

Proposed G.O. Bond Measure for Street Repair



EUGENE CITY COUNCIL

WORK SESSION

JULY 14, 2017



City Council Work Session – July 12, 2017

- Overview of Pavement Management System
- Overview of 2008 & 2012 Bond Measures
- Role of the citizen Street Repair Review Panel
- Street Repair Review Panel Recommendation
- Public Opinion Survey Results
- Questions

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Introduction: Jenifer Willer, Principal Civil Engineer in Public Works Engineering. I was the primary liaison working the citizen street repair review panel this last year. Introduce other staff present that can assist in answering questions – Sue Cutsogeorge, Finance Director; Lacey Risdal, Public Works Admin Division Manager; Mark Schoening, City Engineer. We also, have Dr. Gary Manross from Strategy Research Institute (SRI) Consulting to review the public opinion survey results.

Review of the Pavement Management System

- Eugene Public Works manages 543 centerline miles of streets and 45 miles of off-street shared-use paths
- Arterial and collector streets are evaluated annually
- Residential streets are evaluated every three years
- Off-street shared-use paths are evaluated every two years



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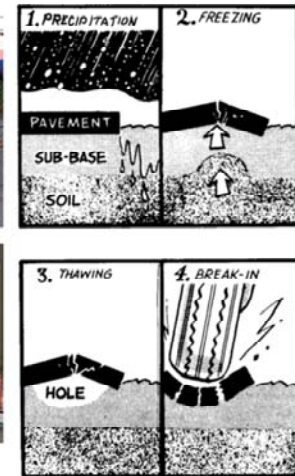
Each year the PW Maintenance Division produces a report on the status of the City's pavements. <https://www.eugene-or.gov/619>

You will more often see pavement preservation described in terms of lane miles as it provides a standardized measurement in which to compare all streets. One lane miles is one 12 foot wide lane that is one mile long. So for the Eugene street system, 543 centerline miles converts to 1356 lane miles.

Of the total system, 1247 lane miles makes up the improved street system.

Review of Pavement Management System

- Pavement distresses are recorded
- Needed work is identified
- When there is more work needed than available funding, there is “a backlog”



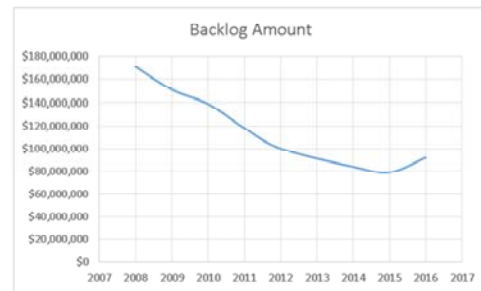
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- Pavement distresses are documented based on severity and extent and
- Needed work is identified based on the pavement structure, when the street was built, and the condition of the street pavement (what are the specific distresses or failures observed on that street)
- When there is more work needed than available funding, there is “a backlog” or “deferred preservation”

Review of 2017 Pavement Management Report

Review of Street Preservation Back-Log

- In 2007, the backlog was projected to reach \$282 million in 2016
- In 2008, the backlog was estimated at \$171 million
- In 2016, the backlog was estimated at \$92 million



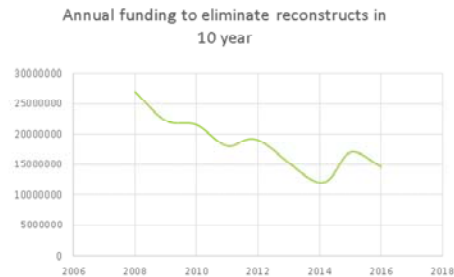
- In 2007, prior to the passage of street repair bond measures, the backlog was projected to reach \$282 million in 2016
- In 2008, the first year of bond measure funding, the backlog was estimated at \$171 million
- In 2016, the backlog was estimated at \$92 million (up from \$79 million in 2015)

The \$79 million backlog means that just over 436 lanes miles of the total 1,246 lane miles of the improved street system are in need of some level of treatment at this time. (About 1/3 of the improved pavements!)

