13-1300-S1

JAN 04 2013

MOTION RULES, ELECTIONS & INTERGOVERNMENTAL RELATIONS

"LOS ANGELES EMERGENCY LOCAL STREET SAFETY AND TRAFFIC IMPROVEMENT MEASURE"

More than 8,700 lane miles of streets in the City need rehabilitation. Funding a program of this magnitude would require an additional $300 million annually for the next 10 years. Due to budgetary constraints and other competing needs, this level of funding for street rehabilitation is infeasible. At the rate the City is currently able to tackle this situation it would take 60 years to finish rehabilitating all 8,700 lane miles, barring any additional lane miles falling into critical disrepair. A General Obligation Bond, approved by the voters, is the only option to secure sufficient funding to accomplish this work within a realistic, 10-year timeframe. At the conclusion of the proposed Bond program all failed, and nearly failed, streets would be rehabilitated and the City could reasonably maintain the entire public street system in good condition through available sources of funding.

A recent report issued by the UCLA Anderson School of Management (attached) states that great cities must be committed to the future by investing in infrastructure needed for continued dynamic growth. Rehabilitating public streets is a critical factor in maintaining and enhancing property values. With interest rates at their lowest in 40 years, now is the time to lock in these low rates for a Street Repair and Safety Bond, especially with the added economic benefit of job training and creation of new private sector jobs. The UCLA Anderson report concludes that although there are numerous forward-thinking initiatives underway in Los Angeles for mass transit, the port, education and urban development, all may be for naught as the most obvious sign of a City's ascendency or decline is experienced while traveling from one place to another via automobile.

Well maintained streets not only enhance property values, but improve the quality of life of our citizens and businesses. A report issued by TRIP a national transportation research group states that vehicle owners driving in Los Angeles on average incur $750 per vehicle in additional wear and tear due to the poor condition of streets. Poorly maintained roadway conditions slow down rescue ambulances, fire apparatus and police vehicles, increasing response times to emergencies which can be the critical difference between life and death.

WE THEREFORE MOVE that the City Attorney BE REQUESTED to prepare the necessary Resolutions to place a 20-year $3 billion Street Repair and Safety General Obligation Bond Program on the May 21, 2013 General Municipal Election Ballot with all work to be performed in 10 years.

WE FURTHER MOVE that the CAO and CLA BE INSTRUCTED to report, with the assistance of the Bureau of Street Services to Council with an analysis of this proposal.

CO-PRESENTED BY: M. Englander
MITCHELL ENGLANDER
Councilmember, 12th District

Joe Buscaino
JOE BUSCAINO
Councilmember, 15th District

SECONDED BY: Paul Krekorian

JAN 04 2013

ORIGINAL

UCLA Anderson
School of Management

TO: The Government of the City of Los Angeles

FROM: Professor Edward Leamer, Director of the UCLA Anderson Forecast
Adjunct Professor Jerry Nickelsburg, Senior Economist, The UCLA Anderson Forecast

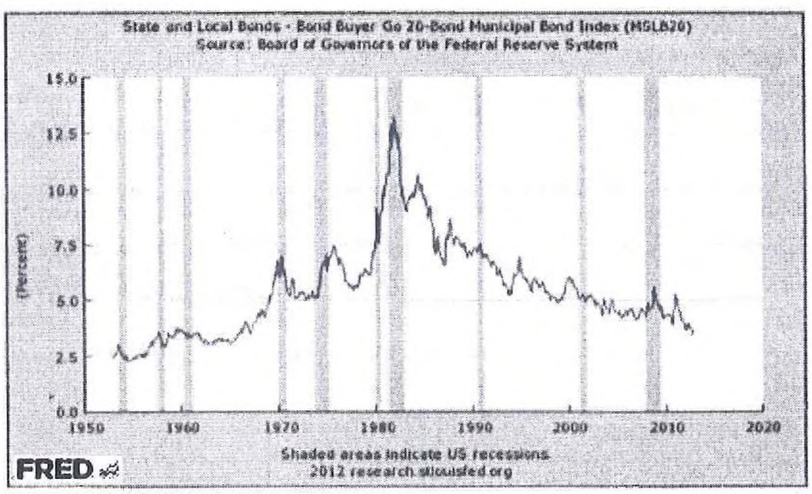
RE: Financing Citywide Street Improvements

DA: December 17, 2012

Los Angeles is a great city powered by its dynamic culture, knowledge networks, international communities, vibrant commerce, superb educational institutions, and active innovators. But great cities will only stay that way through a process of constant reinvestment in the future. Absent the infrastructure to support continued dynamic growth, great cities give way to other locales that are more committed to the future.

We think that municipal governments should conduct their business in a way explicitly designed to maintain and to increase property values, because high property values are the best symptom of quality governance. We take it as given that property values are enhanced by quality schools and by public safety. But whatever the category, spending is excessive if it is carried to the point that the extra dollars spent more than offset the extra benefits.

With property values as the goal, there is good borrowing and bad borrowing. Good borrowing allows a community to acquire assets that support the kind of revenue-generating growth that makes a loan self-supporting. Good borrowing allows a community to acquire assets that enhance property values by an amount greater than the loan, thus increasing net worth. Bad borrowing occurs when loans are used to pay current operating expense in order to push inevitable spending cuts and tax increases into the future, when they may be even less palatable.



When borrowing costs are low, more projects exceed the threshold at which their benefits exceed their costs. As can be seen in the figure at the right, municipal borrowing rates are at the lowest rate in 40 years in nominal terms. These low rates are not likely to continue indefinitely. Now is the time to lock in these

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low rates. Now is the time to use borrowing to fund wisely chosen projects.

An obvious choice is the proposed street repair bond of the City of Los Angeles. This would be good borrowing, not bad. In addition to the damage that is done to vehicles, the poor quality of the streets of the city sends a subtle, but clear message to our citizens, potential businesses and our visitors: Los Angeles is a city of the past and not of the future. The City of Los Angeles cannot afford to send this signal.

The low cost of borrowing is not the only reason to do infrastructure investment now rather than later. Construction costs are being held down by the low volume of construction activity. Like low interest rates, this is not likely to last forever. An infrastructure project which stretches far into the future will run into the latter stages of the economic expansion and will suffer concomitant cost increases as the City competes for construction resources. Furthermore, the City can use the opportunity to train local labor in the infrastructure construction skills, many of which differ from those used in residential construction. If this workforce development is done wisely, it can create a long term employment and income benefit for the City as infrastructure repair and replacement will be a growth sector in California in the coming decades.

We have to decide if we are a city in ascendancy or a city in decline. A city in decline will have crumbling infrastructure, blighted neighborhoods, fiscal stress, and an inward looking government. A city in ascendancy will have a plan for improving infrastructure, schools, civic life, and commerce and it will have an outward looking government.

In Los Angeles initiatives are underway in mass transit, the ports, education, and urban development. But all of this might be for naught as the most obvious sign of ascendancy or decline is experienced while traveling from one place to another via automobile. As the cost is now relatively low, and the need relatively high, this is the time to move the conditions of the roads of Los Angeles from a signal of decline to one of vibrancy and optimism about the future.

Edward E. Leamer