



Street Maintenance Funding

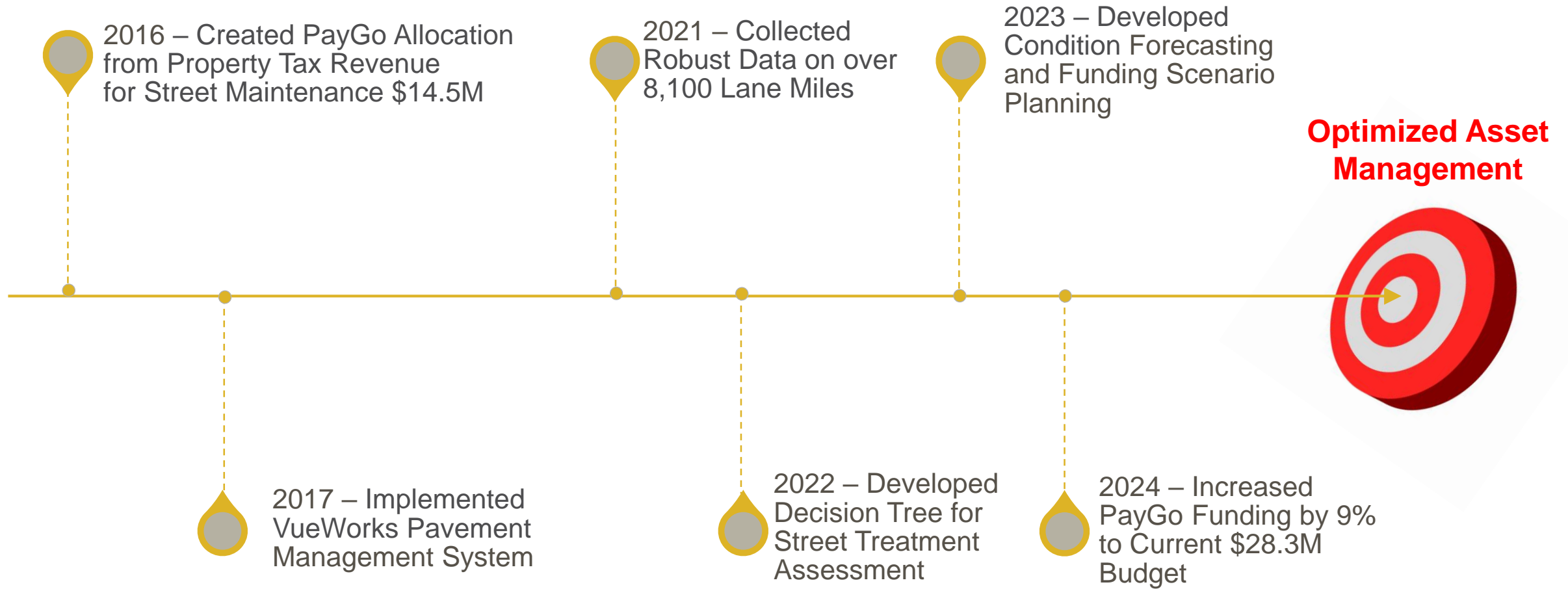
Council Work Session March 5, 2024



Outline

- Current Challenges
- Funding Options and Research
- Recommended Solution
- Process and Next Steps

Current Funding Progress



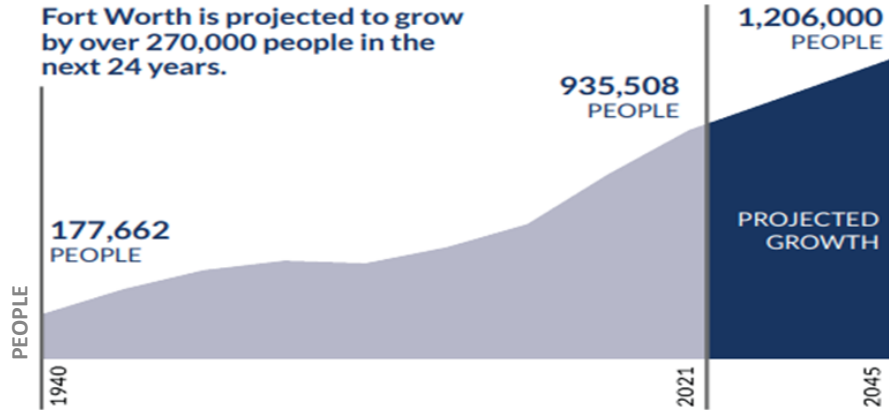
Current Funding Challenges

- The Target is Moving With Growth and Price Increases

FORT WORTH POPULATION, 1940 – 2045

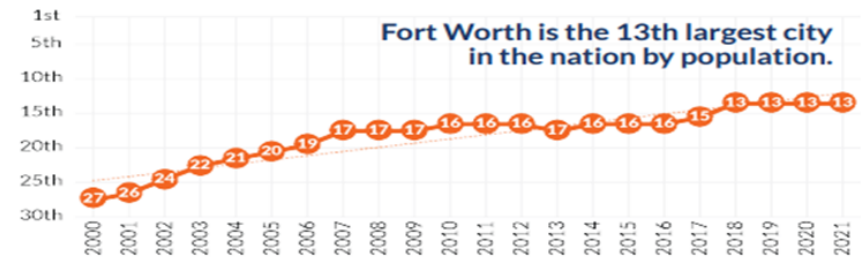
Fort Worth has a larger population than cities including Columbus, Charlotte, Indianapolis, San Francisco, Seattle, Denver, Washington D.C., and Nashville.

Fort Worth is projected to grow by over 270,000 people in the next 24 years.

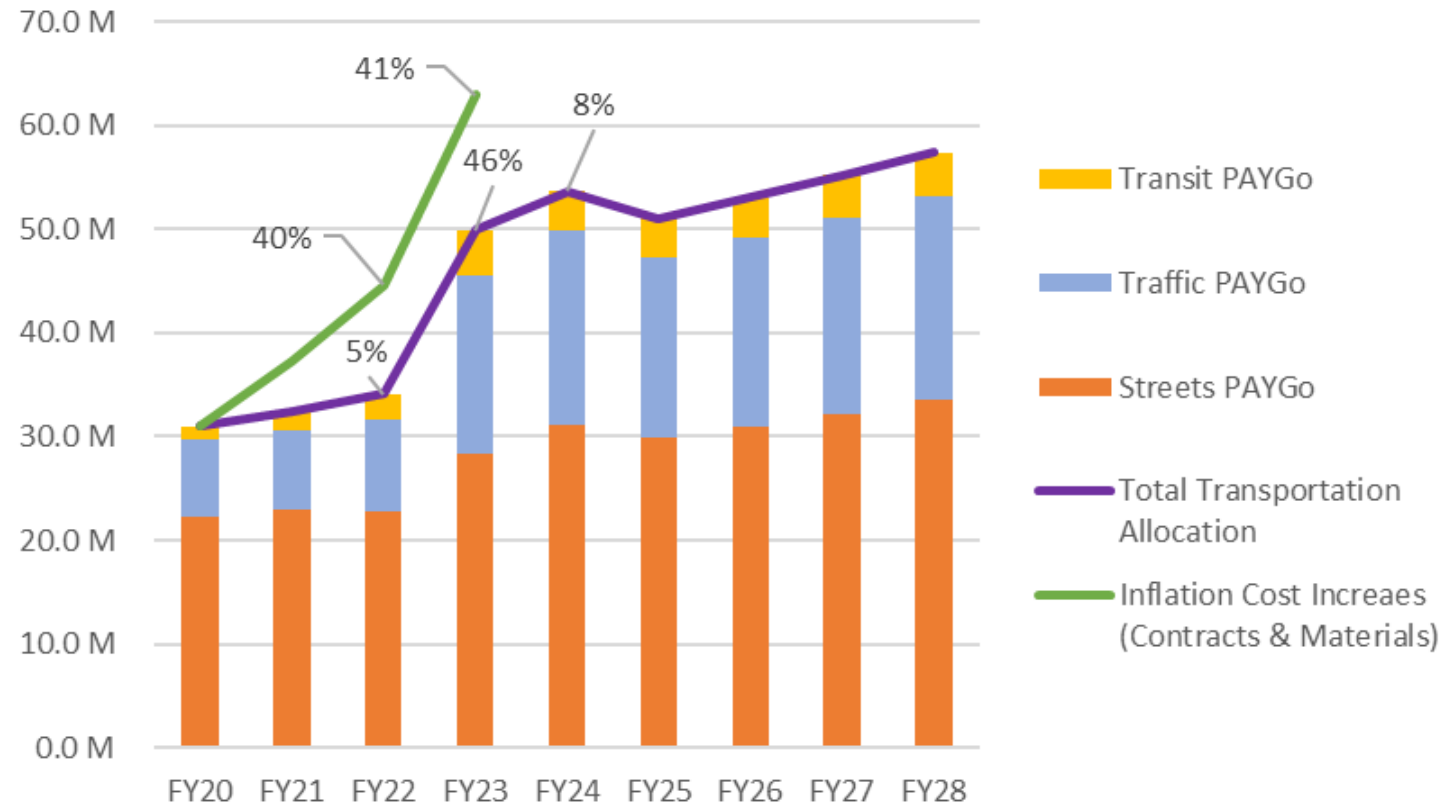


Source: U.S. Census Bureau, 2021 Population Estimates; NCTCOG 2045 Population Projection; and City of Fort Worth, Planning & Data Analytics Department, 2022.

