

# ***RVACT*** *Rogue Valley Area Commission on Transportation*

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**To:** Members, Rogue Valley Area Commission on Transportation

**From:** Pat Foley, RVCOG

**Re:** Summary of December 11, 2007, RVACT Meeting, Grants Pass City Council Chambers

**Date:** December 11, 2007

**Members and Alternates in Attendance:** Arthur Anderson and Paul Mather, ODOT; John Morrison, Ashland; Dale Petrasek, Jackson County; Rob Brandes, Josephine County; Carlos DeBritto and Bob Lewis, Phoenix; Skip Knight, Medford; Tim Cummings, Grants Pass; Paul Wyntergreen, Jacksonville; Russell Groves, Eagle Point; Mark Reagles, Rogue River; Mike Quilty, MPO Policy; Ernie Garb and Tim D'Alessandro, RVTD; Alan DeBoer, Reeve Hennion, Stacy Kellenbeck, John Watt, James Lowe, Earl Wood, Craig Stone and Mike Montero private sector representatives from Jackson and Josephine Counties

**Members Absent:** Butte Falls, Cave Junction, Central Point, Gold Hill, Talent, Shady Cove and private sector representatives Richard Smith and Jeff Hunter

**Staff:** Gary Leaming, ODOT; Pat Foley, RVCOG

**Other:** Mike Baker, Jerry Marmon, Dick Leever, Jane Randleman, ODOT; Al Densmore, Medford; Bruce Sophie, Phoenix; Russell Cushman, Rogue River and several members of the public

## **1. Self Introductions and Roll Call**

Mike Montero

Chair Mike Montero asked all participants to introduce themselves. Roll was taken. A quorum was present.

## **2. Approval of Minutes**

Mike Montero

Mike Montero asked if there were any changes to the September 11, 2007 RVACT minutes. Correction: Change Molar to Moeller. The minutes were approved with change.

## **3. Public Input**

Mike Montero

There were no public comments.

#### **4. OTC Letter Updates**

Mike Montero

*Handouts: 1. November 28, 2007 OTC Response Letter regarding OR 140 and Coos Bay Channel projects: 2. October 8, 2007 letter addressed to the OTC asking for guidance regarding transportation funding*

The RVACT sent out letters of support to the Oregon Transportation Commission (OTC) for the OR 140 Corridor and Coos Bay Channel projects. The RVACT received a letter from the OTC thanking the RVACT for looking beyond its own borders, especially for freight related projects, and for the time taken to communicate with the OTC.

The last RVACT meeting included a conversation on fuel taxes. There was a broad discussion on what the RVACT's role is in regard to advocacy for the fuel tax. A letter was sent to the OTC asking for guidance on RVACT's role. The RVACT did not receive a letter of response. Phone calls were received from Matthew Garrett and Stuart Foster. Stuart Foster said that it is a delicate proposition for the State to direct local governments to do or not to do something. The OTC understands the circumstances that our Region is in. If local governments elect to go forward with an independent fuel tax initiative he understands that. Whether that hurts the State's chances of getting a broader statewide fuel tax approved is a decision that every jurisdiction is going to have to make.

#### **5. Letter of Concern, Senate Bill 994**

Mike Montero

*Handout: Draft Letter of Concern – revised*

At the last RVACT meeting, membership asked that the letter of concern regarding SB 994 be revised. Mike Montero reviewed SB 994. The Legislature, in an attempt to provide a remedy for local governments, directed the OTC to reallocate funds from ODOT to the timber-dependent counties. What was not fully understood by the Legislature is that these funds were ODOT's contingency fund. Since the letter was first drafted several things have happened. The Governor and some Legislators seem to be supporting some kind of transportation initiative. Mike asked for comments and for a decision on whether to send the revised letter to the OTC.

#### Comments:

Rob Brandes: He is concerned that this may not be the appropriate body for this letter to be coming from because this body represents several different agencies. This letter feels like we are going along way for ODOT and is in support of the O & C payments not going to RVACT. He understands the problems that this creates for ODOT. But, the counties can make the argument that they have done a lot of planning/prep work on their projects.

