SULTAN CITY COUNCIL
AGENDA ITEM COVER SHEET

ITEM: C-6

DATE: January 24, 2008

SUBJECT: Transportation Benefit District

CONTACT PERSON: Deborah Knight, City Administrator D. Knight

ISSUE:

The issue before the Council is to discuss sending a letter of support to the Snohomish County Council to evaluate establishing a countywide transportation benefit district (TBD).

STAFF RECOMMENDATION:

Review the attached materials describing the transportation benefit district legislation that went into effect on July 2007 (Attachment A).

Authorize the Mayor to send a letter of support to the Snohomish County Council to evaluate establishing a countywide TBD (Attachment B - Everett Letter of Support).

SUMMARY:

A transportation benefit district is taxing district created for the sole purpose of acquiring constructing, improving, providing, and funding transportation improvements within the district. A TBD may fund the operation, maintenance, and preservation of transportation programs and facilities.

In order to establish a countywide transportation benefit district, sixty percent (60%) of the cities representing seventy-five (75%) of the incorporated population must approve an interlocal agreement for it to be effective. If an interlocal agreement cannot be reached, the county is authorized to create a TBD and impose the fee only in the unincorporated area of the county.

Transportation benefit districts have two revenue options not subject to voter approval, but subject to additional conditions:

1. Annual vehicle fee up to $20. This fee is collected at the time of vehicle renewal and cannot be used to fund passenger only ferry service improvements.
2. Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded.

The key requirement is that a county must first attempt to impose a countywide fee to be shared with cities by interlocal agreement.

At this point, the focus for the cities and Snohomish County is on the "councilmanic" authority to impose the vehicle license fee of up to $20. However, the statute provides for voter approval at the option of the jurisdiction.

The current effort is determine if there is interest from Snohomish County cities to proceed. If there is interest, the next step is to evaluate the revenue options and looking at the types of eligible transportation projects and programs in order to provide for a deliberative policy discussion.

There is a short time-line established by the State. The County must have the interlocal agreement in place by May 22, 2008.

FISCAL IMPACT:

A $20 vehicle fee would raise $12 million annually within Snohomish County. The current proposal is that the funds raised in jurisdiction (e.g. Sultan) would stay in Sultan.

City staff estimate that Sultan would receive between $50,000 and $75,000 annually. This revenue could be used to maintain the City's current streets or construct new improvements:

4,500 residents / 2.86 residents per household =
1,573 households x 2 cars/house = 3,146 cars x $20/car = $62,937 annually

BACKGROUND:

In 1987, the State Legislature created TBD as an option for local governments to fund transportation improvements. Since 2005, the Legislature has amended the TBD statute to expand its uses.

In 2007, the Legislature amended the statute to authorize the imposition of vehicle fees and transportation impact fees without a public vote.

Staff from the cities in Snohomish County and staff from Snohomish County met in November and December through the Interagency Coordinating Committee (ICC) to discuss forming a countywide TBD.

Snohomish County is seeking support from the cities in the County to proceed with quickly evaluating this funding mechanism.

Sultan's only obligation at this point is to express interest in further exploring and evaluating this financing tool. The City of Sultan only represents 1.23% of the incorporated population, yet, this tool has the potential to help the City secure long-term financing for street maintenance and construction. The potential downside is public concern over the additional vehicle tax.

Staff is seeking direction from the subcommittee to bring this back to the full Council at its January 24 meeting for discussion.

ALTERNATIVES:

Review the attached materials describing the transportation benefit district legislation that went into effect on July 2007 (Attachment A).

Discuss whether the City should send a letter of support to the Snohomish County Council to evaluate establishing a countywide TBD (Attachment B - Everett Letter of Support).

Give direction to staff.

RECOMMENDED ACTION:

The issue before the Council is to authorize the Mayor to send a letter of support to the Snohomish County Council to evaluate establishing a countywide transportation benefit district (TBD).

