

# Roads Fund

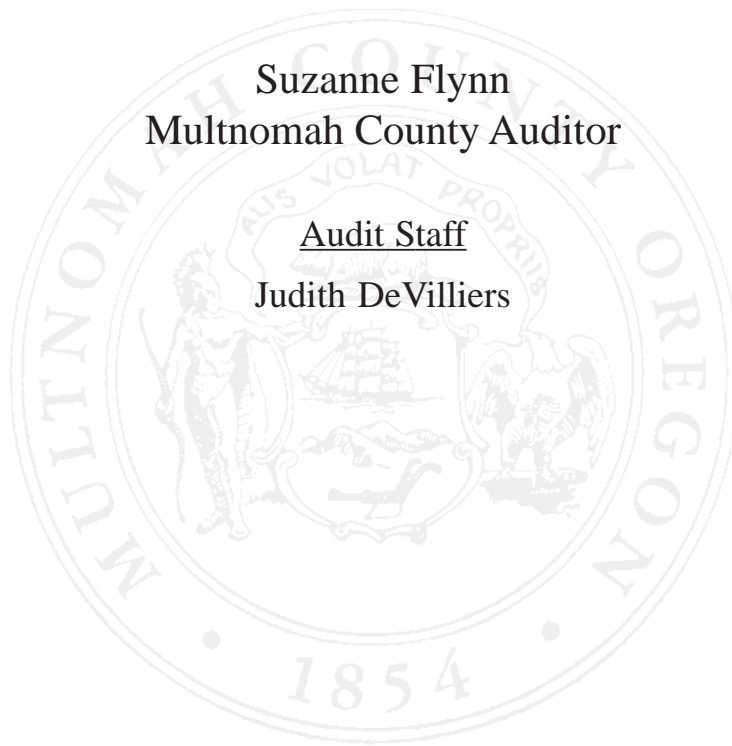
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A Closer Look

October 2005

Suzanne Flynn  
Multnomah County Auditor

Audit Staff  
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Date: November 1, 2005

To: Diane Linn, Multnomah County Chair  
Maria Rojo de Steffey, Commissioner, District 1  
Serena Cruz, Commissioner, District 2  
Lisa Naito, Commissioner, District 3  
Lonnie Roberts, Commissioner, District 4

From: Suzanne Flynn, Multnomah County Auditor

Subject: Review of Roads Fund

The attached report covers our audit of the Roads Fund. This audit was included in our FY05-06 Audit Schedule.

This audit was scheduled because of a trend we noted in our Financial Condition 2004 report. We initiated this short audit to understand why County revenues were declining and to determine if the allocation among the Cities and County was fair. We discovered adequate information to explain the decline but note that the distribution to the smaller cities may not be fair. We recommend that the County continue discussions with the State and Cities to address fairness and what is of regional concern – the bridges.

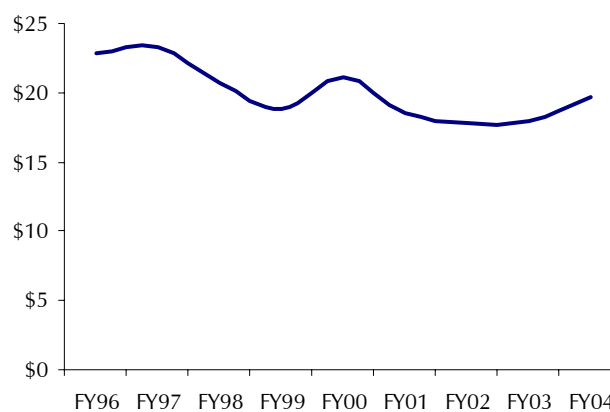
We have discussed our findings and recommendations with management in the Departments of County Management and Community Services. A formal follow-up to this audit will be scheduled within 1-2 years.

We would like to acknowledge and thank the management and staff in the County Management and Community Services organizations for the cooperation and assistance extended to us.

## Background

This audit is a follow-up to our last biennial report on the County's Financial Condition. In that audit we reported that total spending on the County's roads and bridges decreased 15% in the last ten years. We noted that this trend reflected declining revenues for the Road and Bridge funds over the last ten years. The needs for the County's roads and bridges have not declined, but are increasing.

Road Fund  
FY96 to FY04  
(In millions, adjusted  
for inflation)



Over this ten-year period revenues from the State Highway Fund Apportionment made up an average of 68% of the total Road Fund and the County Gas Tax made up 19%. The remaining 13% is from various other sources primarily based on specific projects. An average of 52% of the total County Road Fund revenues was distributed to the Cities of Portland, Gresham, Troutdale, and Fairview.