Review of 2017 Pavement Management Report

Review of Street Preservation Back-Log

- In 2008, it was projected that an annual funding level of \$27 million was needed to prevent any street from falling into reconstruct condition and eliminate the reconstruction backlog in 10 years
- In 2016, \$14.6 million was the projected annual funding need



While there has been a general downward trend in the backlog and annual preservation funding need, because the actual annual funding is less than the needed amount, we are starting to see an uptick in the backlog and the annual amount needed. These dollar amounts are influenced by economic factors, a stronger economy generally results in higher construction costs. That is why it is useful to look at the lane miles of streets needing work, and we still have about 1/3 of the system needing preservation work and without enough funding, this number is expected to grow.

Overview of the Previous Bond Measures

In 2008, voters passed a five year \$39 million bond measure

- Named 32 streets to be repaired
- Averaged \$6,170,000 per year for pavement preservation
- Allocated \$350,000 per year to fund overlay and reconstruction of existing off-street paths
- Completed project list under budget, repaired 9 additional streets as approved by City Council
- Projects were completed in 2013



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In 2012, voters passed a second five year \$43 million bond measure

- Named 76 streets to be repaired
- Averaged \$8,058,000 per year for pavement preservation
- Allocated \$516,000 per year to fund pedestrian and bicycle improvements
- Projects began in 2014 and are scheduled to be complete in 2018

Eugene is currently in year 4 of the five year bond; the second five year bond passed by voters for street repair



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Review of Previous Bond Measures

In addition to the bond measure funding, since 2008, pavement preservation has also been funded with:

- Local Gas Tax (\$0.05 per gallon)
- System Development Charges (SDC) (reimbursable component)
- Federal Surface Transportation Program-Urban funds (using City SDC's as matching funds)



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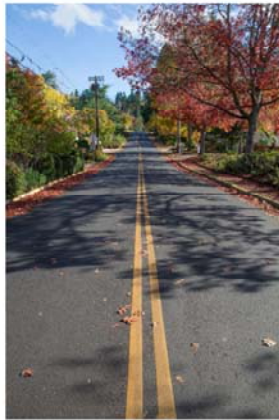
In addition to the bond measure funding, since 2008, pavement preservation has also been funded with:

- Approximately \$3 million per year from a local gas tax (5 cents per gallon)
- Approximately \$200,000 - \$300,000 per year from System Development Charges (SDC) (reimbursable component)
- Federal Surface Transportation Program-Urban funds (using City SDC's as matching funds):
 - 18th Avenue (Josh Street – Bertelsen)
 - Coburg Road (Willakenzie – Beltline)

Including the current bond funding, the annual funding for capital pavement preservation is a little over \$11 million per year. Remember, according to the 2017 pavement management report (on 2016 data), \$14.6 million was the projected annual funding need.

Review of Previous Bond Measures

Since the implementation of the 2008 bond, more than 130 lane miles of street work has been funded with bond funds



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Review of Previous Bond Measures

Using the ODOT jobs multiplier model, full-time equivalent construction jobs sustained by bond funded projects:

- Since 2010, average of approximately 99 jobs per year
- In 2016, approximately 69 jobs
- In 2013, high of approximately 151 jobs



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Each year, staff uses the Oregon Department of Transportation Highway Division jobs multiplier model to estimate the number of full time construction jobs supported by the bond funded projects,

2016 the number was 69

2015, it was 91

2014 it was 94

2013, it was 151

2012, 76

2011, 135

2010, 80

Review of Previous Bond Measures

Bond funded projects have not only improved street pavement conditions, but also addressed accessibility and safety for all street users.



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Review of Previous Bond Measures

Projects have used warm mix asphalt, reclaimed asphalt pavement (RAP) and in-place recycling to lower project costs and reduce the City's environmental footprint.



