



U.S. Department
of Transportation
**Federal Highway
Administration**

Center for Accelerating Innovation



Introduction to Transportation Utility Fees

Presentation Outline

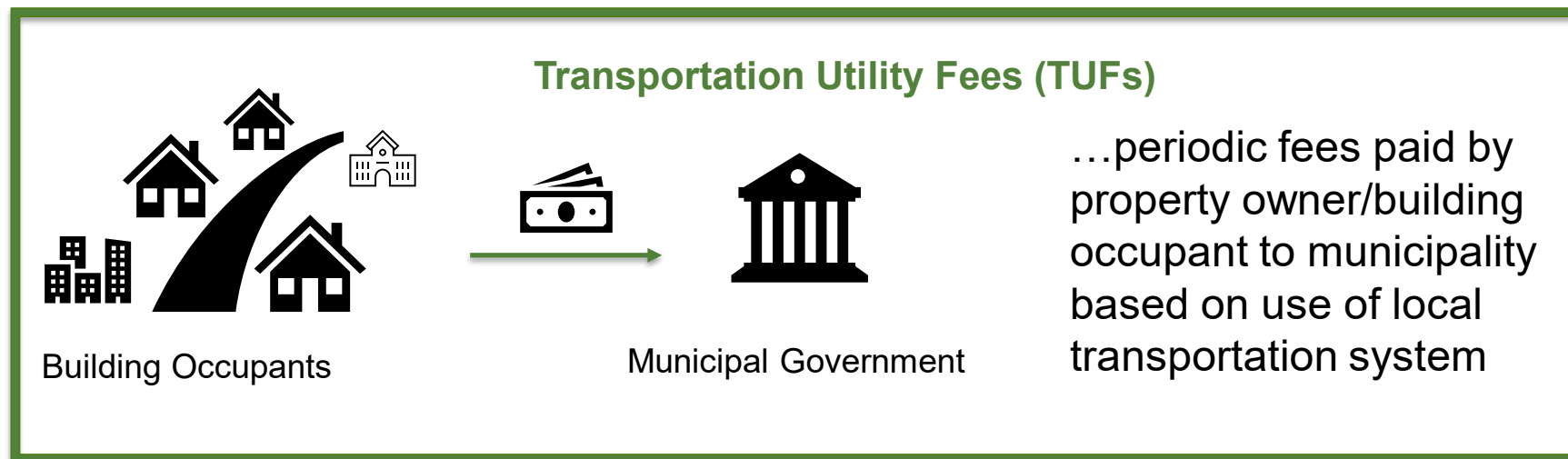
- 1 Overview of TUFs
- 2 Establishing a TUFs Program
- 3 Application of TUFs
- 4 Calculating TUFs
- 5 Administering TUFs
- 6 Legal and Regulatory Issues
- 7 TUFs and Financing
- 8 TUFs in Use

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Overview: What are TUFs?

1



**TUFs are
also called:**

**Transportation
Maintenance
Fees**

**Street
Maintenance
Fees**

Road Use Fees

**Pavement
Maintenance
Utility Fees**

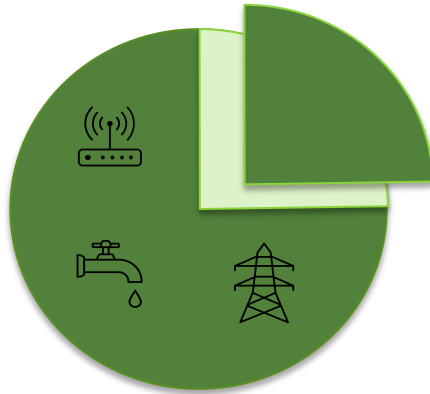
**Street
Restoration &
Maintenance
Fees**