ATTACHMENTS

A - Transportation Benefit District Legislation in Effect
B – Sample support letter from the City of Everett
C – Memo from Donna Murphy

COUNCIL ACTION:

DATE:

Attachment A

September 2007

Transportation Benefit District Legislation in Effect

Through the cooperative efforts of the Association of Washington Cities (AWC) and the Washington State Associations of Counties (WSAC), significant legislation will go into effect on July 22, which results in the most important local transportation tool for cities and counties in sixteen years – Transportation Benefit Districts (TBDs). They are independent taxing districts that can impose an array of taxes or fees either through a vote of the people or through council action. TBDs are flexible: they allow cities and counties to work cooperatively on addressing both regional and local transportation challenges.

Frequently Asked Questions

Background

In 1987, the Legislature created Transportation Benefit Districts ("TBD") 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. Most recently, the Legislature amended the TBD statute to authorize the imposition of vehicle fees and transportation impact fees without a public vote. The purpose of these materials is to help you better understand TBDs.

What is a Transportation Benefit District (TBD)?

A TBD is a quasi-municipal corporation and independent taxing district created for the sole purpose of acquiring, constructing, improving, providing, and funding transportation improvements within the district.

Who may create a TBD?

The legislative authority of a county or city may create a TBD by ordinance following the procedures set forth in Chapter 36.73. The county or city proposing to create the TBD may include other counties, cities, port districts, or transit districts through interlocal agreements.

However, King, Pierce, and Snohomish counties, and the cities within those counties cannot create a TBD until December, 1, 2007.

Who governs the TBD?

The members of the legislative authority (county or city) proposing to establish the TBD is the governing body of the TBD. The legislative authority is acting ex officio and independently as the TBD governing body. If a TBD includes additional jurisdictions through interlocal agreements, then the governing body must have at least five members, including at least one elected official from each of the participating jurisdictions.

Why create a TBD if the county or city legislative authority is the governing board?

A TBD is a legal creature. Although a TBD has many of the powers of a county and city (impose taxes, eminent domain powers, can contract and accept gifts, etc.), - it is a separate taxing district, which is important for property tax purposes. Additionally, by being a separate legal and taxing creature, TBDs are flexible. For example, more than one type of jurisdiction can be part of a TBD and the boundaries can be less than countywide or citywide.

Can a TBD be created without imposing fees or proposing voter approved revenue options?

No. The creation of a TBD must be through an ordinance. The ordinance must include a finding that the creation of a TBD is in the public's interest, the boundaries of the TBD, a description of the transportation improvement or improvements proposed by the district, and the proposed taxes, fees, charges, etc. the TBD will impose to raise revenue to fund the identified improvement or improvements.

continued

Are TBD revenues required to be spent as they are collected?

No. The governing body must develop a plan that specifies the transportation improvements to be provided or funded by the TBD. As part of this plan, the TBD's governing board can indicate if the funds will be used immediately, or if they will be collected for a specified period. Typically, funds that are collected for a specified period before being expended are used to fully fund large projects, when bonding, or serve as a match for state or federal funds that may only become available in a specified time frame.

What are the boundaries of a TBD?

The boundaries of a TBD may be less than the boundaries of those jurisdictions participating in the TBD. For example, a county or city may choose to have the TBD boundaries identical with the county or city, or just include a portion of the county or city. However, if a TBD chooses to exercise the tax authority that does not require a public vote (e.g. vehicle and impact fees), the boundaries of the TBD must be countywide, citywide, or unincorporated countywide.

What transportation improvements can be funded by a TBD?

A TBD can fund any transportation improvement 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.

Can a TBD fund maintenance and preservation activities?

Yes. A TBD may fund the operation, maintenance, and preservation of the programs and facilities noted above. Additionally, maintenance and preservation activities are noted in many state and regional transportation plans. For example, preservation of existing transportation facilities is the number one priority within the Washington State Transportation Plan. Eliminating the backlog of asphalt pavement projects and maintaining chip seal paving, along with many other maintenance and preservation activities, are specifically noted as priorities in that Plan.

However, keep in mind that any transportation improvement also needs to be "necessitated by existing or reasonably foreseeable congestion levels". Consequently, not every street, road, transit program, etc. will qualify as a transportation improvement.

If the TBD transportation improvements must be in a state or regional plan, does that mean only state and regional roads such as arterials, can be funded?