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The City's pavement preservation program is designed to extend the life of city streets before they fall into the reconstruct category. This helps to not only extend the life of the streets, but when combined with innovative and sustainable paving techniques, greatly reduces the City's environmental footprint. Eugene is a leader in using reclaimed asphalt materials, reducing the mining and production of virgin rock and asphalt materials. The continued use of warm mix asphalt saves energy, reduces emissions, and is an excellent example of the department's commitment to sustainability efforts, consistent with the City's Climate Recovery Ordinance.

In 2013, Eugene was recognized by the Oregon Chapter of the American Public Works Association for sustainable practices in our pavement preservation program. That same year, the American Public Works Association Center for Sustainability published a case study on the City of Eugene's sustainability practices in the pavement preservation program on November 4, 2013. APWA is a national organization for public works professionals with over 28,000 members.

In 2015, Eugene was recognized by APAO, a professional organization of asphalt producers, as being a leader in the use of reclaimed materials in Oregon. For

example in 2015, nearly 13,000 tons of RAP was used on capital paving projects, reducing the need for nearly 750 tons of asphalt cement and 12,000 tons of aggregate to be mined, refined, processed and subsequently shipped to the pavement producers.

Review of Previous Bond Measures

Pedestrian and Bicycling Improvements

- The 2008 bond allocated \$350,000 per year to fund overlay and reconstruction of existing off-street paths
- The 2012 bond allocates \$516,000 per year to fund pedestrian and bicycle improvements



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Review of Previous Bond Measures

Pedestrian and Bicycling Improvements

In addition to the bond measure funding, since 2008 pedestrian and bicycling improvements have also been funded with:

- Transportation SDC funds
- Federal grant funds
- State grant funds



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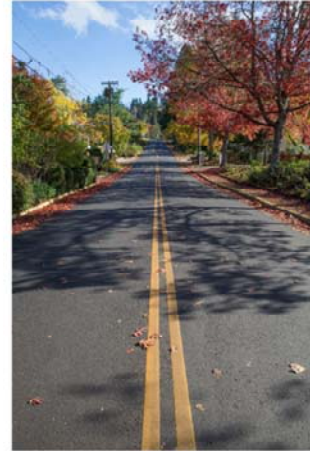
Over the last 10 years, the City has used nearly \$29 million dollars in federal and state grants, as well as local improvement district assessment funding, for active transportation projects. The Federally-Funded and State Funded projects require a City match (min. 10.27%, but can be up to 20%) which is typically funded with Transportation SDC's. Typically, the City's share on assessment projects is also from SDC funds.

Review of Previous Bond Measures

Street Selection Criteria

The following criteria were used to select streets for the bond measures:

- Citizen input
- Pavement management system data
- Geographic distribution



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The following criteria were used to select streets for the bond measures:

1. Citizen input with respect to prioritizing major streets in need of reconstruction
2. Scientific information about needed street rehabilitation and reconstruction treatment from the pavement management system
3. Geographic distribution throughout the community to ensure all areas of the City receive a benefit from the bond proceeds

Review of Previous Bond Measures

Accountability and Transparency

Both the 2008 & 2012 bond measures included:

- Named streets
- Outside auditor annual report
- Citizen street repair review panel



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- Specifically named streets to be repaired in both Bond Measures
- City Manager required to contract with an outside auditor to prepare an annual report on the use of the bond proceeds for the authorized purposes
- City Manager to convene a citizen street repair review panel. The SRRP will prepare an annual report, separate from the outside auditor, documenting the City's use of bond proceeds and noting whether the proceeds were used in compliance with Council's resolution

Street Repair Review Panel

The 2016-2017 SRRP included 12 Members:

John Barofsky
Janet Calvert
Allison Camp
Mel Damewood
Paul Holbo
Jim Mender
John Quilter

Matt Roberts
Dan Rodriguez
Ollie Snowden (Facilitator)
Gary Wildish
Sue Wolling
Alternate – Howie Bonnett



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- 2012 & 2008 Bond required: City Manager to convene a citizen street repair review panel. The SRRP will prepare an annual report, separate from the outside auditor, documenting the City's use of bond proceeds and noting whether the proceeds were used in compliance with Council's resolution
- Previous reports are available on the [SRRP page](http://www.eugene-or.gov/2110) on the City's website (www.eugene-or.gov/2110)

