

CITY OF LEBANON

Storm Drainage Master Plan

CHAPTER 8

8.0 CAPITAL IMPROVEMENT PHASING

This chapter has been provided to assist the city in implementing the drainage system improvements recommended in this study. The chapter will present a summary of the drainage improvement projects identified by the system analyses and will phase their construction based on priority and need. Options will also be provided for securing funding for these projects.

8.1 PHASING PERIODS

The phasing of drainage improvement projects was divided into the following categories which are shown with their respective time frames:

<u>Phase Designation</u>	<u>Time Frame</u>
"IMMEDIATE"	Present through 1993
"5 YEAR"	1993 through 1997
"10 YEAR"	1997 through 2001
"15 YEAR"	2001 through 2005

It is apparent from these time frames that the phasing recommendations are intended to provide guidance rather than set deadlines and are also intended to allow flexibility to make adjustments to meet year-by-year budget considerations.

8.2 PHASING CRITERIA

The improvements identified were those needed to provide adequate capacity for fully developed lands within the watershed. In other words, existing drainage conveyances were evaluated to determine which would need to be modified or replaced to handle increasing peak flows as development occurs.

NOTE: Other drainage facilities will be needed within developments which occur on large parcels within the watershed or as existing streets are improved. These additional facilities are typically provided by the developer as part of the development's infrastructure and are either kept as private drainage facilities or are constructed to City standards and turned over to the City upon acceptance of the construction by the City. It is not the intent of this plan to place restrictions on the alignment of drainage facilities within

these currently undeveloped lands, except as specifically provided for in this plan.

Chapter 6 provides a methodology to estimate peak flows of catchment areas which are less than a sub-basin in size. Drainage facilities will be planned for these development parcels as part of the City's normal site design review process. These facilities should be of capacity to handle the flows estimated by this master plan and should provide for continuity of existing drainageways.

As a first step, drainage improvement projects were identified which were needed to correct existing problems. These improvements were checked using future development peak flows to make certain that any area would only be improved once. These improvements were classified as "Immediate" phase improvements. Within this category, the "Priority" was rated as "High" if there was a relatively large risk associated with not completing the improvement or if the problem created by the existing situation was frequent and caused a significant inconvenience.

These improvements were then arranged within the phasing categories by considering the following criteria:

- A. Extent of any current inadequacy.
- B. Estimated time frame of further development within the catchment area.
- C. Relative risk from failure to make timely improvements.

The project phasing was further refined to provide for an achievable rate of expenditure throughout the period of phased improvements.

8.3 PRIORITY

Within each phase, priorities were assigned to indicate relative importance from a drainage perspective and to provide the City with a basis for postponing or accelerating the schedule of any particular improvement. For example, if funding is tight, the improvement with the lowest priority within the current phase should be the one, if any, to be postponed to a later phase and, conversely, if additional funding is available for drainage improvements, the highest priority of the next phase should be accelerated to the current phase (all else being equal).

8.4 SUMMARY OF RECOMMENDED PROJECTS

The drainage improvement projects identified in Chapter 7 are summarized in Table 8.1, "Project Cost and Phasing Summary". For each project, its cost, phase and priority within that phase are presented. Total drainage improvement costs in 1991 dollars are

presented for each phasing period. These costs do not include any expenses for the purchase of easements or rights-of-way where they may be required nor do they include the cost of any financing method which the implementing jurisdiction may elect to utilize.

These projects are also shown graphically on Figure 8.1, "Drainage Improvement Projects". This map shows existing drainageways and drainage facilities, the location of proposed drainage improvement projects identified by this plan, and recommend phasing of these improvements.

8.5 DRAINAGE FUNDING OPTIONS

Implementation of this Drainage Master Plan requires more than a prioritized, phased list of projects. It requires money. To assist the city in securing funding for both the projects listed earlier in the report and drainage maintenance which will follow in Chapter 12, a series of funding options is provided in this section. After review of this material, the city must identify one or several of the funding approaches as part of its total implementation plan.