**Street Utility
Fees**

Overview: Concept behind TUFs

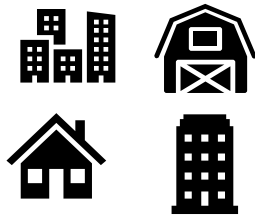


Transportation as a utility



...transportation system treated like a public utility

Pay by use



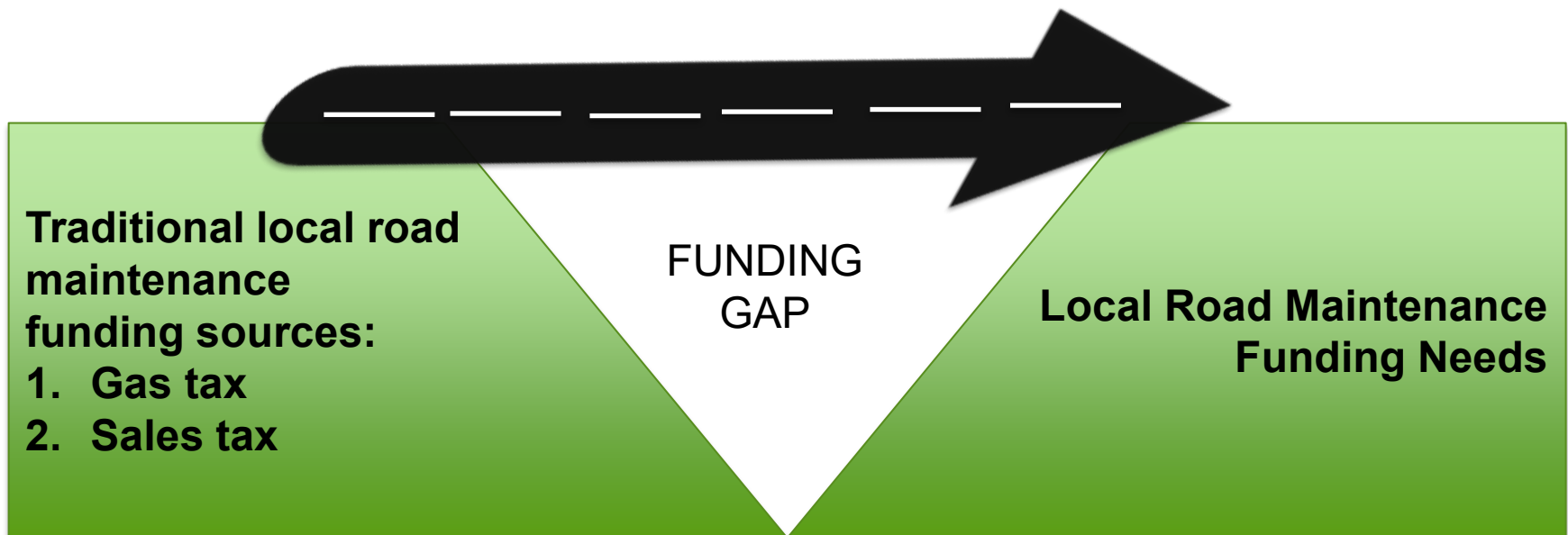
...use defined as generation of trips, estimated by ITE Trip Generation Manual
...fees based on estimated # of trips generated
by different land uses

Overview: Why use TUFs?



Closing the Funding Gap

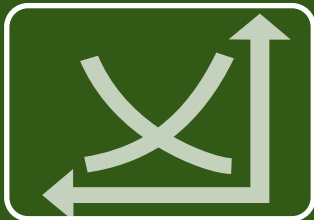
- Traditional funding sources insufficient to meet local road maintenance funding needs



Overview: Why use TUFs?

1

Efficiency, equity, and stakeholder benefits



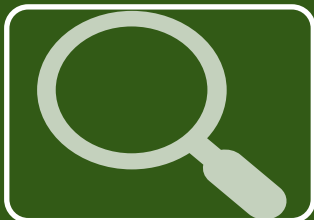
Economic Efficiency

- Better link use and payment
- Efficient ways of collecting payment (utility bill)



Equitable

- Those who benefit pay
- Exemptions (low income, nonusers)



Stakeholder Benefits

- Transparency in how TUFs monies are spent builds trust

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Establishing a TUFs Program



Establishing a TUFs Program

2

1

DETERMINING MUNICIPALITY OBJECTIVES

- What does the municipality want to fund with TUFs program? Is a certain PCI targeted? Will it go one street at a time? Or one neighborhood at a time?
- Is coordination required with other utilities? Will coordination with other utilities change program?