Street Repair Review Panel – Bond Recommendation

After preparing their annual report, the SRRP met four times March – June, 2017

The SRRP considered the following elements:

- Tax rate and total bond amount
- Project selection for pavement preservation
- Distribution of bond funding among pavement preservation and active transportation
- Accountability provisions

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After third SRRP meeting, staff obtained public opinion survey services requesting opinions on:

- Bond amount and rate
- Proportion of bond toward pedestrian and bicycle projects
- Vision Zero funding
- Railroad Quiet Zone funding

Strategy Research Institute (SRI) Consulting provided a briefing to SRRP on public opinion survey at the fourth meeting after which SRRP finalized their recommendation

G.O. Bond – Line of Credit Approach

- Borrow as expenditures are made
- Repay from annual property tax receipts
- Lower issuance and interest costs
- No long-term debt outstanding
- Outside Measure 5 tax rate limits



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To review – the approach we are using for the street bonds is not like the typical bond that you usually think of. What we don't do is take out a bond for the full amount of the voter approval all at once up front, and then taxpayers repay over 20 years.

Instead, we use a line of credit for this program. So each year over the five years of the bond program, we borrow money on a line of credit as we need it to pay for the work as it is completed, and we pay off the line of credit each fall when we receive property tax payments.

This has a couple of big benefits. First, it is overall a lower cost borrowing program because we pay less in interest costs and less money to issue the bonds. We also wind up with no long-term debt outstanding once the five years are up, and taxpayers are done paying for the street repairs at that point too.

The offset compared to the traditional bond approach is that the annual costs are higher. You may have seen the estimates for the proposed parks and recreation system bonds and levies, and those showed total bond amounts and annual taxpayer costs ... those aren't comparable to this GO Bond line of credit approach for streets, because those bonds are repaid over 20 years.

And the last benefit is that these street bonds are outside of the measure 5 tax rate limits, which is a big advantage over using a local option levy to pay for the street repairs.

Proposed 2017 Bond Scenarios – Assumptions

Factor	Assumption
Timing	Election: November 2017 Tax Impact: FY20 to FY24
Structure	G.O. Bond Using Line of Credit Available Funds in First Year Subsequently Increase at Inflation
Bond Issuance Costs	0.5% of Total Bond Amount
Tax Collections	Property Tax Collection Rate of 94%
City-wide Assessed Value	FY17 Assessed Value (AV) from Lane County Assessor = \$14.2 billion City-wide AV Increases at 3.8% Per Year
Typical Home Value	\$257,569 Real Market Value (RMV) and \$195,913 Assessed Value Per Lane County Assessor for FY17 Typical Home AV Increases at 3% Per Year



These are the base assumptions that underlie the calculations of the bond amounts and the tax impacts.

Bond Scenarios – Tax Impacts

Scenario	Bond Total	Average Tax Rate*	Cost to Typical Home
Same Tax Rate	\$51.2M	\$0.65	\$148
Fully Fund Paving Program	\$65.0M	\$0.83	\$189
Each additional \$1M/Year	+\$5.4M	+\$0.07	+\$16

*Per \$1000 of assessed value



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These are the different tax impact scenarios presented to the SRRP for their consideration.

The same tax rate scenario would provide a total bond amount, including issuance costs, of \$51.2 million. Tax rate would be the same as the two prior bonds. The cost to the typical home would be \$148, which is about \$21 more than the current average cost ... that is because the assessed value of homes keeps going up each year. This would provide about \$9.45 million in FY 20 for street projects.

To fully fund the paving program, which would require about \$12 million (14.6 million less the bonding costs and amounts from other funds) starting in FY20, would be a total bond of \$65 million, with a tax rate of \$0.83 and a cost of \$189, or about \$62 more per year for the average home.