POPULATION RANKING



Source: U.S. Census Bureau, 2000-2021 Population Estimates.



Current Road Conditions

Gray Streets – Need Preservation

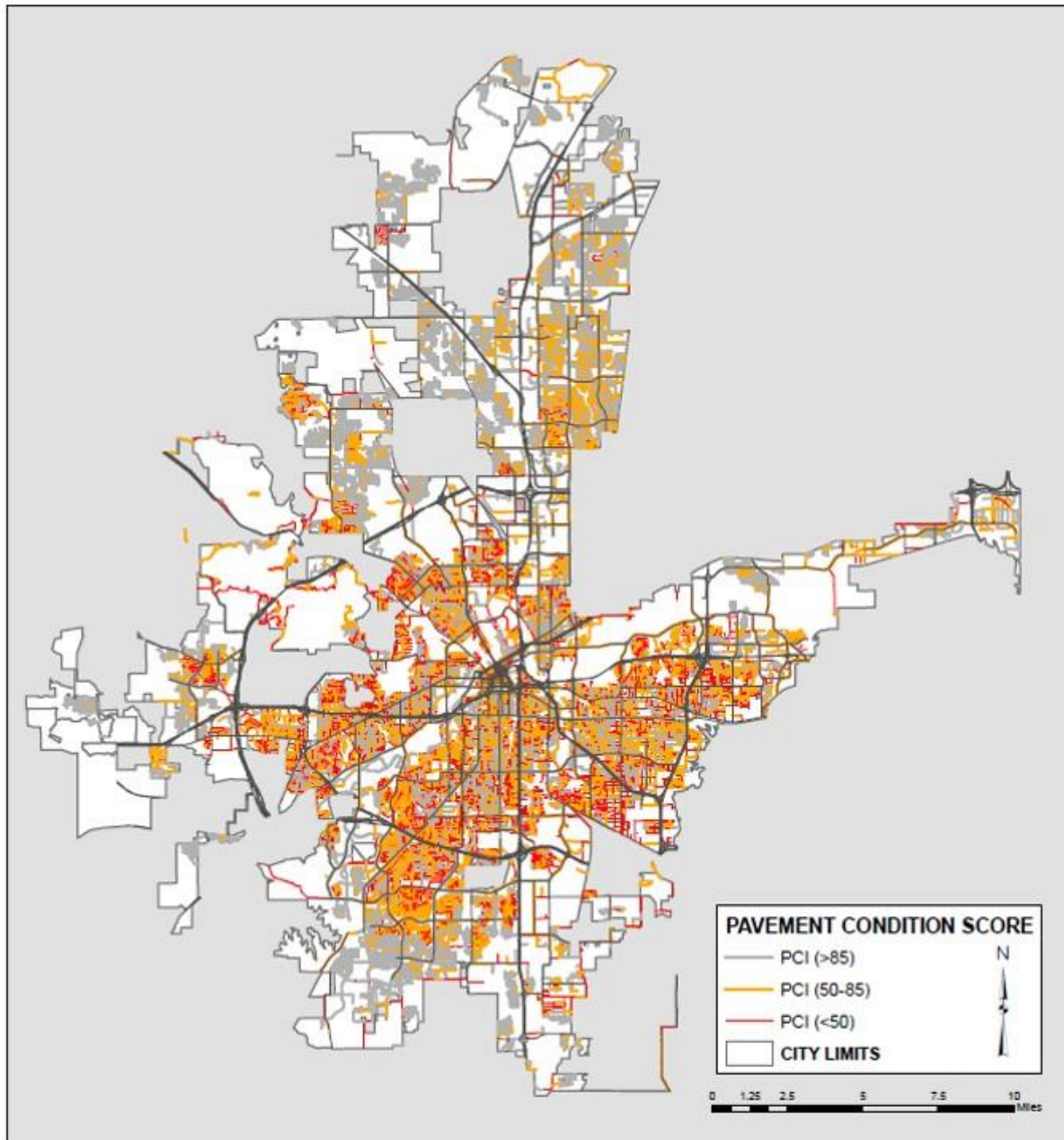
- 3,200 Lane Miles with Pavement Condition Index (PCI) above 85

Orange Streets – Need Maintenance

- 3,055 lane miles with PCI Between 85 and 50
 - Annual PayGo funding used for maintenance (\$28.3 million/year)

Red Streets – Need Reconstruction

- 1,880 lane miles with PCI below 50
 - Bond needed to maximize cost-effectiveness of maintenance dollars



Focused Area of Need

Need Maintenance (Orange) Category

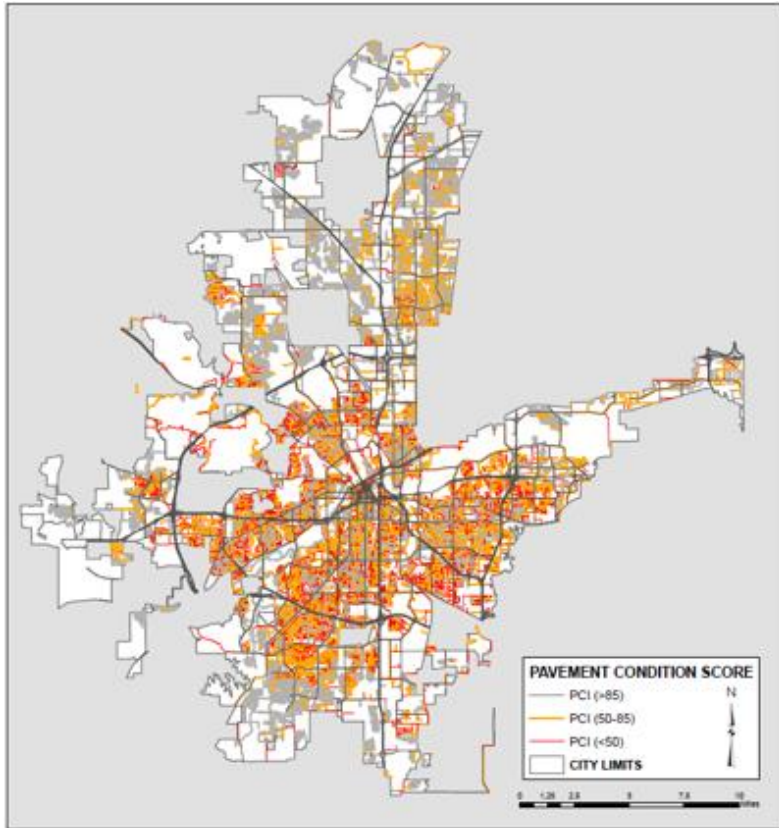
- 3,055 LM between 85 and 50 PCI
- Water is penetrating the surface and undermining the road integrity
- Category with fastest rate of deterioration
- Majority of “Vital” segments (term related to timing, to minimize cost)
- Deferred maintenance in this category effectively adds to the bond backlog



City Staff estimates that current PayGo funding only covers about 30% of the need to address “vital” segments, thus the bond backlog is growing.

