

W. T. E.

AGENDA COVER MEMO

DATE: February 2, 2005

TO: Lane County Board of Commissioners

DEPT.: Public Works

PRESENTED BY: Oliver Snowden
Public Works Director

AGENDA ITEM TITLE: In the Matter of Revising the Oregon Transportation Investment Act III (OTIA III) Distribution Formula

I. MOTION

Move Order.

II. ISSUE OR PROBLEM

Should the County revise the base payment to be distributed to cities so that it is proportionate to the actual revenue received by the County from the Oregon Transportation Investment Act III (OTIA III)?

III. DISCUSSION

A. Background

Last year, the Board of County Commissioners agreed to distribute, for up to three years, all discretionary revenue that the County expected to receive from the OTIA III to the cities. At the time the Intergovernmental Agreements (IGAs) with the cities were executed, we expected to receive approximately \$1.4 million annually in new discretionary revenue from OTIA III. This estimate came from ODOT, and it was based on two key assumptions – a) the amount of new revenue generated by the registration and licensing fee increases imposed by the OTIA III legislation, and b) the amount of that new revenue that would be used for debt service for the \$300 million bonding program to replace local agency bridges.

The Board agreed, at its May 19, 2004 meeting, to distribute the County's OTIA III discretionary funds to cities on formula comprised of two components – a uniform base payment for each city, and a payment that reflected the population and road miles in each city. Table 1 shows the distribution proposed in May, when we anticipated that the County would receive \$1.4 million annually. This distribution was attached to the IGAs with the cities.

B. Analysis

For the first six months of 2004, the County received \$821,086 from ODOT for its share of the OTIA III revenue. The County distributed this money to the cities in August 2004 as per the IGAs. We received additional payments from ODOT for July and August of \$445,749 -- much higher than what we had anticipated when the IGAs were signed.

However, following the September payment (which we received in October) we received no more OTIA III money from ODOT for the remainder of 2004. Recently, we learned that when ODOT distributed OTIA III funds to counties and cities for the first nine months of 2004, it failed to withhold the funds needed for debt service for the bridge bonds. This resulted in a substantial overpayment to counties -- so much so that ODOT will very likely make no more OTIA III distributions to counties for the remainder of this fiscal year. That means that after we distribute the County's July through September OTIA III revenues to cities in February 2005, their next OTIA III payment from the County could very likely be in February 2006. And, based on new estimates from ODOT, that payment will likely be closer to \$500,000 for the first six months of FY05-06 than the \$700,000 that we originally expected when the IGAs were prepared.

This lowered estimate (\$1 million annually vs. the original \$1.4 million annually) introduces a complication to the County's distribution of its OTIA III funds. When the Board negotiated the allocation formula for OTIA III with the cities, we used a base payment for each city that was prorated from the County/City Road Partnership Agreement. The total base payment set aside in the Partnership agreements was 16.8 percent of the total distribution. Thus, for a \$1.4 million annual OTIA III distribution, the total set aside for base payment was \$235,200 ($\$1,400,000 \times 16.8\%$). Each city was to receive \$19,000, and that amount was shown in the attachments to the IGAs. If the annual distribution is closer to \$1 million, however, the prorated base payment for each city would be \$14,000, not \$19,000. Unfortunately, the current IGA's do not provide the flexibility to adjust the base payment administratively. Failure to change the IGA base payment to be proportionate to the Partnership agreements will skew future OTIA III payments toward small cities at the expense of large cities.

In order to preserve the original intent of the OTIA III agreement, the IGAs should be changed to stipulate that the amount set aside for the base payment is 16.8% of the total funds distributed. Table 2 illustrates distribution of the estimated \$1 million FY05-06 payment using the \$19,600 base payment. Table 3 illustrates distribution of the estimated \$1 million FY05-06 payment using the revised base payment formula.

C. Alternatives/Options

1. Amend the IGAs to stipulate that the base payment for future OTIA III distributions be 16.8% of the total distribution.
2. Amend the IGAs to stipulate that base payment for past and future OTIA III distributions be 16.8% of the total distributions.
3. Take no action; leave base payment as stipulated in existing IGAs.

D. Recommendation
Option 1.

E. Timing

Distribution of the OTIA III funds for the first six months of FY04-05 will be delayed until the Board determines how the base payment should be treated.

IV. IMPLEMENTATION/FOLLOW-UP

Staff will prepare amended IGAs and circulate them for execution. Distributions will follow execution of each agreement.

V. ATTACHMENTS

Attachment 1 – Payment Distribution Schedule from the IGAs

Attachment 2 – \$1,000,000 Payment Distribution Schedule using original base payment

Attachment 3 – \$1,000,000 Payment Distribution Schedule using revised base payment

IN THE BOARD OF COUNTY COMMISSIONERS OF LANE COUNTY, OREGON

ORDER NO.

