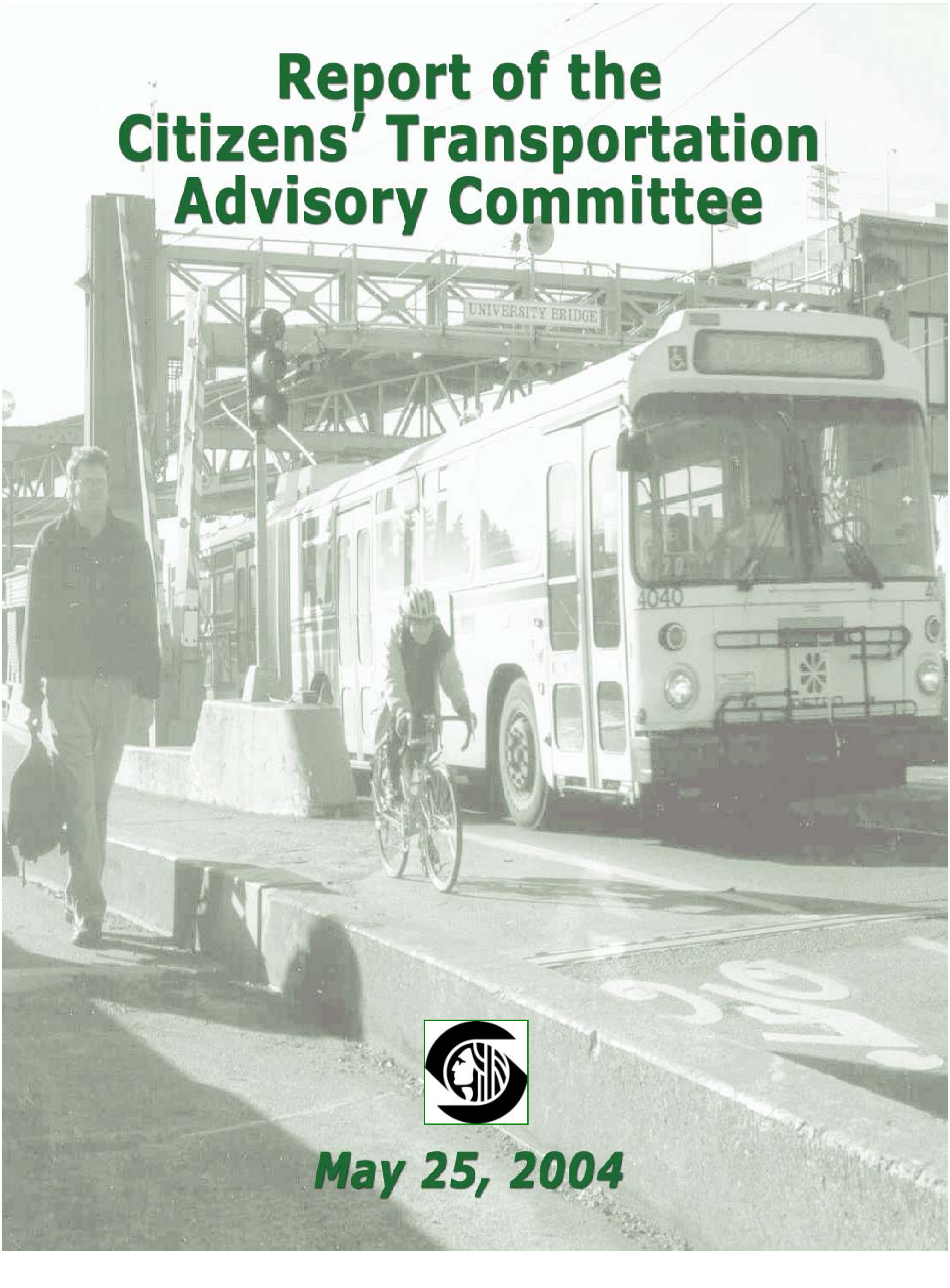
Report of the Citizens' Transportation Advisory Committee



May 25, 2004

Citizens’ Transportation Advisory Committee

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Seattle shares with other great cities the converging challenges of maintaining an aging transportation infrastructure while also attempting to expand mobility resources for neighborhoods, business investment, economic vitality and future development. These challenges are compounded by the erosion of viable funding resources for transportation even as the needs for funding intensify.

As a step toward addressing these challenges, the Mayor and City Council adopted Resolution 30604, forming the Citizens' Transportation Advisory Committee (CTAC-II). The charge to the 12-member committee was to evaluate and make recommendations for new sources to fund major transportation maintenance and neighborhood transportation needs. The Committee was appointed in November 2003 and met several times from December through April.

The Committee recognizes the requirement for providing funding for major maintenance of existing transportation facilities as well as for transportation improvements in our neighborhoods, commercial and industrial areas, and to promote economic vitality. It also realizes that the City must make transportation improvements to attract new development and business investment in the City. Achieving our vision for future Seattle requires a healthy, efficient transportation system to move people, goods and services throughout the City.

Today, 16% of arterial streets are in poor condition or worse. Although the condition of local streets is not compiled, it is probably at least as bad. SDOT would need to about triple the annual amount of paving and reconstruction in order to reverse the net deterioration of streets. Of the 138 bridges in the City, 37% are in poor condition or worse – most of these are over 60 years old. SDOT should be replacing one bridge every year, but the current funding allows replacement or major rehabilitation of one bridge every 3 or 4 years. Currently 16 bridges have weight restrictions due to critical deficiencies. Many traffic signs and control systems need replacement or upgrading.

The backlog of deferred maintenance is currently about $500 million and would require additional funding in the range of $40 to $50 million to provide for current maintenance plus reduce the backlog over the next 20 years. The total amounts identified for neighborhood mobility needs are of similar magnitude.