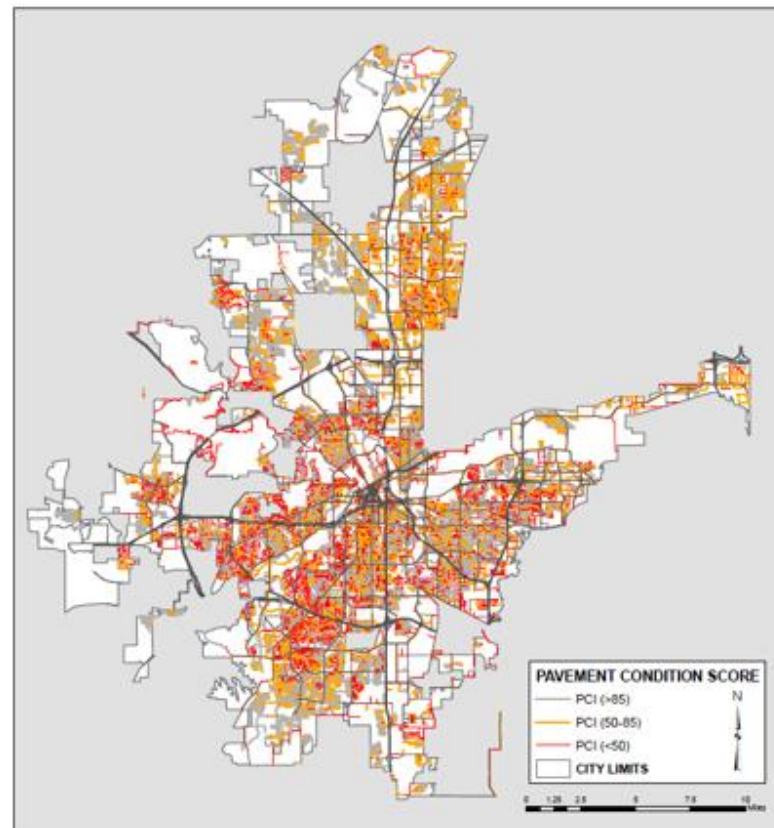
Current Budget Scenario Forecast

Base PCI



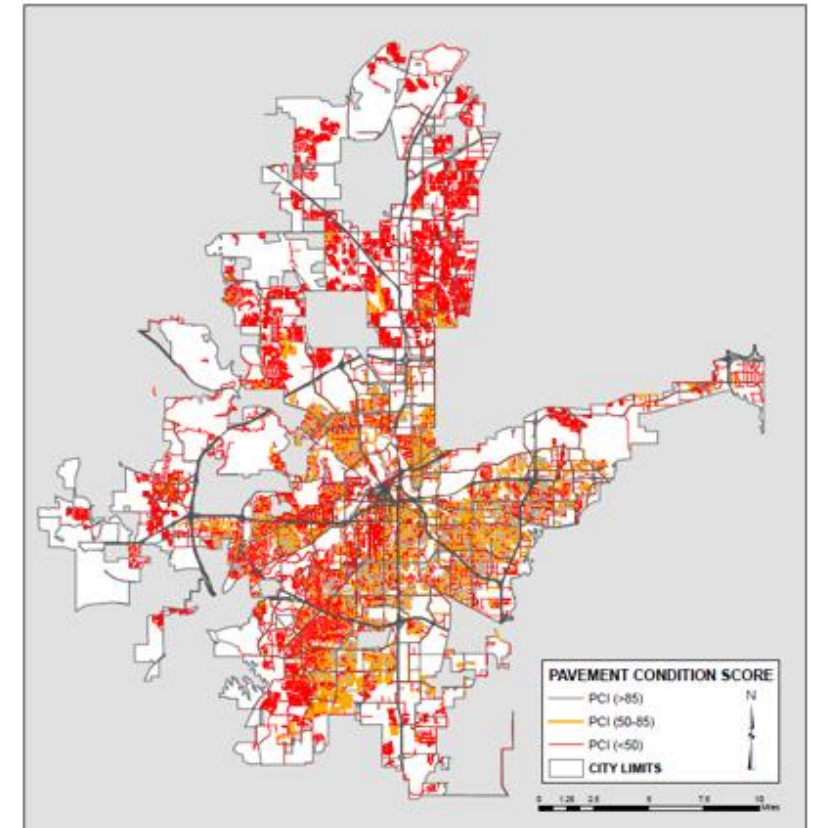
Average PCI = 72

Year 10 PCI



Average PCI = 62*

Year 20 PCI

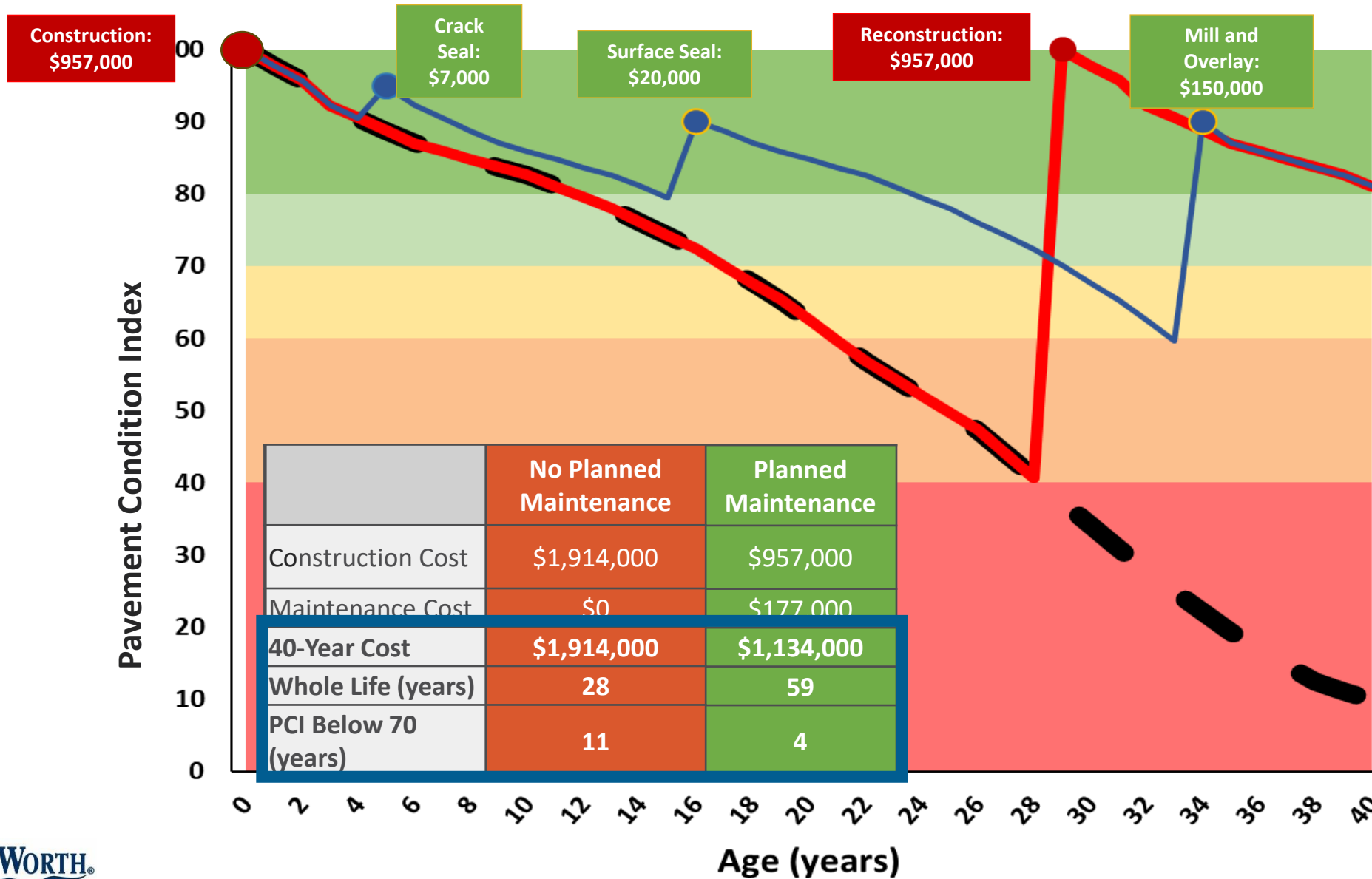


Average PCI = 34*

Street Maintenance Funding Analysis

- TPW Leadership recognized the need for a maintenance solution and directed the outsourcing of an independent analysis
- Consultant services contracted through Freese and Nichols
 - Trey Shanks – Infrastructure Management Financial Strategies Group Manager
- Scope
 - Provide independent analysis using current data to identify the funding needs
 - Provide expertise on funding options to support decision making

