
Combined Cash Balance	\$64,475	\$9,119	\$48,586	\$52,000	
Revenue					
Storm Drain Grant				\$15,000	
Downtown Improvement Grant				\$200,000	
Urban Renewal Expense Reimbursable			\$132,000	\$354,200	
State Highway Tax	\$139,516	\$147,754	\$143,876	\$153,285	\$160,000
Bikepath Apportionment	\$1,409	\$1,492	\$1,454	\$1,533	
Oil Mat Reimbursement	\$2,238				
Interest on Investments	\$(3)	\$704	\$3,147	\$3,000	
Misc. Revenue	\$1,438	\$18,496	\$30,095		\$57,000
Transfer from General Fund	\$24,000	\$10,000		\$6,000	\$37,000
	\$168,598	\$178,446	\$310,572	\$733,018	\$254,000

Source: The City of Philomath

As shown in Table 8-4, funds from the State Highway Fund provide a large proportion (over 90 percent, excluding grant funds) of the revenues available to the City of Philomath's Street Fund. The City of Philomath has benefited from several recent grants, including a \$15,000 storm drain grant, and a \$200,000 downtown improvement grant.

**TABLE 8-5
CITY OF PHILOMATH STREET FUND EXPENDITURES**

	1994-95	1995-96	1996-97	1997-98	1998-99
	Actual	Actual	Actual	Budget	Budget
Personal Services	\$67,860	\$59,906	\$61,033	\$66,118	\$74,884
Downtown Improvement Grant				\$200,000	\$195,150
Pave South 11th Street	\$40,625				
Materials and Services	\$129,023	\$75,589	\$102,284	\$107,442	\$151,116
Urban Renewal Area Improvement				\$132,000	\$354,200
Other Capital Outlay	\$19,833	\$1,208		\$5,000	
Transfers	\$5,000	\$4,500	\$19,000	\$45,000	\$20,039
	\$262,341	\$141,203	\$182,317	\$555,560	\$795,389

Source: City of Philomath

Most of the Street Fund expenditures are for maintenance, with spending disaggregated to the following categories: personal services, materials and services, capital outlay, and transfers. The largest categories have historically been personal services, and materials and services. The capital outlay expenditures have been limited to small amounts (\$1,200 to \$20,000 annually over grant funds) in recent years. The Street Fund has also transferred some resources to the general fund to cover a portion of administration costs.

Transportation Revenue Outlook in the City of Philomath

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) that require a 10-percent reduction in per-capita vehicle miles of travel (VMT) in Metropolitan Planning Organizations (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 the 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 State 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, and continuing with a slight decline through the remainder of the planning horizon.

As the State Highway Fund is expected to remain a significant source of funding for Philomath, the city is highly susceptible to changes in the State Highway Fund. As discussed earlier, funds from the State Highway Fund provide a large proportion of the revenues available to the City of Philomath's Street Fund.

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

- ODOT State Highway Fund assumptions as outlined above;
- The State Highway Fund will continue to account for the majority of the city's Street Fund;
- Interest and other local sources continue to provide stable revenue streams; and,
- The proportion of revenues available for capital expenditures for street improvements will remain a stable proportion of the state tax resources.

