



**CITY OF MOLALLA  
WORK SESSION REGULAR MEETING  
AGENDA**

Civic Center | 315 Kennel Avenue Molalla, OR 97038  
Wednesday, May 28, 2025 | 6:00 PM

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*NOTICE: Work Session will hold this meeting in-person and through video Live-Streaming on the City's Facebook Page and YouTube Channel. Written comments may be delivered to City Hall or emailed to [recorder@cityofmolalla.com](mailto:recorder@cityofmolalla.com). Submissions must be received by 12:00 p.m. the day of the meeting.*

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- 1. CALL TO ORDER**
- 2. ROLL CALL**
- 3. GENERAL BUSINESS**
  - A. [Street Maintenance Funding](#)
- 4. ADJOURN**



## CITY OF MOLALLA

### Staff Report

**Agenda Category: GENERAL BUSINESS**

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**Agenda Date: Wednesday, May 28, 2025**

**Submitted by: Mac Corthell, Assistant City Manager**

**Approved by: Dan Huff, City Manager**

**SUBJECT:** Street Maintenance Funding

**ATTACHMENTS:**

[Staff Report - Street Fee.pdf](#)



## CITY OF MOLALLA

117 N. Molalla Avenue  
PO Box 248  
Molalla, OR 97038

### Staff Report

#### Agenda Category: General Business

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**Agenda Date: May 28, 2025**

**From: Mac Corthell, Assistant City Manager**  
**Approved by: Dan Huff, City Manager**

**SUBJECT:** Street Maintenance Funding

**BACKGROUND:**

Staff seeks City Council's approval of the public engagement plan provided below.

In 2018, the City passed Ordinance No. 2018-02 which, in pertinent part, approved a "Street Maintenance Utility Fee" to be set by resolution of the City Council. This ordinance was repealed by the voters in a referendum later that year.

Since then, the City's overall Pavement Conditioning Index (PCI) has hovered around the low 60's while the ideal system PCI is 82-84.

Staff recently completed an update of the PCI and identified several budget scenarios that would allow the City to increase its PCI incrementally. The table below provides a summary of each budget scenario, and their projected impact on the City's overall PCI. Notably, there are many scenarios above, below, and in between the 5-year budgets shown in the table, these were selected to illustrate the contrast in how each different scenario is projected to impact the PCI.

Scenario Name	5 Year Budget	2029 PCI (change)	2029 Deferred Maintenance	2029 % Good	2029 % Very Poor
1 – Unconstrained	\$16.9 million	85 (+22)	\$0	90.9%	0.0%
2 – Current Investment	\$1.5 million	59 (-4)	\$15.4 million	51.4%	18.0%
3 – Maintain Current PCI (63)	\$2.5 million	63 (0)	\$14.9 million	56.9%	18.0%
4 – Increase PCI to 70	\$5.5 million	70 (+7)	\$12.6 million	71.2%	17.2%
5 – Increase PCI to 75	\$9.5 million	75 (+12)	\$8.7 million	78.3%	12.6%

Current annual revenue levels in the Street Fund when adjusted to remove funding that is not legally eligible for use on street maintenance is approximately \$1.53 million. While costs for materials and services, personnel, fleet replacement, and debt service, without the road surfacing program, are approximately \$1.28 million.

This leaves approximately \$250,000 - \$300,000 annually for street surfacing given that materials and services funds are not typically used in full but must be budgeted in case of unexpected costs. SDC's plus Fund Exchange dollars are the sole dedicated resource available for street Capital improvements.

At the \$300,000 spending level, the City's PCI is projected to fall by 4 points over the next 5 years. City staff has budgeted \$1.15 million in funding for this program for FY25/26, which would maintain the current PCI over the next 5 years if annual spending is maintained at \$300,000 per year plus inflation. However, the City cannot afford infusions like this beyond this coming Fiscal Year.

Given these facts, the City's PCI will begin to fall in 5 years at current spending levels or the City must find an additional revenue source or sources for roadway surfacing. At \$500,000 per year plus inflation (\$200,000 more than current level), the City can maintain its current PCI. All funding levels above \$500,000 per year plus inflation will improve the PCI proportionate to the amount by which \$500,000 is exceeded.

#### **REVENUE SOURCES:**

Goal 5 of the City's Transportation System Plan is Strategic Investment, and lists "identify new and innovative funding sources for transportation improvements." Then goes on to provide a list of potential funding resources. For purposes of street surfacing, staff has eliminated those resources that are no longer available, are not eligible for use on surfacing, and/or do not provide a consistent and foreseeable revenue source.

While staff will certainly engage other revenue sources for eligible projects, the only ones remaining for a consistent and foreseeable revenue source are:

- Street Utility Fee – Can be passed by the City Council and is subject to the referendum process. Results in an extra fee on the utility bill at a level set by the Council.
  - The City currently has about 3,500 user accounts, so the rough amount of funding per \$1 of utility fee would be \$42,000 per year.
- Local Fuel Tax – Must be passed by the voters. Results in an additional tax on vehicle fuel purchased in Molalla.
  - At \$.02 per gallon, Silverton raised about \$75,000 in FY22/23
  - At \$.03 per gallon, Canby raised about \$400,000 in FY22/23

Additional research will be required to determine what Molalla's exact funding levels would be with each resource.

**STAFF PROPOSAL:**

A referendum on street utility fees, or a failed vote on a local gas taxes, is costly in terms of both dollars and community trust. In order to avoid these and other potential negative outcomes, staff is proposing a significant public engagement strategy prior to further consideration of augmenting road surfacing revenue.

***Pre-Engagement***

Staff will obtain the necessary information to provide the Council and public with the particulars on each option. Staff will present the materials and information below to the Council prior to public dissemination at scheduled work sessions.

***Project webpage***

The project will have a webpage on the Molalla Current that serves as a virtual information hub. This would provide public access to project information, documents, and announcements, such as FAQ's, revenue projections, impacts to PCI, and more. Additionally, this space will provide a location for questions and input from the community, surveys, and the like.

***Survey(s)***

The project team will develop and conduct a survey (or multiple surveys as needed and advisable) to educate the community on the issues surrounding this topic, garner community feedback on the options available, and increase community ownership in the ultimate decision.

***Local Event Engagement***

City staff will prepare materials to educate and seek feedback at local events (e.g. Celebrate Molalla). This will also provide staff with an opportunity to engage the community in-person, field questions and concerns, and provide accurate information.

***Townhall(s)***

City staff will host a town hall (or multiple town halls as needed and advisable), to provide a forum for questions, concerns, and provision of information. Like local events, town halls provide a great opportunity to engage the community on the issues and increase ownership in the final decision.

***Community Groups and Partners***

City staff will attend meetings of community groups and other community partners to provide information, field questions, and garner feedback.

***Public Meetings***

Staff will prepare materials and reports for Planning Commission and City Council meetings that invite public comment (and Planning Commission feedback) on the options.

***Timing***

Staff anticipates this process will take approximately 8-12 months, but can reduce the timeline with reduced public engagement.