### Scope and Methodology

The objective of this review was to determine why the County's Road Fund revenues are declining and the fairness of how the Road Fund moneys are shared with the cities. We looked at the revenues from the State Highway Fund Revenue Sharing and the County Gas Tax as those made up 87% of the total, and at the transfers to the cities. We used a nine-year trend period for our analysis rather than a ten-year trend because 1996 was the first year subsequent to the various road transfers between the County and the cities.

We interviewed staff in the County's Transportation Department, reviewed intergovernmental agreements between the County and the cities, reviewed the calculation formula and transfers to the City of Portland. We looked at County and State laws and legislation relating

to the Road Fund and revenue sharing agreements as well as state apportionment reports, gas tax records, highway fund reports and statistics, and other reports from the State Department of Transportation relating to highway and bridge needs and funding. We looked at needs from the County's twenty year needs assessment plan, and state bridge needs reports. This audit was conducted in accordance with generally accepted government auditing standards.

## Results

We found that the County's Road Fund decline over the last nine years was a combination of the following:

- A one time change occurred when the County increased its distribution to Portland related to the Urban Transition Projects adjustment which expired on June 30, 2000.
- Revenues to the City of Portland included in the revenue sharing agreement with the County are declining. In total these revenues decreased 5% over the nine years when adjusted for inflation. The shared revenues include both Portland and the County's apportionment from the State Highway Fund and the County Gas Tax, less an adjustment for the Willamette River Bridges.
- Unlike the agreement with Portland, the agreements with the other cities (Gresham, Troutdale, and Fairview) include an adjustment for inflation. Over the past nine years these cities received a larger share each year of declining revenues from the County's Road Fund. Although the agreements with the other cities were only 4.4% of the total, if the resources to the County continue to decline the gap will widen in real dollars.

The second objective of our review was to look at fairness in the County's Road Fund allocation. We believe the allocation agreement with the City of Portland is fair in two major respects:

- We looked at the allocation of funds compared to the road miles and believe the allocation to be reasonable. We realize that road miles is only one way of looking at the fairness for distribution of funds. The state of Oregon does not allocate the State Highway Fund based on road miles, but on population for cities and on the number of motor vehicle registrations for counties. For details see [www.oregon.gov/ODOT/CS/FS/](http://www.oregon.gov/ODOT/CS/FS/). Additionally the Association of Oregon Counties has a study on allocation which can be viewed from their web page at [www.aocweb.org](http://www.aocweb.org).
- We also believe the agreement with the City of Portland to be fair in that both the County and City share the effects of increases or decreases in the shared revenues.

In contrast, the agreements with the other cities allow for increases in the transfers even in light of declining revenues in the County's Road Fund.

Further, the needs of the County's bridges and roads are more than a County issue. The Willamette River bridges are an essential tie for the entire metropolitan region and require a regional look and perhaps regional financing. In order to ensure that all of the agreements are fair and that the bridges receive adequate funding, the County should enter into discussions with the Cities and the State.

## Recommendations

To ensure fairness and that bridge funding needs are met, the County should continue discussions with the cities of Gresham, Troutdale, and Fairview and the State regarding these agreements and regional bridge needs.



## Diane M. Linn, Multnomah County Chair

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October 31, 2005

Suzanne Flynn  
Multnomah County Auditor  
501 SE Hawthorne, Room 601  
Portland, OR 97214

Dear Suzanne:

I have reviewed your audit of the County's Road Fund and would like to thank you and your staff for your valuable work

Multnomah County's Transportation Division is responsible for managing the County's Road funds.

As you have detailed in this audit, the need to ensure fairness and that bridge funding needs are met the County should enter into discussions with the cities of Gresham, Troutdale and Fairview and the State regarding these agreements and regional bridge needs.

We are currently in negotiations with the City of Gresham to transfer the roads with in the City of Gresham to them. The proposed agreement changes the method of calculating future funding changes based on changes in shared revenue. This means that if shared Road Fund revenue increase, the City of Gresham's share increases, if the shared revenue decreases the City of Gresham's' revenue decreases.

The County, under the leadership of Commissioner Maria Rojo de Steffey, has successfully worked with the State and Federal Government to secure funding for the Sauvie Island Bridge replacement. On September 22, 2005 the Board passed a Resolution authorizing Commissioner Maria Rojo de Steffey to negotiate on behalf of Multnomah County with the Oregon Department of Transportation through its Oregon Innovative Partnerships Program for the Sellwood Bridge Renovation/ Replacement Project. Both of these projects have or will include State, Federal and regional partners.

Once again, I appreciate your continuing efforts in helping us identify ways to improve the operations of Multnomah County.

Sincerely,

Diane Linn  
Multnomah County Chair

c: Board of County Commissioners  
Dave Boyer, Chief Financial Officer  
Cecilia Johnson, Director Community Services