General

The purpose of this section is not to evaluate each individual revenue source in the context of Lebanon's overall drainage financing needs, but to present the City with a comprehensive range of funding and financing alternatives. It will encourage the City to begin considering how it will pay for drainage improvements and maintenance over the next several years, and provide direction toward stable funding for these improvements.

The City is encouraged to consider a strategy that first identifies potential outside sources of funding prior to looking toward the City's own resources. There may be several opportunities to involve other governments, including the State of Oregon and Linn County, in funding certain drainage projects that either benefit State and/or County roads or which mitigate drainage problems resulting from the presence of the roadway. In reviewing the types of projects identified, it does not appear appropriate to recommend funding by other local governments, however a cost sharing approach may have merit in certain cases.

An additional strategy in formulating a drainage funding plan, is to coordinate appropriate drainage projects with other proposed Public Works projects such as transportation, water and sewer improvements. A good example is the extensive drainage improvements associated with the recent Oak Street improvement project. To the extent that the timing of drainage improvements can be coordinated with other types of improvements, certain cost savings are likely to result. In addition, disruption to traffic circulation and water and sewer service resulting from the construction projects can be minimized through a coordinated improvement timing process.

8.6 ALTERNATIVE REVENUE SOURCES

Discussed below are several funding sources that the City should evaluate in developing its drainage funding plan. Many of the revenue sources discussed below are currently being used by the City for purposes other than drainage. Others are potential revenue sources not currently in place but which would provide additional revenues in the future.

Storm Drainage User Fees

The City established a storm drainage fund in fiscal year 1988-89. The source of revenue for the fund has consisted primarily of transfers from the Street Fund and General Fund. A specific storm drainage user fee, similar to water and sewer, has not implemented. In light of the projected costs of the proposed drainage improvements over the next several years, the City should seriously consider establishment of a storm drainage user fee to help meet the ongoing capital and maintenance needs of the City's drainage system. Many communities throughout the state are now levying monthly storm drainage fees to help fund drainage costs.

The establishment of a storm drainage utility is by far the most feasible and reliable source of drainage construction and maintenance funding. The feasibility and impact of establishing a storm drainage utility can be addressed through a separate utility study which the City may want to consider in the near future. We would strongly recommend that this approach be pursued.

In November of 1990, Oregon voters passed a ballot measure which will limit the collection and use of property taxes. Ballot Measure 5 will have little direct impact on the establishment and operation of a drainage utility, however the use of the taxing base of the city as a backup funding source must be carefully considered in light of the implications of the measure.

System Development Charges

System development charges (SDC'S) are fees extracted from new developments - business or residential - based on the impact that development has on existing infrastructure. It is aimed at insuring that development requiring additional systemic infrastructure pays the cost of extending that service. These are one time fees collected as the development comes on line. Lebanon currently has a Drainage SDC in place. The charge is based on the type of development and the amount of property square footage of floor space. Revenues generated from the Drainage SDC have totalled less than \$10,000 annually over the past several years.

Additional revenues may be realized from this source through a revised fee structure designed to recover more of the costs of expanding drainageway capacity. As with its

other SDC's, the City must be able to comply by July 1, 1991 with Oregon State Statutes concerning appropriate SDC fee methodology and application of SDC fee revenues. This requirement is primarily to require the fee structure to be based on relatively accurate estimates of the actual cost of providing extended service to each of the user categories in the rate structure rather than an arbitrary fee amount. At this writing, the City is currently completing modifications to their SDC ordinance and fee structure to comply with the July 1 deadline.

Assessments

Local improvement districts (LID's) may be formed under Oregon Statutes to construct public improvements such as drainage, streets, sidewalks and other improvements. Formation of the LID can be initiated by property owners or by the City, subject to the remonstrance of the effected property owners. Local improvement districts are appropriate for those kinds of improvements that provide primarily local benefits.