The cost of inaction would be high. As the condition of the transportation infrastructure deteriorates, it becomes significantly more expensive to repair or replace – effectively doubling every 10 to 15 years. But the cost to the public extends beyond these direct costs in the form of impacts on the quality of life, on the business investment climate, and on the ability to travel in the City without facing delays, detours, congestion and even vehicle damage.

The Committee reviewed and evaluated a variety of different funding options for the City's transportation functions. It has concluded that the City does not have a viable funding mechanism to implement an appropriate user fee for transportation improvements. Therefore, it has identified a pressing need for new State legislative authority for local option transportation funding sources. Unlike some other "home rule" states whereby cities are given considerable latitude in implementing fee and tax structures, the State of Washington is very restrictive in granting provisions for local funding sources. The last comprehensive action by the state legislature to provide local options for transportation funding was in 1990. At that time, the Legislature, recognizing the need for local transportation funding, authorized four mechanisms: (1) local option fuel tax, (2) commercial parking tax, (3) street utility fee, and (4) vehicle license fee. Fourteen years later, none of these sources has become a viable mainstay for local transportation funding, for various reasons. Yet the local funding deficiencies that the 1990 legislation was intended to address are even more acute today.

During the 14-year period from 1990, the City has actually lost transportation revenue sources. In 1995, the Supreme Court ruled the Street Utility Fee as unconstitutional. More recently, the City lost the Vehicle License Fee. And fuel tax revenues have been declining at an average rate of almost 4% per year (in inflation adjusted dollars) due to the restrictive structuring of that revenue source. The City's options for transportation revenues are limited at this time, while the need for transportation infrastructure maintenance and improvement is growing.

The Committee lauds the City for responsive follow-up on the CTAC-1 recommendations of 1996. Of particular note, the City has increased the amount of General Fund and Cumulative Reserve Fund resources for transportation by threefold since 1995. At the same time, the Committee recognizes that in future years, it will be very difficult to increase or even sustain these funding levels under the provisions of Initiative 747. SDOT has been aggressive in pursuing grants, but these are restricted to particular capital projects. Grants do not provide funding for day-to-day operations and maintenance, and they also require allocation of scarce local matching funds.

In light of the limited options for new funding sources, the Committee is recommending that the City pursue a property tax Levy Lid Lift in the amount of $25 million per year, as a means to address the transportation funding shortfall. This recommendation is not the Committee's first preference, but it is the most practicable option at this time. Members of the Committee consider the Levy Lid Lift to be an interim solution, to be effective for several years until a more permanent funding source can be secured. In making this recommendation, the Committee also realizes that the $25 million per year amount is less than half of what is needed to meet the three categories of transportation needs described above. The Committee members felt the need to compromise between what they would like to see and what is financially and politically feasible. The Levy Lid Lift is a broad-based funding source and is justified in that property values are supported by a well-maintained transportation infrastructure.

For the medium-term, the Committee recommends that the City pursue the Street Utility Fee. Although the user fee-based funding sources are the Committee's first preference, they can only work well if implemented on a region-wide or statewide basis. However, the Street Utility could be justified and administered within City boundaries. The Committee believes that the structural flaws identified in the 1995 Supreme Court decision can be corrected with a combination of new legislative authorization and careful development of a fee structure that establishes a close nexus between the fee payers and their use of the transportation system. Certainly a successful implementation of this revenue source will require extensive outreach – to gain support from other cities in the state and from local stakeholder groups.

Another potential medium-term funding source that the Committee recommends is a sales tax on fuel. This source has a better growth potential than the current local option fuel tax. However, it would encounter the same challenges as the fuel tax in persuading the Legislature to restructure the distribution formula so as to provide cities with revenues in proportion to the amount of travel and transportation infrastructure within their boundaries.

For a long-term funding solution, the Committee recommends a mileage-based user fee. This is seen as an eventual replacement for the "per gallon" fuel tax and would have to be implemented on a region-wide or statewide basis to be effective. Test programs for electronically metered mileage fee systems are now being conducted in other states and are showing considerable promise. The Committee is aware of the considerable political and institutional challenges that this recommendation engenders; however, the members feel that the ultimate advantages of being able to directly assess users of the transportation systems in proportion to the benefits they receive will more than justify the travails of implementation.

Throughout the deliberations, the Committee has been sensitive to the potential impacts of these recommendations on all factions of our communities – particularly economically disadvantaged individuals. In the process of implementing these recommendations, it is essential that the City provide an opportunity for affected community residents to participate in decisions on the amount of taxes and/or fees and on the projects and programs that will be funded.

Findings

1. Since the CTAC-1 review in 1996, the City's transportation infrastructure has continued to deteriorate. The $500M backlog of deferred maintenance for streets, bridges, traffic systems, and landscaping is increasing and could double within 10 – 15 years at current funding rates. Note that this backlog does not include about $1 billion in major asset replacement projects, such as the Alaskan Way Seawall, Magnolia Bridge, South Spokane Street Viaduct, and 2nd Avenue Extension Overpass.

2. Neighborhood transportation needs are essential to the transportation system. In the late 1990's, there were 38 neighborhood plans developed that identified over $500M in transportation improvements – primarily for pedestrian and bicycle infrastructure. To date, only a small portion of those projects has received funding.

3. Funding has been insufficient to reverse, or even stabilize the trend of deteriorating infrastructure.

4. The City has tripled the contribution of General Fund revenues for transportation since 1995. However, the Committee recognizes that recently imposed growth limitations on property tax revenues will cause the General Fund to come under increasing pressure to meet funding needs of all City programs.

5. Other transportation revenues have diminished. Fuel tax revenues have declined over 35% since 1996 in real purchasing power. Vehicle License Fee and Street Utility revenues have been eliminated by initiative and court ruling.

