SAVE OUR STREETS LA

#SOSLA

COUNCIL PRESENTATION
AUGUST 2013

PRESENTED BY:
COUNCILMEMBER JOE BUSCAINO AND
COUNCILMEMBER MITCHELL ENGLANDER

CONTENTS

RECEIVED
AUG 21 2013
By

DATE: August 6, 2013

TO: Public Works & Gang Reduction Committee
Of the Los Angeles City Council

FROM: Councilmember Joe Buscaino
Chair, Public Works & Gang Reduction Committee

Councilmember Mitchell Englander
Council President Pro Tempore

SUBJECT: **Save Our Streets LA**

On January 9, 2013, the Council considered the Motion (Englander/Buscaino – Krekorian, et al.) (CF 13-1300-S1), relative to placing a $3 billion Street Repair and Safety General Obligation Bond Program on the May 2013 General Municipal Election Ballot. Consideration of this matter was continued to January 15, 2013, at which time the Council adopted an amending motion (Buscaino – Englander) (CF 13-1300-S1), as follows:

1. Request the City Attorney to propose and advise on potential ballot language for a Street Repair and Safety General Obligation Bond Program to be placed on a future ballot, yet to be determined; and
2. Refer this matter to the Public Works Committee to allow more time for study, debate and public input and outreach on this proposal.

The purpose of this report is to provide an update and status report to the Council on the outreach initiatives undertaken in response to the amending motion (Buscaino – Englander) to inform the public and to solicit public input on the condition of city streets, maintenance and repair costs to achieve an overall average street network grade of "B or better" and sources of potential funding for such an effort. In addition, this report includes instructions to departments for submission of additional information.

Special Public Works Committee Meetings

The Public Works Committee held six (6) evening hearings devoted specifically to the subject of the Save Our Streets LA (formerly known as Los Angeles Emergency Local Street Safety and Traffic Improvement Measure) initiative in various areas of the City including: Los Angeles City Hall; Harbor (San Pedro); Valley (Van Nuys City Hall); Westside (West Los Angeles Municipal Building); South (Constituent Services Center); and Eastside (Boyle Heights). At each of these meetings the City Administrative Officer and the Chief Legislative Analyst, the President of the Board of Public Works, the Director of the Bureau of Street Services and the City Engineer, or their staff, began each session with a comprehensive presentation on the state of the condition of city streets, sources of potential funding and what these sources are currently funding and the concept of a General Obligation Bond to fund a 10-year work program to fix the condition of failed (F) and nearly-failed (D) streets. Following city staff presentations, the

public was invited to ask questions, and voice their concerns or support for the program. Everyone in attendance wishing to speak to the Committee was afforded an opportunity to do so. Speakers included individuals and representatives of various groups including: citizens, property owners, chambers of commerce, labor, Neighborhood Councils, universities, disabled, bicyclists and environmentalists.

Through these efforts, the Committee heard numerous issues of concern to these groups and individuals. Generally, issues/concerns presented can be summarized into the following categories: Cost burden equity among recipients of benefits, including other taxation/fee structures to fund costs; fairness of taxing property owners only; and transparency of program management and independent program oversight. We believe there are issues that must be addressed before moving forward with a potential plan to generate sufficient funding to complete the repairs needed to achieve an overall average "B or better" grade, without any "D's and F's" for the city's street network, including: types of projects to be included in the program; funding options; public oversight and transparency of the management of the SOSLA program to minimize cost and maximize cooperation and efficiency among City departments and contractors to complete the work program on time, and within budget.

In addition, Councilmembers Buscaino and Englander held numerous joint and individual meetings with representatives of Neighborhood Councils, Chambers of Commerce, labor organizations, businesses, bicycle enthusiasts, environmentalists, academia and pedestrians, to inform these groups and to seek out their ideas and to address concerns.

RECOMMENDATIONS

That the City Council approve the following recommendations, relative to submission of a comprehensive report from the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA), within 45 days, in support of the Council's analysis of the proposal for Save Our Streets LA:

1) INSTRUCT the CAO and the CLA, with the assistance of the Department of Public Works, Bureaus of Street Services and Engineering, to report back with more detail on the funding requirement, and potential funding options, to achieve an overall average Citywide street system pavement grade of B or better, with further breakdown and analysis by Select Streets vs. Residential Streets.
2) INSTRUCT the CAO and CLA, with assistance from the Bureaus of Engineering & Street Services to provide a preliminary work plan that identifies D & F grade streets that would be bond-eligible, and include a preliminary construction schedule.
3) INSTRUCT the CAO and CLA with assistance from the Bureau of Street Services to provide a long term pavement preservation plan to maintain streets in an overall average grade of B or better, using pavement preservation best practices.
4) INSTRUCT the CAO & CLA to report back on the feasibility of generating funding through taxing or charging fees on vehicle owners, such as a local vehicle

registration fee, local gas tax, or tolls. Further, if obstructions are identified, provide solutions or, at a minimum, a description of actions necessary to enable such alternative funding alternatives to be feasible.

5) INSTRUCT the CAO and CLA to report back on the availability of any federal or state grant programs that could potentially provide supplementary funding for this measure.
6) INSTRUCT the CAO and CLA to report back on the feasibility of borrowing against future revenues to provide upfront funding so that the street repair work program may be completed within a 10 year period.
7) INSTRUCT the CAO and CLA to report on long-term funding strategies to replace the ongoing decline of Gas Tax revenue and the loss of revenue from the American Reinvestment and Recovery Act of 2009 (ARRA) and Prop 1B.
8) INSTRUCT the CAO and CLA, with assistance from the Bureau of Sanitation to report back with recommendations for dedicating a portion of a future Waste Hauling Franchise Fee to street repair and maintenance (CF 10-1797-S15 - Amending Motion 23D).
9) INSTRUCT the CAO and CLA, with the assistance of the Housing Department, to report on the feasibility of amending the Rent Stabilization Ordinance (RSO) to allow the pass through of voter-approved property tax increases for the purpose of repairing city streets, as a part of a comprehensive review to the RSO (CF 07-0883).
10) INSTRUCT the CAO and CLA with assistance from the Bureau of Street Services, and the General Services Department, to report back on the feasibility of using alternative paving materials capable of reflecting heat from sunlight, thus reducing the "heat island" effect created by asphalt.
11) INSTRUCT the CAO and CLA with assistance from the Bureau of Street Services to report back on the feasibility of using concrete, in place of asphalt, to repair existing concrete streets outside of official Historic Preservation Zones.
12) INSTRUCT the CAO and CLA, with assistance from the Bureau of Street Service to provide cost estimates, and report back on the feasibility of including the following elements into the SOS LA program
    a) Sidewalk repair; and
    b) Alley construction and repair.
13) INSTRUCT the CAO and CLA, with assistance from LADOT, Department of City Planning, Bureau of Sanitation, Bureau of Street Services, and Bureau of Engineering, to report back with recommendations for structuring the Save Our Streets LA program to serve all road users, including motorists, transit users, bicyclists, pedestrians, wheelchair users, children and the elderly (complete streets).
14) INSTRUCT the CAO and CLA, with assistance from the Department of Water and Power, Bureau of Sanitation, Bureau of Street Services, Bureau of Engineering,

LADOT and the Planning Department, to report back on the feasibility and potential locations for creating "Green Streets," similar to the Elmer Avenue Project in Council District 6.