Analysis Methodology and Lifecycle Planning

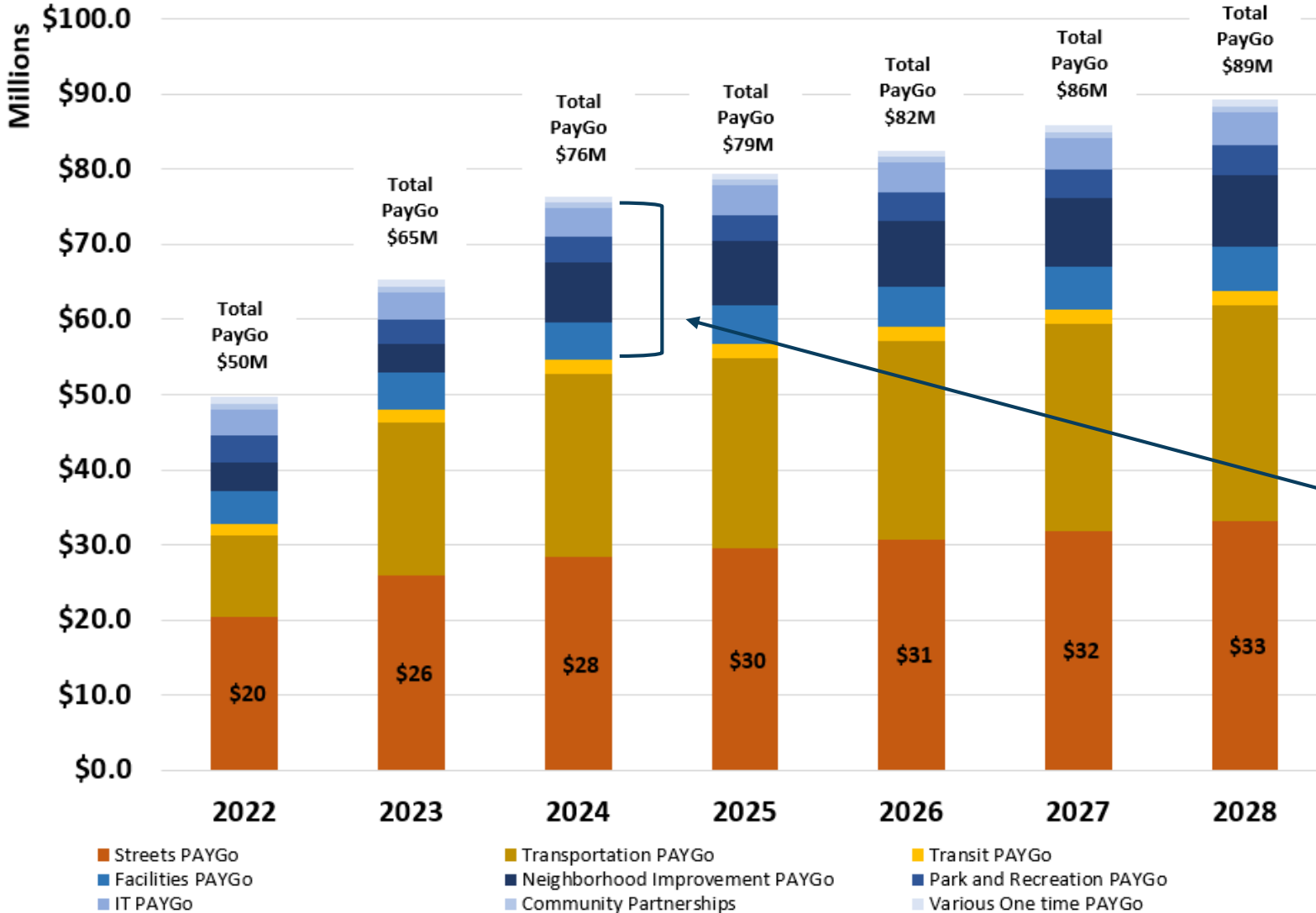


Analysis Results

| Treatment Type | Maintenance Actions | 2024 | 2025 | 2026 | 2027 | 2028 |
|--------------------------------------|---|-----------------------|----------------|-----------------|----------------|-----------------|
| Fog Seal | Expenses | | | | | |
| Crack Seal In-house | Preservation Needed | \$5.6M | \$6.0M | \$5.2M | \$5.4M | \$5.9M |
| Chip Seal In-house | Heavy Maintenance Needed | \$82.1M | \$87.0M | \$104.0M | \$91.2M | \$95.8M |
| Joint Seal | Total Maintenance Funding Needed* | \$87.7M | \$93.0M | \$109.2M | \$96.6M | \$101.7M |
| Panel Replacement | Revenues | | | | | |
| Mill and Overlay In-House | Current PayGo Funding | \$28.3M | \$30.3M | \$31.5M | \$32.7M | \$34.0M |
| Pulverize and Overlay | Additional Funding Needed | \$59.4M | \$62.7M | \$77.7M | \$63.9M | \$67.7M |
| Mill and Overlay Contracted | Average Annual Supplemental Funding Need | \$66.1M / year | | | | |
| Hot-in-Place Recycling | | | | | | |
| Concrete Restoration Arterial | | | | | | |
| Concrete Restoration Local/Collector | | | | | | |

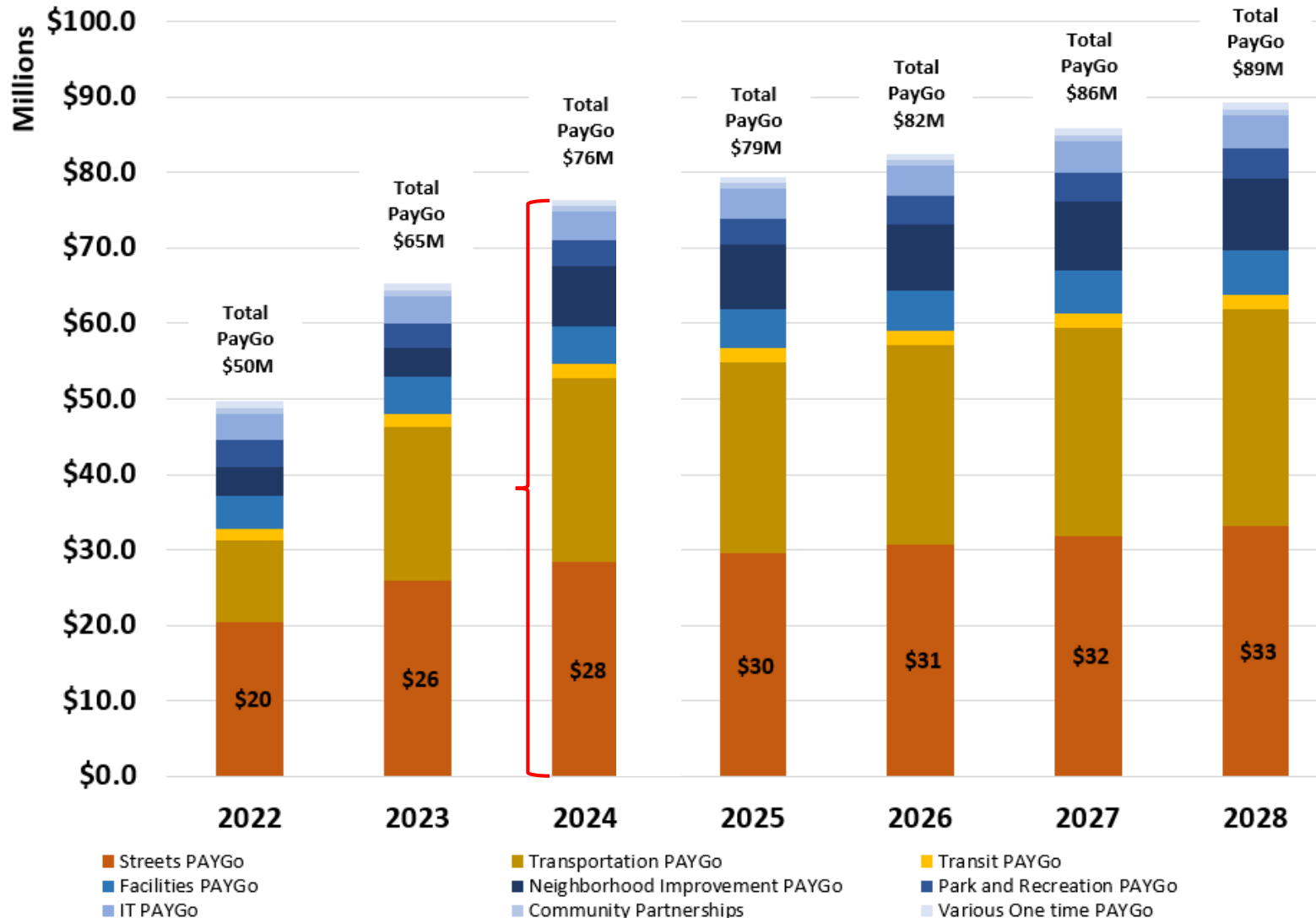
* Reconstruction not addressed through maintenance funding.

