

Street Maintenance Fee Discussion

Public Information Presentations

July 2017



Review

- The City Council was initially briefed on the concept of a Street Maintenance Fee (SMF) that generating earmarked funds for street maintenance on June 21, 2016
- The presentation examined seven (7) Texas cities administered their SMF
 - Austin, Bryan, Corpus Christi, Corsicana, Kingsville, Lampasas, Taylor
- The presentation also shared three (3) cities that explored, but declined to in act a SMF
 - Killeen, Denton, and College Station

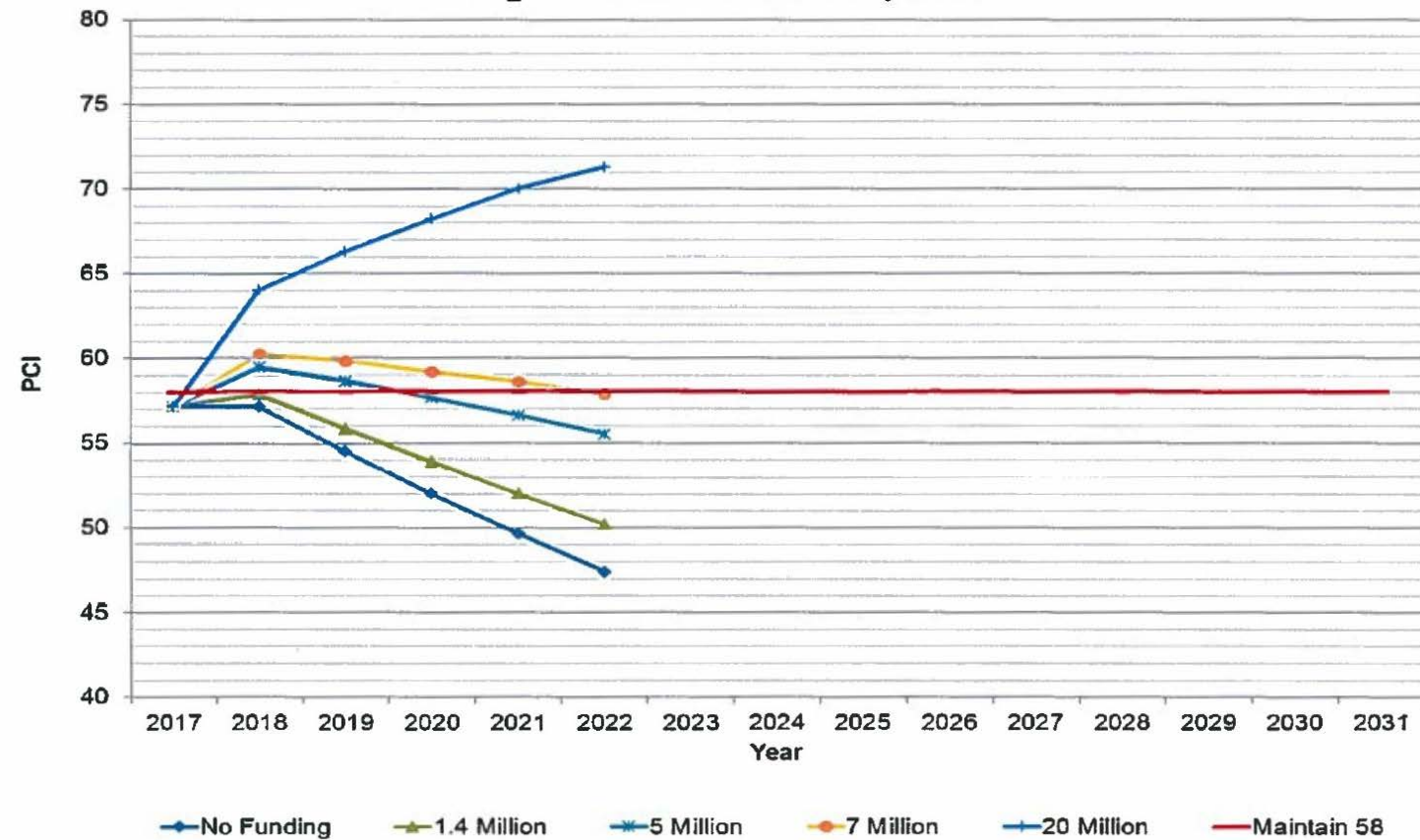
Updates Since the 6/21/16

- Monitored the status of Texas cities with a SMFs
- Worked with Utility Billing and GIS to develop data necessary for the development of Residential and Commercial fees
- College Station has adopted and fee, which went into effect in January of 2017