15) A. INSTRUCT the CAO and CLA, with assistance from the Bureau of Street Services, Bureau of Sanitation, Department of Transportation and the Department of City Planning, to report on best practices associated with "Great Streets" programs, particularly in Washington, D.C., as well as potential funding sources, including one-time funding, that could be used to launch such a program in the City of Los Angeles. (CF 13-0600 - Motion 18).
B. INSTRUCT the CAO and CLA, and respectfully REQUEST the Mayor's Office, to report on the potential to implement a Great Streets program in Los Angeles, and next steps required to pursue such a program, including management responsibility.

16) INSTRUCT the CAO and CLA, with assistance from LADOT and the Bureau of Engineering, to report back on potential locations where underused streets or alleys may be vacated to reduce ongoing maintenance requirements.

17) INSTRUCT the CAO and CLA to report back on pending state & federal legislation that could impact this program, including efforts to lower the required voter approval threshold for infrastructure bonds.

18) INSTRUCT the CAO and CLA to report back with recommendations on the structure of an administrative oversight committee, and a true citizen's oversight committee.

19) INSTRUCT the CAO and CLA, with assistance from Bureau of Street Services, Bureau of Engineering, LADOT and City Planning, to report back with recommendations for new policies to structure development agreements to provide funding for needed street and alley repair and maintenance in the areas included in such agreements.

20) INSTRUCT the CAO and CLA, with assistance of Bureau of Street Services and Bureau of Contract Administration, to report back with recommendations for modifying the Street Damage Restoration Fee, to increase funding for street repair and maintenance, and incentivize utilities to better coordinate with the City and each other, to reduce the number and frequency of street cuts. (CF 12-1825 & CF 11-1935)

21) INSTRUCT the CAO and CLA to assist the Bureau of Engineering to develop an RFQ to establish a list of qualified contractors eligible to perform work associated with the Save Our Streets LA program.

22) INSTRUCT the CAO and CLA, with assistance from Bureau of Engineering, Bureau of Street Services, and Bureau of Contract Administration, to report back with recommendations for procuring a new, cloud-based, public right-of-way activity coordination software system. (CF 13-0612).

23) INSTRUCT the CAO and CLA, with the assistance of the Bureau of Engineering, to report on the City's track record of delivering General Obligation Bond projects on-time and under-budget.

24) INSTRUCT the CAO and CLA to report on the projected overall economic impact of SOSLA including, but not limited to the following: private sector job creation; increased tax revenue; potential to decrease claims filed with the City for personal injury and damage to vehicles and other property; and potential reduced maintenance costs to the City vehicle fleet.

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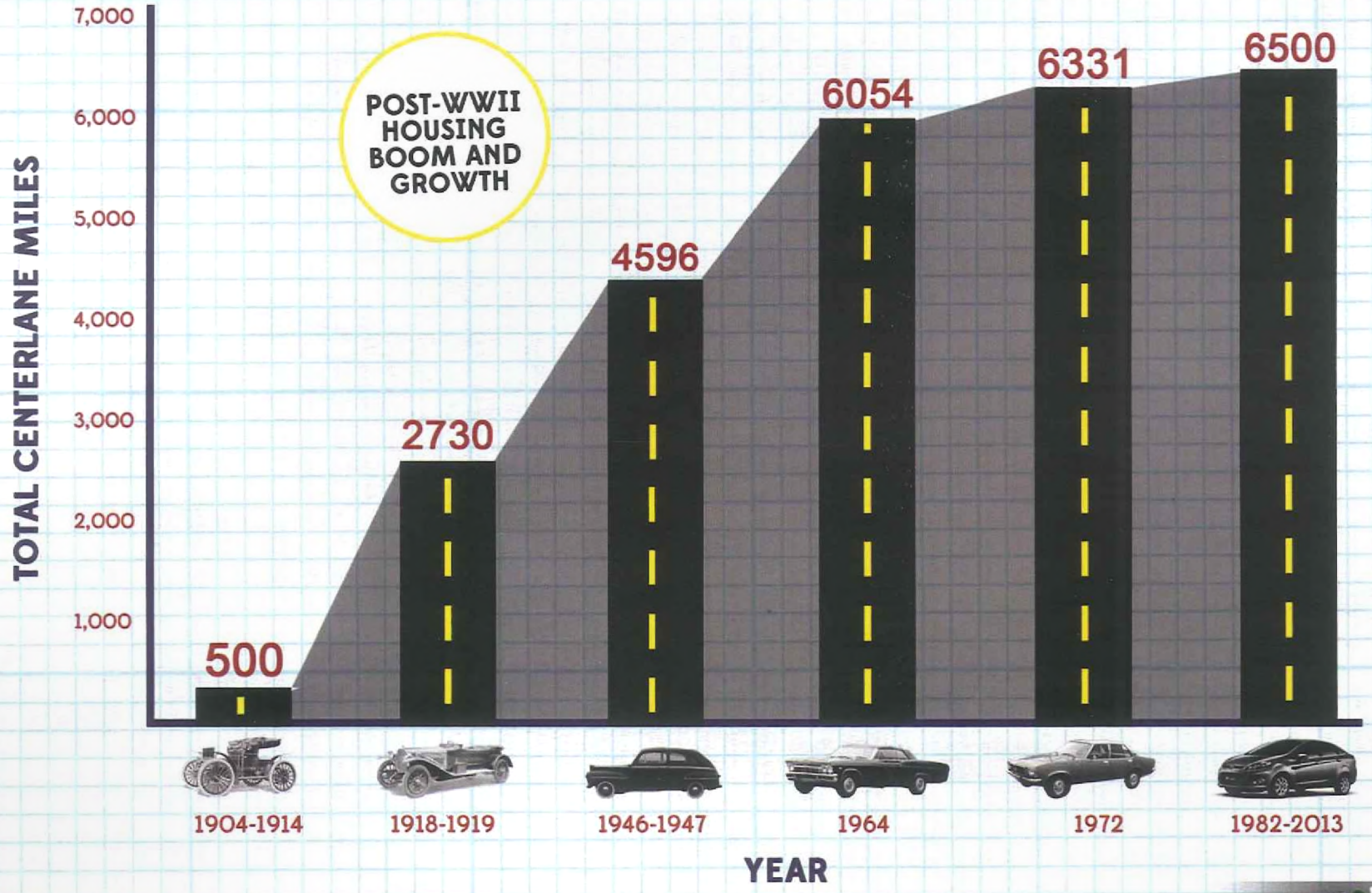
GROWTH & HISTORY OF THE STREET NETWORK



*developers paid initial construction cost for most streets and sidewalks

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HISTORY OF THE STREET NETWORK ...CONTINUED

GAS TAX IS A FLAT AMOUNT PER GALLON, REGARDLESS OF PRICE.

