

To: City Council

From: Cathy Huber Nickerson, Finance Director

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RE: Transportation Benefit District

**Background:**

State law, RCW 36.73 allows cities to form transportation benefit districts (TBDs) to raise revenue for specific transportation projects. TBDs are considered quasi-municipal corporations and independent taxing districts even though TBDs can share the same boundaries as the City. Effective July 2015, if the TBD boundaries are the same as the City, the City may absorb the TBD and assume all of its "rights, powers, functions, and obligations".

The TBD can be formed by an ordinance, following a public hearing, if the Council finds that the action is in the public interest (see RCW 36.73.050). The ordinance must specify the boundaries and the transportation improvements that will be funded by the TBD. Once the boundaries and functions of the TBD are established, they cannot be changed without further public hearings. The TBD does not last forever, it must end operations 30 days after the specified transportation improvements are complete. If there is debt outstanding after the projects are complete, the TBD may continue to collect revenue and service any remaining debt service. After the final debt service payment, the TBD is dissolved within 30 days.

Revenue generated from the TBD may be used for transportation improvements included in the City's Transportation Plan. Improvements can include streets, sidewalks, and transportation demand management. Construction, maintenance, and operation costs are eligible.

Revenue sources typically used by TBDs are vehicle license fees and/or sales tax. There are other options such as border area fuel taxes, bonds, and impact fees, but these options are rarely used. The most common is the vehicle license fee which can be imposed up to \$50 without a public vote (see table below) or may be up to \$100 with voter approval.

Fee Amount	Conditions
<b>\$20</b>	Vehicle License Fee can be implemented with Council vote.
<b>Up to \$40</b>	Only if a \$20 fee has been in effect for at least 24 months
<b>Up to \$50</b>	Only if a \$40 fee has been in effect for at least 24 months but is subject to a potential referendum
<b>Up to \$100</b>	Subject to a simple majority of voters but voters have rejected this effort every time with the exception of Seattle

Sales tax is another common TBD funding option. This option is up to 0.2% in sales tax and cannot be imposed longer than 10 years at a time except to repay debt and must be approved by a simple majority of voters. Recently, voters have approved a majority of all imposed TBD sales tax with three cities, Seattle, Tacoma and Enumclaw imposing sales tax on top of an existing vehicle license fee.

Other considerations which should be noted include: Material Change Policies, Budgeting, and State Auditor requirements. Once the TBD is implemented, Council must adopt a material change policy which addresses how the City's Transportation Plan will be changed with the TBD and specifically how the funding impacts the financing of the Transportation Plan. The policy must address material changes to cost, scope and schedule, the level of change that will require Council's involvement, and how the Council will address those changes. The policy must require the Council to hold a public hearing if the revised costs of a project exceeds the original estimate by 20%

TBDs are not required by RCW to adopt a budget but best practices recommend a budget and several cities have adopted TBD budgets. The City Treasurer or Finance Director is considered the TBD Treasurer by RCW 36.73.020(4).

The State Auditor's Office requires an annual report for the TBD be filed with their office. Also, RCW requires a separate annual transportation report with the district revenues, expenditures and status of all projects including cost and construction schedules. The report must be distributed to the public and the Post Record.

A list of all TBDs in the State of Washington is attached.

#### **Issue:**

This discussion is to understand how a TBD could benefit the City of Camas and which of the funding options would benefit the City the most while impacting the residents the least.

#### **Findings:**

The City of Camas has growing transportation needs and according to the 2017 Citizen Survey, citizens would support more resources to be dedicated to street maintenance and preservation. In 2014, the Council dedicated portion of the property taxes to street preservation which has improved preservation efforts but the survey the results showed citizens felt the efforts were not enough.

As part of the City's Strategic Plan, the City Strategic Priority: "Build Financial Sustainability for our City" includes the initiative of a Revenue Strategy which addresses exploring TBD. This paper is the first step in starting the discussion to explore a TBD as a possible transportation plan funding solution.

With the North Shore, transportation needs will add more stress to an infrastructure system struggling to keep current assets in good working order. The current funding for streets is not adequate to meet the growing demands. A TBD is a flexible option to help the City bring the current infrastructure into best practice thresholds and to augment the development driven new needs as necessary.

If the City chose to implement a TBD, the funding options to consider include vehicle licenses and sales tax. If the City implemented vehicle licenses, the projected revenue is estimated in the table below:

Year & License Fee	Household Estimate	Vehicle Estimate (2.28 per household)	License Fee Revenue Estimate
2018 - \$20	8,096	18,459	\$369,178
2019 - \$20	8,339	19,013	\$380,253
2020 - \$40	8,589	19,583	\$783,321
2021 - \$40	8,847	20,171	\$806,821
2022 - \$50	9,112	20,776	\$1,038,782
2023 - \$50	9,385	21,399	\$1,069,945

Sales Tax as the other option would be 0.20% for each taxable sale and is estimated to generate the following in revenue:

Year	Sales Tax Collected on .20%
<b>2018</b>	\$597,553
<b>2019</b>	\$615,480
<b>2020</b>	\$633,944
<b>2021</b>	\$652,963
<b>2022</b>	\$672,552
<b>2023</b>	\$692,728

To determine the best revenue option for a TBD in Camas, it would appear implementing the vehicle license and ladder the fee increases to the \$50 per vehicle would generate more funding than the sales tax option. Sales tax would generate \$3,865,221 over six years while the vehicle license fee would generate \$4,448,300 over the same six years. But if the City elected to keep the vehicle license fee at \$20 over the six years, the vehicle license fee would only generate \$2,387,992 over the same six year.