Updates Since the 6/21/16

- Pavement Management Study
 - Study results are critical to developing a fee structure that generates the revenue necessary to maintain quality roads
- FUGRO Roadware Inc.
 - City Council awarded contract for the study on September 8, 2016
 - Delivered a report to City Council on March 23, 2017
 - Street Network Backlog estimated at \$377 Million

Budget Scenario Results Comparison



- This chart, provided by FUGRO, shows the maintenance trend line at several different funding levels compared with a “good” Pavement Condition Index (PCI)
- The funding necessary for maintaining a PCI greater than 58 is greater than \$10 Million annually



Mechanisms to Hit Target Budget

- Generating \$10 Million dollars in new revenue will necessitate using multiple revenue streams
- Tonight will discuss two (2) methods in detail:
 - **Local Option Street Maintenance Sales Tax**
 - **Street Maintenance Fee for Residential and Commercial Customers**

Local Option Sales Tax

- In addition to fees, there is a consideration of reducing $\frac{1}{8}$ of a penny allocated for 4A to be dedicated for street maintenance
- This would generate approximately \$2.5 Million in revenue for street maintenance



Local Option Sales Tax

- A local option sales tax would require the City Council to call an election to do the following:
 1. Repeal 1/8 of a cent of the Type A sales tax for economic development, and
 2. Levy 1/8 of a cent for the local option street maintenance tax
- Election called by August 10, 2017 for a November election
 - The repeal of 1/8 of Type A and levy of a street maintenance tax can be on the same ballot measure
- A local option street maintenance sales tax must be approved by voters every four years

Street Maintenance Fee



- The structure of a SMF will be broken into two (2) major categories:
 - Residential
 - Single Family
 - Multi-Family
 - Commercial

Residential Fee Population

- **Single-Family Residential** – approximately 35,000 households (3 units or less)
- **Multi-Family Residential** – approximately 10,000 (4 or more units)
- In the event that Abilene wanted to explore a discount for senior citizens, GIS indicates that approximately 25% of single family residences has an over 65 senior exemption on their property
 - That equates to 8,750 households

Residential Fee & Revenue Tables

Monthly and annual revenue for a fee of \$9 for single-family and multi-family unit and over 65 exemption:

Category	Population	Rate	Monthly Revenue	Annual Revenue
Single Family	26,250	\$9.00	\$236,250	\$2,835,000
Multifamily	10,000	\$9.00	\$90,000	\$1,080,000
Over 65	8,750	\$0.00	\$0	\$0
Totals			\$326,250	\$3,915,000



ITE Trip Factor Index

- Many cities have adopted the Institute of Transportation Engineers (ITE) Trip Factor Index. It is adapted from the Trip Generation Manual in an effort to develop the most equitable fees for commercial businesses
- The manual provides analysis of the traffic patterns of different business types and generates a trip factor to capture the traffic impact
- The trip factor is then multiplied by a unit of measure, usually building square footage, to develop a trip factor rating for that property

Trip Factor Examples

The ITE Trip Factor rating for four examples businesses based on the building square footage (BSF).

Business Type	ITE Code	Unity of Measure	BSF	Trip Factor Rating
Business Office	710	1.49 per 1,000sf	1,500	2.23
Fast Food w/drive-thru	933	26.15 per 1,000sf	2,500	65.38
Convenience Store w/gas pumps	853	50.92 per 1,000sf	2,000	101.84
Discount Superstore (free-standing)	815	4.35 per 1,000sf	210,000	930.50
Singe-Family Residence*	210	1.00 per d.u.	N/A	1.00
Multi-Family Residence*	220	0.62 per d.u.	200 Units	124.00

*Residential Trip Factor Ratings were added to as a frame of reference (d.u. Dwelling Unit).



Commercial Fee Population

- Commercial Property – approximately 2,400 properties (based on scrubbed utility accounts)
- GIS data in concert with our account information provided square footage for these accounts
- Square footage information develops a trip factor for these businesses in an effort to charge equitable rates to customers

Commercial Fee Structure Options

- The table below, taken directly from the June 21, 2016 briefing, breaks down the pros and cons of different approaches to commercial fees:

Fee Set Type	Pros	Cons	Cities
Flat Fee	Simple set up	Least equitable for all parties	Corsicana, Lampasas
Simple Tiered	More equitable, especially for residents	Still causes equity issues for some businesses	Bryan, Kingsville, Taylor, College Station*
Multiplier System	Most equitable for all parties	Most complex system to administer	Austin, Corpus Christi

Simple Tiered Fee Structure

- Simple tiered fee structure for commercial customers
- Tiers based on the raw trip factor score that was calculated for a business type

Commercial Tier	Trip Factor Score	Population
1	0 - 2.99	562
2	3 - 6.99	383
3	7 - 19.99	490
4	20 - 59.99	476
5	60+	462

Tweaks to the Structure

Analysis:

- Some challenges with strictly using a raw trip factor score to place businesses in tiers:
 - Abundance of outliers in various categories.
 - Using raw trip factor scores proved far too administratively complicated to use exclusively.
 - Does not provide enough clarity to the customers that will have the pay these fees.