When improvements are made within the district, the cost of the improvement is generally distributed according to benefit among the properties within the district. The cost becomes an assessment against the property which is a lien equivalent to a tax lien. The property owner may pay the assessment in cash or apply for assessment financing according to terms offered by the City.

The passage of Measure 5 places some limitations on the city's ability to sell Bancroft bonds to assist property owners in financing LID costs. Bancroft bond sales are to be paid by the annual revenues from the property owners that were assessed. The full faith and credit of the city has been used to back these bonds. The city's ability to back these bonds must now be within the \$10 per \$1,000 assessed value taxing ceiling. Pure revenue bonds may be used but they will normally sell for a higher interest rate and may require the establishment of reserve fund to cover delinquencies.

Property Taxes

Property taxes are the most widely used revenue source in Oregon. These are levied through tax base levies (such as the City or School District levy) which are permanent and increased by 6% each year. Serial levies are property taxes which are for a set amount and a set period of time. Bonds may be sold which are retired by property taxes. The most common bonds are voter approved general obligation bonds.

Property taxes are levied by distributing a set dollar amount over the entire assessed value of the taxing district. Each taxable property within the City pays according to total assessed value. With the passage of Ballot Measure 5, the tax limitation bill, a ceiling has been placed on the total property tax which may be levied by a taxing district. Voter approved general obligation bonds, however, are exempt from this ceiling. Other new

requirements also apply to the City's ability to sell bonds. It is recommended that property tax revenue not be a key funding source for drainage in the future.

General Revenues of the City (General Fund)

The City has a variety of revenues such as license fees, business taxes, sin taxes and similar sources that are deposited within the general fund of the City. These funds are available for any purpose the City chooses, including drainage. This is not a stable ongoing revenue source for drainage as they are typically redirected each year in budget deliberations. The general fund can, however, be an ideal source of one-time special project or program funding.

Oregon Department of Transportation (ODOT)

The Oregon Department of Transportation can be approached as a possible source of funding for drainage improvements that either benefit the state highway system or mitigate drainage problems associated with highway-related runoff.

Oregon Special Public Works Fund

The Special Public Works Fund (SPWF) Program was created by the 1985 Legislature as one of several programs for the distribution of funds from the Oregon Lottery to economic development projects in communities throughout the state. The program provides grant and loan assistance to eligible municipalities primarily for the construction of public infrastructure which supports private projects that result in permanent job creation or job retention. To be awarded funds, each infrastructure project must support businesses wishing to locate, expand, or remain in Oregon.

While SPWF program assistance is provided in the form of both loans and grants, the program emphasizes loans in order to assure that funds will return to the state over time for reinvestment in local economic development public works projects. The maximum loan amount per project is \$500,000 and the term of the loan cannot exceed 20 years. Interest rates are set at a level not less than five percent. The maximum grant per project is \$500,000 but may not exceed 85% of the total project cost.

The City has previous experience with the SPWF, having received a loan and grant package in 1986 totalling \$218,198 and used for utility improvements at the Santiam Canal Industrial Park.

Private Contributions

Infrastructure projects are sometimes funded by private contributions. Some private contributions are the result of some type of agreement relating to the owners right to

development a parcel of land. It is not uncommon to require a developer to construct certain improvements as a condition of development. This practice is used widely throughout the region and may have applicability to the city of Lebanon for specific projects.

8.7 FINANCING TOOLS

Having identified potential revenue sources available to the City, we can now look at ways in which these revenues can be used to finance drainage projects. A number of debt financing alternatives are available to the City. The use of debt to finance capital improvements must be balanced with the ability of the City to support the debt and the impacts that debt issuance may have on the City's overall credit quality and capacity to fund other needed public projects. Debt issuance should be viewed as one of several funding alternatives available to the City. It should be incorporated into an overall financing plan which includes other "pay-as-you-go" funding methods which utilize currently available revenues to meet a portion of the City's drainage needs.

