

**City of Edmonds**  
**Community Services Department**  
**Economic Development Department**

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Date: November 13, 2008

To: Mayor Haakenson and Edmonds City Council

From: Stephen Clifton, AICP  
Community Services and Economic Development Director

Subject: Edmonds Transportation Benefit District  
Ordinance to Establish a Transportation Benefit District

**Recommendation:**

Mayor Haakenson, City of Edmonds Attorney, and staff recommend the City Council approve an ordinance to enact a new Chapter 3.65 Edmonds Transportation Benefit District, establishing a Transportation Benefit District, specifying the boundaries for the transportation benefit district, specifying the maintenance and preservation of existing transportation improvements, and fixing a time when the same shall become effective (Exhibit 1).

**Summary:**

Engrossed Senate and House Bill 1858 authorizes a funding mechanism for cities and counties that could provide necessary resources to help maintain and preserve transportation infrastructure. The following provides information on the need to generate funding for these purposes as they relate to the City of Edmonds, and the overall framework regarding Transportation Benefit Districts.

**City of Edmonds Transportation Infrastructure – Needed Funding**

As discussed during the 2008 February and August City Council retreats, and more recently during public hearings and workshops on the City of Edmonds budget, the City has limited revenue to pay for basic preservation, maintenance and construction of the City's transportation infrastructure. Over the years, funding dedicated for these purposes has been decreasing. Due to the passage of Initiative 695 in 1999 and Initiative 776 in 2002,

the City experienced an approximate loss of \$1,200,000 in Motor Vehicle Excise Taxes, and \$320,000 in Snohomish County Local Vehicle License fees.

While dedicated revenues have decreased, the ongoing annual costs to preserve and maintain the City's transportation infrastructure continue to rise, leaving the City unable to adequately fund this need. As indicated on page 59 of the City of Edmonds 2009 – 2010 Budget, annual subsidies or transfers from the General Fund to the Street Operations Fund have been, and continue to be, increasing. In 2008, the General Fund subsidy is expected to reach approximately \$472,550. In 2009 and 2010, this subsidy is expected to reach approximately \$700,000 and \$770,000 respectively. This increasing subsidy is having an impact on the City's ability to pay for basic public services using General Fund revenue. The City is now at the point of needing to make decisions between preserving and maintaining its transportation infrastructure or providing basic parks maintenance, public safety, and other City services.

State Legislation allows local governments to establish a Transportation Benefit District ("TBD") and accompanying funding sources to provide for the preservation, maintenance and construction of local transportation infrastructure. With the establishment of a City of Edmonds TBD and the levying of a \$20 vehicle license fee, the City will begin to replace, in part, transportation funding that has been lost to the City, reduce the General Fund subsidy, and help preserve and maintain the City's transportation infrastructure.

### **Transportation Benefit District Background Information:**

In 1987, the Washington State Legislature approved legislation that allows jurisdictions the ability to establish Transportation Benefit Districts as an option for local governments to fund transportation improvements. Since 2005, the Legislature has amended the TBD statute to expand its uses and revenue authority. More recently, in 2007, the Legislature amended the TBD statute (ESHB 1858).

A TBD can fund transportation improvements contained in any existing state or regional transportation plan that is necessitated by existing or reasonably foreseeable congestion levels. This can include maintenance and improvements to city streets, county roads, state highways, investments in high capacity transportation, public transportation, transportation demand management and other transportation projects identified in a regional transportation planning organization plan or state plan.

A TBD may also fund operations, maintenance, and preservation of the programs and facilities referenced above; such activities are noted in state and regional transportation plans. The number one priority within the "Washington Transportation Plan for 2007-2026" adopted by the Washington Transportation Commission ("State Transportation Plan") is to preserve and extend prior investments in existing transportation facilities and the services they provide to people and commerce ([www.wsdot.wa.gov/NR/rdonlyres/083D185B-7B1F-49F5-B865-C0A21D0DCE32/0/FinalWTP111406\\_nomaps.pdf](http://www.wsdot.wa.gov/NR/rdonlyres/083D185B-7B1F-49F5-B865-C0A21D0DCE32/0/FinalWTP111406_nomaps.pdf)). The State Transportation Plan identifies in Section II that there is no more fundamental transportation investment than existing system preservation – keeping the physical infrastructure in safe and efficient operating condition. The State Transportation Plan on page 72 also establishes unfunded

high priorities of state-wide significance and includes the need to “[p]reserve, maintain and operate city streets \$6 billion”, thereby recognizing that the shortfall in funding to preserve, maintain and operate city streets is a matter of state-wide significance and accordingly, an eligible transportation improvement listed on the state plan within the meaning of RCW 36.73.015.