Mike Quilty: Speaking as chairman of the MPO he said most of these are not MPO projects. These are projects that different communities that are part of the RVACT that have spent a long time trying to fund. They have waited their turn. He thinks we need to tell the state that there has been a mistake made. Communities that have played by the rules deserve a chance at the funding that they have been promised.

Alan DeBoer: All of the legislators that he has met with have admitted to the mistake. They did not realize the impact. I like the idea of sending the letter.

Carlos DeBritto: He agrees with sending the letter.

John Watt: He said the information that has come his way is that legislators will be addressing this allocation in the February short session.

Mike Montero: There is another consequence to this that is not well understood unless you are in the business of land use planning. In order to secure a land use decision you have to meet the Transportation Planning Rule (TPR) requirements which state that you have sufficient capacity to support a land use decision, either at the time you open it or if there is a project that is in the adopted plan and it is fiscally constrained. SB 994 may have a catastrophic effect on communities economically if a major project is deleted because of funding.

John Morrison: He supports sending the letter. SB 994 negates much of the planning that has been done in the area.

Craig Stone: If this produces the unintended consequences that we believe it does, why are we addressing this letter to the OTC? Why aren't we communicating with the Legislature? Mike Montero replied that the RVACT's charter says that we will provide our input to the OTC.

Skip Knight: He feels that it is appropriate to send the letter.

A motion to send the letter was made. The motion was passed with one abstention.

## **6. Gas Tax Discussion**

John Baker

*Handouts: 1. Sources and Uses of Fund.; 2. Distribution for Fiscal Year 2007-2008; 3. City and County Apportionments from State Highway Fund*

Art Anderson introduced John Baker. John is an ODOT Transportation Economist who works in the Director's Office in the government relations sector. John could not be at the meeting today in person and will participate through telephone.

John Baker started his presentation by saying the major source of state funding comes from the state's 24 cents a gallon tax on gasoline and diesel and collecting weight mile fees. Oregon was the first state in the nation to adopt the gas tax in 1919. At that time the state's one cent per gallon tax generated \$342,000 which was dedicated for building and maintaining roads. Between 1919 and 1991 the gas tax was raised a number of times. The tax was last raised in 1993 to the present 24 cents.

Federal funds (\$852M over the biennium) come from four major sources. The principal source of federal funds is the 18.4 cents per gallon tax on gasoline and diesel. This tax accounts for about 86% of available federal funding. Federal transportation funds are deposited in the Federal Highway Trust Fund which is composed of two major accounts; 1. Highway account receives 15.44 cents of federal gas taxes and 2. A transit account receives 2.86 cents. This accounts for about 86% of available federal funding. The uses and distribution of state funds is established by Oregon statutes and state legislation.

State transportation funds are deposited into a State Highway Fund. Oregon's constitution states that these funds are restricted to building and maintaining roads. The base distribution of revenue from the State Highway Fund is set by statutes. The current percentages are 60.05% for the state highway program, 24.38% for the county road program and 15.57% for the city road program. The distribution of the State Highway Fund dates from 1985. It consolidates several

