



## ADMINISTRATIVE SERVICES COMMITTEE

### Agenda

Wednesday, August 20, 2014  
3:30 pm

Madison Avenue Meeting Room  
500 SW Madison Avenue

- |                                    |  |
|------------------------------------|--|
| Discussion/ <b>Possible Action</b> | I. Transportation Maintenance Fee Rate Structure Review (Attachment) |
| Information                        | II. Other Business   |

### **Next Scheduled Meeting**

Wednesday, September 3, 2014 at 3:30 pm  
Madison Avenue Meeting Room, 500 SW Madison Avenue

### **Agenda**

None at this time.

# MEMORANDUM

July 28, 2014

**TO:** Administrative Services Committee

**FROM:** Mary Steckel, Public Works Director 

**SUBJECT:** Transportation Maintenance Fee (TMF) Structure Review

## I. PURPOSE

With the recent update to the utility rate structure, the Administrative Service Committee (ASC) asked for a review of the TMF per-trip rate for residential and non-residential customers.

## II. BACKGROUND

When the TMF was established in 2005, it was designed to recover 75% of the revenue target from residential customers and 25% from non-residential customers. In order to achieve this desired outcome, the rate charged per trip for each of the customer groups could not be the same rate. When first adopted, the per-trip rate for residential customers was \$0.142 and for non-residential customers was \$0.021.

Rates are adjusted annually in July using the Engineering News Record (ENR) Construction Cost Index (CCI) for Seattle. Currently the monthly trip rates are \$0.159 for residential properties and \$.024 for non-residential properties.

## III. DISCUSSION

The ASC requested staff to explore different revenue options for the TMF, to determine the impact of a more equal distribution of the revenue burden between the two customer groups.

Two alternatives were developed by staff to achieve comparable fees between residential and non-residential customers. Alternative 1 would increase the current non-residential rate to align with the residential rate. Alternative 2 would increase the non-residential rate so that the overall revenue collected from non-residential customers would equal that collected from residential customers.

Attached is a comparison of revenue streams produced by the current fee structure, Alternative 1, and Alternative 2. Also provided is a sample of commercial customers and the affect each option would have on their monthly TMF charge.

Staff anticipates that the ASC will provide direction if, upon considering the information provided, it determines that additional work is needed.

Reviewed and concur:

  
James A. Patterson, City Manager

Attachment A

**Transportation Maintenance Fee  
Comparison of Alternative Rate Structures**  
July 2014

**TMF  
CURRENT STRUCTURE<sup>1</sup>**

	Number of Trips Average Weekday	Percent of Total Trips	Fee Per Trip	Avg.Monthly Revenue	% of Total Revenue Collected
Non Residential	370,372	66%	0.024	\$8,889	22%
Residential	193,898	34%	0.159	\$30,830	78%
<b>Total</b>	<b>564,270</b>			<b>\$39,719</b>	
<b>Estimated Annual Revenue</b>				<b>\$476,625</b>	

**Alternative 1: Equivalent Trip Rates<sup>1</sup>**

	Number of Trips Average Weekday	Percent of Total Trips	Fee Per Trip	Avg.Monthly Revenue	% of Total Revenue Collected
Non Residential	370,372	66%	0.159	\$58,889	66%
Residential	193,898	34%	0.159	\$30,830	34%
<b>Total</b>	<b>564,270</b>			<b>\$89,719</b>	
<b>Estimated Annual Revenue</b>				<b>\$1,076,628</b>	

**Alternative 2: Equivalent Total Revenue Collected<sup>1</sup>**

	Number of Trips Average Weekday	Percent of Total Trips	Fee Per Trip	Avg.Monthly Revenue	% of Total Revenue Collected
Non Residential	370,372	66%	0.083	\$30,830	50%
Residential	193,898	34%	0.159	\$30,830	50%
<b>Total</b>	<b>564,270</b>			<b>\$61,660</b>	
<b>Estimated Annual Revenue</b>				<b>\$739,916</b>	

**Comparison of Various Commercial Accounts  
Monthly Billing**

	Trips	Current <sup>1</sup>	Option 1 <sup>1</sup>	Option 2 <sup>1</sup>
Hospital	254	\$6.10	\$40.39	\$21.14
Large Grocery Store	8383	\$201.19	\$1,332.90	\$697.80
Small Business	58	\$1.39	\$9.22	\$4.83
Drive Thru Fast Food	1542	\$37.01	\$245.18	\$128.36
Gas Station	1953	\$46.87	\$310.53	\$162.57
OSU	44308	\$1,063.39	\$7,044.97	\$3,688.20

Notes:

1. Based on FY 13-14 rates and revenues.

8/20/14

To: Administrative Services Committee

From: Mark O'Brien

Re: Transportation Maintenance Fee Structure Review

Councilors,

I will not be able to attend today's A.S.C. meeting but wanted to address the topic of changing the T.M.F. tax collection methodology.