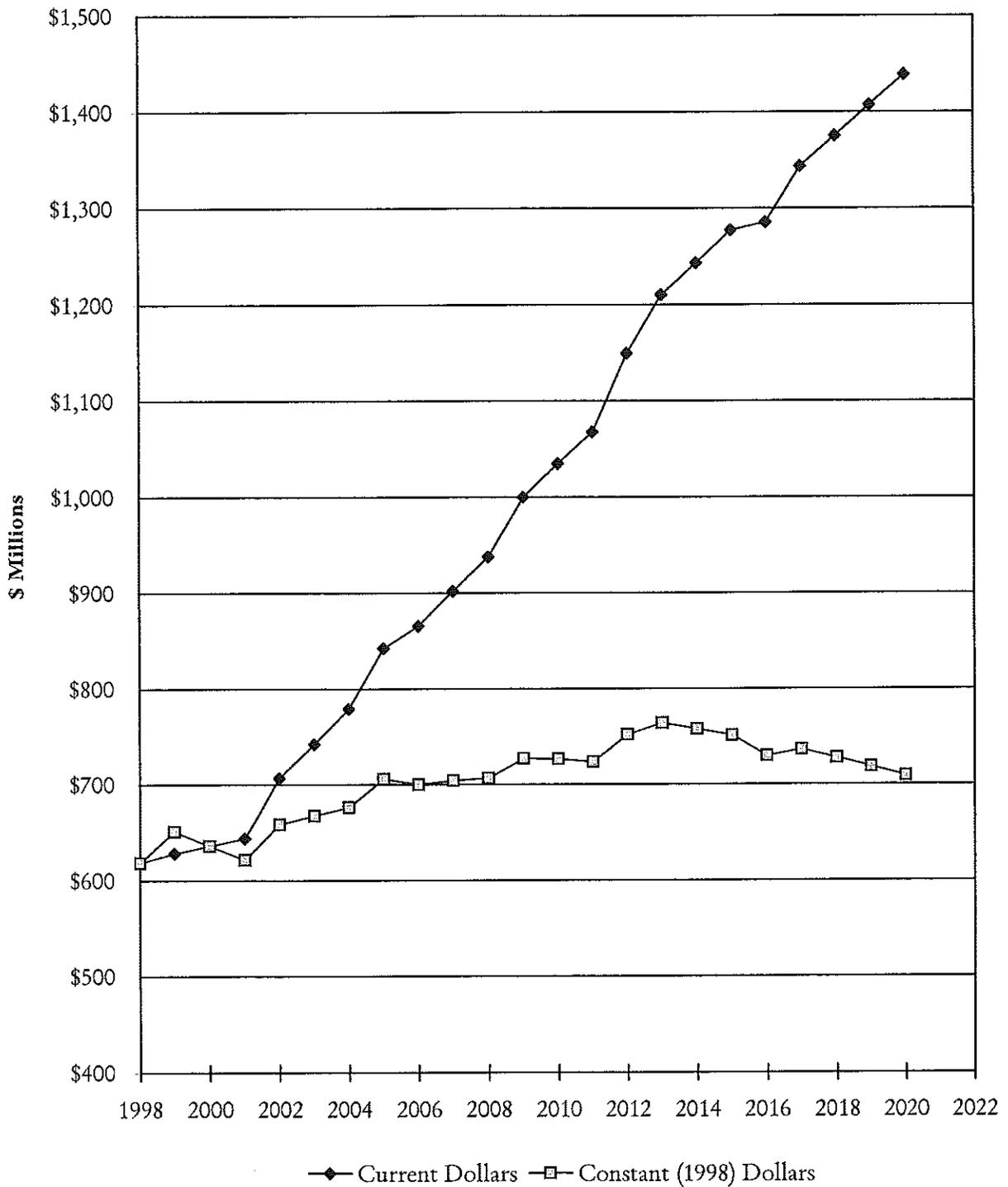
Applying these assumptions to the estimated level of the State Highway Fund resources, as recommended by ODOT, resources available to Philomath for all operations, maintenance, and capital outlay purposes are estimated at approximately \$140,000 to \$170,000 annually (in current 1998 dollars), as shown in Table 8-6.

**TABLE 8-6
ESTIMATED RESOURCES AVAILABLE TO CITY OF PHILOMATH
FROM STATE HIGHWAY FUND, 1998 DOLLARS**

Year	Total Estimated Resources from State Highway Fund	Estimated Funds Available for Capital Outlay
1999	\$146,000	\$8,500
2000	\$142,700	\$8,300
2001	\$139,400	\$8,100
2002	\$147,700	\$8,600
2003	\$149,700	\$8,700
2004	\$151,700	\$8,900
2005	\$158,300	\$9,300
2006	\$157,000	\$9,200
2007	\$157,900	\$9,200
2008	\$158,500	\$9,300
2009	\$163,100	\$9,500
2010	\$163,000	\$9,500
2011	\$162,300	\$9,500
2012	\$168,700	\$9,900
2013	\$171,400	\$10,000
2014	\$170,000	\$9,900
2015	\$168,500	\$9,800
2016	\$163,700	\$9,600
2017	\$165,200	\$9,700
2018	\$163,200	\$9,500
2019	\$161,200	\$9,400
2020	\$159,100	\$9,300

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,



Source: Oregon Department of Transportation

FIGURE 8-1

State Highway Fund
(in Millions of Dollars)

CITY OF PHILOMATH TSP

- the population growth in Philomath (since the distribution of State Highway Funds is based on an allocation formula that includes population).