6. The gap between current revenues available and target level of investment is about $40 - $50M per year. The target level of investment would provide funding for current O&M needs plus gradually reduce the backlog of deferred maintenance over the next 20 years. Additional funding of $20 to $25M per year would be enough to at least prevent further deterioration in the transportation infrastructure (excluding the major asset replacement projects mentioned above).

7. Recent surveys indicate public concern for maintaining and improving transportation systems. The public realizes there are extensive needs but is confused about which agencies are responsible and how transportation maintenance and improvements are funded.

8. The City has very limited authority to implement new or expanded funding sources. A property tax-based levy or commercial parking tax are about the only feasible funding sources within the City's current authority. Legislative authority is needed for more local option transportation funding sources.

9. Funding measures proposed by the Regional Transportation Investment District (RTID) would test voter thresholds for tax- and fee-based transportation measures.

General Recommendations

1. Transportation user fees should be a primary component of any new long-term funding package for SDOT. These funding sources have a strong "nexus" between the amount of fee/tax paid and the benefit (or "burden") of the user of the transportation system.

2. Transportation funding sources that provide an ongoing, flexible and growing source of funds are preferred.

3. Since there are a very limited number of potential transportation funding sources within City authority, it is strongly recommended that the City make a concerted effort with the State Legislature to gain authorization for additional local option transportation funding.

4. SDOT will need a combination of funding sources including at least one near-term source that is within City authority and can be implemented relatively quickly, plus one or more medium-to-long term funding sources that may require Legislative approval.

5. Any funding package to be taken to the voters should describe the projects and programs that the funding will be used for.

6. The "Target Level" of new funding amount should be in the range of $20 to $25 million per year. This amount will at least prevent further deterioration of the transportation infrastructure and allow some flexibility for matching grant funding and financing larger major maintenance or replacement projects. This level of funding should include an annual amount in the range of $5 million for the neighborhood transportation program. It is the intent of the Committee that new funding would not be used as a substitute for current transportation funding sources in order to "free up" those funds for other uses.

7. Funding in the range of $5 million per year should be provided for neighborhood-initiated projects to maintain or improve local transportation systems. Projects serving urban villages should be given priority. Community organizations, business organizations, and the District Councils should be empowered to recommend priorities for the allocation of these funds. Opportunities for leveraging City transportation funds using local dollars should be sought.

8. The City should work with the Legislature to improve the distribution of funds from transportation taxes/fees to an allocation more proportionate to use of the streets and roads in each jurisdiction. Examples include fuel taxes and vehicle weight fees.

Recommendations on Potential Funding Sources

The CTAC examined a broad range of potential funding sources. The result of this review is presented in three categories as follows:

A. Recommended for City Action

1. Levy Lid Lift. Pursue as a near-term funding source. The City does have authorization (with 50% voter approval) to implement this source, and has had good success in the past in obtaining voter approval for levy lid lifts. The nexus to transportation use/benefits is fair in that good transportation access does positively affect property values. The Committee recommends the possibility of a Levy Lid Lift in the range of $25 million per year. The Committee further recommends that part of that amount ($5 - $10 million) be identified for funding a debt issue for major maintenance or reconstruction of "at risk" bridges, with the other part dedicated to ongoing major maintenance of other transportation infrastructure.

2. Street Utility. Pursue as a medium-term funding source (until direct road user fee source becomes available). The Street Utility Fee for residential application was disallowed by the State Supreme Court in 1995. However, with new legislation and careful restructuring of the fees to strengthen the nexus between the fee charged and the use of the transportation system, this could be a good ongoing funding source for the City. Implementation would require extensive outreach to both commercial and residential communities in Seattle as well as coordination of support from other cities in the state (to encourage legislative action). It is essential that the fee structure be understandable and perceived as fair to those who will pay the fees.

3. Mileage-Based User Fees. Pursue as a long-term funding source as part of a regional or statewide program. This type of fee has a good nexus to use of the transportation system. Fees would be based on miles traveled times a rate per mile and could be charged at the time of annual registration based on either data from electronic devices on-board each vehicle or from odometer readings. The Committee recognizes that implementation would require new state legislation and emphasizes the importance of including a revenue distribution formula that is proportional to the usage of the transportation systems within each respective jurisdictional boundary.

4. Sales Tax on Fuel. The sales tax on fuel would require new legislation and probably voter approval. It has good nexus and better growth potential than the (per gallon) fuel tax. This revenue source should be considered in concert with a revised allocation formula that more fairly distributes tax proceeds according to the amount and usage of transportation infrastructure within jurisdictional boundaries of cities, counties and the state.

5. Vehicle Weight Fee. Pursue as a medium-long term funding source only if the City share of receipts is proportional to fees collected from users of local transportation facilities. Currently, the cities in Washington State receive none of the weight fees from heavy-duty vehicles. This fee has a fair nexus to transportation and would require new legislation. Legislation previously considered (but not passed) for weight fees on light-duty vehicles would have allocated only 1/6 of the proceeds to cities (the rest to state and counties). The Committee recognizes that much of the wear on local streets and arterials is due to public vehicles (e.g. buses, refuse trucks, etc.), but fees on those vehicles may be difficult to capture. The Vehicle Weight Fee could be combined with the Mileage-Based User Fees (scale the per-mile rate according to vehicle weight).

B. Recommended for Further Study and Possible Action

1. Tolls. The City is not currently authorized to collect tolls for travel on streets or bridges. The Committee recognizes the emerging technical possibilities for "electronic tolling" that could monitor travel on City transportation facilities and even facilitate automatic billing of toll fees to motorists. Although the Committee was favorably disposed to the concept of tolling, the political and technical challenges of establishing a tolling system within the City of Seattle appear too formidable to recommend pursuing at this time. However, SDOT should continue to monitor the progress of electronic tolling systems being tested in various parts of the country to look for potential future applications for Seattle.