Streets PayGo Allocation



- Streets PayGo allocation is approximately 40% of the City's total annual PayGo allocation
 - Streets PayGo in FY24 is \$28.3M
- Increases or decreases to Streets PayGo allocation impacts other key areas with maintenance needs, including:
 - Community Partnerships
 - IT Infrastructure
 - Parks and Recreation
 - Neighborhood Improvement
 - Facilities

Additional PayGo Need in Terms of Tax Rate



- Total FY24 PayGo Allocation is \$76M or 7 cents of the tax rate
- The Additional need for Streets in FY24 is \$59.4M or 5.4 cents of the tax rate
- Total Street Need would be more than all current program funding.
- To fund additional need through the tax rate means:
 - a tax rate increase, or
 - a reduction of \$59.4M from other General Fund departments (Police, Fire, Parks, Economic Development, etc.)






Funding Mechanism Alternatives

| Transportation Funding Sources | Maintenance Eligible? | Funding Notes |
|--------------------------------|-----------------------|---|
| General Obligation (GO) Bonds | Not eligible | <ul style="list-style-type: none"> • Requires voter approval |
| Roadway Impact Fees | Not eligible | <ul style="list-style-type: none"> • Limited to growth needs |
| Sales Tax (%) | Eligible | <ul style="list-style-type: none"> • Requires General Fund revenue offset to maintain Crime Control and Prevention District (CCPD), Transit funding, etc. |
| TXDOT, NCTCOG, County | Eligible | <ul style="list-style-type: none"> • Grants, matching funds • Unreliable availability |
| Property Tax (Current PayGo) | Eligible | <ul style="list-style-type: none"> • Requires General Fund revenue offset, property tax rate increase or less of a rate decrease |
| Street Maintenance Fee (SMF) | Eligible | <ul style="list-style-type: none"> • Stable revenue stream, dedicated to existing roadways • Monthly fee based on proportional to traffic generation • No public vote, requires Council approval |

Previous Task Force Recommendations

Blue Ribbon Task Force (2010) Provided Robust Plan

- Closing the gaps required use of multiple funding sources
 - Some recommendations were temporary 5-year changes to “**climb out of the hole**”
 - The Street Maintenance Fee (SMF) was a permanent recommendation to provide continued maintenance funding to “**stop digging the hole**”

| Funding Sources | Implemented? |
|--|---|
| Increase Transportation Impact Fee (50%/41% Collection Rate) |  |
| Property Tax Reallocation to Capital |  |
| Retain General Fund Allocation |  |
| Dedicate 75% Gas Revenue |  |
| Adopt Street Maintenance Fee |  |

What is a Street Maintenance Fee (SMF)?

A charge to property occupants for their proportional share of the cost to maintain the street system

Typical Characteristics

- Based on vehicle trips; by land use
- Ongoing fee for system use
- Dedicated to transportation purposes
- Charged on utility bill



Other Common Terminology

- Road Maintenance Fee
- Transportation User Fee*
- Road User Fee

**Blue Ribbon Task Force referred to "Transportation User Fee".*

Legality of Street Maintenance Fees

- Texas Constitutional and Statutory Authority
 - Article XI, Section 5 of the Texas Constitution (Home Rule)
 - Texas Local Government Code, Section 51.072 (broad home rule authority)
 - Texas Transportation Code, Section 311.001 (municipality has exclusive control over its public highways, streets and alleys)
- Fort Worth Home Rule Authority
 - City Charter, Chapter II, Section 1 (City ... may create, provide for, construct, regulate and maintain all things of the nature of public works and improvements; may levy and collect assessments for local improvements; ... may regulate and control the use, for whatever purposes, of the streets and other public places; ... and may pass such ordinances as may be expedient for maintaining and promoting the peace, good government and welfare of the city, and for the performance of the functions thereof.
 - City Charter, Chapter XXII (Improvement and Paving of Street and Highways)

Comparison of Funding Options

Street Maintenance Fee

- Rate is proportional to land use type
- Stable and dedicated funding source that ensures continued funding
- Revenue needs can be addressed through fee adjustments (Council approval required)
- Allows for Exemption of Non-Users

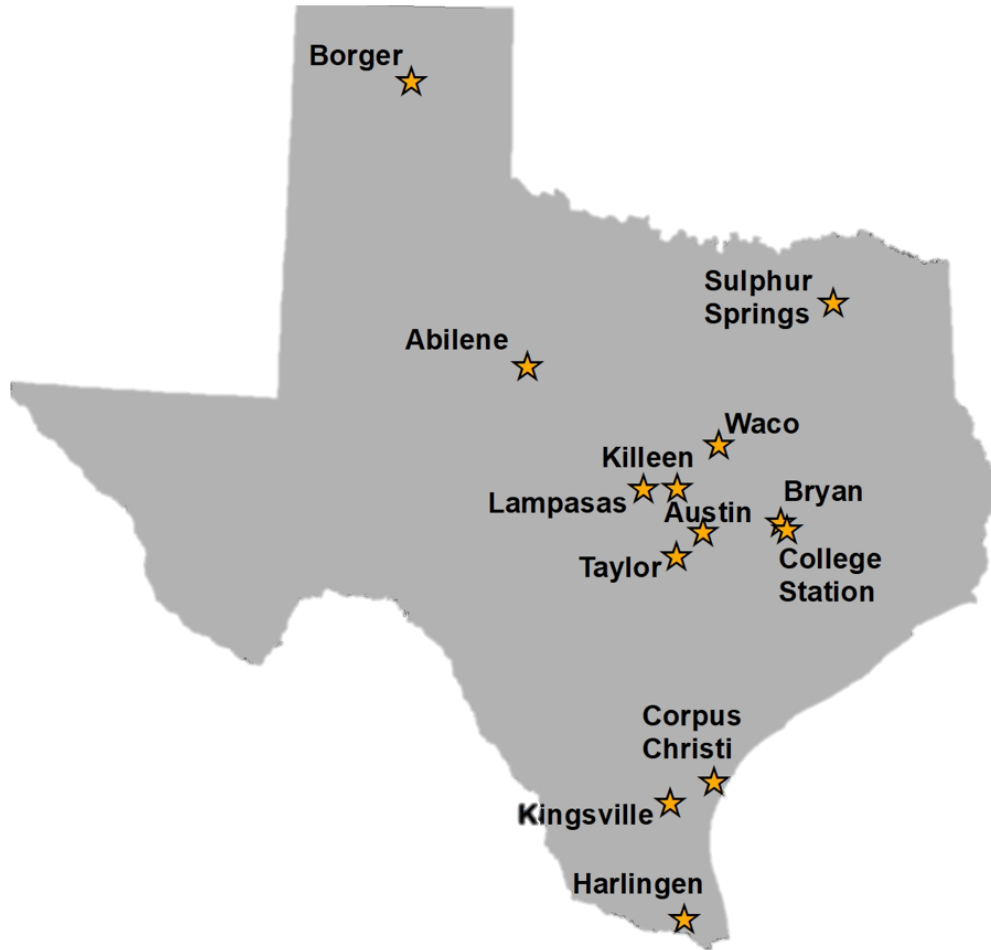
Property Tax

- Same tax rate regardless of land use type
- Potential for funding reductions, political priorities, or competing needs
- Revenue needs can be addressed through annual rate setting; State law regulates increases to tax rate
- Exemptions not related to users/non-users