Based on the amount of resources historically available to fund capital improvements this analysis suggests that the City of Philomath will have between \$8,000 and \$10,000 available annually for capital improvements.

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 Ballot Measures 5 and 47 has significantly reduced property tax revenues (see below). The alternative revenue sources described in this section may not all be appropriate in Philomath; 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, which 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 rates 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.

Ballot 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 either the 1995-96 tax minus 10 percent, or the 1994-95 tax. It limits future annual property tax increases to three percent, with exceptions. A local government's 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 Ballot Measure 50, which retains the tax relief of Ballot 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 50'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, which 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 developments. The charges are most often targeted towards improving community water, sewer, or transportation systems. Cities and counties must have specific infrastructure plans in place that comply with state guidelines in order to collect SDCs.

Typically, the fee is collected when new building permits are issued. Transportation SDCs are based on trip generation by 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. The SDC revenues would help fund the construction of transportation facilities necessitated by new development. A key legislative requirement for charging SDCs is the link between the need for the improvements and the developments being charged. In compliance with the state requirements, Philomath has a street CIP and SDC methodology document in place. This document stipulates the maximum street SDC at \$1,147 per dwelling unit based on an estimated construction cost budget for August 1996.

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 Philomath 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 Philomath may consider raising its 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 Philomath 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 Benton 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. A disincentive to employing such a fee may be the cost of collection and administration. In order for a local vehicle registration fee program to be viable in Benton 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 local 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 District 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 Philomath. Most of the programs available for transportation projects are funded and administered through ODOT and/or the Oregon Economic Development Department (OEDD). Some programs that may be appropriate for the Philomath area are described below. See Appendix G.

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 crossings and intersection improvements, and shoulder widening and restriping for bike lanes. Projects on urban state highways with little or no right-of-way and few environmental impacts are eligible for small-scale urban projects funds. Both programs are limited to projects costing up to \$100,000. Projects that cost more than \$100,000, require the acquisition of right-of-way, or have environmental impacts should be submitted to ODOT for inclusion in the STIP.

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. A 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 fiscal-year period 2000-2003, which begins October 1999.

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. The HBRR includes the Local Bridge Inspection Program and the Bridge Load Rating Program.

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 coordinating 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 and pedestrian safety, speed enforcement, and bicycle and motorcycle safety. Every year, TSS produces a Highway Safety Plan that identifies the major safety programs, suggests counter-measures to existing safety problems, and lists successful projects selected for funding, rather than granting funds through an application process.

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, to counties, on a per-capita formula. The remaining funds are distributed on a discretionary basis.

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 a jurisdiction to use a grant to leverage local funds on non-surface projects if the grant is used specifically to repair the affected area. Applications submitted for a share of the \$1 million in total annual grant funds must include traffic volume, the five-year rate of population growth, surface wear of the road, and the time since the last SCA grant.

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 that 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.

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 supports commercial and industrial development that results 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, and Woodburn, and Douglas County.

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 the construction of highways, bridges, roads, streets, bikeways, pedestrian accesses, and rights-of-way. Capital outlays, such as buses, light-rail cars and lines, maintenance yards, and passenger facilities, are also eligible.

ODOT FUNDING OPTIONS

The State of Oregon provides funding for all highway-related transportation projects through the Statewide Transportation Improvement Program (STIP) administered by the Oregon Department of Transportation. The STIP outlines the schedule for ODOT projects throughout the State. The STIP, which identifies projects for a three-year funding cycle, is updated on an annual basis. Starting with the 1998 budget year, ODOT will identify projects for a four-year funding cycle. 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.

The highway-related projects identified in Philomath's TSP will be considered for future inclusion on the STIP. The timing for including specific projects will be determined by ODOT based on an analysis of all the project needs within Region 2. The City of Philomath, Benton 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.