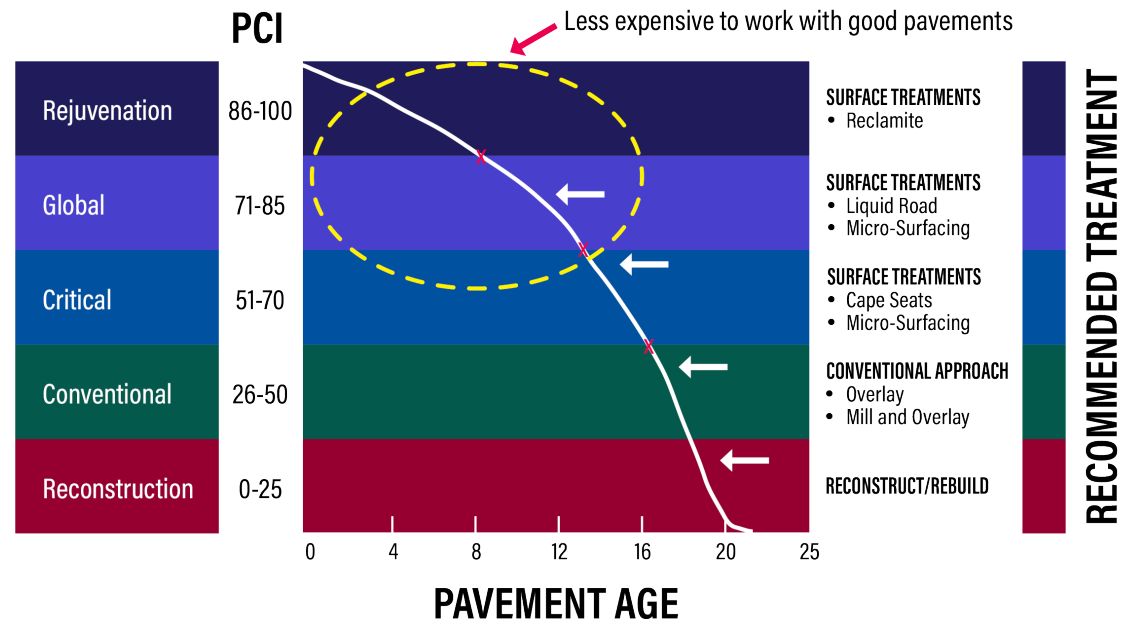


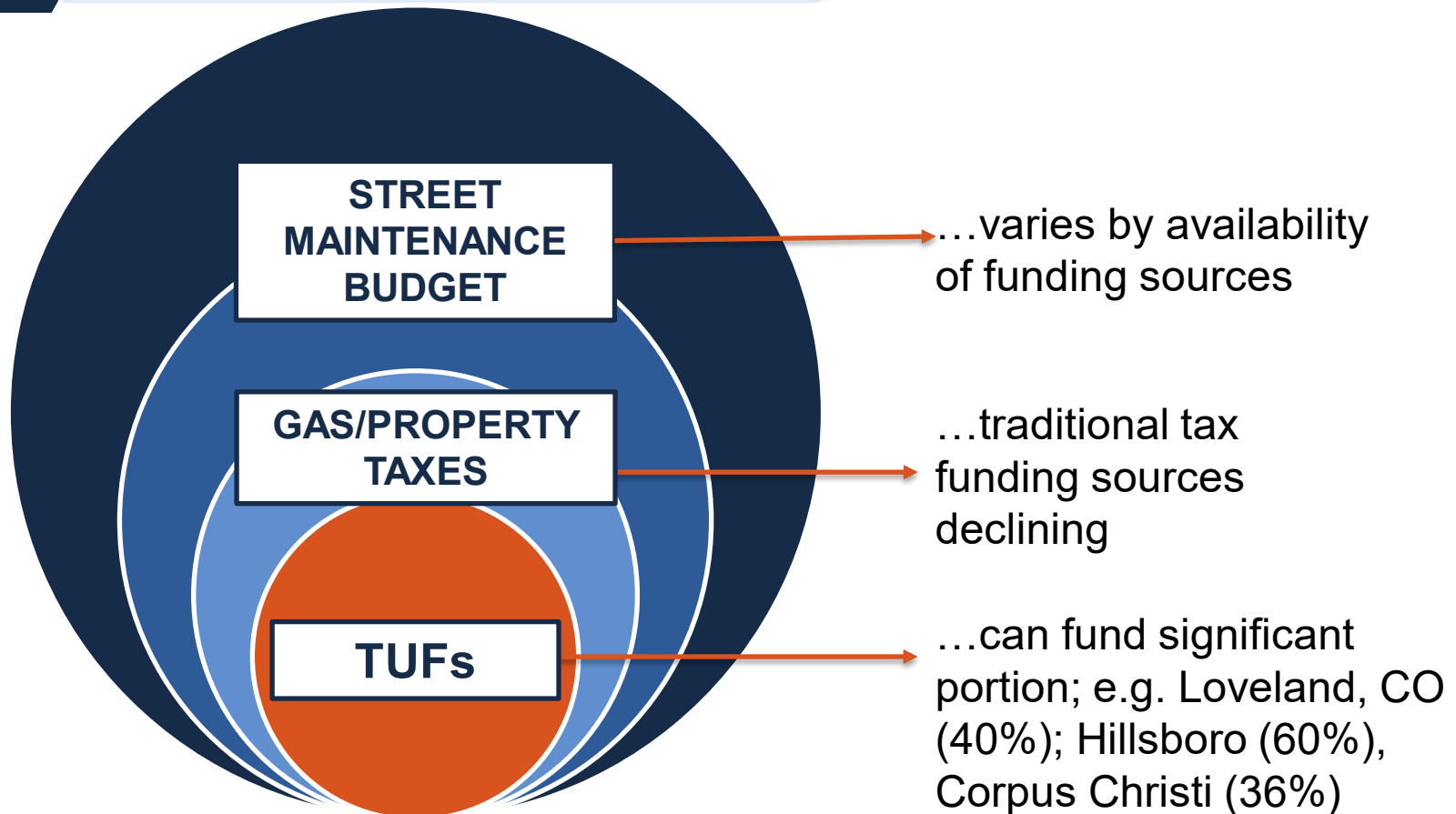
Figure: Pavement Deterioration Curve Example, Killeen, TX TUFs Presentation

Establishing a TUFs Program

2

2

DETERMINING COST & BUDGET



Establishing a TUFs Program

2

3

SETTING RATES

Study whether/how to implement TUFs



- Municipal staff
- Legislature
- Ad hoc citizens group

Ad-hoc Committee on Transportation Finance Hillsboro, OR

- Gradually eliminate maintenance backlog
- Revenue 52/48 split between that raise from residential and commercial...
- Allocating cost by residential category (by type) and commercial category (land-use)
- [...]