WHILE GAS PRICES HAVE GONE UP, GAS TAX REVENUE HAS NOT.

2003	2013
PRICE PER GALLON	PRICE PER GALLON
2.03	4.02
GAS TAX REVENUE= 0.03 PER GALLON	GAS TAX REVENUE= 0.03 PER GALLON

SINCE THE 1970S, FUEL EFFICIENCY OF VEHICLES HAS INCREASED DRAMATICALLY.

FEWER GALLONS PURCHASED = LESS GAS TAX REVENUE

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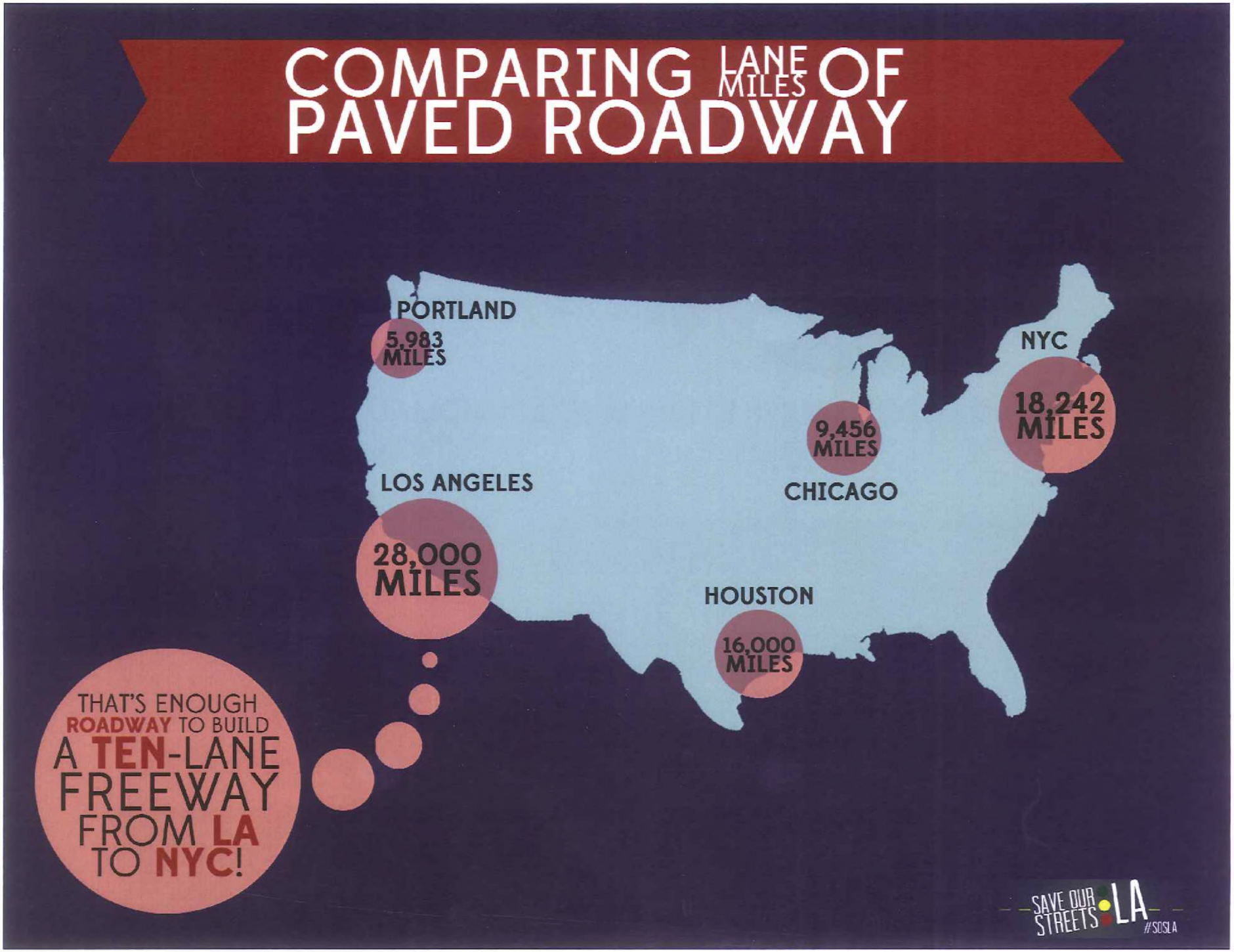
COMPARING LANE MILES OF PAVED ROADWAY



QUALITY OF OUR STREETS

THE AVERAGE **GRADE** FOR OUR CITY'S STREETS IS A...

C-

WHAT'S AT THE HEART OF THE PROBLEM?

- AGING STREETS
- HEAVY TRAFFIC
- UNDULATING TERRAIN
- SIZE OF NETWORK

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EFFECTS OF POOR PAVEMENT CONDITION

$746 ADDITIONAL PER-VEHICLE OPERATING COSTS

- REPAIRS AND MAINTENANCE
- INCREASED FUEL CONSUMPTION
- TIRE WEAR

INCREASED TRAFFIC

SLOWER PUBLIC SAFETY RESPONSE

BAD FOR BUSINESS

SAVE OUR STREETS LA #SOSLA

METHOD OF GRADING & SELECTING STREETS FOR MAINTENANCE

WHAT WE DID BEFORE:
VISUAL INSPECTION
SUBJECTIVE, UNSCIENTIFIC

WHAT WE DO NOW:
MICROPAVER
OBJECTIVE, SCIENTIFIC, REPLICABLE

SPECIALIZED SOFTWARE & SURVEY VANS RECOMMEND STREETS FOR MAINTENANCE

METHODS OF MAINTENANCE

SLURRY SEAL
A RUBBERIZED SEAL THAT REPLACES ERODED FINE AGGREGATE PARTICLES, SEALS MINOR CRACKS AND PROVIDES APPROXIMATELY 1/8" TO 3/8" WEARING SURFACE THAT LASTS APPROXIMATELY SEVEN YEARS AND CAN BE APPLIED A MAXIMUM OF 3 TIMES.

RESURFACING
THE PLACEMENT BY PAVING MACHINE OF ASPHALT WEARING SURFACE OVER A PREPARED SUB BASE, RETURNS ROADWAY TO NEW STATUS. THE ROADWAY MAY HAVE HAD UP TO 15% BY SURFACE AREA INVOLVED IN BASE FAILURES.

RECONSTRUCTING
THE MOST EXPENSIVE REPAIR AND INVOLVES THE REMOVAL AND REBUILDING OF A ROADWAY. SOME FORMS REQUIRE COMPLETE REMOVAL AND RECONSTRUCTION OF THE BASE AND SOME REQUIRE LESS.

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HOW ARE OUR STREETS?