Let's Keep it Simple(r)!



- Staff simplified structure using “building use” category vs. “raw trip factor score”
- Trip Factor scores averaged out well enough for broad categories of usage
- Data used to designate certain use types to the five tiers on City’s structures.

Simple Tier Set Up

The table below shows the broad categories of commercial uses that fall within the five tiers for all the businesses in our data set:

Commercial Tiers	Examples of Use	Population
1	Small Churches, Small Offices, Senior living facilities, Non-Profits	245
2	Medium Churches, Medium Offices, Hospitals, Medical Offices, Medical Clinics/ Vet Clinics, Day Cares, Recreation/Entertainment Facilities, Laundry	364
3	Large Churches, Large Offices, Menu Restaurants, Bars, Banks, Pharmacies, General Retail, Gym/Fitness Centers, Hotel/Motels, Auto Sales/Service	923
4	Largest Churches, Warehousing, Self Storage, Manufacturing, Industrial, Carwashes	656
5	Fast Food, Home Improvement, Discount Superstore/Supermarket, Gas Stations	179



Commercial Fee and Revenue Table

The table below presents the fees and revenue projections using the simple tier based on structure shown on the previous slide:

Commercial Tier	Population*	Rate	Monthly Revenue	Annual Revenue
1	245	\$35	\$8,575	\$102,900
2	364	\$60	\$21,840	\$262,080
3	923	\$115	\$106,145	\$1,273,740
4	656	\$220	\$144,320	\$1,731,840
5	179	\$325	\$58,175	\$698,100
Totals			\$339,055	\$4,068,660

*The Population of this data set does not include schools or universities



Revenue from all Proposed Sources

The table below shows the ITE Trip Factor rating for four examples businesses based on square footage. We added Residential Trip factors to this table simply as a frame of reference:

Revenue Source	Annual Revenue
1/8 Local Option Sales Tax	\$2,500,000
Residential SMF*	\$3,915,000
Commercial SMF	\$4,068,660
Total	\$10,483,660

**The revenue shown assumes that \$9 is charged to both single and multi-family accounts and homes with over 65 exemptions are exempted completely.*



Use of SMF Revenue



- \$7.3 Million of this revenue to be allocated for keeping our arterials and collectors at a PCI of 58
 - This work would be handled exclusively by contractors
- \$3 Million to seal coat all residential streets on an eight year cycle
 - This work would be handled by contractors initially with a goal to bring this function in-house in the future
- Streets staff will continue to focus on complaint response

Caution Going Forward

- It is important to note that the projections in this briefing are exactly that... PROJECTIONS
- It could take multiple years to for a comprehensive analysis
- Staff is continuously going through and refining data sets to improve accuracy



Other Potential Topics of Discussion

- Sunset Provision
 - Many communities have placed a “sunset” provision in their SMF ordinances that requires the Council approval to keep it in place after sunset.
 - Usually 10 years
- Fee Dispute Process
 - The initial roll out of a SMF will require extensive engagement with customers who dispute that commercial rates that they are assessed.
- Exemptions
 - Does the Council desire exempting certain groups or businesses from the fee?

Stakeholder Engagement

- Tonight's presentation is one example of the public engagement necessary when exploring a funding option like a SMF
- Over the next two and a half weeks we will have:
 - 11 General Public Meetings
 - Recreation Centers and Libraries
 - 2 Meetings with Service Organizations
 - 4 Meetings with Business Groups
 - 2 with Chamber Members
 - 2 with Small Business Development Center
 - Video of the 6/20/17 Presentation to Council is on the City's website along with a copy of the presentation that can be downloaded

Next Steps

- Continue public engagement on the SMF over the next few weeks
- The City Council will discuss the future of a SMF during the Budget Workshop starting July 25th
 - Decision will be made regarding rates and structure
 - Decision will be made to place any component of the SMF on the November 7th ballot

Questions?