Establishing a TUFs Program

2

4

INFORMING THE PUBLIC



Presentations
by ad-hoc
committee
members, e.g.
Killeen, TX



Informational
materials
summarizing
TUFs program



Websites with
study reports,
e.g. Hillsboro,
OR



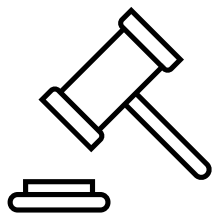
Legislative
processes,
requiring
hearings, e.g.
Loveland, CO

Establishing a TUFs Program

2

5

ADOPTING ORDINANCE & NOTIFYING PUBLIC

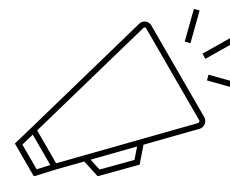


TUF Ordinance*

To incl, e.g.:

- Program purpose
- TUF uses
- Program Management
- Collection process

*can change after adoption



Explain Program to Public

e.g.:

- On utility bill
- Mail informational materials
- Establish business leader's group
- Social media
- Phone hotline

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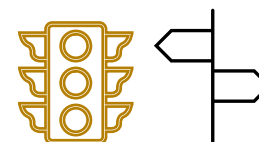
Application of TUFs

3

TUFs are primarily used for the maintenance of local transportation facilities.



Street Maintenance and
Pavement Preservation



Other Street
Infrastructure



Sidewalks and Bike
Paths



Landscaping



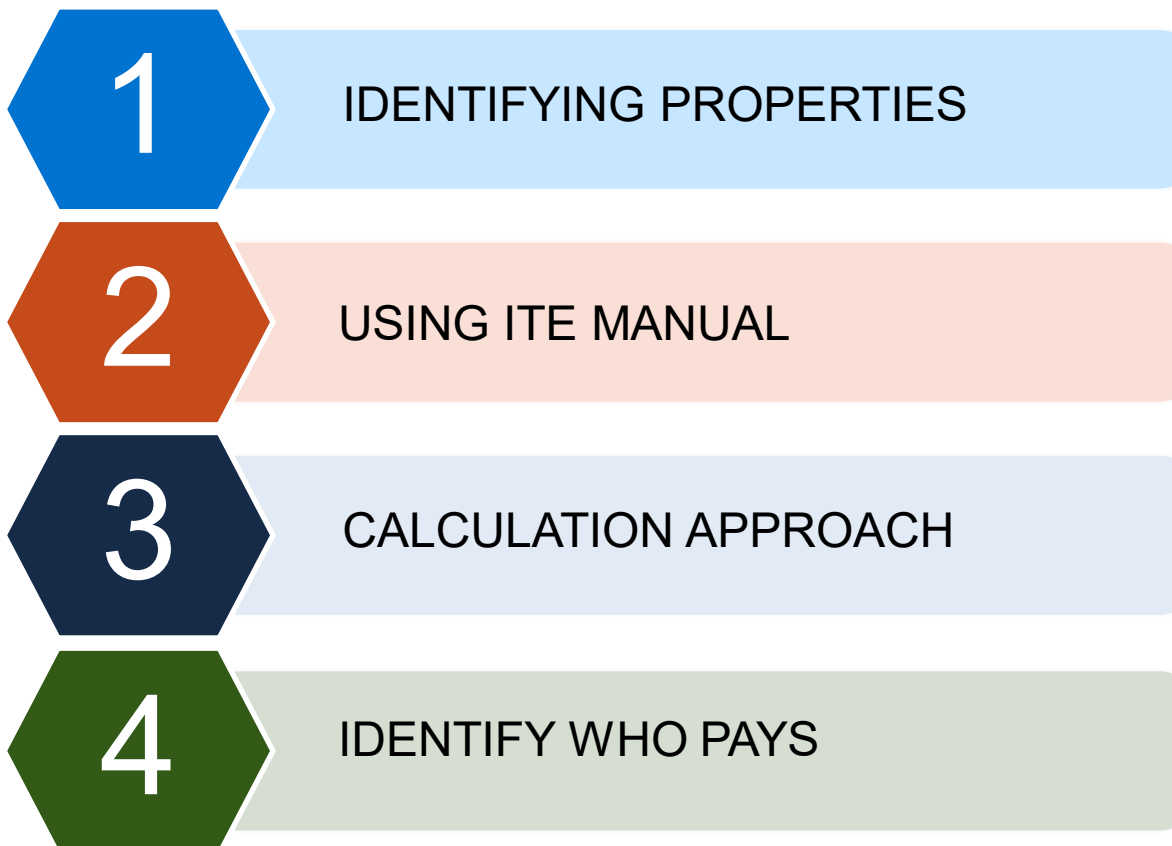
Correcting Street
Deficiency

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Calculating TUFs

4



Calculating TUFs

4

1

IDENTIFYING PROPERTIES

- ✓ Does property create transportation demand? Then pay TUF
- ✓ Categorize properties – two common categories:



Commercial



Residential

Calculating TUFs

4

2

USING ITE MANUAL

ITE
Manual to
estimate

- ✓ TUFs charge for costs imposed on road sys by property owner
- ✓ Costs can be measured by avg weekday traffic/number of trips properties generate

How to
estimate?



