

**ORDINANCE No. 189861**

Extend a Heavy Vehicle Use Tax to fund Portland's Street Repair and Traffic Safety Program. (Ordinance; amend Code Section 7.02.500)

The City of Portland ordains:

Section 1. The Council Finds:

1. One of the primary responsibilities of the City of Portland is to protect public safety, health, and welfare by ensuring safe and well-maintained streets for its community members, businesses, and visitors.
2. The City is behind in addressing the maintenance needs of much of its aging infrastructure. Portland's 4,854 lane miles of paved streets show continuing decline, with 52% percent of the city's busiest streets in poor or very poor condition, the most expensive categories to repair.
3. Deferring these improvements will result in higher costs in the out-years since it is more expensive to rebuild streets after they have failed than it is to perform timely street repair.
4. There is widespread recognition that local governments must develop new or additional mechanisms to supplement existing resources to fund their transportation needs.
5. Twenty-six local jurisdictions (24 cities and two counties) in Oregon have implemented a local tax on fuel to address their respective transportation needs. The rationale of a motor vehicle fuels tax is that those using the transportation system have a responsibility to help pay the costs required to maintain the assets and improve the safety of that system.
6. In July 2014 the Portland Bureau of Transportation (PBOT) began community conversations on a fair and reasonable approach to raising new revenue to fund outstanding street repair and traffic safety needs. PBOT convened a funding advisory committee, a business workgroup, and a nonprofit and low-income workgroup. The workgroups were comprised of representatives of more than 60 different groups and organizations across Portland.

7. The three workgroups agreed there is considerable need for new funds to address the street repair needs of existing infrastructure and to address known traffic safety needs. A new revenue generating mechanism is needed because PBOT's current budget is insufficient to address the problems.
8. In September 2015, the City Club of Portland published a report, "Portland's Streets: End the funding gridlock." The City Club recommended a motor vehicle fuels tax, specifically stating, "The City should immediately pursue a fee for use. At the moment, the most technically feasible is a city motor vehicle fuels tax. A motor vehicle fuels tax would generate revenue from most users – including those transporting goods across Portland streets and those who don't reside in Portland – and would discourage congestion and pollution."
9. The traditional sources the City has relied on for transportation funding – State and County gas taxes – continue to fail to produce the level of revenue needed to adequately address street repair and traffic safety needs.
10. A temporary ten (10) cents per gallon tax on motor vehicle fuels in Portland for vehicles not subject to weight-mile tax is estimated to raise \$74.5 million over four years.
11. Portland's temporary motor fuels tax, if passed by the voter's in May 2020, will not include a 10 cent diesel tax on vehicles over 26,000 pounds. The decision not to apply the diesel tax to heavy trucks was based on a concern that heavy trucks, with fuel tanks averaging between 120-300 gallons, would bypass Portland's only truck stop.
12. In the development of Fixing Our Streets: 2016-20, Council directed PBOT to staff a subcommittee of the Portland Freight Committee to continue to research other potential mechanisms for generating revenue from heavy weight vehicles that currently pay weight-mile taxes. The subcommittee was directed to ensure that heavy weight trucks pay their fair share as it corresponds to the 10 cent fuels tax. The subcommittee met four times and City Council held a work session to review the initial findings.
13. Applying Oregon's cost responsibility methodology to the City of Portland indicates that 87% of additional revenue should come from light vehicles and 13% from heavy vehicles. Since it is estimated that Portland's temporary fuels tax will generate \$74.5 million from light vehicles, a cost responsible allocation from heavy vehicles would be \$11 million – 13% of \$85 million of four-year revenues.

14. Several revenue generating mechanisms were considered by the freight subcommittee. They first reviewed the concept of a diesel load fee which is a fee on each diesel load from Portland terminals. The subcommittee had concerns that a portion of the load fee impact would be felt in regions outside of Portland. The subcommittee then reviewed a surcharge on the City's Business License Tax based on net income or number of trucks. There was concern that these options did not accurately reflect trucking activity.
15. Lastly, a Heavy Vehicle Use Tax was considered. Businesses that have a Portland Business License and pay the Oregon weight-mile tax will be assessed a Heavy Vehicle Use Tax. Since businesses that deliver a product by truck to a Portland address are required to have a Portland business license, the Heavy Vehicle Use Tax will be applied to businesses based in Portland and to businesses that ship to Portland addresses.
16. In comparison to the other mechanisms under consideration, this tax seems to be the most fair and efficient because it is tied to business activity in Portland, weight-mile taxes, and it is relatively simple to administer.
17. Based on a review of numerous options and discussions with the freight subcommittee, City staff recommended the Heavy Vehicle Use Tax as the preferred option.
18. The tax will be calculated based on statewide weight-mile taxes paid by businesses. It is estimated that a rate of 3% will annually generate \$11 million over four years. For example, a business that paid \$10,000 in Oregon weight-mile taxes would be assessed an annual heavy vehicle use tax of \$300 (3% of \$10,000).
19. Due to the fact that a relatively small number of businesses account for most of the heavy truck activity and, therefore, most of the costs associated with heavy trucks, most businesses will pay a relatively small amount. On the flip side, a handful of very large trucking businesses will pay more based on their volume of trucking activity.
20. The Heavy Vehicle Use Tax shall have a four-year revenue target, beginning with tax year 2020, of \$11 million plus City costs. If at the end of tax year 2021, the City projects four-year revenues to be above or below the target by an amount that is more than 10 percent of the target, the City will adjust the rate for subsequent tax years to reach the four-year target. The Revenue Division of the Bureau of Revenue and Financial Services is authorized to adopt an administrative rule to implement this change, if needed.
21. The Heavy Vehicle Use Tax will be in effect for a four-year period regardless of the outcome of the May 2020 election on Portland's temporary 10 cent fuels tax.

