

April 8, 2019

TO: Willamette Falls Locks Commission
FROM: John Southgate & Ayreann Colombo
SUBJECT: Long Term Funding – Operations & Maintenance - **DRAFT**

The April 10 Commission meeting discussion on long term O&M (Operations & Maintenance) funding is intended to explore a variety of options, and for the Commission to reach consensus on preferred options. The timing on this discussion is critical because of questions by the legislature, state leadership, and community stakeholders who have expressed reservations about finalizing ownership and capital funding for the Locks absent O&M feasibility. The preliminary estimate of annual O & M costs (including an estimated annual budget of \$440,000 for capital reserves, per the KPFF study) is **\$1.1-\$1.2M**.

Staff believes the options presented for discussion are not only feasible, but achievable. Nevertheless, each comes with a degree of work that make some more likely than others. For this reason, we have identified funding mechanisms that go beyond the estimated costs of O&M to account for both options of funding and projected cost of inflation. Staff believes establishing preferred O&M scenarios will support ongoing discussions in Salem and move ownership and capital funding legislation closer to success

This memorandum provides an overview of these funding sources, as a framework for the presentation and discussion on April 10th. Attachment A is the January report on O & M funding (both near and long term); most of which is still relevant to the discussion (in terms of activities that need to be funded; and rough estimates of the cost of conducting these activities).

Long Term Operations & Maintenance Funding – Summary of Options

Boat License Fee Increase – Motorized & Non-Motorized

Under State Law, the Marine Board is authorized to collect a registration fee on all motorized boats. Currently the rate is \$4.50 per lineal foot, generating about \$17M per biennium (\$8.5M per year). This rate is significantly lower than the rates in Washington or California. Consequently, in light of growing demand for its services, the Marine Board has proposed legislation to increase the rate to \$5.95 per lineal foot. This new fee would generate in excess of an estimated \$22M per biennium upon taking effect in 2020. (The Marine Board also anticipates requesting future legislative authorization of a further increase effective in 2026).

In addition to requesting an increase to the motorized boat license fee, the Marine Board's proposed 2019 legislation in the current session includes a provision to introduce a new fee for non-motorized craft in excess of 10 feet in length.

The Locks Commission's consultant team has had several preliminary yet positive meetings with senior Marine Board staff, and also briefed the Board itself in January of this year. In meetings with staff we have discussed a funding scenario whereby there is an increase to the motorized boat license fees, to be dedicated to funding of the Locks' O & M. There are several permutations to this concept – perhaps the

increase could be limited to the boats registered in the counties within the Portland region and northern Willamette Valley. Perhaps there could be a phasing in of any fee increase. Perhaps there could be a blend of fee increases for both motorized and non-motorized water craft.

- For illustrative purposes, a statewide increase of \$0.50 per lineal foot of motorized boats would generate in excess of \$2M per biennium – or almost the entire estimated annual Locks O & M cost of \$1.1M. Obviously, restricting a fee increase to a smaller geography, and/or reducing the proposed increase, would generate less revenue and require additional sources.

User Fees

A potential revenue source for Locks O & M is fees from commercial users. According to findings within the 2017 ECONorthwest Economic Benefits study, transportation cost savings for aggregate transport, moorage and in-water construction will range between \$6.9 million to \$47.1 million over the next 30 years. Further, revenues from guided day tours and overnight cruises will range from \$6.2 million to \$48.4 million. Assuming the Locks establishes pricing to capture a share of these revenues and costs saving benefits, a substantial percentage of the Locks O & M costs could be covered by commercial user fees. The initial fee may need to be set at a relative low rate in the early years of operations, to allow users time to establish necessary infrastructure and operations.

In addition to commercial user fees (barges, passenger tour craft, etc.), the Commission may want to consider establishing a moderate fee for recreational craft. If the Locks received funding from the Marine Board due to increased boat registration fees, it may not be reasonable to charge recreational user fees.

Oregon Special Registration Plates

Over the decades, Oregon has authorized special vehicle license plates as a funding source for a variety of purposes, such as Crater Lake, Salmon, etc. Originally, participation in the program required legislative authorization. In 2016, this program was turned over to DMV (Department of Motor Vehicles) as a consolidation of two prior special plates programs: statutory plates (Pacific Wonderland, Crater Lake, Salmon, etc.) and group plates (Veterans, etc.). Before 2016, the group plates program required the sponsoring entity to generate the sale of a minimum of 500 plates; but issuances of many of these plates fizzled out within a year or two; post 2016, the required minimum number of annual new issuances is 2000. DMV's new Special Registration Plates program has increased the barriers to entry and as a result is maintaining fewer, better performing plates. Since 2016, all six special plates have been able to meet the annual minimum of 2,000 new issuances.

- Special registration plates are available to non-profits, higher education institutions and public bodies (ORS 174.109: state government, local government bodies and special government bodies).
- For WFL special background plates, the Locks would need to submit a plate design to DMV for approval and then sell 3,000 vouchers. Thereafter, it would need to issue a minimum of 2,000 new plates every year to remain active. If this program met the minimum issuance requirement,

within 10 years, and assuming 90% renewal rates, revenue from special background plates could cover about \$300,000; i.e., 25% of necessary O&M funding.