different allocation formulas into one. Since 1991 the Oregon Legislature has adopted a number of variations on this distribution. By law distributions are to be prepared on a monthly basis. Those funds are to be made available to counties and cities. For the 2007 to 2009 biennium counties can expect to receive \$351M and cities \$247M. The Oregon statutes require that county distributions are to be determined by vehicle registrations and city distributions are based on population estimates. Distribution of federal funds is established by Federal Surface Transportation Reauthorization Bills, appropriation bills and other legislation adopted by Congress. The last reauthorization bill is entitled Safe Accountable Flexible Efficient Transportation Equity Act a Legacy for Users (SAFETELU). This reauthorization was adopted in 2005 and covers fiscal years 2005 to 2009. Federal highway funds are distributed to states by two methods; 1. Apportionments are determined by statutory formulas, and 2. Allocations are distributed to states via any other method. Over the course of SAFETEA-LU Oregon is expected to receive an average of \$443M each year in highway funds. Federal law requires that states receive a minimum level of annual funding. Of this amount approximately one in every four dollars will go to cities and counties. This results from the fact that of one of the categories in SAFETEA-LU is called high priority projects. These are projects that are identified for funding and Oregon receives \$61M a year under this program. Of that amount half goes to projects that have been proposed by cities and counties. \$15M a year goes for congestion mitigation air quality improvement projects and of that \$1.8M will go to Medford and \$.5M will go to Grants Pass each year. \$3M per year goes to Metropolitan areas for planning. Provisions of the federal legislation require that some funds be set aside each year for transportation enhancements. \$12M to \$20M per year are to be made available to cities and counties for the repair and reconstruction of off-system bridges. \$1.5M is made available for high risk rural roads. \$2M is made available for Safe Routes to Schools. \$43M is made available from the STP program. \$25M is made available to areas with a population of 200,000 and above. \$11M to counties and \$7.5M to cities, is made available based on a working agreement developed for the distribution of STP program funds. The problem is that these amounts have not kept up with inflation and definitely have not kept up with growth and construction costs. The net result is that we find ourselves in a situation where we have more needs than there are revenues. In 1993 cities received \$203M from the state highway fund. In 2007 they received \$290M. If you take the 1993 funding amount and express it in 2007 dollars you will find that the amount of money that the 1993 apportionment represents is \$294M. We receive more now but it is actually less than the value of the money received in 1993.

A number of communities have adopted local gas taxes. The first area to adopt a local gas tax was Multnomah County in 1976. This year there have been six communities that have adopted local taxes. There were three communities that were considering gas taxes but referred those gas taxes either by a decision of the city council or by a petition of the electorate that were referred to the voters in the last election. In each case the vote was defeated.

#### Questions/Comments:

Mike Quilty: At a national level we have been told that in 2009 the National Highway Trust Fund will take in less than it is scheduled to pay out. Response: The estimate is that in 2009 the level of the Federal Trust Fund will be \$4M to \$5M short. This is a symptom of the fact that since about 1993 the payouts from the Federal Highway Trust Fund have exceeded the amounts that are deposited on a regular basis. Until about 1991 the Highway Trust Fund had been used as a bank to help improve the overall funding situation in the federal government. The Trust Fund had built up and was carrying a balance. There was a time period in the early 90s when the interest going to the Trust Fund was \$1.5B per year. But since 1991 there has been a conscious

effort by Congress to drawdown the balance in the Trust Fund and to make available to states the maximum amount of federal funds available for transportation purposes. Because of increased fuel costs and reduced riding the amounts that are being deposited into the Trust Fund are not attaining the levels that were estimated. Federal statutes that are currently enacted prohibit the Trust Fund from paying out more than is available.

James Lowe: In Grants Pass we have transportation SDCs. Is there a list reflecting what other cities/counties have for SDC funds? John is not aware of a central repository for this information. He suggested checking with the League of Oregon Cities or the Association of Counties.

Art Anderson: It appears that a 10 cent increase in gasoline tax is needed. Is there any momentum shaping around this that you see from your side. John said governor has announced that transportation funding is one of his priorities. There are groups being put together that are specifically charged with coming up with a recommendation that will be presented to the legislature. One of the most frequently identified solutions is need for an adjustment in the gas tax. Oregon has a long history of making adjustments during difficult periods. Oregon made a series of increases during the 1980s.

## **7. Break**

## **8. Modernization Project Cuts**

Paul Mather

*Handout: ODOT Program Allotment Adjustment*

We are faced with a \$168M shortfall in the ODOT budget. There are several reasons for the shortfall.

- As a result of high fuel prices, people are driving less than expected, and state revenues from fuel taxes are lower than projected.
- Legislative adjustments (primarily for increased personnel costs) raised projected expenditures.
- The 2007 Legislature passed legislation that will redistribute \$56.25M from the state highway fund to counties in 2008. Another potential shortfall that is coming that is not included in the \$168M. The Federal Trust Fund will go negative in 2009. If Congress does not do anything in 2009 we could be looking at another shortfall near \$150M. Also, the OTC has chosen that any cash balance in the state highway fund down to zero.
- The remodel of the ODOT headquarters building – the last building on the Capitol Mall that has not been reconstructed to address safety and seismic problems – is projected to cost more than originally allocated.