General Obligation Bonds

General Obligation bonds are usually voter approved bond issues. They are the least expensive borrowing mechanism available to municipalities. G.O. bonds generally are supported by a separate property tax levy specifically approved for the purposes of retiring the debt. When the bond issue is paid off completely, the levy is finished. The property tax levy is distributed equally according to assessed value over the entire improvements benefiting the entire populace.

Oregon Revised Statutes provide that the total outstanding general obligation indebtedness of a city shall not exceed three percent of the city's true cash value. Bonds issued for water, sanitary and storm sewers and certain other purposes are excluded from this limitation. Should the City wish to consider issuance of general obligation bonds to finance drainage improvements, it would be advisable to obtain an opinion of bond counsel as to the debt limitation impact of drainage improvements funded from the Bonds. The impact of Ballot Measure 5 must also be factored into this bond council review.

Prior to the passage of Measure 5, with the City's current cash value of \$186.3 million, the City could issue approximately \$5.59 million in additional general obligation debt for non-exempt purposes.

Local Improvement District (Bancroft) Bonds

Local Improvement Districts may be formed to make local improvements. They are formed either through petition by the benefitted property owners who are seeking a specific set of public improvements or through the legislative process of the City Council. Both processes involve notification and hearing regarding the formation of the district.

After the LID is formed, public improvements may be made and the costs of those improvements distributed among the properties within the local improvement district according to their benefit from the improvements. The benefit is set through a formula adopted by the City Council. Once the benefit and costs have been established, an assessment is levied against the benefitting properties.

Assessed property owners may pay in cash or apply for assessment financing. In Oregon this means the City may issue bonds and allow the property owners to pay their assessments over time, normally ten to twenty years. Bancroft bonds are issued by the City as a means to facilitate this repayment.

Oregon allows the City to pledge its general obligation to the Bancroft bonds thus making the bonds general obligations of the city but paid by assessment payments. This lowers the borrowing cost of the benefitted property owners. However, should the assessment payments fail to materialize, the city is required to make the payment anyway, and if no other funds are available, they are required to levy a special property tax to pay the bonds as they come due. As was discussed earlier, once again, Measure 5 may have an impact on the issuance of Bancroft bonds and the City Attorney or bond council should be consulted prior to initiation of the project if Bancroft bonding is planned.

Urban Renewal Bonds

Urban Renewal Districts have the authority to issue bonds for the purpose of urban renewal and development. The bonds are generally secured only by the revenues derived from the tax increment. At the time the district is established, the assessed value is frozen. This is called the frozen base. As the assessed value rises, the tax rate of the overlapping municipal authorities is applied to the increment above the frozen base to give the district its revenue. If the district were not there, the tax rate would be theoretically lower given the fixed dollar levies in Oregon being distributed over a greater assessed value.

Urban renewal financing has been based on the assumption that the overall assessed value increase would not have occurred in a timely manner, if at all, if the improvements within the district, and financed by the increment, had not occurred. The net effect, however, is that urban renewal bonds are another means of tapping the property tax of

all the overlapping taxing authorities. The new property tax ceiling must be considered in computing the available tax increment available to retire the debt.

Revenue Bonds

Cities may issue revenue bonds based on expected receipt of special taxes or fees. Examples of such revenues are water and sewer fees, gas taxes, hotel-motel taxes, or systems development taxes. Generally speaking, the more predictable the revenue source, the more "bondable" it is. These types of bonds are more complicated to issue and usually restrict the other uses of the dedicated revenues so that the bond holders can be assured of timely payment. We are not aware of any Oregon municipalities which have financed drainage improvements through the issuance of drainage fee-backed revenue bonds. Whether the bond market would accept financing backed by drainage fees is not clear. At a minimum, we expect that the City would have to adopt the drainage utility funding system and demonstrate several years of stable or growing drainage fee revenues in order to successfully market drainage revenue bonds.