- In general, new plate issuances start strong but then begin to trickle off after five to ten years. An exception to this is the best-selling plate, “Pacific Wonderland”, which maintains around 12,000 issuances every year. In comparison, the “Cultural Trust” and “Salmon” plates are just maintaining their minimum 2,000 issuances after starting strong in their first years. Issuances of the other special background plates: “Crater Lake”, “Coastal Playground”, “Wine Country” and “RipCity” are falling somewhere in between. The “Ducks” plate is new this year and its performance is yet to be seen. Consequently, for this to be a feasible and stable revenue option for WFL, a strong effort to brand it as an Oregon icon within the Oregonian psyche will be critical.

Special District

Oregon law allows the creation of Special Districts for a wide variety of services. If the boundaries of a district fall entirely within a single County, the Special District can be authorized locally; multi-County districts require authorization by the State legislature. Special districts do not require a vote – but a vote *is* required to authorize a property tax rate for the Special District.

If a county-wide district were created in Clackamas County for example, and if it received voter approval to establish a permanent rate of \$0.099 for \$1000 of assessed value, such a rate would generate roughly \$5,000,000 per year. Presumably, a county-wide geography would necessitate a range of projects benefitting many communities in the county (otherwise it’s unlikely that voters throughout the county would vote in favor of even a relatively modest rate increase). In our conversations with officials from a number of jurisdictions, we have identified a number of such projects throughout Clackamas County.

There are admittedly a number of challenges to the concept of a Special District. For example, Clackamas County voters tend to be fiscally conservative, special district funding may compete with other planned ballot measures through the county and region, and a new permanent rate could trigger compression and thereby diminish revenues to the county and other jurisdictions.

State Tourism Grant

In 2016, the State Legislature authorized an increase in the TLT (transit & lodging tax) from 1% to 1.8%, in part to provide partial funding for the World Games taking place in Eugene in 2021. The legislation included a scheduled reduction to 1.5% effective in 2021. There is a possibility of revising the legislation to maintain the higher 1.8% rate permanently. The Commission will want to consider advocating for the permanent higher TLT rate, as there is a possibility of securing significant short term O & M funding for the Locks.

We have had a series of conversations with officials at Travel Oregon; Travel Portland (which plays a role in disbursing regional TLT funds); as well as Mt. Hood Territory (the County’s travel organization). One

scenario is to fund all or most of initial year O & M, and then schedule a declining portion of these costs as other sources are secured.

Boat Moorage Fees

Another potential funding source that was identified in the 2017 economic benefits study performed by ECONorthwest is boat moorage. The 2017 study noted that there is a relative dearth of moorage facilities beneath the Locks. If the Locks were re-opened, this would open up the possibility of creating new moorage facilities upriver from the Locks. Such moorages would generate payments to the Division of State Lands (DSL), essentially as a lease of the river bottom. Under this circumstance, some or all of the new DSL revenues should logically be directed to the operation of the Locks, insofar as the Locks would be the rationale for creation of new up-river moorages.

Fuel Tax

Oregon's Fuel Tax (currently \$0.34/gallon) generates \$587M in revenue annually. In addition to funding Oregon's transportation infrastructure (roads, highways, and bridges), a portion of the fuel tax goes to the Marine Board, since motorized water craft pays the tax. About 23% of the Marine Board's biennial budget is derived from the Fuel Tax.

The fuel tax – and the possibility of increasing it – is a politically dynamic topic. However, as a major revenue generator which is, again, part of Marine Board funding, this potential funding source must be considered. A one cent increase in the Fuel Tax (to \$0.35/gallon) would generate an additional \$17.3M annually. What if there were such an increase, with some portion devoted to Marine Board funding, and in turn, a portion of those dollars being directed to the Locks?

Attachment A

Willamette Falls Locks – Operations and Maintenance Plan & Funding Options

January, 2019

This paper is intended to identify likely activities needed to operate the Willamette Falls Locks, order-of-magnitude cost estimates to perform those operation and maintenance activities, and funding concepts to carry out the operations.

The strategy is broken into three phases, based on the changing nature of operating activities over time.

The first phase (estimated five years, from 2020 to 2025) represents the period *after* an agency/entity is identified to manage the Locks implementation effort (taking the reins from the Commission), and up to the time of the re-opening of the Locks. Note this initial period begins after the Commission's current funding expires (i.e. in 2020). The second phase (estimated years 2025 to 2030) represents the initial five year period after opening of the Locks, when the Locks are operational. The third and final period is the "long term" sustained operation of the Locks (estimated year 2030 and following).