22. PBOT will allocate the revenue from the temporary Portland Heavy Vehicle Use Tax to the Street Repair and Traffic Safety Program, which will be restricted to street repair and traffic safety.
23. As detailed in Exhibit B, an Oversight Committee will be appointed to ensure program accountability by reviewing revenues, expenditures, and program/project implementation. The Citizen Oversight Committee will provide an annual report to City Council and the public.
24. In advance of the annual review of projects by the Oversight Committee, City staff will review the draft list with Portland's Freight Advisory Committee and report their recommendations to the Citizen Oversight Committee.
25. PBOT has long-standing transportation maintenance and safety projects that will be undertaken by the Street Repair and Traffic Safety Program.
26. The City will annually audit the Street Repair and Traffic Safety Program. This information will be provided to the Oversight Committee and the public.

NOW, THEREFORE, the Council directs:

- a. City Code Chapter 7.02 is amended as set forth in the attached EXHIBIT A.
- b. The Director of the Revenue Division shall revise or develop and adopt administrative rules as are necessary for the implementation, collection, and administration of the Heavy Vehicle Use Tax.
- c. That an Oversight Committee (Exhibit B) will be appointed to review revenues, expenditures, and the implementation of the Street Repair and Traffic Safety Program and ensure the program's accountability.
- d. The funds collected from the Portland Heavy Vehicle Use Tax, which are estimated to be \$11 million over four years, shall be used for the purposes of street repair and traffic safety. Projects will be reviewed by Portland Freight Committee and will be reviewed and approved by the Oversight Committee.
- e. The Street Repair and Traffic Safety Program will receive an annual independent financial audit that will be shared with the Oversight Committee and the public.

Passed by the Council, FEB 12 2020

Mayor Ted Wheeler  
Commissioner Chloe Eudaly  
Prepared by: Mark Lear:sld  
Date Prepared: January 17, 2020

**Mary Hull Caballero**  
Auditor of the City of Portland

By 

Establish a Heavy Vehicle Use Tax to fund Portland's Street Repair and Traffic Safety Program (Ordinance; amend Code 7.02.500)

Section

<p><b>INTRODUCED BY</b> Commissioner/Auditor: <b>Chloe Eudaly</b></p>	<p>CLERK USE: DATE FILED <b>JAN 28 2020</b></p>
<p><b>COMMISSIONER APPROVAL</b></p> <p>Mayor—Finance &amp; Administration – Wheeler</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - <del>Fritz</del></p> <p>Position 3/Affairs - Hardesty</p> <p>Position 4/Safety - Eudaly</p>	<p>Mary Hull Caballero Auditor of the City of Portland</p> <p>By:  Deputy</p>
<p><b>BUREAU APPROVAL</b></p> <p>Bureau: PBOT Group: Office of the Director Group Manager: Chris Warner Director: Chris Warner <i>CW</i></p> <p>Prepared by: Mark Lear; CB Supervisor: Kristin Hull Date Prepared: January 17, 2020</p> <p>Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/></p> <p>Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input type="checkbox"/> No <input checked="" type="checkbox"/></p> <p><b>City Auditor Office Approval:</b> required for Code Ordinances <i>10/1/20</i></p> <p><b>City Attorney Approval:</b> required for contract, code, easement, franchise, charter, Comp Plan <i>KAM</i></p> <p>Council Meeting Date <b>February 6, 2020</b></p>	<p><b>ACTION TAKEN:</b></p> <p>FEB 06 2020 PASSED TO SECOND READING FEB 12 2020 9:30 A.M.</p>

<p><b>AGENDA</b> 3 of 3</p>
<p><b>TIME CERTAIN</b> <input checked="" type="checkbox"/> Start time: <b>3 PM</b> Total amount of time needed: <b>15 minutes</b> (for presentation, testimony and discussion)</p>
<p><b>CONSENT</b> <input type="checkbox"/></p>
<p><b>REGULAR</b> <input type="checkbox"/> Total amount of time needed: _____ (for presentation, testimony and discussion)</p>

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:	
	YEAS	NAYS
1. Fritz	1. Fritz <input checked="" type="checkbox"/>	
2. <del>Fritz</del>	2. Vacant	
3. Hardesty	3. Hardesty <input checked="" type="checkbox"/>	
4. Eudaly	4. Eudaly <input checked="" type="checkbox"/>	
Wheeler	Wheeler <input checked="" type="checkbox"/>	