Certificates of Participation

Certificates of participation (COP's) are a form of lease financing that could conceivably be used for drainage improvements. In lease financing, the municipality enters into a long term capital lease agreement to use and/or construct a facility. At the end of the lease, anywhere from 1 to 20 years, the title to the facility is turned over to the municipality. In most instances these leases are subject to annual appropriation in the municipality's budget process and are therefore a less secure (higher interest rate) method of borrowing.

One possible structure of a drainage-related COP issue would have the City pledge drainage fees, SDC or other specific revenues to the payment of the COPs and in addition, would pledge sufficient General Fund revenues to cover any shortfall in revenues available to pay debt service. To the extent that General Fund revenues were required to pay debt service, these revenue would not be available for other City programs and services typically funded from the General Fund.

8.8 DEVELOPMENT OF A DRAINAGE FINANCING PLAN

The City's Storm Drainage Master Plan identifies between \$4.9 and \$5.9 million in drainage projects over the next fifteen years. Approximately \$2.0 to \$2.2 million of these projects are projected to be needed within the next five years.

Development of a financing plan to meet the immediate and longer-term funding needs of the drainage system must recognize what revenue sources are currently available and what sources might be implemented to meet future needs. Preliminary review of the

proposed projects suggests that general obligation bond financing may be required to meet a large part of the immediately identified drainage needs. It does not appear that other revenue sources, such as storm drainage fees are either in place or could be in place soon enough to meet projected needs over the next five years. Over the longer term, we believe that implementation of a storm drainage fee and establishment of a self-funding drainage utility presents an attractive alternative to the City in meeting its ongoing capital and maintenance needs.

Recommendations

1. That the city first seek outside sources of funding for individual drainage projects.
2. Within the next two years, initiate a storm drainage utility for funding capital improvements and drainage maintenance. A drainage utility study should precede this initiation such that the concept is thoroughly developed and properly presented to the staff, City Council and Lebanon citizens. We have found this funding program to be very well accepted by a community if thoroughly understood.
3. Within the next three years, initiate a general obligation bond sale to fund the first five years of the CIP.
4. Continue to assemble funds from a combination of the above sources to initiate timely projects. An excellent example of this approach is the funding package currently being assembled to make the badly needed drainage improvements in the northeast industrial area.

TABLE 8.1A

PROJECT COST & PHASING SUMMARY (WITH CANAL)