Investment principles from the Puget Sound Regional Council “Destination 2030 Metropolitan Transportation Plan for the Central Puget Sound Region” states that the first priority should be to maintain, preserve, make safe, and optimize existing transportation infrastructure and services (page 22). Regional Transportation Policy 8.3 identifies the importance of maintaining and preserving the existing urban and rural transportation systems in a safe and usable state. Page 62, ([www.psrc.org/projects/mtp/pubs/D2030plan5.07.pdf](http://www.psrc.org/projects/mtp/pubs/D2030plan5.07.pdf)) notes that adequate maintenance, preservation, and expansion of local roads are an important element of the “system” and that new local options should be put to this purpose. This being said, any transportation improvement also needs to be “necessitated by existing or reasonably foreseeable congestion levels”. Although there is no statutory definition of congestion, not every street, road, transit program, etc. may qualify as a transportation improvement.

Transportation Benefit Districts are quasi-municipal corporations and independent taxing districts created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district. A TBD Board has several revenue options, some of which are subject to voter approval. TBDs offer flexibility, i.e., they allow cities and counties the ability to work on addressing both regional and local transportation challenges. The legislative authority of a county or city may create a TBD by ordinance following the procedures set forth in Chapter 36.73 of the Revised Code of Washington. A county or city proposing to create the TBD may include other counties, cities, port districts, or transit districts through interlocal agreements. Members of the legislative authority proposing to establish the TBD shall serve as governing body of the TBD, albeit in an ex-officio and independent capacity.

Although a TBD has powers similar to that of a city, e.g., impose taxes, eminent domain powers, contracting, etc., it is a separate taxing district. If the City wishes to form a TBD, the City Council will need to:

- Publish notice of a public hearing (at least once, ten days or more before the proposed hearing in a newspaper of general circulation within the proposed TBD). A notice was published on October, 26, 2008.
- Hold a public hearing (the legislative authority of the jurisdiction must hear objections from any person affected by the creation of the TBD). A first reading of an ordinance enacting a TBD took place on November 3, 2008. A public hearing is scheduled for November 18, 2008.

- Adopt an ordinance creating a TBD. The ordinance must include:
  - A finding that the creation of a TBD must be in the public's interest (pages 3 and 4 of the draft Ordinance).
  - The boundaries of the TBD (page 3 of the draft Ordinance).
  - The functions and powers of the TBD (page 5 of the draft Ordinance).
  - Description of the transportation improvements proposed by the district (pages 5 and 6 of the draft Ordinance).

NOTE: The creation of the fees should be by separate ordinance after the TBD Board has been created and seated.

#### Functions of the Transportation Benefit District

Section 2 of the draft Ordinance, if adopted by the Edmonds City Council, calls for the creation of a Transportation Benefit District, and establishes a new chapter within the Edmonds Municipal Code (ECC), i.e., 3.65 "Edmonds Transportation Benefit District". The Ordinance also describes the makeup of the Board (ECC Section 3.65.020), the TBD's functions (ECC Section 3.65.030), and transportation improvements that would be funded by the TBD (ECC Section 3.65.040).

In practical terms, the governing board of the TBD shall be the Edmonds City Council and serve as a separate government, much like a water district. The TBD Board shall conduct business independent of a City Council meeting and have the authority to exercise the statutory powers set forth in Chapter 36.73 RCW. The treasurer of the Transportation Benefit District shall be the City Finance Director.

To the extent City employees work on TBD projects, the City will have to be paid. There are also additional administrative considerations. The TBD would need to have all of the same administrative functions, including but not limited to: approved procedures, clerk functions (meeting notices, agendas, minutes, records, etc.), finance functions (budget, accounting, auditing, etc.), legal services.

The boundaries of a TBD may be less than the boundaries of those jurisdictions participating in the TBD. For example, a city may choose to have the TBD boundaries identical with the corporate limits of the city, or just include a portion of the city. However, if a TBD chooses to exercise the taxing authority that does not require a public vote (e.g. vehicle license and/or transportation impact fees), the boundaries of the TBD must be citywide. According to the draft Ordinance, the geographical boundaries of an Edmonds TBD would be comprised of the corporate limits of the City as they currently exist or as they may exist following future annexations.

#### TBD revenue options subject to voter approval:

1. Property taxes – a 1-year excess levy or an excess levy for capital purposes.
2. Up to 0.2% sales and use tax.
3. Annual vehicle fee above \$20 and up to \$100 per vehicle registered within the district.
4. Vehicle tolls.

#### TBD revenue options not subject to voter approval:

1. Annual vehicle fee up to \$20 per vehicle registered within the district. This fee is collected at the time of vehicle license renewal.
2. Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded. In addition, a city must provide a credit for a commercial or industrial transportation impact if the respective city has already imposed a transportation impact fee.