Key Characteristics to be a Fee, not a Tax

1. Be no more than the amount necessary to **cover the expense** associated with maintaining the roadway system
2. Be calculated to establish a **direct and apparent connection** between the cost to maintain the roadway system and the benefit to each affected property
3. Apply to **all developed properties** including those exempt from ad valorem taxes
4. Be spent only for those **expenses associated with roadway maintenance** (i.e., may not be used for general purposes)
5. Include an **appeal process** permitting those who do not use the roadway system to seek an **exemption** or **discount**
 - Examples – citizen doesn't own a car or property is vacant

Street Maintenance Fees in Texas



| City | Year Implemented |
|-----------------|------------------|
| Austin | 1992 |
| Lampasas | 1992 |
| Bryan | 1997 |
| Corpus Christi | 2014 |
| Kingsville | 2015 |
| Taylor | 2016 |
| Abilene | 2017 |
| College Station | 2017 |
| Harlingen | 2017 |
| Killeen | 2018 |
| Sulphur Springs | 2019 |
| Borger | 2020 |
| Waco* | 2024 |

**Implementation Pending*

Street Maintenance Fee

INFRASTRUCTURE TO MAINTAIN



MEASURE OF SYSTEM USE

Street Maintenance Fee Calculation

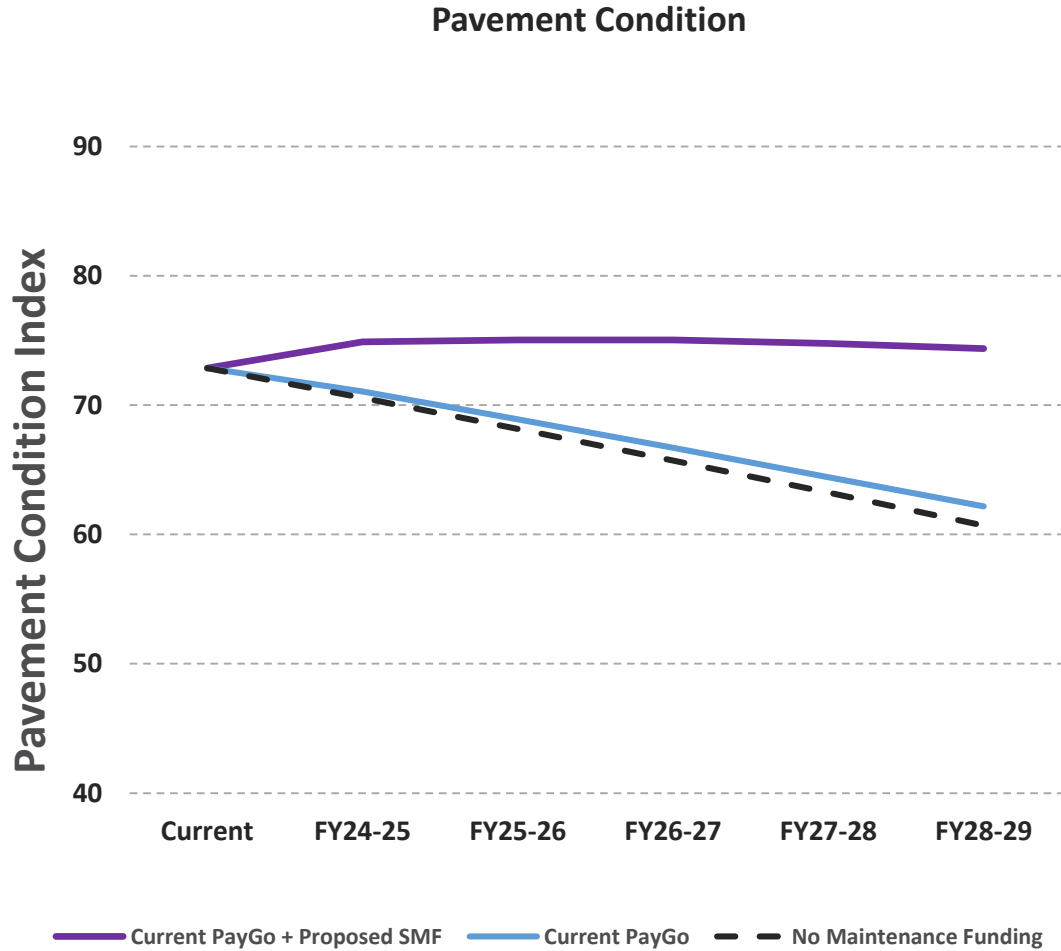
EXAMPLE CALCULATION BASIS FOR STREET MAINTENANCE FEE

- **Street Maintenance Fee = \$ per VMT x Number of VMTs**
- Vehicle Miles Traveled (VMT) = Vehicle Miles Traveled per Dev. Unit x Dev. Units
 - Vehicle Miles Traveled per Development Unit = Trip Rate x Trip Length
 - Trip Rate (by land use)
 - Trip Length (by land use)
 - Development Units (DU)
(dwelling units, building square footage by land use)

| Land Use Category | ITE Land Use Code | Development Unit | Trip Gen Rate (PM) | Pass- by Rate | Pass-by Source | Trip Rate | Adj. Trip Length (mi) | Veh-Mi Per Dev- Unit |
|--------------------------|-------------------|------------------|--------------------|---------------|----------------|-----------|-----------------------|----------------------|
| INDUSTRIAL | | | | | | | | |
| General Light Industrial | 110 | 1,000 SF GFA | 0.97 | | | 0.97 | 4.00 | 3.88 |
| General Heavy Industrial | 120 | 1,000 SF GFA | 0.68 | | | 0.68 | 4.00 | 2.72 |
| Industrial Park | 130 | 1,000 SF GFA | 0.85 | | | 0.85 | 4.00 | 3.40 |
| Warehousing | 150 | 1,000 SF GFA | 0.32 | | | 0.32 | 4.00 | 1.28 |
| Mini-Warehouse | 151 | 1,000 SF GFA | 0.26 | | | 0.26 | 4.00 | 1.04 |



Preliminary Street Maintenance Fee Rates



| Funding Source | Annual Revenue (\$) |
|-----------------------|---------------------|
| Current PayGo Funding | \$28.3M |
| Proposed SMF Funding | \$66.1M |
| Total | \$94.4M |

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
| Industrial/1,000 sq ft | \$2.67 |
| Institutional/1,000 sq ft | \$2.71 |



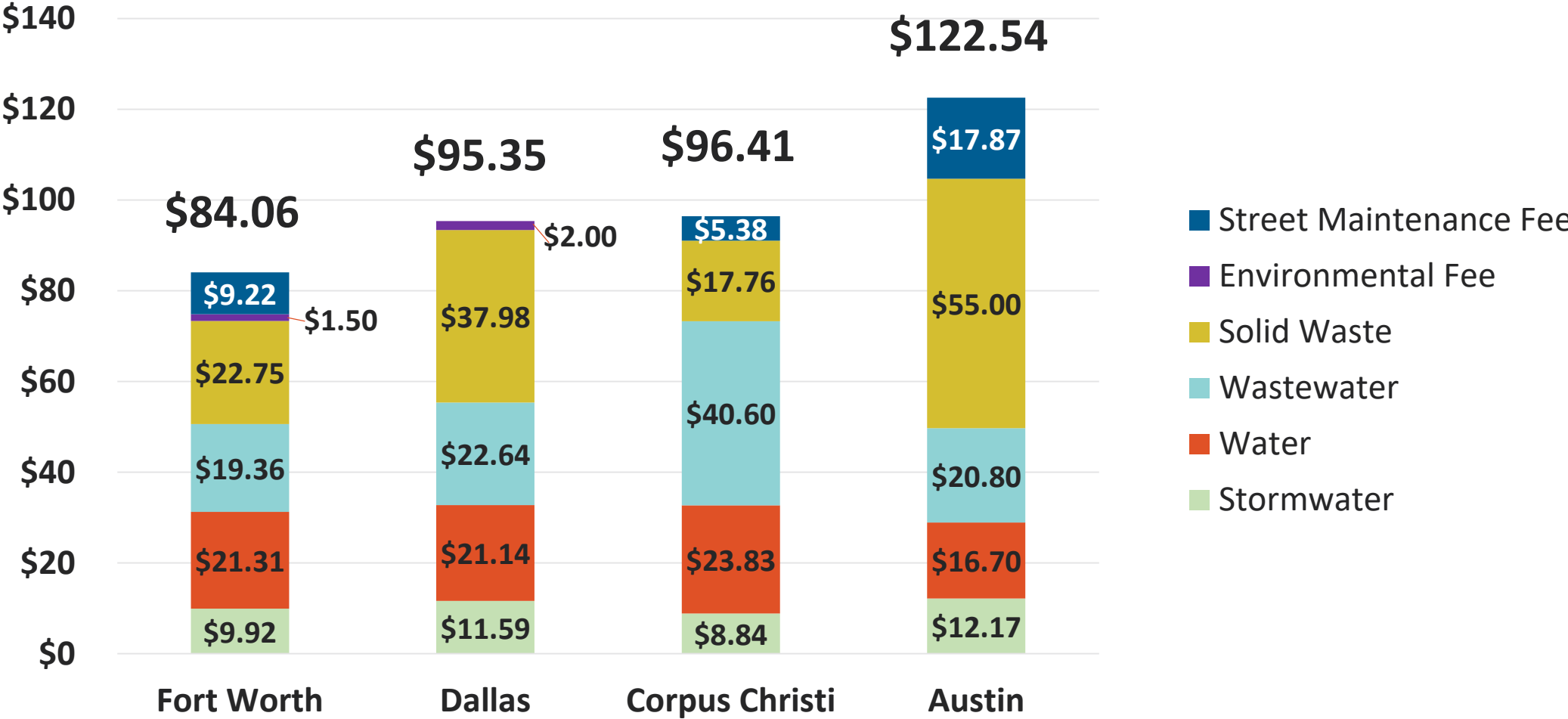
Funding for maintenance of existing assets. Does not include reconstruction, growth or expansion of assets.