Phase I: 2020 – 2025 (i.e. getting the Locks repaired and re-opened)

Administration & Funding:

- Negotiate and oversee transfer to a state agency such as DSL, or to another entity (such as a 190 group or a public corporation) per legislative direction
- If the transferee is to be a new entity, initiate and oversee the formation of that entity – legislative action, incorporation, other steps as necessary
- Establish and maintain the ongoing administration of the Locks
- Oversee the negotiation of an IGA or contract with an operating entity, unless the transferee itself is the operator
- Secure capital funding – per terms of legislative or congressional funding; Metro OS bond funds, Army Corps of Engineers funds, private/foundation support, etc.
- Negotiate and manage the IGAs with the start-up operating funding partners
- Identify and secure Phase II/Phase III permanent operational funding – negotiations with funders, legislation as necessary, etc.
- Closely coordinate all activities with USACE

Capital Repairs

- Secure approval of permits for repair
- Negotiate repair work plan with affected parties – Corps, etc.
- Bid out repair project; select bidder; negotiate contracts
- Oversee the repair project (construction management)
- Bid out ongoing Locks operations (or recruit operations staff); negotiate contracts

Estimated Annual Costs:

- Executive Director \$150K/year
- Administrative staff \$75K

- \$150K consulting
- \$125K contingency

Total Cost: \$500K/year.

Potential Funding Sources:

- Public Agencies through 190 Agreement for five years (i.e. through completion of repair work). Agencies to provide \$10,000 - \$100,000 annually (level based on size of jurisdiction/agency; budget; relevance of the re-opened Locks to the jurisdiction's/agency's core mission). Target entities: Clackamas County; Marion County; Yamhill County; Port of Portland; Metro; TriMet; and the cities of West Linn, Oregon City, Wilsonville, Canby, Milwaukie, Newberg, Salem, Portland, Gladstone, and Lake Oswego. TOTAL: \$300,000/year
- Possible supplemental sources: Clackamas County Tourism, Private marine industry, Marine Board, State Tourism: \$200,000/year

Phase II: 2025 – 2030 (first five years after re-opening)

Operations:

- Operate the Locks
 - Summer 4-month seasonal public access; 5 days per week; 12 hours per day
 - Off season commercial certification, self-service program or service by reservation
- Fund raise/marketing
- Secure long term operating funding; a dedicated “sinking” fund tied to those who benefit most from reopened Locks
- Promote commercial use of the Locks through collaboration with Economic Development entities, tourism entities, private industry

Operational Costs:

- Administrative Staffing (Executive Director & Admin) \$225,000
- Consulting \$100,000
- Incidental (Security; maintain grounds; utilities) \$100,000
- Locks Staffing:
 - Permanent/Full-Time: (chief Locks operator; mechanical manager) \$200,000
 - Seasonal (four seasonal part-time) \$65,000

Total Operations Cost: \$690,000/year

Maintenance (KPFF Estimate)

- Annual routine maintenance - \$262,000
- Annual reserve for 5-year major rehab - \$109,000
- Build up capital reserve
 - 50-year gate removal/repair - \$50,000/year
 - 30-year flood repair - \$25,000/year

Total Maintenance Cost: \$446,000/year

Total Annual Operating & Maintenance Cost - \$1,100,000

Potential Funding Sources

- User fees – Commercial (heavy industry; tourism industry) & Recreational (motorized and non-motorized)
 - Likely to be nominal revenue in early years of operations – less than \$50,000/year?
- Dedicated funding from State entities that have a strong nexus with the Locks (in terms of tying the funding source to those that benefit) and therefore have a long-term interest in the re-opening and long term operation of the Locks. The funding sources most closely related to the benefit provided by reopening the Locks are:
 - Travel Oregon. Statewide and regional lodging taxes reflect the increased tourism expected in the area.
 - Marine Board. Motorized and non-motorized boat registration fees reflect the users of the Locks. An increase in the statewide fee or creation of a NW Oregon regional fee to be considered.
- Gas Tax. ODOT collects a fuel tax on all fuel sales with the estimated portion not collected from motor vehicles eligible for use on non-highway purposes.

Phase III: 2030 and beyond

Operations:

- Operate the Locks
 - Summer 4-month seasonal public access; 5 days per week; 12 hours per day
 - Off season commercial certification, self-service program or service by reservation
 - Depending on operating revenues, increase or decrease hours of operation accordingly
- Fund raise/marketing
- Secure long term operating funding
- Promote commercial use of the Locks through collaboration with Economic Development entities, tourism entities, private industry

Operational Costs:

- Administrative Staffing (Executive Director & Admin) \$225,000
- Consulting \$100,000
- Incidental (Security; maintain grounds; utilities) \$100,000
- Locks Staffing:
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Potential Funding Sources

- User Fees – Commercial & Recreational.
 - May grow substantially over time, depending on a variety of factors including State funding of companion infrastructure investments which makes our water-borne commerce more lucrative; and on efforts by economic development officials in Wilsonville, Newberg, Canby, Clackamas County, Oregon City, West Linn, etc. to actively promote the Locks as a locational advantage that attracts businesses that capitalize on this advantage
- Marine Board, Oregon Tourism, Gas Tax established as a permanent fee increase as described in Phase II above.