The law requires TBDs to provide a credit for vehicle fees previously imposed by a TBD. For example, if a City was the first to create a TBD to impose a \$20 vehicle fee and subsequently its County creates a countywide TBD imposing a \$20 vehicle fee, the County TBD must provide a \$20 credit against its fee for vehicles registered within the City. As a result, no fee would be collected by the County TBD from vehicles registered in the City. However, if in the same example, the City TBD imposed only \$10 of the \$20 vehicle fee and the County TBD imposed a countywide \$20 vehicle fee, only a \$10 credit would be provided for vehicles registered in the City. The County TBD would collect \$10 from vehicles registered within the City.

#### Other Requirements

Revenue rates, once imposed, may not be increased, unless authorized by voter approval. The TBD must issue an annual report to include the status of project costs, revenues, expenditures, and construction schedules.

The vehicle license fee is administered by the Department of Licensing (DOL). The fee cannot be collected until 6 months after the fee is authorized by voters or the TBD governing board. There are a several vehicles types (snowmobiles, farm equipment, etc.) exempt from the fee. The fee is collected by DOL on vehicle renewals, remitted to the State Treasurer who will then remit the proceeds to the TBD monthly.

#### **Financial Impact:**

The most likely non-voted funding option being considered by several jurisdictions is the annual up to \$20 per vehicle license fee. If a TBD were created for the City of Edmonds, and a funding mechanism, e.g., \$20 vehicle license fee, was adopted by early January, 2009, the City of Edmonds could expect to receive approximately \$353,000 - \$357,000 (rounded) in 2009 for six months of revenue receipts (July-December). This is because there is a six-month delay from the date of authorization to the date the Department of Licensing starts collecting the fee. The City may expect to receive up to \$706,000 - \$715,000 (rounded) for a full-year in 2010. The caveat is that this is only an estimate and is subject to change based on actual numbers from the Department of Licensing at the time fees are collected.

Two methodologies have been used to estimate revenue using an annual \$20 vehicle fee amount.

1. Number of households and average vehicles owned methodology - Number of households within the City of Edmonds (18,046) x an average of 2 cars per household x \$20 vehicle license fee.
  - a. For year 2009,  $18,046 \times 2 \times \$20 = \$721,840 \times .5$  (6 months of collections) = \$360,740.
  - b. For year 2010,  $18,046 \times 2 \times \$20 = \$721,840$

NOTE: The above listed amounts do not include a deduction of 1% for a Department of Licensing administrative fee. Applying this fee results in potential revenue of \$357,000 for year 2009, and \$715,000 for year 2010.

2. Association of Washington Cities methodology - Ratio of people to total vehicles countywide ( $609,178 / 696,600 = .875$ ) x city population (40,760) x \$20 vehicle license fee.
  - a. For year 2009 -  $.875 \times 40,760 \times \$20 \times .5$  (6 months of collections) = \$356,650
  - b. For year 2010 -  $.875 \times 40,760 \times \$20 = \$713,300$

NOTE: The above listed amounts do not include a deduction of 1% for a Department of Licensing administrative fee. Applying this fee results in potential revenue of \$353,083 for year 2009, and \$706,167 for year 2010.

NOTE: Although the Department of Licensing possesses a list of the estimated number of vehicles eligible for the \$20 vehicle license fee under ESHB 1858 for each City, the number of vehicles referenced for the City of Edmonds (47,838) has not been used as a multiplier. The reason is that the City's name does NOT indicate whether the physical location of an address is inside the city boundaries or not; it is simply associated with which post office delivers mail to that address. Additionally, Zip codes sometimes apply to more than one City name.

### **Benefits of Establishing a Transportation Benefit District:**

- Creates a funding mechanism where there is a clear nexus between a user group (drivers and vehicles) and use of the roadway network.
- Revenues from a \$20 vehicle license fee significantly reduce the annual General Fund subsidy of street maintenance and operation expenditures.
- Funds from a City-wide TBD will be dedicated to maintain, preserve and/or construct City of Edmonds transportation infrastructure.
  - NOTE: Revenue generated from a \$20 fee is not projected to be sufficient to fund any capital project(s) listed on the City's 6 year capital improvement program including annual street overlay projects.
- Assists in maintaining current level of service for transportation infrastructure maintenance and preservation.
- The establishment of an annual \$20 vehicle license fee is a flat rate and will not increase, unless approved by voters.

- The TBD must issue an annual report to include the status of project costs, revenues, expenditures, and schedules, thus providing accountability.
- Vehicle license fee program is administered by the Washington State Department of Licensing. The State Treasurer will remit proceeds to the TBD on a monthly basis.

**Conclusion:**

The improvement, maintenance, protection and operation of public ways requires preserving existing transportation improvements to avoid both catastrophic failure of the improvements which would require significant additional funds to reconstruct, as well as their gradual deterioration. Unless the City of Edmonds establishes a Transportation Benefit District or other funding mechanism, the City will not be able to sustain current levels of service related to transportation infrastructure maintenance and preservation.