SMF Rate Comparisons in Texas

| City | Residential Fee (\$/mo.) | Non-Residential Fee (\$/mo.) |
|-----------------------|--------------------------|------------------------------|
| Austin | \$17.87 | varies |
| Bryan | \$14.00 | \$49 - \$210 |
| Killeen | \$10.00 | varies |
| Waco* | \$10.00 | varies |
| College Station | \$9.75 | \$21.50 - \$312.75 |
| Fort Worth (Proposed) | \$9.22 | varies |
| Abilene | \$8.75 | \$45 - \$95 |
| Corpus Christi | \$5.38 | varies |

**Implementation Pending*

Residential Combined Utility Bill Comparison



Small Business Example



| Street Maintenance Fee | |
|------------------------|---------------------|
| Rate | \$15.80/1,000 sq ft |
| Building Area | 2,961 sq ft |
| Monthly Fee | \$46.78 |

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
| Industrial/1,000 sq ft | \$2.67 |
| Institutional/1,000 sq ft | \$2.71 |

Big Box Example



| Street Maintenance Fee | |
|------------------------|---------------------|
| Rate | \$12.06/1,000 sq ft |
| Building Area | 120,800 sq ft |
| Monthly Fee | \$1,457 |

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
| Industrial/1,000 sq ft | \$2.67 |
| Institutional/1,000 sq ft | \$2.71 |

Industrial Example



| Street Maintenance Fee | |
|------------------------|--------------------|
| Rate | \$2.67/1,000 sq ft |
| Building Area | 1,076,400 sq ft |
| Monthly Fee | \$2,874 |

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
| Industrial/1,000 sq ft | \$2.67 |
| Institutional/1,000 sq ft | \$2.71 |

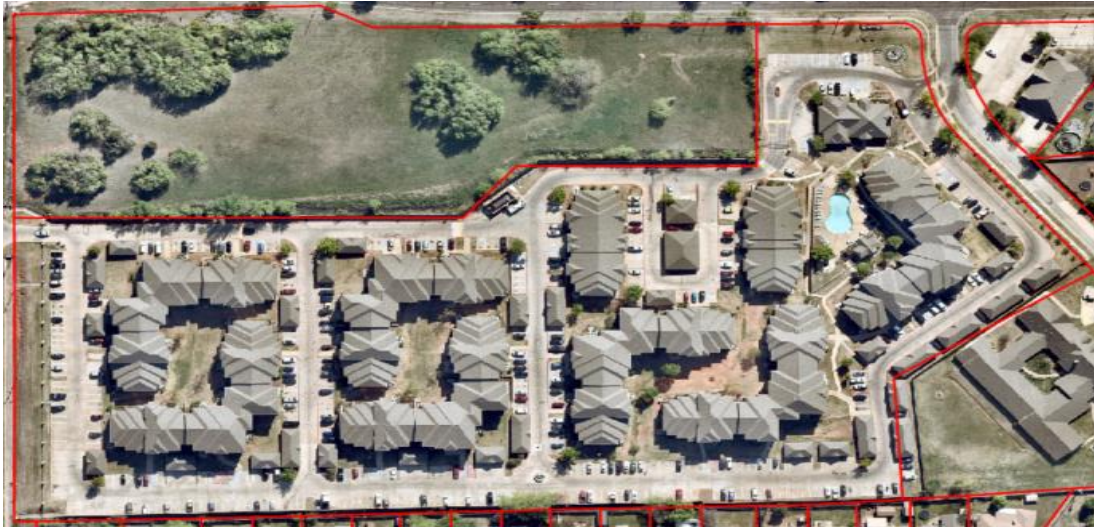
Church Example



| Street Maintenance Fee | |
|------------------------|--------------------|
| Rate | \$2.71/1,000 sq ft |
| Building Area | 133,730 sq ft |
| Monthly Fee | \$362 |

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
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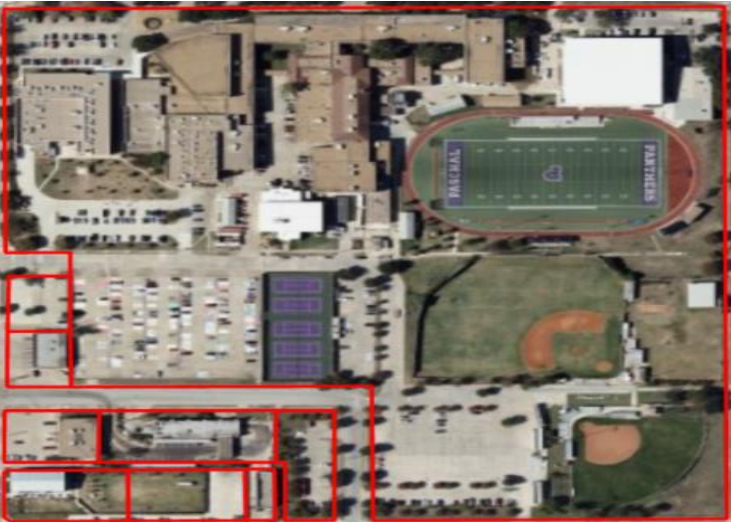
Apartment Example



| Street Maintenance Fee | |
|------------------------|-----------------|
| Rate | \$5.65 per unit |
| # of Units | 298 |
| Monthly Fee | \$1,684 |

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
| Industrial/1,000 sq ft | \$2.67 |
| Institutional/1,000 sq ft | \$2.71 |

High School Example



| Street Maintenance Fee | |
|------------------------|--------------------|
| Rate | \$2.71/1,000 sq ft |
| Building Area* | 232,669 sq ft |
| Monthly Fee | \$631 |

**Cumulative fee of 241 FWISD properties is estimated to be \$24,216/month*



| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
| Industrial/1,000 sq ft | \$2.67 |
| Institutional/1,000 sq ft | \$2.71 |

City of Fort Worth Example

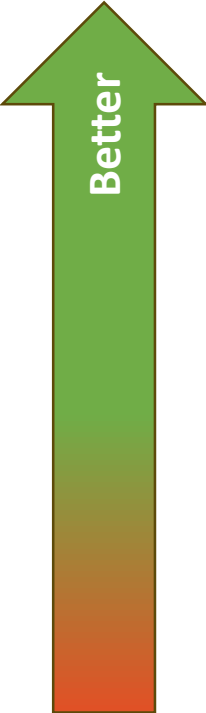


| Street Maintenance Fee | |
|------------------------|--------------------|
| Classification | Institutional |
| Rate | \$2.71/1,000 sq ft |
| Building Area* | 12,925,686 sq ft |
| Monthly Fee | \$35,029 |