For non-residential customers Option 1 represents a tax increase of **660%** while Option 2 represents a tax increase of **340%**. Tax increases of this magnitude could be fairly described as draconian. And while I agree that is appropriate to provide some local support for our transportation system, I don't believe it is necessary or fair to impose a greater tax burden onto already struggling "non-residential" properties in this manner.

It should come as no surprise that locally owned businesses in Corvallis have suffered from declining revenues and lower profit margins in recent years; this owing in large part to the recession as well as an ever increasing tax burden, increasing minimum wages and increasing expenses. These conditions have the direct consequence of creating a diminishing ability to support our employees through wage increases, better benefits and new hiring. In short, it's getting tougher out here every day. And I'm not even taking into account the future negative financial impact to all citizens created by the City's large amount of unfunded liability.

I ask that rather than enacting an untoward tax increase like the one outlined in your report, you consider seeking appropriate levels of revenue from those entities from which the City has seen a recurring reduction in traditional levels of transportation funding support i.e.; the state and federal government. As an alternative you might consider restoring a nominal user fee, perhaps \$.25-\$.50, for those who choose to ride on City provided transportation; an idea that would be in keeping with existing Council financial policy.

Cheers,

Mark O'Brien

**Comparision of Various Commercial Accounts  
Monthly Billing**

	<b>Trips</b>	<b>Current<sup>1</sup></b>	<b>Option 1<sup>1</sup></b>	<b>Option 2<sup>1</sup></b>
<b>Hospital</b>	254	\$6.10	\$40.39	\$21.14
<b>Large Grocery Store</b>	8383	\$201.19	\$1,332.90	\$697.80
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<b>OSU</b>	44308	\$1,063.39	\$7,044.97	\$3,688.20
<b>509J School District</b>	11288	\$270.90	\$1,794.71	\$939.57
Lincoln Elementary	565	\$13.56	\$89.84	\$47.03
Adams Elementary	638	\$15.31	\$101.43	\$53.10
509J Office	110	\$2.64	\$17.49	\$9.16
Franklin	555	\$13.32	\$88.25	\$46.20
Jefferson Elementary	609	\$14.62	\$96.86	\$50.71
Hoover Elementary	551	\$13.22	\$87.58	\$45.85
Harding/College Hill	516	\$12.38	\$82.02	\$42.94
Wilson Elementary	681	\$16.34	\$108.25	\$56.67
Cheldelin Middle	1470	\$35.28	\$233.73	\$122.36
Garfield Elementary	638	\$15.31	\$101.43	\$53.10
Corvallis High	3416	\$81.98	\$543.12	\$284.33
Linus Pauling Middle	1539	\$36.94	\$244.73	\$128.12

## Steckel, Mary

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**From:** Rollie Baxter [rolliebaxter@gmail.com]  
**Sent:** Friday, August 15, 2014 3:01 PM  
**To:** Steckel, Mary  
**Cc:** Penny York; City Attorney Brewer  
**Subject:** Transportation Maintenance Fee (TMF)

Hi Mary,

I just read your report on the TMF. I have a few questions and a few comments. I have copied my Council person.

You say that that the Committee asked staff to look at this. I assume that means the issue was not raised or suggested by staff. Since Hal Brauner is the "transportation expert" on the Council and is on the Administrative Services Committee, I am assuming that he is likely the person who raised the issue.

In the background, you indicated that the rate was set to recover 75% from residential and 25% from non-residential. You did not use the term "arbitrarily", but it does seem that the split was arbitrarily (or politically) set. At least, your report did not give a rate-based explanation for the split or other rationalization. Therefore, I am assuming the split was indeed "arbitrary" and was more of a political decision than a utility-based rate setting. If the City has a basis that is not arbitrary, it would be nice to know what it was.