2. Commercial Parking Tax. The City is authorized to impose a tax on the "paid" parking within the City. This includes commercial parking and situations where parking is explicitly included in rent or lease agreements. It does not include employer paid parking and "free" parking provided by retail and residential establishments. No voter approval is required, but the tax would be subject to voter repeal. The Commercial Parking Tax does have a fairly good nexus between those who pay the tax (assuming it is passed on to motorists) and use-of/benefit-from the transportation system. However, this tax would impose a burden on a relatively narrow sector of the community that is already heavily taxed. Motorists who use non-commercial parking in the City would not contribute. The Committee would consider this funding source as a "fallback" should the recommended sources fail to materialize. This source would be considered more viable if legislative authority could be obtained to extend the tax to "free" parking that is currently subsidized by employers and commercial interests.

3. Extend City Parking. The City should investigate the economic feasibility of extending parking meter hours on weekdays and to Sundays. The City should also look at the possibility of further extending the locations for parking meters (areas that do not currently have meters) as a source of additional revenues.

4. Fuel Efficiency Tax. This funding source has only a fair nexus to transportation use and would require new legislation. It would be relatively easy to implement and does encourage the social goal of conserving energy resources. It might be best considered as a scaling factor for a future mileage-based user fee (scale the per-mile rate according to fuel efficiency of the vehicle).

C. Reviewed but not Recommended

1. Local Option Fuel Tax. The fuel tax has advantages of being well understood and having a good nexus to transportation use. However, implementation under current statutory authority would require a joint agreement with King County and 50% voter approval. Moreover, the current distribution formula for tax proceeds is weighted against cities and fuel tax revenues have poor (negative) growth potential. If the State Legislature ever does decide to "modernize" the distribution formula, the Committee would prefer to see it done in conjunction with a sales tax on fuel, rather than the per-gallon fuel tax.

2. Business License Fee (based on employment). Although this funding source has been successfully implemented in some cities around the Puget Sound region, these cities do not have a B&O tax on gross receipts, as does Seattle. The fee levels (per employee) would have to be relatively high in order to generate sufficient revenues.

3. Voted Bonds. In 1997, a $90 million General Obligation bond issue for transportation improvements in Seattle barely failed to obtain the necessary 60% voter approval. A voted bonds funding measure is not recommended at this time due to the anticipated difficulty of obtaining a 60% approval and because the Committee believes the funding objectives can be achieved by a Levy Lid Lift.

4. Excise Tax on Oil and Tires. The City may be able to impose a new business license fee or tax on sellers (as opposed to buyers) by levying a flat amount "per tire" and "per quart" sold. This is an untested approach. This funding source has good nexus to transportation, but it is narrowly based, has relatively low revenue potential and would be prone to avoidance (purchases of taxed items outside city boundaries).

5. One-Year Property Tax Excess Levy. The City can request voters to approve a temporary property tax increase for one year. There is no statutory limit on the assessment or on the purposes for which it can be used. However, the one-year limitation reduces the potential effectiveness of this funding source, and 60% voter approval requirement imposes a significant challenge. If transportation needs are to be funded with a property tax levy, the Levy Lid Lift is superior to this funding source.

6. Local Improvement District. The Council may, after notice and hearing, form a LID to assess specially benefiting property owners to pay for specific local improvements, unless restrained by protests filed by owners who would pay 60% or more of the assessments. The LID can be an effective funding mechanism for local improvements within a limited area; however, it should not be considered a viable revenue source for O&M or major maintenance.

7. Transportation Benefit District. The City may establish a special district that can impose assessments for transportation improvements benefiting properties, just as in a LID. Formation of a TBD requires a public hearing but not voter approval. However, property taxes can only be imposed with a 60% voter approval. The TBD has been rarely used in Washington. It offers no practical advantage over LID's or Levy Lid Lifts.

8. Tax Increment Financing. The City may capture increased tax revenue resulting from growth of assessed value within an "increment area: (new development or re-development). The tax increment proceeds may be used to fund transportation infrastructure improvements (bond payments) needed to support the new development. The City would be required to obtain agreement with King County as to the amount of tax increment the City could receive. As a practical matter, this potential funding source generates no new tax revenues; rather, it redistributes the future incremental tax revenues among jurisdictions. Coordinating the timing of receipt of revenues vs. expenses of improvements could be problematic.

List of Appendices

Appendix 1

City Council Resolution 30604

Resolution Number: h0h2**30604**

A RESOLUTION finding it critical to develop additional sources of funding for Seattle transportation infrastructure and improvements, expressing interest in ways to provide such funding, and establishing a Citizens' Transportation Advisory Committee II to advise the Council and the Mayor on transportation funding alternatives.
Date introduced/referred: May 19, 2003
Date adopted: Jul 14, 2003
Status: Adopted As Amended
Vote: 8-1 (No: Pageler)

Committee: Transportation
Sponsor: CONLIN
Index Terms: TRANSPORTATION-PLANNING, FINANCE, ELECTIONS, BOARDS-AND-COMMISSIONS, CITIZENS-ADVISORY-COMMITTEES, TRANSPORTATION
References/Related Documents: Related: Res. 29342
Text

A RESOLUTION finding it critical to develop additional sources of funding for Seattle transportation infrastructure and improvements, expressing interest in ways to provide such funding, and establishing a Citizens' Transportation Advisory Committee II to advise the Council and the Mayor on transportation funding alternatives.