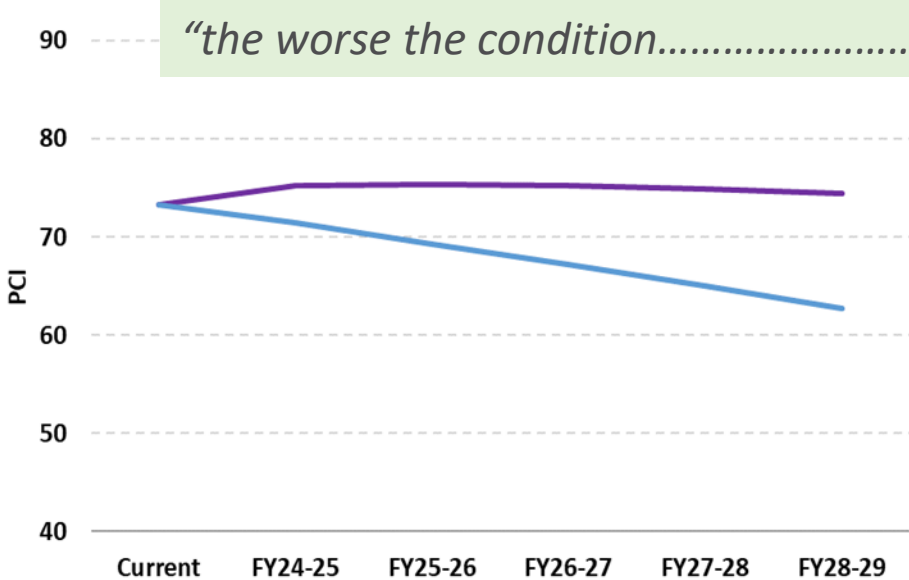
**Cumulative of all City Properties*

| Preliminary SMF Rate Structure and Rates | |
|--|----------|
| Land Use Category | \$/Month |
| Single-Family Residential | \$9.22 |
| Multi-Family Residential (per unit) | \$5.65 |
| Office/1,000 sq ft | \$9.08 |
| Retail/Commercial/1,000 sq ft | \$12.06 |
| Dining/1,000 sq ft | \$15.80 |
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| Institutional/1,000 sq ft | \$2.71 |

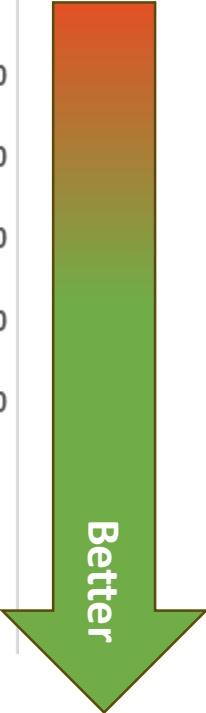
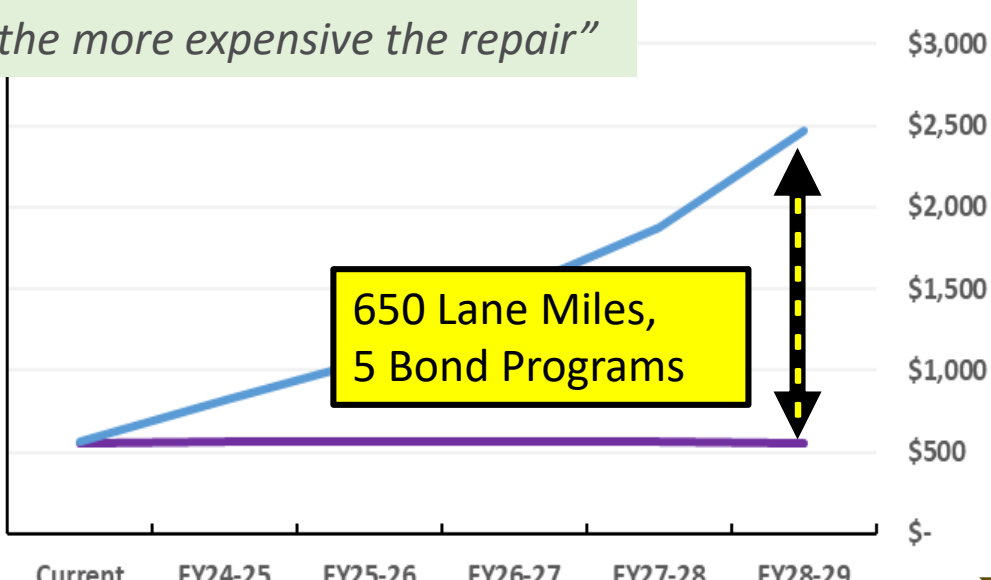
Impact of Deferred Maintenance



Pavement Condition



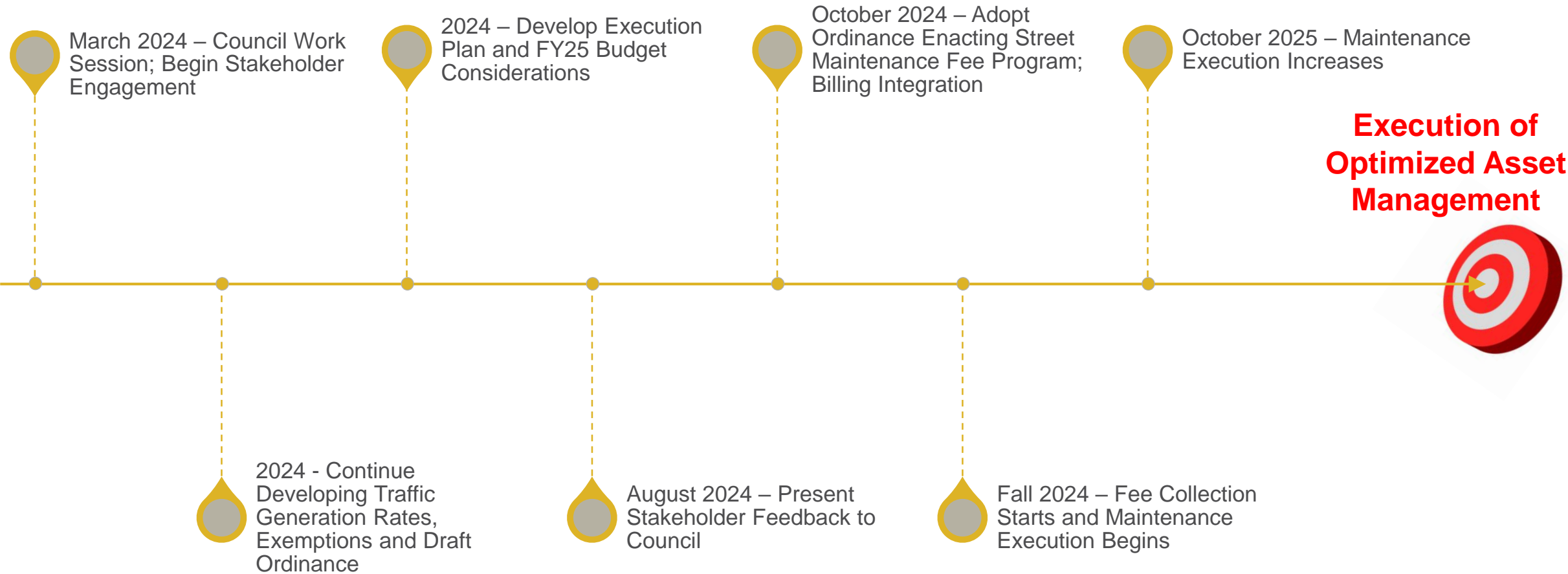
Bond Funding Needs



- Current PayGo Funding
- Proposed Total Street Maintenance Funding

| Treatment | \$ / In-mi |
|----------------|-------------------|
| Preservation | \$4k - \$28k |
| Maintenance | \$190k - \$460k |
| Reconstruction | \$957k - \$1,700k |

Potential Path Forward



An aerial photograph showing a road under construction in a residential neighborhood. The road is marked with orange traffic cones and has several lanes. To the left, there is a large, flat, brown dirt area, possibly a construction site or a cleared lot. To the right, there are several multi-story apartment buildings with balconies and a swimming pool. In the background, there are more residential houses and a large industrial building with a red door. The word "Questions?" is overlaid in large white text in the center of the image.

Questions?

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