**ITE
Manual**

Shortcomings
of ITE Manual

**Reports
averages**

**Motor
vehicle focus**

**Suburban
Orientation**

**Time to
capture new
property use**

Calculating TUFs

4

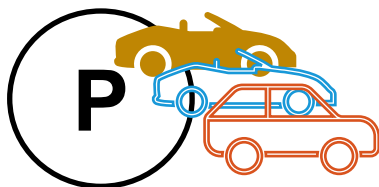
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CALCULATION APPROACH

STANDARD APPROACH $Municipal\ Properties \times trips\ per\ property = Total\ Municipal\ Trips$

$$\frac{Street\ Maintenance\ Budget\ Covered\ by\ TUF}{Total\ Municipal\ Trips} = TUF\ per\ trip$$

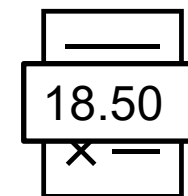
ALTERNATIVE APPROACH



Parking (Tigard)



One fee per residential unit/equivalent



Flat fee on all utility bills

Calculating TUFs

4

3

CALCULATION APPROACH

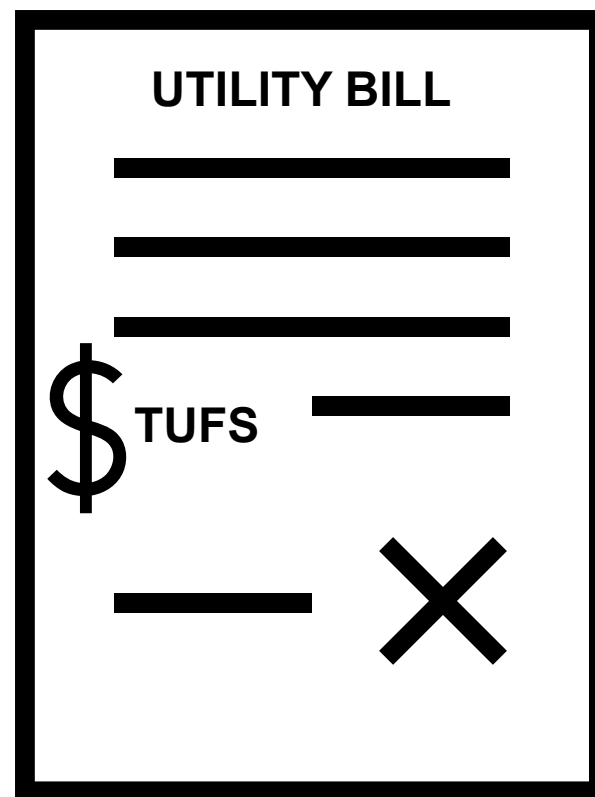
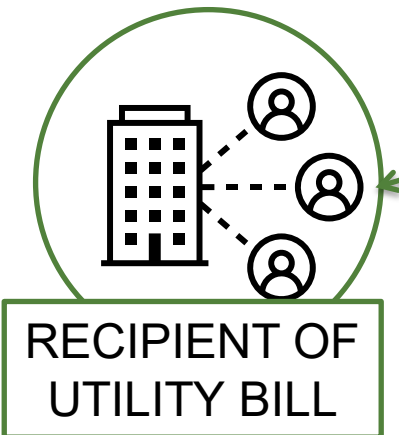
Example: Loveland, CO Street Maintenance Fee Calculations

Property Category	Daily Trips	Basis of Measurement	# of Units	Total Daily Trips	Total Annual Trips	Monthly Fee	Annual Revenue
Residential	10	per dwelling unit	20,000	200,000	73,000,000	\$1.25	\$300,675
Industrial	76	per acre	330	25,156	9,181,904	\$9.55	\$37,819
High Traffic Retail	1,634	per acre	48	78,408	28,618,920	\$204.65	\$117,876
Retail	272	per acre	300	81,675	29,811,375	\$34.11	\$122,788
Retail Misc.	174	per acre	48	8,352	3,048,480	\$21.80	\$12,556
Office/Instit.	183	per acre	830	151,850	55,425,308	\$22.92	\$228,287
Total					199,085,987		\$820,000
		Target Revenue	\$820,000				
	Cost per Daily Trip		\$0.0041	City of Loveland, "Resolution adopting a new schedule of Street Maintenance Fees pursuant to section 16.42.040 of the Loveland Municipal Code," September 18, 2001.			