WHEREAS, the transportation system of Seattle is an extraordinary public asset and is vital and integral to the city's economic health, environmental quality, and social and community fabric; and

WHEREAS, Resolution 29342, adopted in 1996, created a Citizens' Transportation Advisory Committee (CTAC) that recommended new financial and programmatic approaches to operating, maintaining, and improving Seattle's transportation system, with a particular emphasis on funding the accumulated backlog of major maintenance needs; and

WHEREAS, in response to these recommendations, the Council and Mayor submitted a transportation bond proposal to the voters in November 1997, which received 57% support but required 60% for passage; and

WHEREAS, the Mayor and Council increased annually the commitment from the City's general fund from $26.6 million in 1998 to $43.3 million in 2002, reaching the targeted level of investment recommended by CTAC; and

WHEREAS, between 1998 and 2001 the Mayor and Council approved work plans in response to 38 neighborhood plans as part of Seattle's implementation strategy for the Growth Management Act and Seattle's Comprehensive Plan; and

WHEREAS, the 38 work plans included many transportation-related projects and improvements; and

WHEREAS, because of the economic recession and other limitations on resources available to the City of Seattle, it is not possible to sustain from the City's general fund and capital budget the levels of investment required to address major maintenance backlogs, promote freight mobility, implement neighborhood plan recommendations and complete the City's bicycle and pedestrian access networks; and

WHEREAS, funding authorized by the state legislature and funding proposals under discussion by the Regional Transportation Improvement District are focused on major regional and State projects such as the Alaskan Way Viaduct, 520 bridge replacement and I-5 repaving, leaving many local projects comprising Seattle's major transportation maintenance backlog unfunded; and

WHEREAS, initial informal public discussions with environmental, labor, business, and community groups have indicated widespread public concern with the state of Seattle's transportation system and support for new initiatives to address the transportation maintenance backlog and make new improvements to the City's transportation infrastructure to enhance mobility;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THE MAYOR CONCURRING, THAT:

Section 1. The City Council and Mayor find that it is important to develop additional resources for the City's transportation infrastructure, particularly for the maintenance of its roads, bridges and other transportation facilities, as well as for completion of transportation projects in Seattle's neighborhoods.

Section 2. Citizen Advisory Committee on Transportation II. In order to assist the Council and Mayor in their review of options for transportation funding, the City shall appoint a Citizens' Transportation Advisory Committee II (CTAC II) to evaluate and make recommendations on an appropriate level of new resources needed, options for securing those resources and the manner in which those resources should be allocated among the City's transportation priorities.

Section 3. Scope of Review. Recommendations of the CTAC II shall include the following:

a. An analysis of the funding gap for major maintenance for Seattle's transportation facilities;

b. A review of unfunded neighborhood transportation projects identified in neighborhood plans;

c. A review of available sources of funding for transportation, including voter approved resources and potential financing mechanisms not currently authorized by the State for local financing;

d. Consideration of the feasibility of submitting a ballot measure to the people to provide funding for transportation projects;

e. A recommendation on appropriate funding levels to adequately finance major maintenance of Seattle's transportation facilities and the completion of neighborhood transportation projects;

f. A recommendation on the most effective transportation financing plan for the City of Seattle.

Section 4. Appointment of Members. The CTAC II shall consist of twelve members, six members to be appointed by the Mayor and six members selected by the Council. The CTAC II chair shall be selected from among the members by the members. The target date for the selection of all CTAC II members shall be November 30, 2003.

Section 5. Panel Meetings and Report of the CTAC II. The CTAC II shall be staffed jointly by Council Central Staff, Seattle Department of Transportation (SDOT), and the Office of Policy and Management (OPM) pursuant to Ordinance 120890, which made the development of financing options for SDOT a priority for OPM. The CTAC II shall hold its first meeting in early December 2003. The committee will hold 3 or 4 additional meetings as needed and draft their report by the end of February, 2004. The CTAC II shall report back to the Council and Mayor by the middle of March, 2004 with a written summary of their recommendations.

Adopted by the City Council the _____ day of _______________, 2003,
and signed by me in open session in authentication of its adoption
this _____ day of _______________, 2003.

____
President of the City Council

THE MAYOR CONCURRING

____
Mayor

Filed by me this _____ day of _______________, 2003.

____
City Clerk

v. 15
5/20/03

Appendix 2

Summary of the State of the City's Transportation Infrastructure

The City's highest transportation priority is to take care of its existing transportation infrastructure -- valued at an estimated $7.6 billion. A breakout of this inventory by major cost elements is as follows:

a. Pavement: $4.7 Billion
b. Roadway Structures: $2.4 Billion
c. Traffic Management Control Devices: $113 Million
d. Pedestrian & Bike Facilities: $314 Million
e. Neighborhood Traffic Control Devices: $8 Million
f. Street Trees & Landscaping: $123 Million

Maintaining and improving Seattle's transportation facilities is fundamental to supporting a vibrant, livable city in the future. Keeping this vast system operating smoothly is a major undertaking. Following are examples of the major elements comprising Seattle's transportation system:

a. 3,931 lane miles pavement
b. 1,524 arterial lane miles
c. 2,389 non-arterial miles
d. 124 Bridges
e. 586 Retaining Walls
f. 22 miles sea walls
g. 1000 Signalized Intersections & Traffic Controllers
h. 120,000 Signs
i. 9,000 Parking Meters
j. 4,700 Crosswalks
k. 24,000 Curb Ramps
l. 32 miles Bike Trails
m. 90 miles Bike Routes
n. 800 Traffic Circles
o. 80 Traffic Diverters
p. 30,000 Street Trees
q. 1.6 million Lane Markers
r. 1,100 miles Lane Stripes

SDOT Maintenance Functions

Operations and Maintenance refers to the day-to-day activities necessary to keep the transportation system functioning safely and effectively. O&M also includes the periodic work essential to minimizing deterioration. Some examples are: street sweeping, pothole filling, signal timing, pavement re-striping, chip seal road resurfacing, opening and closing bridges, bridge painting and tree trimming.