GRADES	WHY?	MAINTAINANCE REQUIRED
A 21%	NO CRACKING, NO OXIDATION, AND NO STREET BASE FAILURE.	NO MAINTAINANCE REQUIRED
B 23%	MINIMAL CRACKING, NO OXIDATION, AND NO STREET BASE FAILURE.	SLURRY SEAL REQUIRED
C 18%	MINIMAL CRACKING, ZERO TO 5% OF STREET BASE FAILURE.	RESURFACING REQUIRED
D 13%	SOME CRACKING, 6% TO 35% OF STREET BASE FAILURE.	RESURFACING OR RECONSTRUCTION REQUIRED
F 25%	MAJOR CRACKING, 36% TO MORE THAN 50% OF STREET BASE FAILURE.	RECONSTRUCTION REQUIRED

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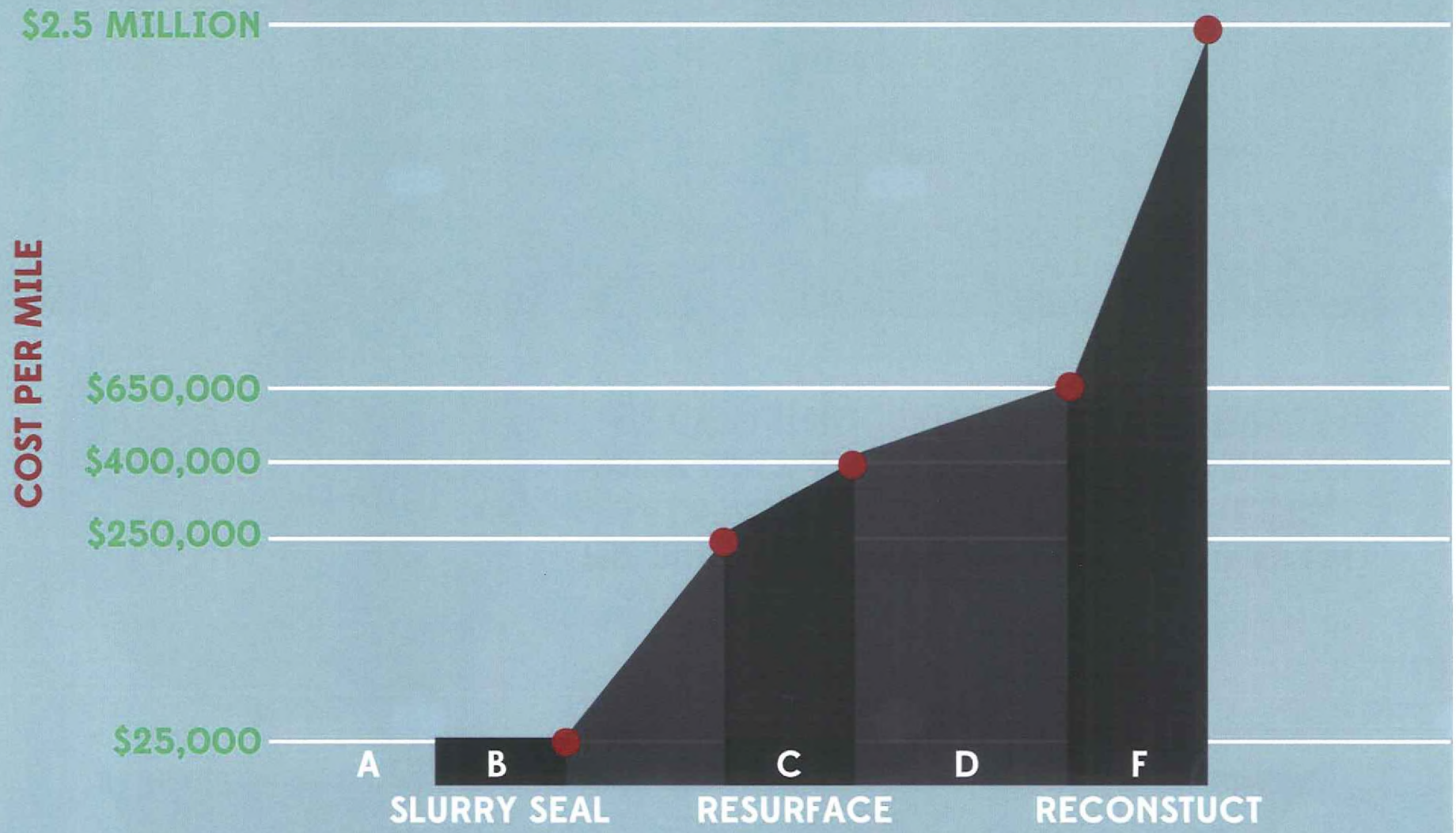
COST COMPARISON



*Reconstruction costs vary depending on area of pavement, magnitude of base failure, thicknesses of different roadway layers, need to repair or rebuild adjacent structures such as curb, gutter, access ramps, sewer maintenance holes, etc.

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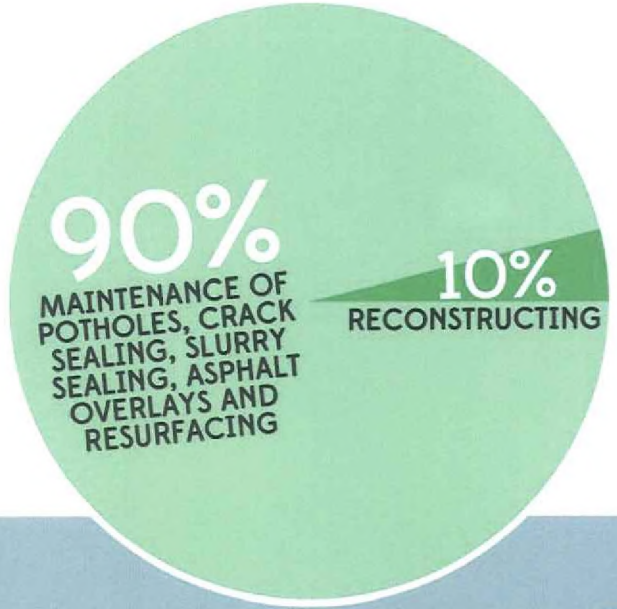
COSTS FOR REPAIR



WITH LIMITED FUNDS,
THE BUREAU OF STREET SERVICES FOCUSES ON
MAINTAINING **A, B, AND C STREETS,**
WITH ONLY A SMALL FRACTION GOING TO
RECONSTRUCTING **FAILED STREETS**

ESTIMATED
$3 BILLION
IN STREET RECONSTRUCTION
NEEDED

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OUTREACH MEETINGS HELD

Public Works Committee Meetings Dedicated to Street Repair
- City Hall
- Harbor
- Valley
- West LA
- South LA
- East LA

Community Organizations
- Los Angeles Citywide Alliance of Neighborhood Councils
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Media
- Los Angeles Daily News, Editorial Board
- Los Angeles Times, Editorial Board
- KTLA, Morning Show with Chris Burrous
- KPCC, AirTalk with Larry Mantle
- KPCC, Alice Walton
- KFI, John and Ken Show
- KNX, Jonathan Serviss
- KABC, McIntyre Show
- CBS 2, Randy Paige
- Time Warner, Local Edition

Academia
- UCLA, Professor Edward Leamer, Director of the UCLA Anderson Forecast and Professor Jerry Nickelsburg, Senior Economist
- Fernando Guerra, Loyola Marymount University