Calculating TUFS

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4 IDENTIFY WHO PAYS

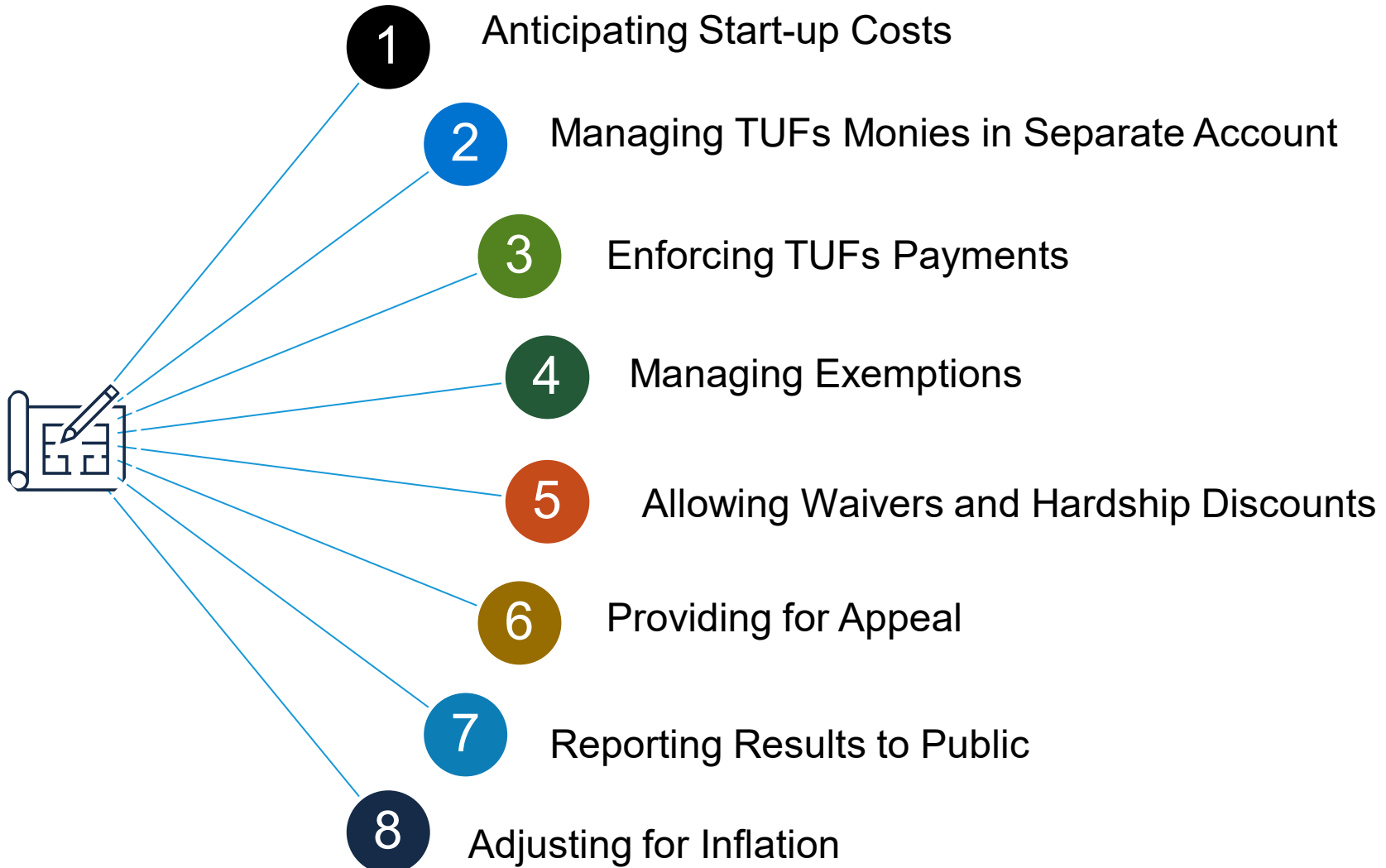


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Administering TUFs

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Administering TUFs

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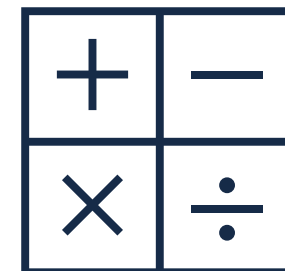
1 Anticipating Start-up Costs



Preparing/Updating studies



Surveying/classifying
properties



Setting fees



Staff time (present/implement)



Development of info materials

Administering TUFs

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2 Managing TUFs Monies in Separate Account

- Per state or local law, TUFs receipts deposited into accounts separate from general fund



General Fund



TUFs

3 Enforcing TUFs Payments

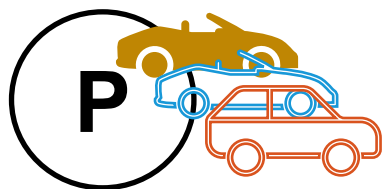
- Enforcement terms similar to other utilities
- E.g. Loveland, CO

Administering TUFs

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4 Managing Exemptions

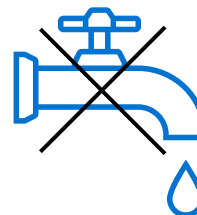
...exemptions granted are primarily for:



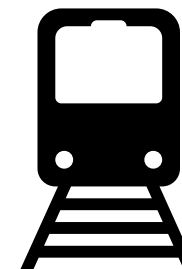
Parking (Tigard)