ODOT also has the option of making some small highway improvements as part of its 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 Philomath's TSP is the use of state and federal transportation dollars for off-system improvements. ODOT 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. Funding 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.

A number of debt financing options are available to the City of Philomath. 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 the city's overall debt capacity and underlying credit rating. Again, debt financing should be viewed not as a source of funding, but as a timely 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 a 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. GO debts typically are used to make public improvement projects that will benefit the entire community.

State statutes require that the GO indebtedness of a city not exceed three percent of the real market value of all taxable property in the city. Since GO 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, Ballot Measures 47 and 50 provisions are not applicable to outstanding bonds, unissued voter-approved bonds, or refunding bonds.

Limited Tax Bonds

Limited tax general obligation (LTGO) bonds 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, LTGO bonds do not require voter approval. However, since the LTGO bonds are not secured by the full taxing power of the issuer, the limited tax bond represents a higher borrowing cost than GO 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 LTGO bonds 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

Philomath's TSP identifies capital improvements 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. The TSP identifies 27 projects, totaling nearly \$24 million. Seven of the projects, including the couplet improvements estimated to cost nearly \$12 million, have been identified to be state-led projects. An additional nine projects are expected to receive county-led financial support. The balance of the projects, estimated to cost nearly \$1.5 million, are under the city's jurisdiction.

Estimated costs by project are shown in Table 8-7.

TABLE 8-7
RECOMMENDED TRANSPORTATION IMPROVEMENT PROJECTS LIST
CAPITAL IMPROVEMENT PROGRAM
CITY OF PHILOMATH

Proj No.	Project Location	Project Phasing	State	County	City	Railroad	Estimated Project Cost
Streets Improvement Projects							
1	Traffic Signal at Intersection of US Highway 20 and State Highway 34	Long-Range	\$200,000				\$200,000
2	Traffic Signal at Intersection of Main St. and 9th St.	Intermediate-Range	incl. in # 11 cost				incl. in # 11 cost
3	Traffic Signal at Intersection of Main St. and 26th St.	Long-Range	\$200,000				\$200,000
4	Greasy Creek Bridge and Intersection Improvements on Grange Hall Rd.	Short-Range		\$620,000			\$620,000
5A	Truck Route Improvements along Grange Hall Rd. and at Fern Rd. Intersection (Realign Fern Rd.)	Short-Range		\$200,000			\$200,000
5B	Truck Route Improvements on 13th St. (Between Chapel Dr. and Main St.)	Intermediate-Range		\$2,040,000			\$2,040,000
6	Access Improvements for Clemens Mill Rd. at Hwy. 20/34	Long-Range	\$850,000				\$850,000
7	Extend Newton St. to 26th St. Between Dead End and 26th St.	Intermediate-Range			\$130,000		\$130,000
8A	Highway 20/34 (Between West City Limits and Newton Creek Bridge) Overlay	Intermediate-Range	\$730,000				\$730,000
8B	College Street (12th to 20th) Overlay	Short-Range	incl. in #10		incl. in #10		incl. in # 10 cost
8C	Grange Hall Rd. (Between Alsea Highway and Fern Rd.) Overlay	Intermediate-Range		\$300,000			\$300,000
8D	Mt. Union Ave. (Between Benton View Dr. and Plymouth Dr.) Overlay	Short-Range		\$60,000			\$60,000
9	Signing Within City Limits	Short-Range			\$40,000		\$40,000
10	College St. (12th St. to 20th St.) and Applegate St. (11th St. to 20th St.) Street Widening, etc.	Short-Range	\$2,880,000		\$320,000		\$3,200,000
11	One-Way Couplet Improvements on College/Main/Applegate Streets	Intermediate-Range	\$11,900,000				\$11,900,000
14	Extend Applegate St. over Newton Creek Between 23rd St. and 24th St.	Short-Range	\$540,000		\$60,000		\$600,000
Bicycle Improvement Projects							
B1	Add Bike Lanes along College/Main/Applegate Couplet Alignment (Between West/East UGB)	Intermediate-Range	incl. in # 11 cost				incl. in # 11 cost
B1	Add Bike Lanes on South 19th St. (between College St. and Chapel Dr.)	Short-Range		\$320,000			\$320,000
B2	Add Bike Lanes from Plymouth Dr. to Central Bike Path via Southwood Dr./30th St./Applegate St.	Short-Range			\$5,000		\$5,000
B3	Add Multi-Use Paths on Chapel Dr. (between 13th St. and Bellfountain Rd.)	Intermediate-Range		\$820,000			\$820,000
B4	Add Bike Lanes on South 13th St. (Between Chapel Dr. and Main St.)	Intermediate-Range		incl. in # 5B cost			incl. in # 5B cost
B5	Add Bike Lanes on Applegate St. (Between proposed couplet and Central Bike Path)	Intermediate-Range			\$5,000		\$5,000
B7	Add Bike Lanes on North West Hills Rd. (between Wyatt Ln. and North 19th St.)	Long-Range		\$770,000			\$770,000
Park and Recreation Improvement Projects							
P1	Multi-Use Path from South 13th St. across Rodeo Grounds to Marys River	Intermediate-Range			\$150,000		\$150,000
P2	Multi-Use Path from Fern Rd. paralleling Marys River to the Alsea Hwy.	Long-Range			\$320,000		\$320,000
P4	Extend Central Bike Path to South 19th St.	Intermediate-Range			\$200,000		\$200,000
Utilities, Rail, Air, Water, and Landfill Projects							
	Willamette & Pacific Railroad at Georgia Pacific South of Corvallis/Philomath area	Short-Range Long-Range				\$250,000	\$250,000
	Short-Range Subtotal		\$3,420,000	\$1,200,000	\$425,000	\$250,000	\$5,295,000
	Intermediate-Range Subtotal		\$12,630,000	\$3,160,000	\$485,000	\$0	\$16,275,000
	Long-Range Subtotal		\$1,250,000	\$770,000	\$320,000	\$0	\$2,340,000
	Total		\$17,300,000	\$5,130,000	\$1,230,000	\$250,000	\$23,910,000