Washington DC Advocacy
- Senator Barbara Boxer
- Senator Dianne Fienstein
- Congressmember Tony Cardenas
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- Congressmember Linda Sanchez
- Congressmember Brad Sherman

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IDEAS AND SUGGESTIONS

SCOPE

- MULTI MODAL TRANSIT
- COMPLETE STREETS
- GREEN STREETS
- GREAT STREETS
- USE OF ALTERNATIVE PAVING MATERIALS
- POSSIBLE INCORPORATION OF SIDEWALKS AND ALLEYS
- ATTENTION TO AGING POPULATION'S MOBILITY NEEDS

SAVE OUR STREETS LA #SOSLA

IDEAS AND SUGGESTIONS
FUNDING

- USE FEES
- FEDERAL AND STATE GRANTS
- WASTE HAULING FRANCHISE FEE
- DEVELOPER AGREEMENTS
- SPREADING COSTS TO ALL RESIDENTS
- LOCAL GAS TAX, VEHICLE REGISTRATION FEES, TOLLS
- PARTNERSHIPS WITH NON-PROFITS

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IDEAS AND SUGGESTIONS
EFFICIENCY

- CITIZEN'S OVERSIGHT COMMITTEE
- IMPLEMENTATION PLAN
- LONG TERM PAVEMENT PRESERVATION PLAN
- STRATEGIC STREET / ALLEY VACATIONS
- RIGHT-OF-WAY COORDINATION SOFTWARE
- REDUCE STREET CUTS
- UTILIZE BEST MANAGEMENT PRACTICES FROM CITY BOND PROGRAMS DELIVERED ON TIME AND UNDER BUDGET

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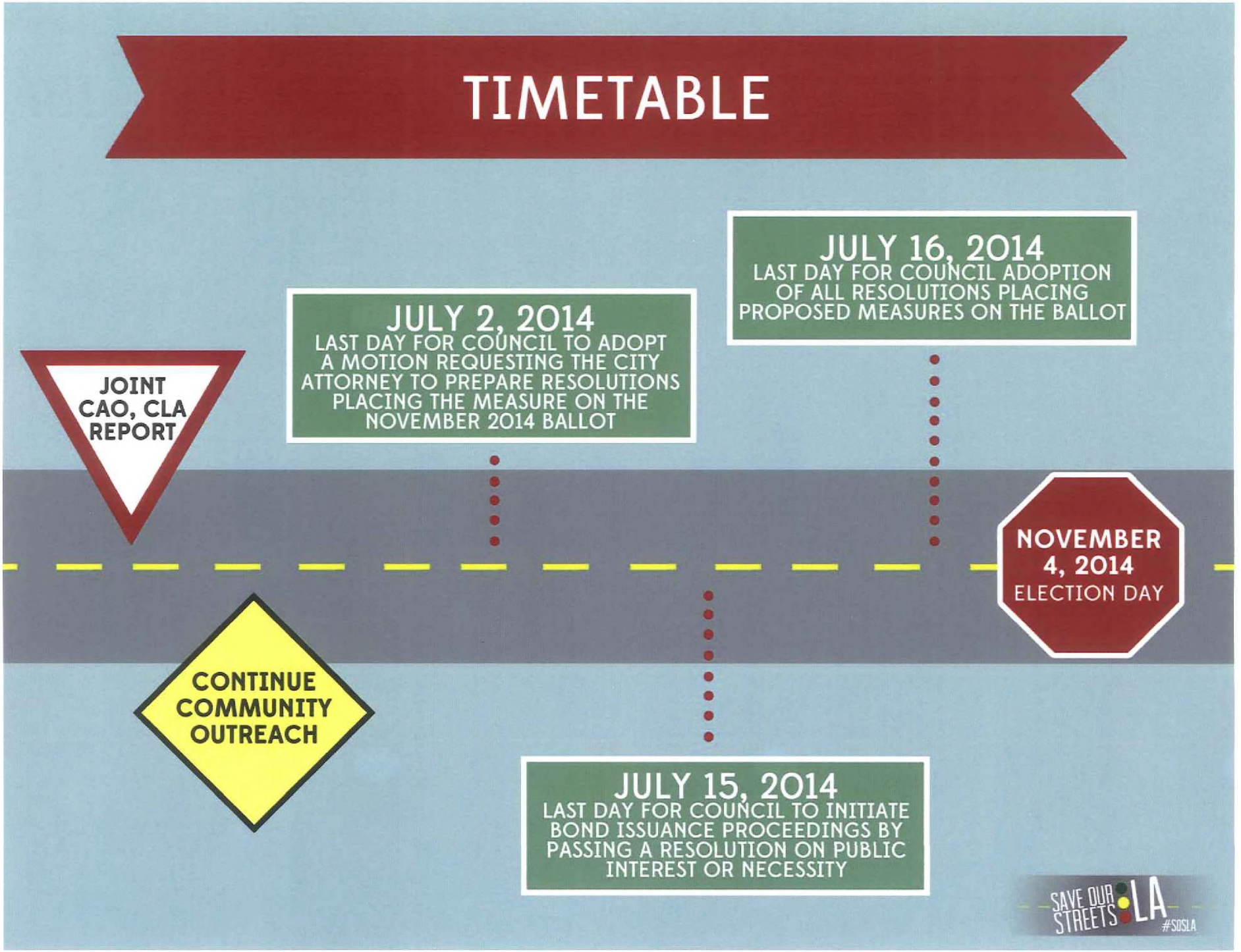

TIMETABLE
JULY 16, 2014
LAST DAY FOR COUNCIL ADOPTION OF ALL RESOLUTIONS PLACING PROPOSED MEASURES ON THE BALLOT
JULY 2, 2014
LAST DAY FOR COUNCIL TO ADOPT A MOTION REQUESTING THE CITY ATTORNEY TO PREPARE RESOLUTIONS PLACING THE MEASURE ON THE NOVEMBER 2014 BALLOT
JOINT CAO, CLA REPORT
NOVEMBER 4, 2014
ELECTION DAY
CONTINUE COMMUNITY OUTREACH
JULY 15, 2014
LAST DAY FOR COUNCIL TO INITIATE BOND ISSUANCE PROCEEDINGS BY PASSING A RESOLUTION ON PUBLIC INTEREST OR NECESSITY
SAVE OUR STREETS LA
#SOSLA

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:

MITCHELL ENGLANDER
Councilmember, 12th District

JOE BUSCAINO
Councilmember, 15th District

SECONDED BY:

JAN 04 2013

ORIGINAL

UCLAAnderson
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

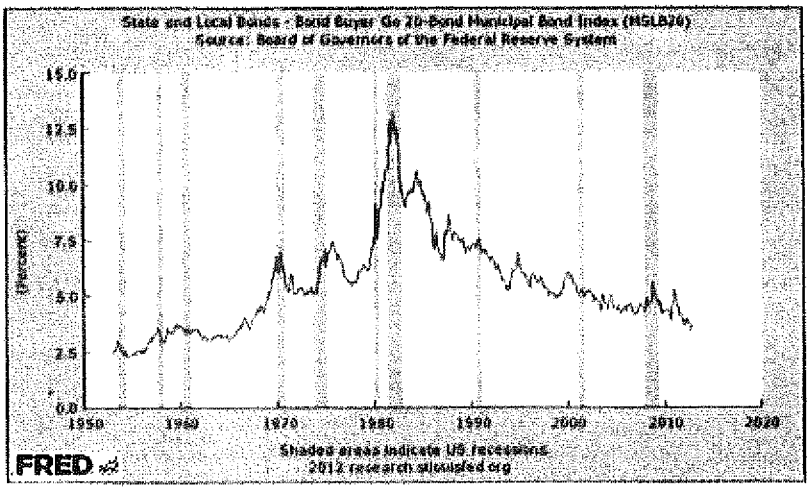
DA: December 17, 2012

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



110 Westwood Plaza, Box 951481
Los Angeles, CA 90095-1481
www.anderson.ucla.edu

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 ascendency 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

Jeffrey Lubell

OUTREACH MEETINGS

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CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 2, 2013 0220-04799-0000

To: The Public Works Committee

From: Miguel A. Santana, City Administrative Officer
Gerry F. Miller, Chief Legislative Analyst

Reference: Council File 13-1300-S1

Subject: **LOS ANGELES EMERGENCY LOCAL STREET SAFETY AND TRAFFIC IMPROVMEMENT MEASURE**

SUMMARY

On January 15, 2013, the City Council considered a Motion (Englander-Buscaino-Krekorian – C.F. 13-1300-S1) relative to a proposal to place a $3 billion Emergency Local Street Safety and Traffic Improvement General Obligation Bond (Street Bond) on the May 21, 2013 General Municipal Election Ballot to provide for repair of the City's worst streets. The Proposal would provide $300 million annually for the next ten years to repair more than 8,700 lane-miles of streets in the City that are in the worst condition. Pursuant to the Council Motion, the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) were directed to report back with an analysis of this proposal. An amending Council Motion (Buscaino-Englander) referred this matter to the Public Works Committee to allow more time for study, debate and public input and outreach on this proposal.

This report discusses funding options for street infrastructure and related policy considerations relative to the City's overall street repair needs.

The Proposal

Each of the City's streets are given one of five letter grades (A,B,C,D,F) depending upon their physical condition, with the D and F rated streets considered "failed" streets. Failed streets are the most expensive to repair. Since the City has limited ongoing funding available to maintain and repair streets, the primary focus has been on maintaining A,B and C rated streets so that they do not deteriorate into failed streets. At the current time, very few failed streets are repaired annually.

The proposed Street Bond would generate a total of $3 billion, which would be deposited into a new Street Repair Bond Trust Fund to be exclusively used to repair all roads in D and F categories. If approved, the owner of a $350,000 home would pay an average of $121 more in property taxes per year over a 29 year period (approximately 33 cents per day). Streets to be repaired would be chosen by the Micro PAVER[1] system, to ensure that roads slated to be repaired are chosen objectively. The

[1] Micro PAVER is the Bureau of Street Services' Pavement Management System, which analyzes data collected by the Bureau's survey vans. The Micro PAVER system enables the Bureau to calculate a road's condition and an optimal maintenance or rehabilitation plan. A more detailed description can be found in Attachment 1 "Road Bond Background."

bulk of the work would be contracted out, creating new private sector jobs. Approximately 870 lane-miles of streets[2] would be reconstructed per year. Currently the overall grade of the City's road system is rated a C, at the end of the program the overall grade of the City's road system would be increased to a B rating.

We agree with the makers of the Council Motion and the Mayor that the repair of the City's street infrastructure is one of the most pressing issues facing the City. Streets that are constructed and maintained well contribute significantly to the safety of the traveling public, to the value of private property, to the ability of a City to spur economic development, and to the overall livability of the City.

However, further analysis is needed to verify that a $3 billion bond issuance would be sufficient to achieve the goal of increasing the City's road system to an overall B rating.

Overall Street Repair Needs

To better understand the overall needs of Street Repair in the City it is helpful to think of it in sections:

1. The Pavement Preservation Program

This represents the general ability to maintain the City street system at its current condition. The general goal is to keep the City's best streets (rated A through C) from deteriorating further and becoming D and F rated streets. D and F rated streets cost significantly more to repair as they require more extensive resurfacing and/or reconstruction. A, B and C streets require less costly work such as pot hole repair, crack sealing, slurry sealing and resurfacing. Spending limited City funds on maintaining A, B and C streets is thus cost effective and prevents the growth of failed streets in the City. This is currently costing the City approximately $130 million annually.

The City's roadways have continued to be an area of investment even during the economic downturn (Attachment 2). Funding for the City's pavement preservation program has remained steady due to the availability of non-General Fund resources including over $53 million from the Federal American Recovery and Reinvestment Act (ARRA) of 2009 and over $124 million from the California Transportation Bond Program (Prop 1B). The availability of these funds allowed the pavement preservation program to fill a gap created by the loss of General Fund dollars due to the recession.

With the final draw down of Prop 1B funds complete, the new challenge for the City is identifying funds to replace the Prop 1B funds that are no longer available. Given the City's continuing structural deficit, increasing the General Fund budget for street repairs to the level required to keep the program successful is not easily achieved. Measure R and Proposition C may provide some relief for 2013-14. However, the use of these funds for resurfacing will limit the funds available for other longer-term City transportation projects. As the budget for 2013-14 is developed, the Mayor and Council will need to prioritize street preservation against other City priorities to determine the level of funding and the number of miles of repair that will be completed in 2013-14. If appropriate funding cannot be secured, the number of miles will decrease as will the condition of the City's streets. A

[2] Lane-miles are used to measure the total length and width of a given road. Centerline miles represent the total length of a given road; the width of the road is ignored when calculating centerline mileage.

Pavement Preservation Program of approximately 735 centerline miles must be funded to maintain the current pavement condition.

Funding of the Pavement Preservation Program is critical to maintaining the overall condition of the street system, with or without the Proposed Bond Program.

2. The Street Capital Improvement Program

This represents the need to construct bulkheads and retaining walls, repair sinkholes and roads damaged by landslides and other repairs required to ensure the overall structural stability of the City street system. Repairs are often done to small portions of a street and primarily serve to maintain the street in its current condition. In addition, items like repair and replacement of guardrails, erosion control for hillsides, berm replacement and tunnel maintenance and repair are funded from this program. This is currently costing the City between $3.3 and $16 million annually, based on the last five years. However, the City is likely to see a spike in this category in the near future. Projects such as replacement of Paseo Del Mar in San Pedro and the stabilization of Asilomar Road in Pacific Palisades will need to be addressed.

3. The Street Reconstruction Program

This represents the work covered by the Proposed Street Bond. The Street Bond will provide funds to repair the D and F rated streets (failed streets). These are the most expensive streets to repair. Although the City's budget provides for some reconstruction every year, the amount needed to bring the system to the B category is not readily available in the annual City budget. Funding for this component is critical to rapidly improve the overall condition of the street system.