Major Maintenance is the work necessary to rehabilitate or replace major portions of the infrastructure. Some examples are: resurfacing streets, replacing traffic signals or control systems, rebuilding or replacing retaining walls, replacing sidewalks, replacing bridge decks or approaches, and tree removal and/or replanting. However, Major Maintenance *does not* usually include functions such as: (1) complete restructuring/replacement of major street sections or structures; (2) construction of new streets, sidewalks, bridges, trails; (3) bridge replacement or major reconstruction, or (4) new traffic control systems.

SDOT has four divisions that are responsible for maintaining transportation infrastructure. They are: (1) Street Maintenance, (2) Capital Projects/Roadway Structures, (3) Traffic Management, and (4) Neighborhood Transportation Services.

Street Maintenance is responsible for maintaining city streets, street sweeping, flushing and snow removal, pothole filling, monitoring condition of streets and establishing maintenance priorities, sealing, repaving, reconstruction and replacement of pavements, and maintaining pedestrian and bicycle facilities.

Capital Projects/Roadway Structures is responsible for two areas. Capital Projects includes project design and management, contractor management, and coordination with other agencies on project implementation. Roadway Structures manages bridge and seawall maintenance, seismic retrofit, retaining walls and landslide control, and maintenance of tunnels, walkways, stairways and other structures.

The *Traffic Management* Division is responsible for keeping traffic moving. This function includes traffic control systems, signals, signs, markers, cameras, pedestrian and bicycle programs, parking meters (and new automated pay stations), traffic data and accident records, parking zones and permitting. This Division also manages the Commute Trip Reduction programs to reduce drive-alone trips to work.

The primary focus of the *Neighborhood Transportation Services* Division is residential streets. The functions of this division include traffic control and traffic calming, roadway landscaping and maintenance, street use permits, and coordinating work on utilities and buildings that could affect the streets.

The Cost of Deferred Maintenance

The current cost of deferred maintenance backlog is about $500 million. About 29% of this amount is for streets, 38% for bridges and structures, 30% for traffic systems, and 3% for trees and landscaping. The annual cost to eliminate the deferred maintenance backlog is about $65 million per year. The SDOT annual expenditures for major maintenance ranges from $12 to $25 million per year, leaving an annual funding gap in the range of $40 to $50 million.

If the City is unable to reduce the backlog of deferred maintenance, the amount will increase as the infrastructure deteriorates. It is much more costly to reconstruct streets or structures in poor or failed condition than it is to perform minor (preventive) maintenance on the facilities while they are in good or fair condition.

Finding the Right Level of Investment

The current amount of SDOT 2004 Revenues (without the *major asset replacement projects*) is about $70M per year. The deferred maintenance funding gap is about $42M per year for FY 2004, leaving a "Target Level of Investment" of about $112 million ($70 + $42 million). This amount is likely to go higher in 2005, as transportation revenues are anticipated to decline.

The "Target Level of Investment" is that annual amount that would provide funding needed to:

- Continue to operate the system safely.
- Strategically make capital investments in the safety of the system.
- Provide regular preventive maintenance.
- Make cost effective major maintenance investments and steadily reduce the backlog of deferred maintenance over a period of about 20 years.
- Accommodate seismic retrofit and projects necessitated by emergency conditions.
- Represent a level of investment that can be physically implemented without serious disruption to traffic flow, neighborhoods and businesses.

The above amounts do not include funding for *the major asset replacement projects*. These projects (sometimes called "mega-projects") are reconstruction or replacement of large facilities that are key to the regional transportation system. It is anticipated that most of the funding will come from sources external to the City's local revenues (e.g. state or federal grants, Regional Transportation Investment District). These projects include the Alaska Way Viaduct and Seawall, Magnolia Bridge, 2nd Avenue Extension Overpass, and South Spokane Street Viaduct.

The above amounts also do not include funding for improvements identified in the 38 neighborhood plans developed in the late 1990's. Most of these were for pedestrian and bicycle systems, but about 21% were for motor vehicle systems. The total amount of transportation improvements was estimated at about $500 million.

In addition to the amounts discussed above, the City will make selected investments in *new transportation capital infrastructure projects* to improve mobility and make Seattle attractive for new development and create jobs. Some examples:

- South Lake Union Street Car
- Aurora transit, pedestrian & safety improvements
- Fremont Bridge approaches
- Automated parking pay stations
- New sidewalks

Conclusion

This section has identified need for funding several aspects of the transportation system. The primary focus of the CTAC is to evaluate potential revenue sources to fund as much as practicable of the $40 to $50 million annual gap in major maintenance and reconstruction (but not replacement) of the City's existing transportation infrastructure. The Committee is also concerned with ways to fund at least part of the transportation improvements identified in the neighborhood plans.

Appendix 3

Transportation Revenues and Expenses (history and projections)

The financial challenge for transportation is not one of expenditures but of securing adequate revenues to meet the reasonable expectations of Seattle's citizens for transportation services & projects. In light of this, the major focus of this discussion will be on SDOT's historical revenues and the comparative dollar amount of services and projects they support, as well as a tentative outlook for 2004-2006.

Revenue Categories

SDOT revenues can be considered in three categories according to sources:

Local
Revenues allocated to SDOT over which choices can be made as to their use. In many ways this is the "critical path" problem facing SDOT.

Grants/Loans/Other
These are the result of the transportation services decisions made for local revenues and are generally associated with capital projects and programs. Cannot be redirected to any other purpose than for what they were approved.