Four assignments ahead for the RVACT:

- The RVACT's share of the \$70M is \$6.5M. The assignment is to go through the 2008-2011 STIP and find \$6.5M to cut out of the program.
- Simultaneously, build the 2010-2013 STIP. We are looking at adding \$3.6M.
- Get ready for the 2009 Session. Being prepared for a funding package, because we want to be prepared to talk to Legislators about what our priorities are in the Rogue Valley. Looking at the size of potential packages that people are discussing, a target that has been given to us is about \$25M per STIP cycle. If we look at two STIP cycles that is about \$50M worth of projects for both modernization and operations.

- Getting ready for the 2009 Session, we need to identify projects that are extremely large (in excess of \$100M).

Questions/Comments:

Mike Quilty: He is concerned about assignment four. There was a request for the MPO to check our conformity model to see what would happen if we were to move Highway 62 from the fiscally constrained projects. We ended up removing it from the fiscally constrained projects. Response: Highway 62 project is still there. There is about \$70M in right-of-way. Mike Montero added Hwy 62 is not being removed from the RTP. We are saying it is not fully constrained in terms of construction. It is constrained in terms of location and right-of-way purposes.

John Watt: When he worked in Salem one of the things that we heard for the 2009 session is that in order to get support for an increase in funding the legislators are going to have to know what the likelihood is for expenditures of dollars for highway projects in their regions. This is what makes this list so crucial.

Mike Montero: Three meetings ago this commission sent a letter to the OTC stating our desire to ensure that any earmarks be vetted through the ACTs to ensure coordination. Do you think that the remainder numbers of the commission will be acceptive of this? Response: The feeling is that they will be.

Craig Stone said that he knows that certain transportation funding positions are positive for the state because they result in large amounts of revenues, more than the state puts in. Do you think that is going to play a greater role in selecting transportation projects? Response: One of the selling points for the department is not to pick projects, let the area commissions do it.

**9. 2010-2013 Modernization Project**

Mike Baker

*Handout: Spreadsheet Local Modernization Projects*

Referring to the spreadsheet which lists modernization projects for the 2008-2011 timeframe that are currently in the approved STIP, Mike said the assignment for the RVACT next month is to reduce \$6.5M worth of projects from the area's Modernization program.

Project Name	OTIA III	Earmarks	STIP Mod	Local Match	Other State	Comments
FVI Available \$39,700,000 Cost Estimate \$55,000,000	\$17,000,000	\$7,400,000	\$7,470,000	\$6,800,000		EA in final stages. \$7.4M earmark. Local matches: \$1M MPO, \$3.3M City, \$2.5M County
Exits 14 & 19 Available \$18,800,000 Cost Estimate \$18,800,000	\$15,800,000		\$3,000,000			Opportunity to maximize OTIA \$s would be lost.
Grants Pass South Y EA Available \$700,000 Cost Estimate \$2,500,000			\$600,000	\$100,000		Likelihood of starting in 2008 low.
Hwy 140 Freight Extension Available \$3,500,000 Cost Estimate \$3,500,000	\$1,491,000		\$2,009,000			Opportunity for OTIA III Freight funds loss. Freight funds cannot be reallocated.
US 199 Unit 1 Available \$13,452,000 Cost Estimate \$21,500,000	\$5,710,000	\$3,268,000	\$3,115,000	\$600,000	\$759,000	Most logical stopping point would be to finish the EA.
US 199 Unit 2 Available \$4,500,000 Cost Estimate \$10,500,000			\$4,500,000			Includes work east of Midway to Tussey.
OR 62: Owens Dr. & Coker Butte Available \$13,231,000 Cost Estimate \$13,231,000	\$3,491,000		\$5,900,000	\$3,840,000		City of Medford hard match \$2M. Business & Developers soft match \$2M.