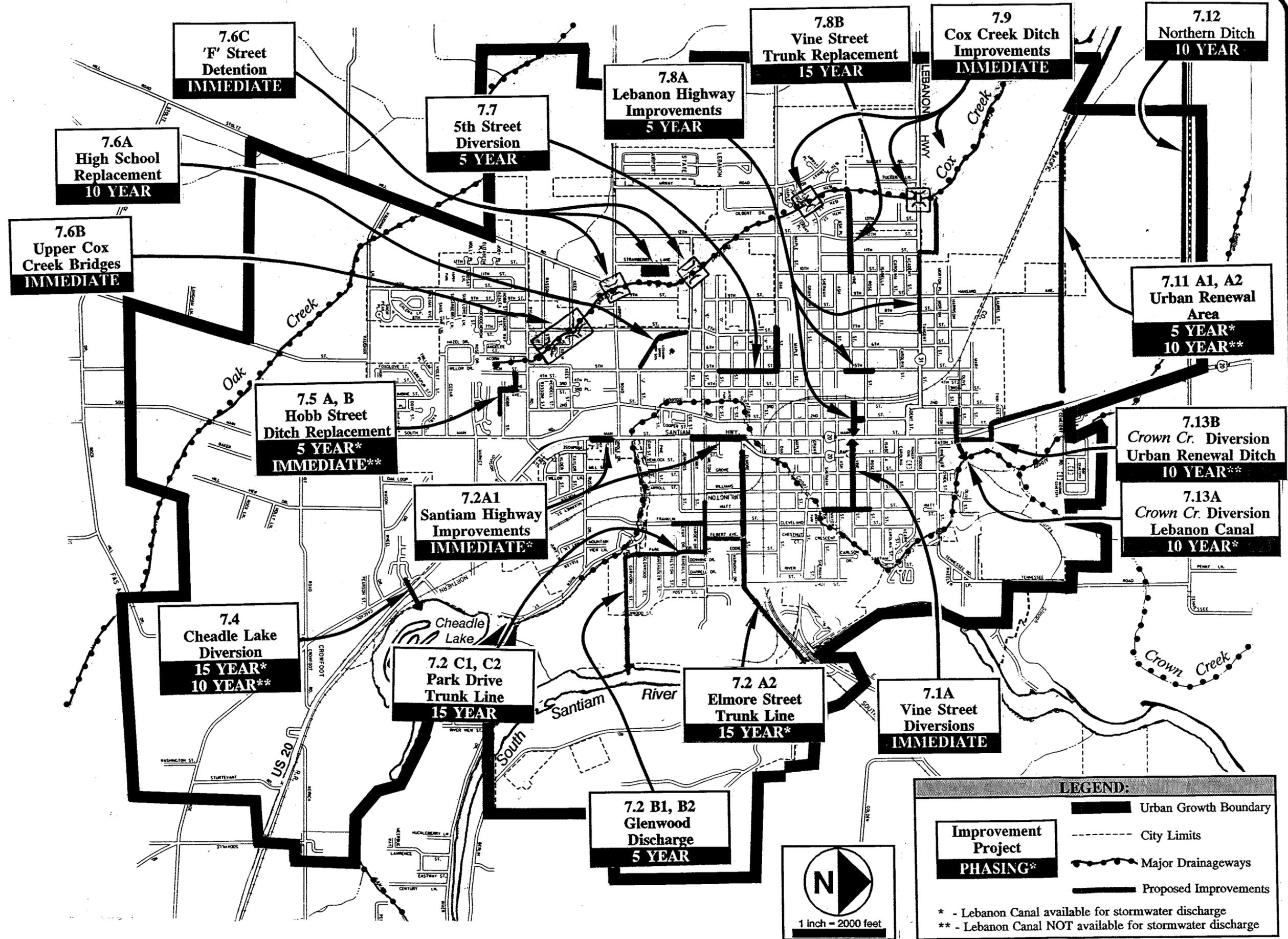
PROJECTS		IMMED. (1990-93)	5 YEAR (1993-97)	10 YEAR (1997-01)	15 YEAR (2001-05)	PRIORITY
7.1A	Vine Street Diversion	\$197,200				HIGH
7.2A1	Santiam Highway Improvements	\$223,700				HIGH
7.2B1	Glenwood Discharge- Canal Available		\$594,300			HIGH
7.2C1	Park Drive Trunk Line- Canal Available				\$356,700	MEDIUM
7.4	Cheadle Lake Diversion				\$434,000	MEDIUM
7.5A	Hobb Street Ditch Replacement		\$111,500			MEDIUM
7.5B	Hobb Street Piped System, Long Term Solution				\$119,600	LOW
7.6A	High School Replacement			\$347,600		MEDIUM
7.6B	Upper Cox Creek Bridges	\$243,000				MEDIUM
7.6C	'F' Street Detention	\$305,600				LOW
7.7	5th Street Diversion			\$216,100		MEDIUM
7.8A	Lebanon Highway Improvements		\$752,500			LOW
7.8B	Vine Street Trunk Replacement				\$160,700	LOW
7.9	Cox Creek Ditch Improvements	\$321,700				LOW
7.11A1	Urban Renewal Area - Canal Discharge			\$326,700		HIGH
7.12A	Northern Ditch			\$93,200		LOW
7.13A	Industrial Way Diversion- Lebanon Canal			\$124,300		HIGH
PHASE TOTALS		\$1,291,200	\$1,458,300	\$1,107,900	\$1,071,000	
TOTAL						\$4,928,000