Farms



Properties not receiving water



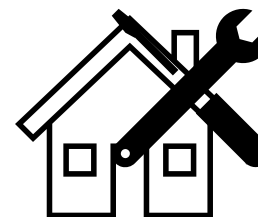
Railway RoW



Park Spaces



Public Schools



Vacant Properties

Administering TUFs

5

4 Managing Exemptions

...Examples

City	Exemptions
Lake Oswego, OR	<ul style="list-style-type: none"> • City-owned parking lots and TriMet (rail transit) parking lots • Publicly-owned parkland, open spaces, greenways • Areas encompassed by railroad ROW, except for developed RR property; • Vacant property
Hillsboro, OR	<ul style="list-style-type: none"> • City and TriMet parking lots • Developed parks assessed • Farming property • Railroad ROW

Administering TUFs

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5 Allowing Waivers and Hardship Discounts

...waivers/discounts typically granted for:



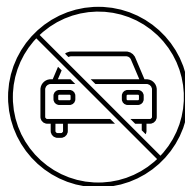
Income
below
threshold



Recently
Unemployed



Low-income
elderly



Do not own
vehicle

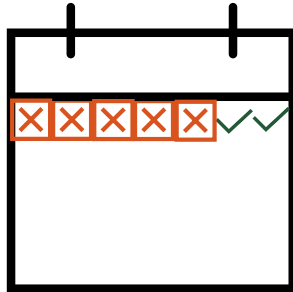
...examples from OR and TX

Municipality	Waiver or Discount
L. Oswego, OR	City Manager authorized to waive/ decrease fees based upon an unusual circumstance or event
C. Christi, TX Austin, TX	50% reduction for low-income residents Exempt if owner: does not regularly use car; if owner 65+ years
Hillsboro, OR	30% discount for users with an annual transit pass; 30% discount for users with no vehicle
Phoenix, OR	Low-income elderly persons can apply if they receive discounts for water; Exempts parties without a motor vehicle

Administering TUFs

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6 Providing for Appeal



A Lake Oswego golf course with predominantly weekend traffic was ascribed a TUF that assumed traffic on weekdays too – they appealed for a different classification.

Municipality	Appeals Process
Austin, TX	<ul style="list-style-type: none"> Owner may appeal and receive a hearing Can conduct own traffic study at owner's expense and if traffic lower than category, then fee is adjusted prospectively
Oregon City, OR	<ul style="list-style-type: none"> Appeal is possible for commercial but not residential property
Hillsboro, OR	<ul style="list-style-type: none"> Owner can appeal TUFs for among other reasons complications related to mixed use properties Appeal can be made to city council
Phoenix, OR	<ul style="list-style-type: none"> Appeal can be made for seasonable factors Non-residential property owners may request to carry out their own traffic study Non-residential property owner may petition the city council

Administering TUFs

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7 Reporting Results to Public



Annual Reports



Websites



Videos

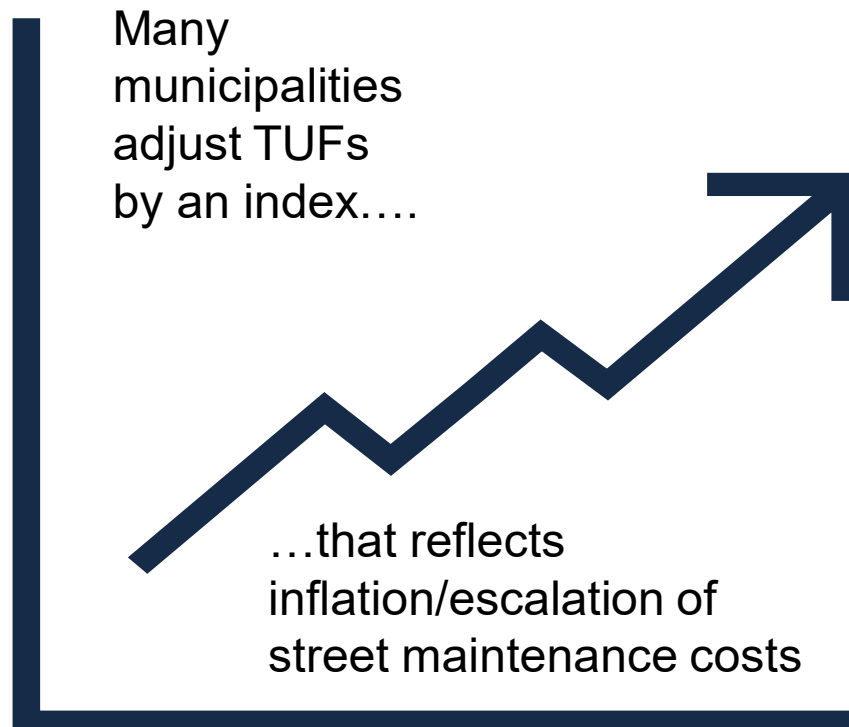


Killeen, TX produced an educational YouTube video describing need for street maintenance and funding (<https://youtu.be/yA4qH2WFpN4>)

Administering TUFs

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8 Adjusting for Inflation



For those indexing:

- use index source
- parameters for adjustment (e.g. not less than 2%, no more than 7%)

Some like Hillsboro increase based on need not index

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Legal and Regulatory Issues

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- Is there legal basis to establish TUF?
 - Is it “Home Rule” State? Meaning State has autonomy impose TUFs
 - Is it “Dillon’s Rule” State? Meaning power are limited to what is in State law.

