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**CITY AUDITOR** 345 6<sup>th</sup> Street, Suite 600, Bremerton, WA 98337-1873 & Phone (360) 473-5369

May 9, 2014

Honorable Patty Lent, Mayor  
Members of the City Council

The City Auditor has completed the attached report entitled Transportation Benefit District Review. This project was scheduled on the 2014 work plan.

The Transportation Benefit District was created by the City Council in February 2009. The city started receiving fees in July 2012. This report reviews the TBD from creation through December 31, 2013. Three procedural items were noted that should be addressed. It was also noted that very little time or available funds were spent on street maintenance in 2013.

Sincerely,

Gary W. Nystul

cc: City Attorney  
Director of Public Works & Utilities  
Director of Financial Services

# **TRANSPORTATION BENEFIT DISTRICT REVIEW**

## **Purpose**

This is a review of the Transportation Benefit District to make an assessment of compliance with state law, city ordinances, TBD charter and bylaws. It is included in the 2014 work plan.

## **Scope**

The review covered the period from the creation of the District in 2009 and activity through December 31, 2013.

## **Statement of Auditing Standards**

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except section 3.82 which requires an external peer review. Those standards require the auditor to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

## **Objectives**

- Review the creation, history and activity for compliance with state law and city ordinances
- Review budgets, revenue and expenditures
- Note any opportunities for economy, efficiency or effectiveness

## **Summary of Results**

- Some minor compliance housekeeping issues need to be addressed
- The 2013 budget anticipated more work than was actually performed

## Background

A Transportation Benefit District is a quasi-municipal corporation and is an independent taxing district. The state legislature, starting in 1987, allowed cities, towns and counties to create this entity to fund transportation improvements. In 2007 the Legislature amended the statute to authorize the imposition of vehicle fees and transportation impact fees without a public vote. Districts may, with specific limitations such as voter approval, also impose sales and use taxes, vehicle tolls or impact fees.

The legislature established the purposes of TBDs to be ... “acquiring, constructing, improving, providing, and funding a transportation improvement within the district that is consistent with any existing state, regional, or local transportation plans and necessitated by existing or reasonably foreseeable congestion levels.” The law also provides ten criteria to be considered when selecting transportation improvements.

In February 2009, the City of Bremerton created a Transportation Benefit District. As provided in state law, the City Council is the governing board of the TBD. However, since the TBD is a quasi-municipal corporation, it is an entity independent of and separate from the City. The TBD has adopted a Charter and Bylaws. The Board meetings and officers are separate from city council meetings and city officers. The treasurer of the TBD is the City Financial Services Director, the City Clerk serves as its secretary, and the City Attorney represents the district.

In November 2009, the TBD submitted a proposal to the qualified electors of the District to impose a \$30 annual vehicle fee. The measure was defeated by a vote of 2,353 in favor and 5,252 opposed. In December 2011, the District voted to authorize a \$20 vehicle license fee. As provided by law, collection of this fee started six months later in June 2012.

The annual vehicle license fee is collected when the owner of a vehicle, who resides in the city limits, obtains a new vehicle license or annual renewal. The collected fees are forwarded by the State Department of Licensing to the State Treasurer who transmits them monthly to the city.

The District started receiving fees from the state in July 2012. However, due to the uncertainty of the revenue, it did not establish an expenditure budget for that year.

TRANSPORTATION BENEFIT DISTRICT  
 SCHEDULE OF REVENUE AND EXPENSE  
 For the Years 2012 and 2013

	<b>Revenue</b>	<b>Expense</b>	<b>Balance</b>
<b>2012</b>			
Vehicle Fees	\$189,169		
Interest	59		
Total	189,227	0	\$189,227
<b>2013</b>			
Vehicle Fees	426,361		
Interest	486		
Maintenance		53,629	
Total	426,847	53,629	373,218
Balance Forward to 2014			\$562,446

**FINDINGS AND RECOMMENDATIONS**

**1. COMPLIANCE**

The formation of the district and its organization complies with state law. However, a review of the charter, bylaws and ordinances discloses three minor issues that should be addressed.

- A. Section 2.04 of the Charter requires that a disclaimer, substantially in the form as listed, be posted in a prominent place accessible to the public in the District’s principal office. It further requires that this disclaimer be printed or stamped on all contracts, bond and other documents that evidence or create any obligation which, by its terms, is not payable from a special or limited source of funds.

**Recommendation:** This disclaimer should be posted as required.

- B. Section 6.05 of the Charter requires the Board to develop a material change policy to address major plan changes that affect project delivery or the ability to finance the adopted plan.

**Recommendation:** A material change policy should be adopted.

- C. Section 5.2 of the Bylaws requires the principal office and mailing address of the TBD to be located as specified by resolution.

**Recommendation:** A resolution should be passed to establish the principal office and mailing address.

## **2. PERFORMANCE**

No budget was adopted for work in 2012 because of the uncertainty of the amount and timing of the receipt of revenue the first year. Although not specifically stated as crack sealing, \$300,000 was budgeted for 48 street segment repair projects in 2013. The actual total expenditures in 2013 were \$53,629 for 761.5 hours of work performed by public works staff over 18 days on 15 different street segments. The amount includes the cost of labor, materials and equipment.

**Recommendation:**

The TBD was created to provide funding for much needed street repairs and maintenance. It does not seem reasonable for so little time and effort to have been expended in 2013 when there is a clear need for crack sealing and other street maintenance. There is no shortage of streets to maintain. Management should ensure there are sufficient resources and planning to implement the annual budget.



May 6<sup>th</sup>, 2014

Gary Nystul  
City Auditor  
345 Sixth Street, Suite 600  
Bremerton, WA 98337

RE: Response to April 14, 2014 draft audit report, Transportation Benefit District

Dear Mr. Nystul,

The following is our response to the findings and recommendations of this draft audit report:

1. Compliance
  - a. Disclaimer

The disclaimer has been posted on the 6<sup>th</sup> floor of the Norm Dicks Government Center, outside of the City Council office.

- b. Material Change Policy

This policy has been drafted and will be brought forward to the TBD for approval on May 21, 2014.

- c. Specify TBD principal office and mailing address by resolution.

Staff will take appropriate action to resolve this issue.

2. Performance

The draft audit report recommended that TBD management ensure there are “sufficient resources and planning” to implement the annual budget. For 2013 (and again for 2014), the TBD essentially “contracted” with the City of Bremerton to implement the work plan. For the 2013 work program, the City’s public works department initially estimated it would require \$300,000 to implement a crack sealing program, which would accomplish maintenance on a specific list of street segments. The experience gained in 2013 demonstrated that this work was less expensive than originally anticipated; further, weather and available manhours made it more difficult than expected to complete the entire planned program in-house. In addition, City forces accomplished street maintenance work on arterial streets not originally listed because of a more efficient approach of performing crack sealing and replacement of raised pavement markers at the same time. The Department’s proposed work plan for

2014 incorporates those lessons learned. The crack sealing program will be increased; in addition, contract maintenance will be performed. This contract maintenance includes large area grind/patch/overlay on various street segments; slurry seal/fog seal on various street segments, and street traffic markings. This work is scalable to enable expenditure of the 2014 programmed budget.



Chal A. Martin, P.E.  
Director

C: Mayor Lent  
Finance Director Cathy Johnson  
City Attorney Roger Lubovich  
City Engineer Tom Knuckey  
TBD President Dino Davis