In order that the SRRP could consider alternatives, information for \$1 million scalability was provided. For each \$1 million per year that is added or subtracted from these amounts, the impacts are as shown in the chart. So a program that started at \$13 million per year in FY20 would be \$70.4 M, total, with a cost to taxpayers of \$0.90 tax rate and a cost to taxpayers of \$205 per year.

Proposed Bond Measure Amount

- Using the same average tax rate of \$0.65 per \$1,000 assessed value, is estimated to result in a five year bond of \$51.2 million
- After deducting bond issuance fees and projected inflation, this leaves \$47.2 million for projects



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Using the same tax rate was supported by the polling (“renewing” the bond)

Proposed Bond Measure Projects

The SRRP recommended allotting \$42.2 million for street preservation projects, using a variety of criteria:

- Street classification
- School zones
- LTD routes
- Bicycling routes
- Vision Zero
- Geographic distribution



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The SRRP recommended allotting \$42.2 million for street preservation projects (\$8.4 million per year over 5 years) and \$5 million for active transportation projects

- Original pavement preservation list was estimated at over \$76 million
- Pavement preservation projects were prioritized based on street classification, school zones, LTD routes, bicycling routes and Vision Zero
- Results in repairing 83 streets in all 8

Council Wards

Proposed Bond Measure Projects

The SRRP recommended a \$5 million share for active transportation projects and adding safety to the project selection criteria.

- “...an annual average of \$1,000,000 should be allocated over a period of five years to support bicycle and pedestrian projects guided by the Pedestrian and Bicycle Master Plan, City staff, the Active Transportation Committee, and the City’s goals to increase safety on City streets.”



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There was robust discussion by the SRRP about how to distribute the bond funding between pavement preservation and active transportation projects. After listening to the briefing on the public opinion survey, while the SRRP voted to increase the active transportation project funding, it was not a unanimous decision.

If the same percentage from the 2012 bond measure were used, the annual active transportation project share calculates out to \$660,000 per year. The public opinion survey reported that there was support for safety improvements, so the active transportation project selection criteria was slightly modified. Note that Vision Zero is still a new concept in name and was not an identifiable or recognized topic in the survey, so the SRRP recommended more generic “safety” language.

Proposed Bond Measure Accountability

The SRRP recommended retaining the accountability provisions included in the two prior bonds measures:

- Named street projects
- External auditor annual report
- Citizen street repair review panel



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Accountability and Transparency

- Specifically named streets to be repaired in both Bond Measures
- City Manager required to contract with an outside auditor to prepare an annual report on the use of the bond proceeds for the authorized purposes
- City Manager to convene a citizen street repair review panel. The SRRP will prepare an annual report, separate from the outside auditor, documenting the City's use of bond proceeds and noting whether the proceeds were used in compliance with Council's resolution

SRRP Recommendation for Bond Resolution

- Total Bond = \$51.2 million
- Allocate \$42.2 million for street preservation projects
- Allocate \$5 million for active transportation projects
- Continue accountability provisions
- Named street project list
- Active transportation project selection criteria to include safety



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The SRRP recommendation is as follows:

- Overall bond amount: Renew the bond at the same average tax rate of \$0.65 per \$1000 of assessed value over a 5 year period. This rate results in a total bond amount of \$51.2 million.
- Project distribution/funding: After deducting bond issuance fees and projected inflation, \$47.2 million remains for projects. The SRRP recommends allotting \$42.2 million for pavement preservation projects and \$5 million for active transportation projects
- The SRRP further recommends retaining the accountability provisions included in the two prior bonds measures, including, use an external auditor to review bond expenditures and convene a citizen panel to review projects on an annual basis and report to the City Manager the use of the bond proceeds
- Repair 83 streets in all 8 Council Wards as shown on the street list
- Continue to identify the active transportation projects as described in the 2012 bond with a modification to address safety, "...an annual average of \$1,000,000 should be allocated over a period of five years to support bicycle and pedestrian projects guided by the Pedestrian and Bicycle Master Plan, City staff, the Active Transportation Committee, and the City's goals to increase safety on City streets."

- The SRRP recommends that funding for the Railroad Quiet Zone not be included in this proposed bond to fix City streets