The column we are concerned with is the STIP MOD. The dollars listed in that column are the dollars that we have to take the \$6.5M from. There are some additional columns that we included because it is not just simply a matter of saying of lets take it from this project. Different types of money have different requirements, or strings that are attached to them. There are certain ramifications for removing funds that restrict our ability to use other funds. A couple of legislative sessions ago the OTIA III bonding package was passed. This is part of the \$500M

Modernization dollars that was created by bonding part of our Modernization program. Those dollars that are in shown in the OTIA III column. We have also received some earmarks from congress. Those are shown in earmark column. Each project was reviewed.

Questions/Comments:

John Morrison: Some of these projects have the same amounts listed for available funds and cost estimate and other projects have great discrepancies, what accounts for that? Response: Some projects are fully funded. Some projects were funded when we entered into the EA or EIS phase. When going through these processes the costs increased or changed over time as more information became available.

Skip Knight: Are we in a position to move any of these funds around? Response: The OTIA III Region Equity funds can be moved around to other projects that are on the OTIA Region Equity list. There are only a few of those in the Region. Skip: If we cancel any of these projects is there a possibility that we take those funds and put them in a different project as long as they weren't earmarked. Response: Yes. Skip: Highway 62 is looming over the top of this whole thing. We are talking around \$100M to \$300M. This sets the Highway 62 project back many years. He feels that we should consider moving funds from some projects to take care of regionally significant projects. Response: It was suggested that projects be looked at case by case. Each of these projects have different funding. Some of the local funds, bridge funds and earmarks are not going to move. As a general rule the only funds you can move are STIP funds.

In addition to reducing our program by \$6.5M we are also updating the STIP adding the years 2012 and 2013. Typically in the past we have had an allocation of approximately \$9M over a two year period from which to select projects. When OTIA III legislation was passed part of the modernization program was bonded and we saw a significant reduction. The OTC made a decision to increase it back to the regular levels. We got that money back during the last STIP cycle. This STIP cycle we are back down to the minimum level. We are now at \$3.6M for a two year cycle for the two counties. Modernization Project Applications were sent to each jurisdiction. Those applications are due at the end of this week. We working through that process in our January, March and May meetings, dependent on the number of applications received. Tentatively we are looking at seeing some presentations on what some of the modernization projects are have been submitted.

**10. Transportation Enhancement Criteria & Procedures**

Pat Rogers Fisher

*Handouts: TE Notice and 07 TE Proposals*

Pat Fisher gave her presentation via telephone. She said that the announcement has gone out for the next call for projects in the Transportation Enhancement Program. The application period opens December 3<sup>rd</sup> with the materials posted on ODOT website. In the past local cycles we have two stage application process. First there is a notice of intent which is due on February 1, 2008 and the full application is due May 2, 2008. We have about \$13M to award in the statewide competition. That amounts to 15 to 20 projects. It is the same twelve types of project that are eligible to compete. There will be a similar process as there has been the last couple of times with a technical review and a comment period. About 30 projects will advance as finalists to be scored and selected by the TE Advisory Committee. ACTs and MPOs will be given the opportunity to send in their rankings/priorities or comments on the relative importance of projects.

Pat will be conducting applicant workshops statewide. If the workshop is held in January that will be the pre application timeframe.

We also recently adopted a policy update. It is not on the website yet but it will be there probably next month. The significant changes are in the focus areas that the OTC adopted in November. We restored the original intent of the TE program where all twelve types of projects compete equally. We do give preference based on the economically distressed areas as we did at one time. The new policy has something called “reasonable progress requirements”. This will affect agencies that are late or inactive with their projects. It puts restrictions on them for not being able to apply in the next round if they have a late or inactive project or ultimately having some of their funds withdrawn.

Art Anderson told Pat that we plan on having her at the January 8<sup>th</sup> for the workshop. Pat said she is available.

## **11. Local Construction Projects**

Gary Leaming

South Medford Interchange: This is the biggest construction project in the area at this time. The next phase of construction will happen between Christmas and New Years. Beams will be set on the southbound bridge over Bear Creek and the southbound onramp.