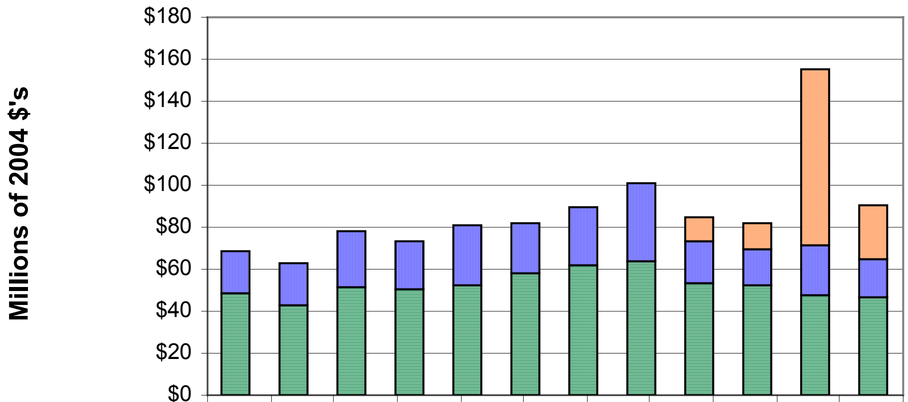
Special "Mega" Projects
This is a special category of revenues that tend not to depend on local revenue decisions and which are specifically for projects far exceeding the capacity of SDOT to accomplish within its normal revenues.

The following revenue charts depict SDOT's historical and anticipated revenue picture for the 12-year period, 1995-2006.

They reflect an "apples to apples" view of the revenues available to support transportation services & projects and have been adjusted to 2004 $'s.

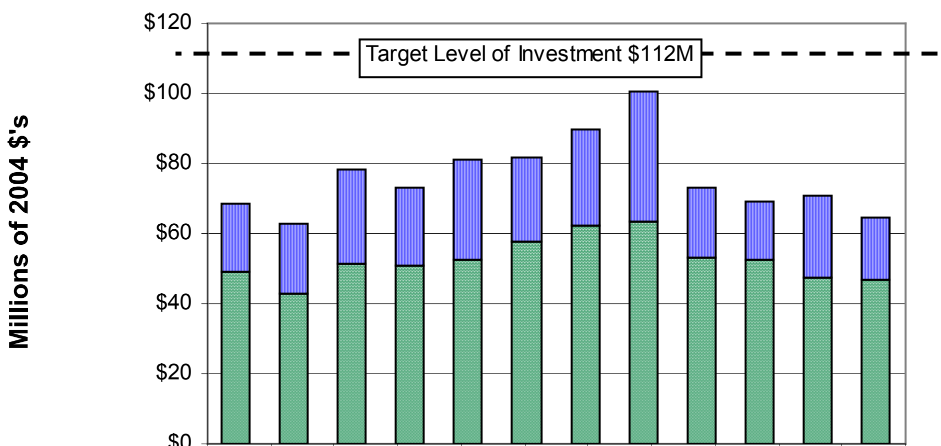
In the following series of charts, we will "peel the onion" of our historical revenues, leading to the "critical path" situation with SDOT's local revenues.

SDOT Base Revenues



	1995	1996	1997	1998	1999	2000	2002	2003	2004	2005	2006
Mega Project Funds	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$11.7	$12.9	$84.0	$26.4
Grants/Loans/Other	$19.7	$20.3	$26.7	$22.4	$28.7	$24.1	$37.3	$20.3	$16.6	$23.6	$17.7
Local Funds	$49.0	$42.7	$51.4	$50.6	$52.5	$57.8	$63.5	$52.9	$52.5	$47.4	$46.7

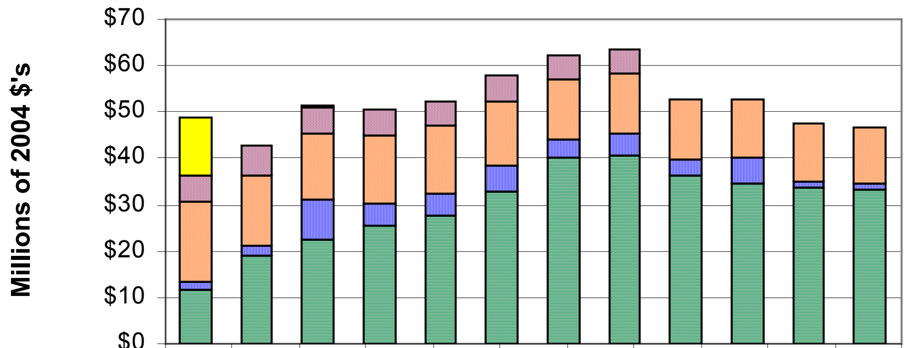
SDOT Revenues w/o "Mega" Projects



	1995	1996	1997	1998	1999	2000	2002	2003	2004	2005	2006
Grants/Loans/Other	$19.7	$20.3	$26.7	$22.4	$28.7	$24.1	$37.3	$20.3	$16.6	$23.6	$17.7
Local Funds	$49.0	$42.7	$51.4	$50.6	$52.5	$57.8	$63.5	$52.9	$52.5	$47.4	$46.7

Target Level of Investment includes resources for O&M, Major Maintenance, Safety and Backlog

SDOT Local Revenues by Source



	1995	1996	1997	1998	1999	2000	2002	2003	2004	2005	2006
Street Utility	$12.7	$0.1	$0.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Veh Lic Fee	$5.6	$6.4	$5.6	$5.6	$5.5	$5.4	$5.2	$0.0	$0.0	$0.0	$0.0
Gas Tax	$17.3	$15.2	$14.4	$14.8	$14.4	$13.8	$13.0	$12.9	$12.2	$12.3	$12.2
Cum Rsrv Fund	$1.8	$2.2	$8.6	$4.8	$5.0	$5.8	$4.7	$3.4	$5.9	$1.4	$1.4
General Fund	$11.6	$18.8	$22.3	$25.4	$27.5	$32.8	$40.6	$36.5	$34.4	$33.8	$33.1