You use the 75%/25% split in your report and also list actual rates. The appearance of the two percentages (75%/25%) might, to the unaware and casual observer, seem to imply that residential rates were 3 times the commercial rates. In fact, the residential rate initially set was 6.76 times the commercial rate and is still 6.62 times the commercial rate. So, every trip end at a residential unit pays 6.62 times as much as a trip end at a commercial property. That is a very, very significant difference and could even be termed abusive or discriminatory. Does the City have any

rationale or justification for charging residential properties at a significantly higher rate than commercial properties? Can (or how) does the City justify this differential?

Your report in the discussion says that the Committee requested staff to explore revenue options. This leads me to ask if the purpose of the review is to 1) increase revenue, 2) establish a fairer rate for the utility or 3) both. One could establish a fairer rate and generate the same income (call it Alternative 3) simply by setting a uniform rate per trip that generates the same \$476,000 per year. But you did show this alternative and did not show what this rate would be. Monthly billings for residential properties would go down while those for commercial would go up.

If the goal is to have a fairer rate AND increase revenue, then Alternate 1 does both. The rate becomes uniform and increases revenue by more than a factor of 2 - a BIG increase for the street fund. How much money does the City need? What is the target income?

Clearly, Alternative 2 does little for establishing a fair (or rational) rate. Alternative 2 simply continues a biased and unfair or unjustified rate while increasing revenue a bit.

Does the City have a revenue in mind that it wants to achieve? Usually an agency will determine the needed revenue to support the utility (road system in this case) and then develop the rate structure. It would be helpful to know the income target that has been set before we just go off and generate a bunch of alternatives without knowing the goal (unless, of course, the goal is simply to slip one over on the ignorant masses and grab a quick income increase).

This whole analysis of rates for the Transportation Maintenance Fee might raise some other interesting questions. For instance, is it a "fee" or is it a "tax". If a fee, then the rate has to have some basis related to service. I doubt the City could rationalize or justify a rate differential of 6.6. If a

tax, can rates be changed willy nilly or is there some more formal or restrictive process required? This is probably a question for the attorney, so I will add him to the copies.

The City went to great lengths (and cost) to justify a shift in water costs from commercial to residential properties, explaining that it was only "fair" that the rates reflect impact or use. I hope the City takes the "fair" approach on the Transportation Maintenance Tax or Fee. It would only be fair.

Feel free to share my questions with the Committee along with any response that you feel is appropriate.

Hope you are enjoying yourself. From this perspective, your job seems a lot more political and un-fun than in the good ole days. A good time to retire is when the new city manager shows up in 6 months to a year if not sooner.

Rollie

## Steckel, Mary

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**From:** Steckel, Mary  
**Sent:** Sunday, August 17, 2014 8:27 PM  
**To:** Rollie Baxter  
**Cc:** Penny York; City Attorney Brewer  
**Subject:** RE: Transportation Maintenance Fee (TMF)

Hi Rollie,

Thank you for your email. I will share your input with the Administrative Services Committee on Wednesday.

This topic was raised by ASC at the end of the discussion on the utility rate structure in recognition of the shift in the revenue recovery from the structure change. There was no goal in mind other than to start the conversation. That's why there is no conclusion or recommended action in staff's report. As you know, these conversations have to start somewhere.

The TMF rate structure was set through a political decision by the Council. The community's goals and values are usually considered by a Council when decisions are made. As an example, the previous utility rate structure, and the one in place when you were director, were set based on political decisions.

The actual rates for the TMF trip fees for the two customer groups were included in the report to make it clear that the one was not only three times greater than the other. The words in the staff report were carefully chosen to always refer to the revenue generated when talking about the 75/25 split. And the staff report points out that the number of trips in each customer group is vastly different. There is no attempt to mislead or obfuscate the information.

I don't subscribe to name calling and don't think it does anything to further your points. Be that as it may, I want to go on the record that I don't now, nor ever have, thought the masses are ignorant. As stated above, there is no attempt to mislead or obfuscate the information.

I believe you have shared your thoughts with me on at least a few occasions about the bad state of the streets in the city, as well as that more should have been done for snow removal. I imagine these types of things will be a part of the conversation on need, should this topic move forward.

The TMF is no different than the storm water fee, of which you have intimate knowledge, as you were the one who created the utility and initiated the fee.

Again, thank you for taking the time to share your thoughts. I look forward to your continued participation.

Mary

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From: Rollie Baxter [rolliebaxter@gmail.com]  
Sent: Friday, August 15, 2014 3:00 PM  
To: Steckel, Mary