Upton Road Project: This project is for the demolition of Upton Road which was done in October. This was a two night event. The traffic was rerouted onto Highway 99 between Exits 35 and 30. Oregon Bridge Delivery Partners and Shasta Construction are planning on having this bridge open by the end of May. Gary explained the different construction phases. Amenities include two 12 foot travel lanes, 6 foot bike lanes and sidewalks.

Josephine County, Illinois Valley Bridges: The four bridges are finished.

Laurel/Hwy 199 project: There is a new bridge over George Creek. We leveraged about \$2.5 with private industry to have a center turn lane installed. This project will be finished next year.

Highway 199/Working Group Alternative: After the public comment period on the supplemental EA the teams voted to include the Working Group Alternative, along with Alternatives A and C, for further study. There is an open house scheduled on December 19<sup>th</sup>, 5 to 7 p.m., at the Rogue Community College Student Center.

Fern Valley Interchange Project: The draft EA is scheduled to come out in March 2008. There will be a 30 day public comment period.

Highway 62 Corridor Project: The draft EIS is scheduled to come out in March 2008. There will be a 45 day public comment period.

## **12. Miscellaneous Transportation Updates**

Art Anderson

*Handouts: Tolling Letter, OTIA III State Bridge Delivery Program, OTIA III Cost Escalation, Memorandum ConnectOregon II Intent to Apply Forms*

Art briefly reviewed the following:

Tolling Letter:

This letter refers to a tolling report that was recently completed. The complete report is 127 pages long. If parties are interested in receiving the report they can contact Art.

Highlights of OTIA Bridge Delivery Program:

- As of September more than \$100M in bridge program spending has gone to Oregon firms and contractors.
- Between 2007 and 2010, the bridge program is expected to sustain an average of more than 3,700 jobs per year. Overall, the 10-year bridge program will sustain an annual average of approximately 2,500 jobs.
- Stage 1, which was completed in October 2006, included repairs to bridges along the U.S. 97 and U.S. 26 corridor from Klamath Falls to Portland, and on U.S. 20 from Bend to Ontario.
- Stage 3 includes bridges on southern I-5, from Eugene to the California border.

Highlights of OTIA Cost Escalation:

- Since 2004 the construction cost index rate has grown more than fivefold to 13.1%
- The cost of highway construction materials in Oregon is 8.2% from one year ago.
- Nationwide, asphalt prices were up 27.7% in 2006.
- At least 27 other states are also experiencing annual construction cost escalations of more than 10%.

Question: To what extent does aggregate drive these costs? Art said that the biggest costs are the fuel costs associated with the oil that is used to produce asphalt.

- ODOT is working to increase efficiency and mitigate the effects of inflation by extending the bridge delivery program from eight to 10 years to alleviate some of the pressure on labor costs.

ConnectOregon II:

- There were six Intent to Apply forms submitted in Region 3
- There were four submittals
- One is from the Rogue Valley area. It is associated with the airport.

Ernie Garb: Regarding *ConnectOregon I*. The rail road was the recipient of a grant of about \$7.5M to build a facility in Roseburg. They have made an announcement that they are considering cutting services. Art said that their grant has been put on indefinite hold.

**13. Oregon Transportation Commission/Legislative Updates**

Paul Mather

There has been a change in membership of the OTC. Stuart Foster, Chairman, and Randy Pape have left the OTC. This leaves the OTC with three members. They are going through the process to select two new members. The Legislature will make the final decision in February. Gail Achterman has been appointed as the new OTC Chairperson.

**14. Agenda Build/Next Meeting**

Art Anderson

Because the next Region Problem Solving Meeting on January 8<sup>th</sup>, an attempt will be made to reschedule the time (probably in the afternoon) of the next RVACT meeting. The Regional Problem Solving process is going to have far reaching affects on how we proceed on projects. The next RVACT meeting will be held in White City.

The next RVACT meeting will primarily focus on the recommended MOD Project cuts.

Mike Baker asked the RVACT if it would be helpful if the staff came to the next meeting with proposals (different options) for Modernization cuts in order to start conversations. The group thought that was a good idea.

Stacy Kellenbeck asked that when major decisions are made that there be a roll call vote.