The City of Philomath is expected to be able to fund projects of up to approximately \$190,000 in the 20-year planning horizon. Based on current revenue sources for the City of Philomath and the improvements identified in this Transportation System Plan, the city would face a funding deficit of over \$1 million as shown in Table 8-8.

**TABLE 8-8
ESTIMATED CAPITAL FUNDING BALANCE**

	Years 0-5	Years 6-10	Years 11-20
Available from existing sources	\$42,200	\$45,900	\$106,300
Needed for city-funded projects	\$425,000	\$485,000	\$320,000
Surplus (Deficit)	\$(382,800)	\$(439,100)	\$(213,700)
Cumulative Surplus (Deficit)	\$(382,800)	\$(821,900)	\$(1,035,600)

Given the existing cost estimates, the resources available as estimated in Table 8-6, and financial partners currently identified, Philomath is expected to experience a funding deficit of over \$1 million over the 20-year planning period. However, some of the projects may be eligible for alternative funding sources. For example, the extension of Applegate Street over Newton Creek (project 14) may qualify for HBRR funding, which provides federal funding for up to 80 percent of a bridge replacement or rehabilitation as described above. Also, projects that serve to enhance the pedestrian connectivity of the city may potentially be eligible for bike and pedestrian funding. These projects include: the multi-use paths west of South 13th Street (project P1), west of Fern Road (P2), and along the extension of the Central Bike Path (P4); and, the bikeway projects connecting Plymouth Drive with the Central Bike Path (B2), and the couplet with the Central Bike Path (B5). Estimated to total \$680,000, grant funds for these projects would serve to allow Philomath to implement these projects within the 20-year planning horizon. Additionally, some of the projects may be necessitated by new development, thereby making them eligible for SDC funding. Additional analysis and an update of Philomath's streets CIP and SDC methodology document would be required to evaluate the feasibility of this funding option.

This transportation system plan identifies 27 projects recommended over the next 20 years. Based on existing revenue sources and the estimated costs to implement the improvements, the City of Philomath is expected to experience a budget shortfall of over \$1 million over the 20-year planning horizon. The city will need to work with Benton County and ODOT to explore alternative funding sources, including the Federal Enhancement Program, bike and pedestrian grants, HBRR, and other programs described in this chapter, to implement the recommended improvements.