Future Policy Considerations

While the Street Bond will be a critically important part of repairing and improving the City's streets, the Pavement Preservation Program and the Street Capital Improvement Program must be maintained during the implementation of the Street Bond. If they are not, the goal of successfully eliminating D and F rated streets Citywide will not be accomplished.

For example, if the Pavement Preservation Program is not fully funded during the implementation period of the Street Bond, then B and C rated streets may deteriorate into D and F rated streets. As a result, at the end of the implementation period of the Street Bond, there would be a brand new set of D and F rated streets to address.

As an additional example, if the Street Capital Improvement Program is not funded during the implementation period of the Street Bond, then streets could collapse or be blocked by moving earth and the City will be unable to repair them. A collapsed street or a street blocked by obstacles are comparable to D and F streets and are expensive to repair. If both programs are not funded during the implementation period of the Street Bond, then a whole new series of significant and expensive street repairs will exist once the Street Bond monies are expended.

Current projections for the City's efforts to maintain the Pavement Preservation Program and the Street Capital Improvement Program are similar to those of the General Fund. Growth in expenditures is expected to be greater than the growth of revenues. Should the Street Bond be implemented over a ten year period, which is reasonable, it is currently projected that insufficient funding will be available within the City Budget to maintain the Pavement Preservation Program and the Street Capital Improvement Program. Therefore, to successfully eliminate D and F streets in the City, a funding solution must include not only the resources to eliminate the current 8,700 miles of D and F streets over a ten year period but also to maintain the roadways that are currently in acceptable condition over that same ten year period.

Potential Funding Options

Several funding options are available to provide for strategic management of deferred maintenance for the City street system. A brief summary of each of the following options is included in this report (Attachment 3) for consideration:

Options that Do Not Require a Vote or Direct Approval of Taxpayers	Options Requiring a Vote or Direct Approval of Taxpayers
• Prioritization of All Street-Related Projects • Developer Mitigations • Measure R Financing • Gas Tax Financing • Trash Franchise Fees	• General Obligation Bond (Street Bond) • Incremental Sales Tax Assessment • Special Tax Assessment • Mello-Roos District • Infrastructure Financing District • Marks-Roos District • General Road User Fees

Next Step

A more detailed analysis is required, therefore instruct our Offices to report back, after the adoption of the 2013-14 Budget, with a detailed analysis on the funding requirements for an integrated street repair and maintenance program that would result in an overall street rating of "B".

RECOMMENDATION

That the Council instruct the City Administrative Officer and the Chief Legislative Analyst, with the assistance of the Department of Public Works, Bureaus of Street Services and Engineering, to report back with more detail on the funding requirement and potential funding options for the achievement of an overall Citywide street system rating of B.

FISCAL IMPACT

The impact to the General Fund is unknown at this time. Our Offices will report back with further analysis.

MAS/GFM:DHH/SMS:MSR/JD:06130063

Attachments
1. Road Bond Background
2. Sources of Funds Used for the Pavement Preservation Program
3. Street Infrastructure Deferred Maintenance Financing Options

ROAD BOND BACKGROUND

The City of Los Angeles, at 469 square miles, maintains the largest paved road system in the United States. The system is the result of decades of expansion. Pavement of the Los Angeles street system began in 1880 when Main Street in Downtown became the first paved road in the City. This system is made up of 6,500 centerline miles (28,000 lane miles) of streets and 800 centerline miles of alleys, divided into two geographic locations. The Metropolitan area makes up 53 percent of the system, while the Valley area is the remaining 47 percent.

The road system is broken down into two general categories: select streets and local roadways.

- Select streets, which include primary arterial, secondary arterial and collector streets, are considered "non-residential," and are generally throughways that connect distant locations. These roads move heavy volumes of traffic, including large trucks, are constructed with thicker layers of asphalt, generally between 45 – 100 feet wide and designed to last approximately 15 – 20 years.
- Local roadways, mostly residential streets, are designed to carry local and light traffic, as well as the occasional heavy traffic, such as buses and trash trucks. Local roadways are generally 15 -45 feet wide and designed to last approximately 30 -35 years.

5,840 miles of the City's road system is constructed of asphalt, 493 miles are constructed of Portland cement concrete (PCC); the remaining 107 miles of roadway is constructed of other materials. The Bureau of Street Services (BSS) is responsible for the maintenance and repair of the road system, and, in 1982, established an in-house Pavement Management System to monitor and maintain the road system.

Funding for street repair and maintenance comes from a variety of sources. Historically, these sources include the General Fund, the Gasoline Tax, Proposition C, Proposition 1B, Measure R, and the American Recovery and Reinvestment Act (ARRA). However, Proposition 1B and ARRA funds are exhausted and will not be available beyond the 2012 – 2013 fiscal year. In the near future, the available funding sources are insufficient to cover the costs of road maintenance and repairs.

CURRENT STATE OF THE STREET SYSTEM

The Bureau of Street Services conducts a complete survey of all streets in the street system every three years, with the most current survey completed in June 2011. BSS identifies street condition on an A-F scale, with an A representing streets in good condition and F being streets in a failed condition. Currently, the overall street system has a C grade. However, approximately 31 percent of all roads in the system fall into the D or F categories.

The A-F levels assigned to roads by BSS are determined using the internationally

accepted Pavement Condition Index (PCI) as the grading basis. The PCI is an index of the pavements' structural surface operational condition and is reflected in a numerical rating index ranging from 0 for a failed pavement to 100 for pavement in perfect condition. The PCI is obtained by analyzing type, severity, and quality of pavement distresses identified during a pavement condition survey. The PCI ranges and inventory for the grades assigned to roads by BSS are as follows:

Grade and PCI Range	Local Street Pavement Inventory Percentage
A roads have a PCI of 86 – 100	21%
B roads have a PCI of 71 – 85	23%
C roads have a PCI of 56 – 70	18%
D roads have a PCI of 41 – 55	13%
F roads have a PCI of 0 – 40	25%

Source: Bureau of Street Services 2011 State of the Streets Report

BSS manages its Pavement Preservation Program by determining the pavement condition, maintenance needs, and the optimal time and method for rehabilitation of pavement conditions. This enables BSS to perform cost-effective preventive maintenance and rehabilitation, and provides a strategy for maintaining the street system based on the level of funding available. Generally, the approach to pavement preservation incorporates two strategies:

- Most economical selection of streets and rehabilitation methods used; and,
- Prevention or slowing of street deterioration.

Road repairs can be crack sealing, slurry sealing, resurfacing, or reconstruction. These maintenance efforts have varied costs, and are applicable at certain levels of road damage. It is generally accepted that overall repair costs are significantly less in the long run if road repairs are conducted during the early stages of deterioration.

The Pavement Preservation Program utilized by the BSS is comprised of the following components:

- Pavement Management System (Micro PAVER)
- Maintenance Program (Small asphalt repairs, Crack Sealing and Slurry Sealing)
- Rehabilitation Program (Asphalt Overlays, Resurfacing, Reconstruction)

BSS uses the Micro PAVER Pavement Management System to monitor, maintain, and manage the City's street system. This system provides a systematic and consistent method for selection, maintenance and rehabilitation needs, as well as determines the optimal time for repair by predicting future pavement conditions. BSS uses three automated survey vans for data collection on a three year cycle.