No. The TBD statute originally limited the use of funds for city streets and county roads to 40% of funds generated. That limitation was removed to make TBD an option for purely locally determined activities. For example, both the Washington State Transportation Plan, 2007-2026 State transportation plan (www.wsdot.wa.gov/NR/rdonlyres/083D185B-7B1F-49F5-B865-C0A21D0DCE32/0/FinalWTP111406_nomaps.pdf) and the Puget Sound Regional Council's Destination 2030 Update at page 62 (www.psrc.org/projects/mtp/pubs/D2030plan5.07.pdf) note 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.

What if the transportation improvements are not currently in an existing state or regional plan?

We suggest that you work with your Regional Transportation Planning Organization (RTPO) to incorporate your proposed improvements into the RTPO's plan. As noted above, most RTPO's and the state plan have already identified a broad range of local transportation improvements as priorities.

continued

What revenue options do TBD's have?

TBD's have several 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. Up to $100 annual vehicle fee per vehicle registered in the district; and
4. Vehicle tolls.

Please Note: There are exemptions or unique requirements when using the vehicle fee or vehicle tolls.

TBD's have two revenue options not subject to voter approval, but subject to additional conditions:

1. Annual vehicle fee up to $20. This fee is collected at the time of vehicle renewal and cannot be used to fund passenger only ferry-service improvements.
2. Transportation impact fees on commercial and industrial buildings. Residential buildings are excluded. In addition, a county or city must provide a credit for a commercial or industrial transportation impact if the respective county or city has already imposed a transportation impact fee.

Please Note: Foregoing a vote is an option only. A county or city still has the option of placing either the annual fee of up to $20 or the impact fees to the vote of the people as an advisory vote or an actual requirement of imposition.

What are the additional conditions required to impose revenue options not subject to voter approval?

To impose either fee, the TBD's boundaries must be countywide or citywide, or if applicable, in the unincorporated county.

Vehicle Fees: A county that creates a TBD to impose up to a $20 vehicle fee must first attempt to impose a countywide fee to be shared with cities by interlocal agreement. Sixty percent (60%) of the cities representing seventy-five (75%) of the incorporated population must approve the interlocal agreement for it to be effective. If an interlocal agreement cannot be reached, the county is authorized to create a TBD and impose the fee only in the unincorporated area of the county.

In addition, credits must be provided for previously imposed TBD vehicle fees. Credits are not required for voter approved vehicle fees.

Commercial and Industrial Transportation Impact Fees: A TBD that is either countywide or citywide must provide a credit for a commercial or industrial transportation impact fee if the respective county or city has already imposed a transportation impact fee. This is commonly called a "no double-dipping" provision.

What are the effective dates to impose revenue options not subject to voter approval?

All counties except King, Pierce and Snohomish	
July 22, 2007 to January 18, 2008	County only Note: A county may waive this exclusive authority and allow a city to proceed by adopting a resolution to that effect.
January 19, 2008	All 36 counties and cities within the 36 counties.

King, Pierce and Snohomish County Eligibility	
December 1, 2007 to May 22, 2008	County only Note: King, Pierce, or Snohomish County may waive this exclusive authority and allow a city to proceed by adopting a resolution to that effect.
May 23, 2008	All counties and cities

continued

If we create a countywide TBD for the up to $20 vehicle fee, how is the revenue distributed to cities?

The revenue must be shared according to the interlocal agreement. The law does not prescribe what the interlocal agreement contains. Consequently, the revenue can be shared by population, number of vehicles within each jurisdiction, project list, a combination of these, or whatever the county and cities can reach agreement on.

What happens if a city imposes the up to $20 vehicle fee and then the county imposes a countywide fee without voter approval?

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 in the City. As a result, no fee would be collected by the County TBD from vehicles registered in the City. Additionally, the City would not be part of the interlocal agreement with the County or be included in the number/percentages needed for the interlocal agreement to be effective.

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 in the City. Consequently, the County TBD would need to include the City in the interlocal agreement discussions and the City is included in the number/percentages needed for the interlocal agreement to be effective.

What other requirements should I be aware of?

Revenue rates, once imposed, may not be increased, unless authorized by voter approval.

If project costs exceed original costs by more than 20 percent, a public hearing must be held to solicit public comment regarding how the cost change should be resolved.

The TBD must issue an annual report to include the status of project costs, revenues, expenditures, and construction schedules.