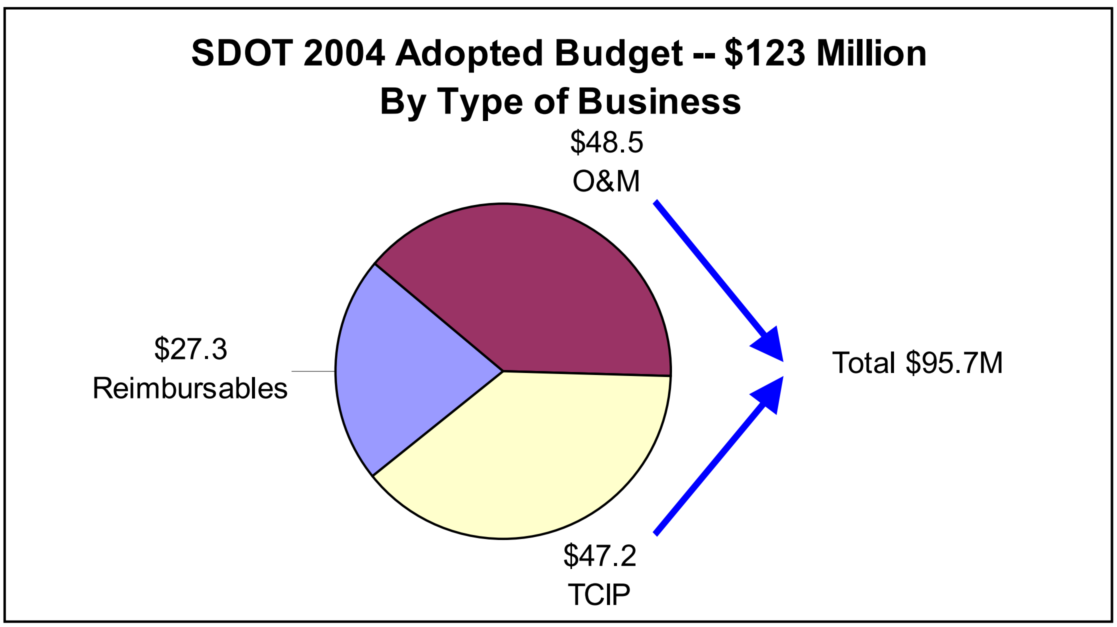
Transportation Expenditures

SDOT's expenditures can be presented in many different forms. Perhaps the most helpful is categorization by the three types of business:

Operations & Maintenance [O&M]
Includes operating the transportation system, performing preventative maintenance, & paying any debt service on SDOT-negotiated loans.

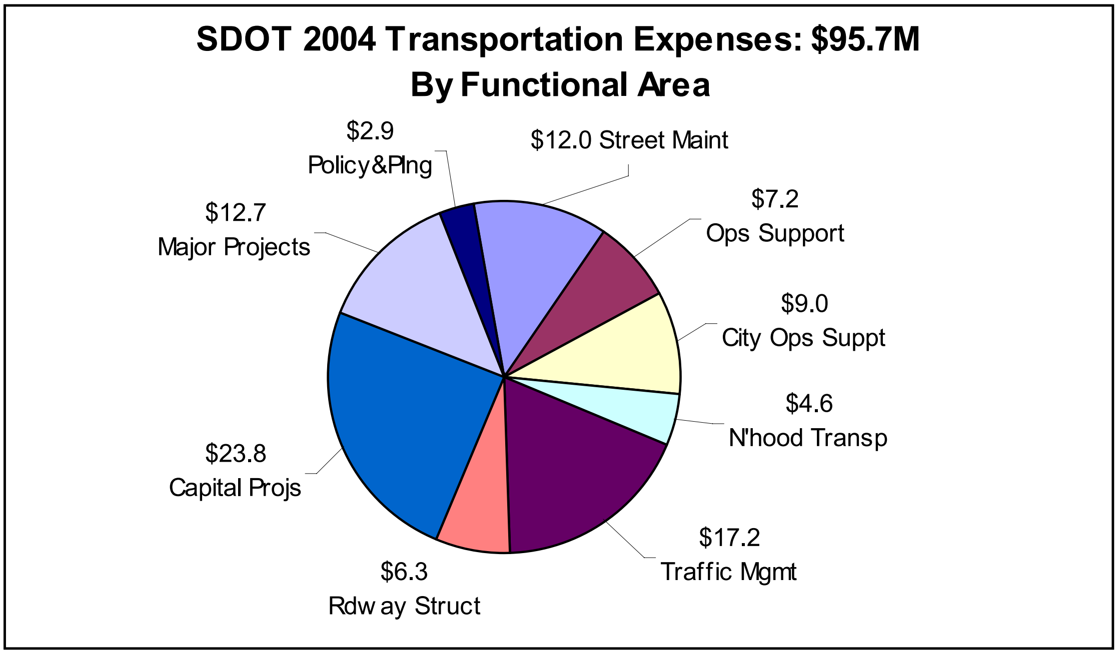
Transportation Capital Improvement Program [TCIP]
Includes capital programs & projects to do major maintenance to retain the capacity of existing infrastructure and/or to enhance the capacity of the infrastructure to move people, goods, and provide services.

Reimbursables
These include permitting & non-transportation-related support provided to other City departments, governmental agencies, or private utilities that is deemed to be in the best interests of the City that SDOT perform the work.



Another useful way to look at SDOT's transportation-related budget is by the functional areas of spending.

The subsequent chart provides this view and gives a general idea of how available resources have been allocated to transportation services & projects for 2004.



Conclusion

SDOT's critical financial challenge is to somehow address its diminishing local revenue stream as the "critical path" for maintaining and enhancing Seattle's transportation infrastructure, as well as supporting those multimodal services necessary to take the City into the 21st Century.