TABLE 8.1B

PROJECT COST & PHASING SUMMARY (WITHOUT CANAL)

PROJECTS	IMMED. (1990-93)	5 YEAR (1993-97)	10 YEAR (1997-01)	15 YEAR (2001-05)	PRIORITY
7.1A Vine Street Diversion	\$197,200				HIGH
7.2A2 Elmore Street Trunk Line				\$1,260,200	MEDIUM
7.2B2 Glenwood Discharge- Canal Not Available		\$455,200			MEDIUM
7.2C2 Park Drive Trunk Line- Canal Not Available				\$335,200	MEDIUM
7.4 Cheadle Lake Diversion			\$434,000		MEDIUM
7.5A Hobb Street Ditch Replacement	\$111,500				LOW
7.5B Hobb Street Piped System, Long Term Solution				\$119,600	MEDIUM
7.6A High School Replacement			\$347,600		MEDIUM
7.6B Upper Cox Creek Bridges	\$243,000				MEDIUM
7.6C 'F' Street Detention	\$305,600				LOW
7.7 5th Street Diversion			\$216,100		MEDIUM
7.8A Lebanon Highway Improvements		\$752,500			MEDIUM
7.8B Vine Street Trunk Replacement			\$160,700		LOW
7.9 Cox Creek Ditch Improvements	\$321,700				LOW
7.11A2 Urban Renewal Area - Cox Creek Discharge		\$401,400			MEDIUM
7.12A Northern Ditch			\$93,200		LOW
7.13B Industrial Way Diversion - Urban Renewal Area Ditch			\$207,500		HIGH
PHASE TOTALS	\$1,179,000	\$1,609,100	\$1,459,100	\$1,715,000	
TOTAL					\$5,962,000

FIGURE 8.1



7.6C
F' Street
Detention
IMMEDIATE

7.6A
High School
Replacement
10 YEAR

7.6B
Upper Cox
Creek Bridges
IMMEDIATE

7.7
5th Street
Diversion
5 YEAR

7.8A
Lebanon Highway
Improvements
5 YEAR

7.8B
Vine Street
Trunk Replacement
15 YEAR

7.9
Cox Creek Ditch
Improvements
IMMEDIATE

7.12
Northern Ditch
10 YEAR

7.5 A, B
Hobb Street
Ditch Replacement
5 YEAR*
IMMEDIATE**

7.2A1
Santiam Highway
Improvements
IMMEDIATE**

7.11 A1, A2
Urban Renewal
Area
5 YEAR*
10 YEAR**

7.13B
Crown Cr. Diversion
Urban Renewal Ditch
10 YEAR**

7.13A
Crown Cr. Diversion
Lebanon Canal
10 YEAR*

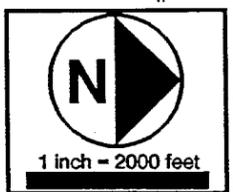
7.4
Cheadle Lake
Diversion
15 YEAR*
10 YEAR**

7.2 C1, C2
Park Drive
Trunk Line
15 YEAR

7.2 A2
Elmore Street
Trunk Line
15 YEAR*

7.1A
Vine Street
Diversions
IMMEDIATE

7.2 B1, B2
Glenwood
Discharge
5 YEAR



LEGEND:

- Urban Growth Boundary
- City Limits
- Major Drainageways
- Proposed Improvements

Improvement Project PHASING*

- * - Lebanon Canal available for stormwater discharge
- ** - Lebanon Canal NOT available for stormwater discharge

DRAINAGE IMPROVEMENT PROJECTS
CITY OF LEBANON
Storm Drainage Master Plan

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DATE **MAR 1991**
 PROJECT NO. **292 DP 11 DW**