The TBD must be dissolved upon completion of the project(s) and the payment of debt service.

Checklist

For a checklist that highlights many of the important considerations when creating a Transportation Benefit District (TBD), please see www.awcnet.org/tbd.

Eligibility requirements vary. For additional questions on Transportation Districts, please contact AWC staff Ashley Probart at ashleyp@awcnet.org Sheri Sawyer at sheris@awcnet.org.

Attachment B

OFFICE OF THE MAYOR

Ray Stephanson
Mayor

January 4, 2008

Snohomish County Council
The Honorable Dave Gossett, Chair
Administration Building – East, 8th Floor
3000 Rockefeller Avenue, M/S 609
Everett, WA 98201

RE: Support for evaluation of "Transportation Benefit District" tool within Snohomish County, per RCW 36.73

Dear Chairman Gossett and County Council Members:

On December 1, 2007, Snohomish, King and Pierce counties, and the cities within those three counties, became eligible to utilize a new local-option transportation funding tool, the "Transportation Benefit District" (TBD).

The authorization to utilize newly crafted TBDs was part of **Engrossed Substitute House Bill 1858** enacted during the 2007 Session of the State Legislature. As you know, within the statute is a provision that allows counties to have a first shot at implementing TBDs on a countywide basis, as long as that is done by May 22, 2008, and is supported by inter-local agreements between the county and 60 percent of the cities representing 75 percent of the incorporated population within the county.

We commend your Public Works staff, in particular Public Works Director Steve Thomsen, for initiating collaborative discussions on the potential use of the TBD as a local and regional transportation funding tool. We understand the county now seeks, for the record, an expression of cities' interest in further exploration and evaluation of this financing tool.

The City of Everett is interested in doing just that. There is a lot of work to do, and discussions to be had, regarding the TBD tool, and how and whether to use the "councilmanic" authority in the new statute (*a Vehicle License Fee of up to $20*) and/or the voter-approval-required revenue options. In our view, it is important that we begin those earnest discussions early, in order to thoroughly evaluate the revenue options and look at the types of eligible transportation projects and programs upon which we should focus. We all have a lot of ground to cover if we are to make an informed decision on a countywide approach prior to May 22, 2008.

While it is still too early to know whether or not we will be able to successfully establish a countywide TBD, we commend your staff's leadership for initiating discussions and would urge their continued discussion, exploration, and evaluation of the countywide option. We believe that the State Legislature, which provided this tool to local governments, expects all of us to diligently pursue this local funding option for the transportation needs in our county.

Sincerely,

Ray Stephanson
Mayor

c: Everett City Council Members
Dave Davis & Brian Jones, Engineering Services
Tom Hingson, Transportation Services
Pat McClain, Government Affairs Director
Doug Levy, City Lobbyist

Attachment C

City of Sultan

Memo

To: Administrator Knight

From: Donna Murphy

CC:

Date: 11/13/2007

Re: Transportation Benefit District

At the November 9, 2007 Infrastructure Coordination Committee meeting (ICC), Chairperson Doug Jacobson discussed forming a Transportation Benefit District to build a funding package for transportation projects in Snohomish County.

Forming a consortium and Interlocal Agreements with the cities and towns in Snohomish County is a possibility.

The funding mechanism discussed was adding $20 per vehicle license renewal. There are 60,000 registered vehicles in Snohomish County and the fee would add $12 million annually to the District.

Basic information will be sent out soon and a sub committee of the ICC will be formed to work on this project between December 2007 and May 2008. The subcommittee will meet twice per month beginning with:

1st meeting:	To be determined
2nd meeting:	Friday December 14, 2007 – Brown bag lunch meeting from noon to 1:30 PM (ICC meeting to follow at 1:30)

Deborah Knight

From: Donna Murphy [donna.murphy@ci.sultan.wa.us]
Sent: Wednesday, January 09, 2008 4:52 PM
To: 'Deborah Knight'
Subject: FW: ICC Meeting 1/11/2008 - Canceled
Follow Up Flag: Follow up
Flag Status: Flagged

Deborah,
I don't see your name on the list for this notice. Please note the chart for the Transportation Benefit District below.