Ensuring Appropriate
Legal Authority



- Check State Supreme Court Case Law for understanding of common challenges
- 4 State Supreme Courts have ruled on municipal TUFs programs





Considering Legal
Challenges



Legal and Regulatory Issues:

State Supreme Court TUFs Decisions

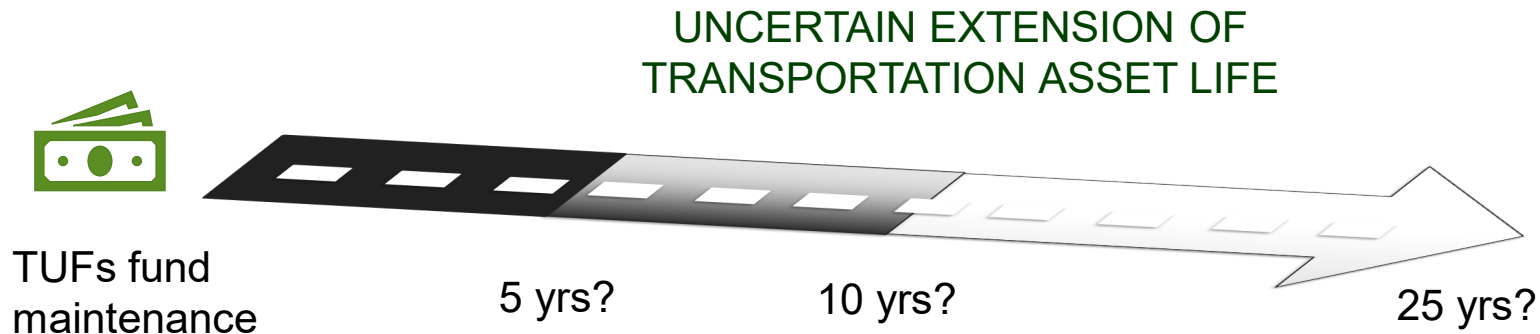
6

Case/State	Takeaway	TUF Upheld
Brewster v. City of Pocatello, 1988	<ul style="list-style-type: none"> • Court holds revenue to be collected has no relationship to regulation of travel over streets, but to generate street maintenance funds. • The fee is in reality a tax. 	
Bloom v. City of Fort Collins, CO 1989	<ul style="list-style-type: none"> • TUFs is a service fee and not a property tax. • Provision allowing “transfer” of TUFs monies to general fund may transform special fee into an “impermissible” tax. That negated Fort Collins' law, but not TUFs per se. 	
State v. City of Port Orange, 1994	<ul style="list-style-type: none"> • TUFs converts city’s roads into a toll road system with only property owners having to pay the tolls. • Court does not find statutory or constitutional authority for such tolls. 	
Covell v. City of Seattle, 1995	<ul style="list-style-type: none"> • TUFs varied by property value: \$60K single-family house paid less than a \$2.4M mansion even with same trip impact. • Court found it difficult to determine link between services rendered and TUFs intended to regulate street traffic. 	

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TUFs and Financing



- Most TUFs fund on pay-go basis
- Raising (long term) finance difficult for a TUFs program – it's hard to raise long term financing for assets with uncertain lifespans
- Short-term financing may be possible. Possible to talk to lenders, e.g. investment banks, commercial banks, TIFIA, RRIF programs

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TUFs in Use: Corpus Christi, Texas

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Street Maintenance Fee

- Est 2013, for 10 years
- Revenues funded “Street Preventative Maintenance Program”
- Targets roads in “good” or “fair” condition
- In FY19-20 Funds contributed 36% of total street maintenance budget
- Low-income waivers, appeals process

		Classification of Streets					Total	Percent of Network	Percent Condition
PCI Range	PCI Condition	Principal Arterial	Major Arterial	Minor Arterial	Collector	Local Residential			
91-100	Excellent	11.83	9.41	6.58	24.42	85.59	137.83	11.53	
81-90	Very Good	15.70	9.28	3.04	51.83	142.40	222.25	18.60	
61-80	Good	25.89	25.64	2.92	37.52	98.96	190.93	15.98	
41-60	Fair	11.30	18.70	4.65	24.30	141.81	200.76	16.80	
21-40	Poor	8.65	8.48	0.13	26.45	175.84	219.55	18.37	
0-20	Failed	1.47	0.70	0.41	25.12	195.61	223.31	18.69	
		74.84	72.21	17.73	189.64	840.21	1,194.63	100%	

TUFs in Use: Hillsboro, Oregon

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Transportation Utility Fee

- ✓ Est 2008
- ✓ Monthly user charge for residential/non-residential
- ✓ Revenues for “pavement management system” and “Bicycle and Pedestrian Capital Improvement Program”
- ✓ Since 2018 TUFs revenues between 25-27% of transportation related revenues

Pavement Improvements, Hillsboro



Source: Hillsboro-Oregon.gov TUFs website