)IN THE MATTER OF REVISING
)INTERGOVERNMENTAL AGREEMENTS
)FOR DISTRIBUTION OF DISCRETIONARY
)ROAD REVENUE FROM THE 2003
)OREGON TRANSPORTATION
)INVESTMENT ACT III TO THE COUNTY'S
)CITIES TO REFLECT A REVISED BASE
)PAYMENT AND AUTHORIZING THE
)COUNTY ADMINISTRATOR TO EXECUTE
)THE AGREEMENTS

WHEREAS, 2003 Oregon Transportation Investment Act III (OTIA III) created additional discretionary funding for county and city roads; and

WHEREAS, Lane County expects to receive approximately \$446,000 in OTIA III discretionary funding in FY04-05, and approximately \$1,00,000 in FY05-06; and

WHEREAS, Lane County has received and distributed \$821,086 in OTIA III funds in FY03-04; and

WHEREAS, the OTIA III discretionary funding is new money, not yet programmed by the Board of County Commissioners, the Board determined through Board Order 04-5-19-5 that it would distribute the County's actual discretionary OTIA III revenue to its cities for up to three years; and

WHEREAS, the OTIA III distribution formula included a uniform base payment to each city that was prorated from the County/City Road Partnership agreements; and

WHEREAS, the total funding set aside for the base payments was 16.8% of the expected total of the OTIA III revenues: and

WHEREAS, the executed Intergovernmental Agreements included a distribution schedule that assumed an annual revenue of \$1,400,000; and,


WHEREAS, the actual revenue and revised revenue forecasts of OTIA III funding is substantially lower than the earlier forecast included in the Intergovernmental Agreements; and,

WHEREAS, the Intergovernmental Agreements do not allow the base payments to be adjusted administratively; NOW THEREFORE, BE IT

ORDERED that the County Administrator pursue amendment of the Intergovernmental Agreements to reflect that the total funding to be set aside for the base payment be 16.8% of the total to be transferred to the cities for FY 04/05 and FY 05/06 payments, and that the distribution schedules be replaced with revised schedules based on the new base payments and new revenue estimates from ODOT.

DATED this _____ day of _____, 2005.

Anna Morrison
Chair, Lane County Board of Commissioners

APPROVED AS TO FORM
Date 1-24-05 lane county


OFFICE OF LEGAL COUNSEL

Attachment 1
Original Proposal -- \$1,400,000 Annual OTIA III Distribution

City	OTIA III Pass-through			Percent of Total
	Base Payment	Av. Payment By Miles/Pop	Total OTIA III Payment	
Coburg	\$19,600	\$10,024.91	\$29,624.91	2.1%
Cottage Grove	\$19,600	\$48,748.28	\$68,348.28	4.9%
Creswell	\$19,600	\$20,405.30	\$40,005.30	2.9%
Dunes City	\$19,600	\$11,798.95	\$31,398.95	2.2%
Eugene	\$19,600	\$686,825.68	\$706,425.68	50.5%
Florence	\$19,600	\$43,017.54	\$62,617.54	4.5%
Junction City	\$19,600	\$26,111.28	\$45,711.28	3.3%
Lowell	\$19,600	\$5,224.83	\$24,824.83	1.8%
Oakridge	\$19,600	\$20,538.22	\$40,138.22	2.9%
Springfield	\$19,600	\$268,500.30	\$288,100.30	20.6%
Veneta	\$19,600	\$22,822.02	\$42,422.02	3.0%
Westfir	\$19,600	\$782.70	\$20,382.70	1.5%
TOTAL	\$235,200	\$1,164,800.00	\$1,400,000.00	100.0%

Attachment 2
Revised \$1,000,000 FY 05-06 OTIA III Distribution
\$19,600 Base Payment

City	OTIA III Pass-through			Percent of Total
	Base Payment	Av. Payment By Miles/Pop	Total OTIA III Payment	
Coburg	\$19,600	\$6,582.29	\$26,182.29	2.6%
Cottage Grove	\$19,600	\$32,007.80	\$51,607.80	5.2%
Creswell	\$19,600	\$13,397.98	\$32,997.98	3.3%
Dunes City	\$19,600	\$7,747.11	\$27,347.11	2.7%
Eugene	\$19,600	\$450,965.21	\$470,565.21	47.1%
Florence	\$19,600	\$28,245.03	\$47,845.03	4.8%
Junction City	\$19,600	\$17,144.49	\$36,744.49	3.7%
Lowell	\$19,600	\$3,430.59	\$23,030.59	2.3%
Oakridge	\$19,600	\$13,485.26	\$33,085.26	3.3%
Springfield	\$19,600	\$176,295.53	\$195,895.53	19.6%
Veneta	\$19,600	\$14,984.79	\$34,584.79	3.5%
Westfir	\$19,600	\$513.91	\$20,113.91	2.0%
TOTAL	\$235,200	\$764,800.00	\$1,000,000.00	100.0%

Attachment 3
Revised \$1,000,000 FY 05-06 OTIA III Distribution
Adjusted Base Payment

City	OTIA III Pass-through			Percent of Total
	Base Payment	Av. Payment By Miles/Pop	Total OTIA III Payment	
Coburg	\$14,000	\$7,160.65	\$21,160.65	2.1%
Cottage Grove	\$14,000	\$34,820.20	\$48,820.20	4.9%
Creswell	\$14,000	\$14,575.21	\$28,575.21	2.9%
Dunes City	\$14,000	\$8,427.82	\$22,427.82	2.2%
Eugene	\$14,000	\$490,589.77	\$504,589.77	50.5%
Florence	\$14,000	\$30,726.81	\$44,726.81	4.5%
Junction City	\$14,000	\$18,650.91	\$32,650.91	3.3%
Lowell	\$14,000	\$3,732.02	\$17,732.02	1.8%
Oakridge	\$14,000	\$14,670.16	\$28,670.16	2.9%
Springfield	\$14,000	\$191,785.93	\$205,785.93	20.6%
Veneta	\$14,000	\$16,301.44	\$30,301.44	3.0%
Westfir	\$14,000	\$559.07	\$14,559.07	1.5%
TOTAL	\$168,000	\$832,000.00	\$1,000,000.00	100.0%