Thanks,
Donna

From: McCormick, Douglas [mailto:DMcCormick@co.snohomish.wa.us]
Sent: Wednesday, January 09, 2008 11:47 AM
To: Toni Finco; Allan Giffen; Andrew Bullington; Bertrand Hauss; david hopkins; Gloria Hirashima; Jay Larson; jim niggemyer; JoAnn Becker; Joe Beavers; John Engel; John Light; John Tatum; June Devoll; Kuciemba, Katie; Larry Waters; Matt Kitchen; Melissa Cauley; Pat Curran ; Paul Roberts; Roland Behee; Sam Schuyler; Scott Smith; Steve Thomsen ; Suzy; Tom Gathmann; Zelinski, Michael; Arden Blackledge ; Beck, Charles; Bill Beckman ; Bill Franz ; Bill Greene; Bill Vlcek; Bob Moorhead ; Brian Jones; Bryan White ; Carol Thompson ; Carter, Owen; Cathy George ; Chris Picard; Connie Dunn ; Dan Hammer; Dave Davis; Dave Gebert ; Dave Kircher ; Dave Ostergaard; David Martin ; Dick Callahan; Donna Murphy ; Doug Jacobson ; Ed Conyers ; Eddie Low; Edward Koltonowsk; Elaine Babby ; Fogard, Bobann; graham anderson; Hall, Will; Happy Longfellow; Idleburg, Gary; jeanette.johnson; Jeff Elekes ; Jeff Massie; Jessyn Schor; Jim S; John Anderson ; Karen Richter; Kelly McGourty ; Killingstad, David; Ladiser, Craig; Len Olive ; Leslie Rathbun ; Linda Finley ; Lisa Wolterink; Louie, Art; Lyla Boyd ; Mattila, Brent; McCormick, Douglas; Monica Overby ; Owen Carter; Patrice Hardy ; Patrick Gruenhagen; Paul Kaftanski; Peter Mills ; Rick Mitchell; Roger Eberhart ; Russ East ; Sally Marks; Stephen Clifton; Steve Lewis; Sullivan, Brian; Theresa Sheldon ; Tim Heydon ; Tom Hansen ; Tyree, Mary; Will VanRy
Subject: ICC Meeting 1/11/2008 - Canceled

Please note:

ICC Meeting on January 11, 2008 is hereby CANCELLED.

Snohomish County is still waiting for TBD support letters from the Cities interested in participating in the Transportation Benefit District Interlocal Agreement.
Please provide copies of support letters from your jurisdiction to Steve Thomsen, Doug Jacobson and Doug McCormick.

The following summarizes support confirmed to date:

Criteria: 60% Cities (12 min.) and 75% of Incorporated Population (275,711)

City/Municipality	2007 Population Estimate	Cumulative Population Total	%of Incorporated Population	Letters of commitment

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Everett	101,800	101800	27.69%	YES
Edmonds	40,560	142360	11.03%	?
Marysville	36,210	178570	9.85%	?
Lynnwood	35,490	214060	9.65%	?
Mountlake Terrace	20,810	234870	5.66%	?
Mukilteo	19,940	254810	5.42%	?
Mill Creek	17,620	272430	4.79%	?
Arlington	16,720	289150	4.55%	?
Monroe	16,290	305440	4.43%	?
Bothell (Sno. Co. portion)	15,450	320890	4.20%	?
Lake Stevens	13,350	334240	3.63%	?
Snohomish	8,970	343210	2.44%	?
Brier	6,480	349690	1.76%	?
Stanwood	5,200	354890	1.41%	?
Sultan	4,530	359420	1.23%	?
Granite Falls	3,195	362615	0.87%	?
Gold Bar	2,175	364790	0.59%	?
Darrington	1,485	366275	0.40%	?
Woodway	1,180	367455	0.32%	?
Index	160	367615	0.04%	?
Unincorporated County	318,685	686300	46.44%	YES
Total Est. Population	**686,300**			

If you have any questions, please feel free to contact me.

Doug

Douglas W. McCormick, PE
Program Planning Supervisor
PW/Transportation and Environmental Services
3000 Rockefeller Ave, Admin Bldg W. M/S 607
Everett, WA 98201-4046

425.388.6655
fax 425.388.6449

dmccormick@co.snohomish.wa.us

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