CITY COUNCIL MEMORANDUM

AGENDA ITEM	**AUTHORIZE COMPLETION OF THE PROCESS TO ESTABLISH A TRANSPORTATION UTILITY AND IMPLEMENT A TRANSPORTATION UTILITY FEE.**
ORIGINATING DEPARTMENT	**Public Works**

BACKGROUND INFORMATION

In March 2014, Kimley-Horn and Associates, Inc. (Kimley-Horn) presented City Council with information relating to infrastructure funding options. This presentation described various infrastructure financing possibilities to include utilizing property taxes; issuing Certificates of Obligation or General Obligation bonds; establishing various different types of policies (rough proportionality, traffic impact study requirements, etc.), Tax Increment Reinvestment Zones and 380 Agreements, and, finally, establishing impact fees and establishing a transportation utility and implementing a transportation utility fee.

In May 2014, City Council authorized entering into a professional services agreement with Kimley-Horn for the development of land use assumptions and water, wastewater, and roadway impact fees under Local Government Code 395 and to determine the feasibility of a transportation utility (CCM/R 14-056R). In May 2014, City Council also authorized a separate professional services agreement with the Alliance Transportation Group to update the City's Thoroughfare Master Plan and associated CIP Plan (CCM/R 14-058R). The Thoroughfare Master Plan and associated CIP Plan update were adopted by City Council in March 2015 (CCM/R 15-033R).

Throughout the remainder of 2014 and into 2015, presentations were provided to City Council relating to the establishment of a transportation utility with the City Council reaching a consensus in a workshop on July 21, 2015 to discontinue the pursuit of either of the infrastructure construction or maintenance funding options.

On August 9 and August 16, 2016, City Council reached consensus to formally determine whether the City should move forward with the establishment of a transportation utility. The purpose of this resolution is to formally establish City Council's direction in relation to completing the process to establish a Transportation Utility and implement a corresponding fee to fund the same.

DISCUSSION/CONCLUSION

Based on the Transportation Utility Feasibility Study completed by Kimley-Horn in December 2014, which has been included with this resolution, a Transportation Utility Fee (TUF) or Transportation User Fee (TUF) is a monthly fee based on use of the transportation system. The fees are calculated proportionately to road demand usage based on vehicle miles traveled per land use. Typically the transportation utility fee would be collected through a regular local water bill. This fee would provide a dedicated and stable funding source for the City of Killeen to finance maintenance and operations of its transportation system. This fee has been established by several Texas cities to include Austin, Corpus Christi, and Bryan and has been considered by numerous other municipalities.

The establishment of a TUF to fund road maintenance lessens the reliance on general funds for roadway maintenance and improvements and provides a sustainable source of funding for street maintenance. A Transportation "Utility" Fee or TUF is: 1) assessed against existing users of the network, 2) a monthly fee that is not growth dependent, and 3) a resource that can be used for maintenance addressing existing capacity deficiencies.

The TUF is comprised of two main components: 1) the City's annual maintenance and operation cost associated with roadway infrastructure estimated at $4,909,270 at the time of the feasibility study completion in December 2014; and 2) the total demand of vehicle miles within the City of Killeen, which were calculated to be 287,936 and represent the total number of vehicle miles traveled from all sources/uses (single-family, multi-family, commercial, etc.). A detailed methodology for the computation of the transportation utility cost components, vehicle-mile calculation, and transportation utility fee calculation are found within the feasibility analysis attached; however, it is important to note that the proportional share of the transportation utility is determined by the amount of vehicle-miles each parcel within the City generates. Transportation demand has been determined for each land use classification, which is based on the trip rate (average number of trips generated during the afternoon peak hour) sourced through the Institute of Transportation Engineers (ITE) Trip Generation Manual, 9th Edition. This manual utilizes trip generation studies generated throughout the United States and is the standard used by traffic engineers and transportation planners for traffic impact analysis, site design, and transportation planning.

Based on preliminary discussions with City Council, it is also critical to note that deviation from the proportional shares determined by the analysis through policy-based adjustments (i.e., modifying one land use category's proportional contribution and not adjusting all categories to the same proportional extent) leads to a disproportionate impact on the remaining classifications and would potentially invalidate the foundation upon which the transportation utility fee is established. City staff strongly recommends that, if adjustments are made or limits established, the adjustments and limits be applied proportionately across all categories.

If City Council decides to move forward with the establishment of the TUF and implementation of the corresponding fee, the next steps are as follows: 1) formally adopt the Transportation Utility Fee Feasibility Study; 2) complete draft ordinance to include determining exemptions, appeals processes, level of cost recovery, and an implementation schedule; 3) develop methodology for Citywide Database Development; 4) develop messaging/public outreach/communication campaign; and 5) although the fee is based on the City's home-rule authority, utilize the analogous statutory process provided by Texas Local Government Code (LGC), Chapter 552 to finalize the implementation process. This process is estimated to take a minimum of 3 months to complete and involves public advertising of ordinance and fee schedules, public hearings on each, and, ultimately, implementation of the fee. In accordance with the analogous requirements of LGC 552, it is recommended that all revenue realized from this fee, if established, be dedicated to the Transportation Utility developed, as is the case with the City's Drainage Utility.

As briefed to City Council in previous workshops and as documented through a pavement condition study completed by the Transmap Corporation in 2014 (attached), the need for additional street maintenance funds is a reality. This study determined that, if the City did not increase maintenance funds from historic levels ($500,000) to a recommended $1,750,000 per year, the cost to “fix everything” in 2013 compared to “fix everything” in 2018 would increase from $16,800,000 to $37,100,000. Therefore, the consequences of not providing additional funding for maintenance of the City’s 500+ centerline miles of streets is the exponential decline in the condition of the City’s transportation network and the exponential increase in costs associated with necessary repairs in the future. In essence, delaying maintenance through non-funding of the same shortens the life cycle of the roadway network, estimated in 2014 to be valued at $643,500,000, and will lead to the need for premature street reconstruction at substantially more cost than the cost associated with adequately maintaining the network through a systematic preventive maintenance program. Indirect consequences include deteriorating public satisfaction with and perception of the network, decreased quality of life, and decreased investor confidence in the City.

FISCAL IMPACT

The fiscal impact of this action, if implemented, is directly determined by the level of cost recovery established by City Council. The maximum annual amount of revenue recoverable for the City's maintenance and operations cost is approximately $4,909,000. At the 75%, 50% and 25% levels, cost recovery would be approximately $3,700,000, $2,400,000 and $1,200,000, respectively. There would also be a fiscal impact associated with implementation of the fee to include, without limitation, the cost of advertising, database development, and possible professional services to facilitate the same.

RECOMMENDATION

City staff recommends that City Council formally authorize the completion of the TUF establishment and TUF fee implementation processes, to include authorizing the City Manager to move forward with the process as detailed above.