

ORDINANCE No.

Establish 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 4,834 lane miles of paved streets show continuing decline, with 49 percent of the city's busiest streets in poor or very poor condition, the most expensive categories to repair.
3. The Portland Bureau of Transportation (PBOT) estimates that it would cost an additional \$119 million per year for ten years to improve the city's pavement system to a fair or better condition. 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. The traditional sources the City has relied on for transportation funding – federal, state and county gas taxes – continue to fail to produce the level of revenue needed to adequately address street repair and traffic safety needs.
5. There is widespread recognition that local governments must develop new or additional mechanisms to supplement existing resources to fund their transportation needs.
6. Twenty-six local jurisdictions (twenty-four cities, two counties) in Oregon have implemented a local tax on gasoline 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.
7. In July 2014, the Portland Bureau of Transportation 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 work group, and a nonprofit and low-income work group. The work groups were comprised of representatives of more than 60 different groups and organizations across Portland.
8. Three work groups 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.

9. 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".
10. In January 2016, City Council referred a measure to City voters for the May 17, 2016 election authorizing the creation of a program dedicated to street repair and traffic safety through a temporary, ten-cents per gallon tax on motor vehicle fuels in Portland for vehicles not subject to weight-mile tax.
11. 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 \$64 million over four years.
12. Portland's temporary motor fuels tax, if passed by the voter's in May, will not include a ten-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.
13. 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.
14. Applying Oregon's cost responsibility methodology to the City of Portland indicates that 86.7% of additional revenue should come from light vehicles and 13.3% from heavy vehicles. Since it is estimated that Portland's temporary fuels tax will generate \$16 million from light vehicles, a cost responsible allocation from heavy vehicles would be \$2.5 million – 13.3% of \$18.5 million of annual revenue.
15. 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.
16. 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.

17. 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.
18. 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.
19. The tax will be calculated based on statewide weight-mile taxes paid by businesses. It is estimated that a rate of 2.8% will annually generate \$2.5 million. For example, a business that paid \$10,000 in Oregon weight-mile taxes would be assessed an annual heavy vehicle use tax of \$280 (2.8% of \$10,000).
20. 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.
21. If the Heavy Vehicle Use Tax raises more or less than \$2.5 million plus City costs in the first or second tax year of the tax, the City will adjust the Heavy Vehicle Use Tax rate for subsequent tax years of the tax to reach the four year target of approximately \$10 million plus City costs.
22. The Heavy Vehicle Use Tax will be in effect for a four-year period regardless of the outcome of the May election on Portland's temporary ten-cent fuels tax.
23. 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.
24. As detailed in Exhibit B, a Citizen 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.
25. In advance of the annual review of projects by the Citizen Oversight Committee, City staff will review the draft list with Portland's Freight Advisory Committee and report their recommendations to the Citizen Oversight Committee.
26. PBOT has long-standing transportation maintenance and safety projects that will be undertaken by the Street Repair and Traffic Safety Program.

27. The ratio of street repair to safety projects will be 56% street repair to 44% safety projects.
28. The City will annually audit the Street Repair and Traffic Safety Program. This information will be provided to the Citizen Oversight Committee and the public.

NOW, THEREFORE, the Council directs:

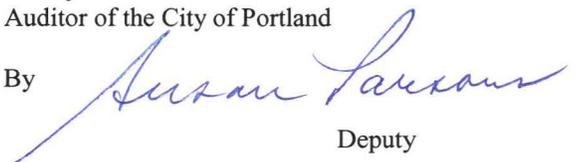
- a. City Code Chapter 7.02 is amended as set forth in the attached EXHIBIT A.
- b. The Director of the Revenue Division shall revise or develop and adopt administrative rules as are necessary for the implementation, collection and administration of Heavy Vehicle Use Tax.
- c. That a Citizen Oversight 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 \$10 million over four years, shall be used for the purposes of street repair and traffic safety. Projects will be reviewed by the Citizen Oversight Committee. The ratio of street repair to safety projects will be 56% street repair to 44% safety projects.
- e. The City will annually audit the Street Repair and Traffic Safety Program and share the audit with the Citizen Oversight Committee and the public.
- f. By August 1, 2016, staff from the Portland Revenue Bureau and Portland Bureau of Transportation will report back to City Council on the feasibility of adopting a Heavy Vehicle Use Tax appeals process for businesses that can demonstrate no or minimal use of Portland streets.
- g. When map based electronic tracking is included in all heavy trucks in Portland, the Portland Revenue Bureau and Portland Bureau of Transportation will explore and advise City Council on the possibility of modifying the Heavy Vehicle Use Tax to incorporate the data generated by that technology.

Passed by the Council, MAY 11 2016

Mayor Charlie Hales
 Commissioner Steve Novick
 Prepared by: Mark Lear:sld
 Date Prepared: April 20, 2016

Mary Hull Caballero
 Auditor of the City of Portland

By



Deputy

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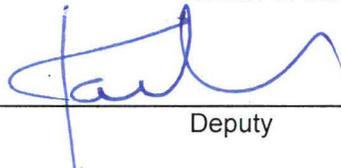
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Agenda No. **ORDINANCE NO. 187 743** As Amended

Title

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

Section

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|---|---|
| <p>INTRODUCED BY Commissioner/Auditor: COMMISSIONER STEVE NOVICK</p> | <p>CLERK USE: DATE FILED <u>APR 26 2016</u></p> |
| <p>COMMISSIONER APPROVAL</p> <p>Mayor—Finance and Administration - Hales</p> <p>Position 1/Utilities - Fritz</p> <p>Position 2/Works - Fish</p> <p>Position 3/Affairs - Saltzman</p> <p>Position 4/Safety - Novick</p> | <p>Mary Hull Caballero Auditor of the City of Portland</p> <p>By:  Deputy</p> |
| <p>BUREAU APPROVAL</p> <p>Bureau: Transportation LEAH TREAT, DIRECTOR</p> | <p>ACTION TAKEN:</p> <p>MAY 04 2016 PASSED TO SECOND READING As Amended MAY 11 2016 9:30 A.M.</p> |
| <p>Prepared by: Mark Lear:sld Date Prepared: April 20, 2016 Supervisor: Leah Treat</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>City Auditor Office Approval: required for Code Ordinances <i>Toni</i></p> | |
| <p>City Attorney Approval: required for contract, code, easement, franchise, comp plan, charter <i>Kam</i></p> | |
| <p>Council Meeting Date May 4, 2016</p> | |

AGENDA

TIME CERTAIN
Start time: 3:15pm

Total amount of time needed: 45 minutes
(for presentation, testimony and discussion)

CONSENT

REGULAR
Total amount of time needed: _____
(for presentation, testimony and discussion)

| FOUR-FIFTHS AGENDA | COMMISSIONERS VOTED AS FOLLOWS: | |
|--------------------|---|------|
| | YEAS | NAYS |
| 1. Fritz | 1. Fritz <input checked="" type="checkbox"/> | |
| 2. Fish | 2. Fish <input checked="" type="checkbox"/> | |
| 3. Saltzman | 3. Saltzman <input checked="" type="checkbox"/> | |
| 4. Novick | 4. Novick <input checked="" type="checkbox"/> | |
| Hales | Hales <input checked="" type="checkbox"/> | |