The maintenance program involves small asphalt (pothole) repairs, crack sealing, and slurry sealing.

- Potholes are created when water enters the road surface and causes erosion of the roadway. Holes are repaired using cold- or hot-patch materials. The cost to repair a pothole varies from $7 to $21.

- Crack sealing is an early preventive maintenance technique used for roadways. BSS uses a Polymer Modified Petroleum based product and slow setting asphalt emulsion product to seal cracks as they develop. This avoids and prevents development of a base failure.

- Slurry seal is a rubberized seal that replaces eroded fine aggregate particles, seals minor cracks and provides approximately 1/8" to 3/8" wearing surface that lasts approximately seven years. Slurry seal is applied to residential streets with good riding and drainage qualities to keep the street perpetually in a good to excellent condition. A maximum of three slurry seals can be applied, extending the serviceability of the street by 21 years. Optimally, a street should be slurry sealed within three years of asphalt blanketing or resurfacing. Slurry seal costs approximately $25,000 per mile.

Rehabilitation includes asphalt overlays, resurfacing, and reconstruction.

- Resurfacing is the placement by paving machine of asphalt wearing surface over a prepared sub base. The roadway may have had up to 15 percent by surface area involved in base failures, and all failures must be repaired prior to resurfacing. A leveling course of asphalt may be needed to return proper shape to the roadway. Resurfacing returns a roadway to a new status. The cost of resurfacing varies with the amount of base failure. Generally, the cost of resurfacing ranges from $250,000 to $400,000 per mile.

- Reconstruction is the most expensive repair, and involves the removal and re-building of a roadway. Some forms of reconstruction involve complete removal and reconstruction of the roadway base and some require less. The cost of total reconstruction can range between $650,000 per mile and $2.5 million per mile.

Currently, the City reconstructs about 60 lane miles of F condition streets a year, and rehabilitates approximately 85 lane miles of D grade streets. At this rate, it would take 60 years for the City to repair all D and F streets, barring any additional miles falling into the D or F category.

ROAD DAMAGE CAUSED BY TRUCKS & BUSES

Vehicle road damage is a result of the axle weight upon the pavement. A truck carrying 10 times the weight of a car does 1000 times more damage to a road as the single

passenger vehicle. While diesel fuel is subject to federal and state taxes, it is generally accepted that these excise taxes have not kept pace with inflation and do not go far enough to cover roadway repair caused by heavy trucks and transit vehicles. Numerous transit groups believe that this situation results is the trucking industry (and public transit) being subsidized by motorists' gasoline taxes.

Trucking is even more damaging, and, as the weight of trucks grow, and the use of trucks continues to increase, the damage to roads caused by the use of these vehicles will become more severe. Truck usage has been increasing at a greater rate than passenger vehicle usage, which greatly increases the strain on the road network.

Many groups advocate increased taxes on heavy trucks, in order to cover the costs of road maintenance and repair. However, trucking groups oppose any increase in taxes, and argue that a tax increase would run independent operators out of business and increase the cost of goods for consumers.

The Los Angeles County Metropolitan Transportation Authority (Metro) transfers funds generated by County transit sales taxes to local governments via local returns. These funds are designed to cover the wear and tear caused by the operation of heavy buses. It may be that the damage caused by these buses could be more than what is returned to local jurisdictions to be used for road maintenance.

SOURCES OF FUNDS USED FOR THE PAVEMENT PRESERVATION PROGRAM

PROPOSITION C

Public Utilities Code Section 130350 provides that the Los Angeles County Transportation Commission may adopt a sales tax within the County, provided that it is approved by a majority of the electors. In 1990, the voters in Los Angeles County approved the imposition of an additional one-half cent sales tax to improve transit service and operations, reduce traffic congestion, improve air quality, efficiently operate and improve the condition of streets and freeways utilized by public transit, and reduce foreign fuel dependence.

The City receives funds from a 20 percent share of the revenues collected based on a per capita allocation. Funds may be used for public transit, paratransit, and repairing and maintaining streets used by public transit.

MEASURE R TRAFFIC RELIEF AND RAIL EXPANSION FUNDS

Public Utilities Code Section 130350 provides that the Los Angeles County Metropolitan Transportation Commission (Metro) may adopt a sales tax within the County, provided that it is approved by a majority of the electors. In 2008, the voters in Los Angeles County approved the imposition of an additional one- half cent sales tax for a period of 30 years to (a) expand the County Metro rail system, including providing a direct airport connection; (b) make local street improvements, such as signal synchronization, filling potholes, repairing streets and making neighborhood streets and intersections safer for drivers, bicyclists and pedestrians in each community; (c) enhance safety and improve the flow of traffic on freeways and highways; (d) make public transportation more convenient and affordable (especially for seniors, students, the disabled and commuters); and, (e) provide alternatives to high gas prices, stimulate the local economy, create jobs, reduce pollution and decrease dependency on foreign oil. All transit projects funded by Metro through the Measure R transit capital fund will require a three percent local match. Matching funds identified will allow Metro to deliver transit projects within the City more quickly.

SPECIAL GAS TAX STREET IMPROVEMENT FUND

The Special Gas Tax Street Improvement Fund receives monies from the State's Excise Tax on the sale of gasoline and from federal reimbursements through the Surface Transportation Program - Local (STP). These monies provide funding to various departments and to the CIEP – Physical Plant for eligible activities and projects.

A sum equal to 1.315 cents per gallon of the net revenue derived from the State gasoline tax and 2.590 cents per gallon from the diesel fuel tax is apportioned monthly to cities in the proportion that the population of each city bears to the total population of all cities in the State in accordance with Section 2107 of the Streets and Highways Code.

A sum equal to 1.04 cents per gallon derived from the State gasoline tax is apportioned among counties by vehicle registration, among cities and unincorporated areas of counties by assessed valuation, and among cities within counties by population in accordance with Section 2106 of the Streets and Highways Code.

As a result of the passage of Proposition 111 in June of 1990, the 9 cents per gallon of gas and diesel taxes was increased to 14 cents on August 1, 1990 and 1 cent per gallon each January 1 until January 1, 1994. A sum equal to the net revenues derived from 11.5 percent of taxes in excess of 9 cents per gallon is allocated to cities in the proportion that the population of each city bears to the total population of all cities in the State in accordance with Section 2105 of the Streets and Highways Code.

The sales tax on gasoline allocated as Traffic Congestion Relief Fund (TCRF) was repealed on March 22, 2010 with ABx8 6 and ABx8 9. Included in the legislative bills was a new excise tax of 17.3 cents per gallon effective July 1, 2010 and allocated in accordance with Section 2103 of the Streets and Highways Code. AB 105 signed on March 24, 2011 clarified that funds apportioned to Section 2103 are not subject to the requirements and restrictions applicable to the former TCRF.

The STP provides federal grants to finance the upgrading of the most heavily traveled highways. Funding is authorized through federal legislation every six years. The last legislation that would have expired in September 2009 was extended.

TRAFFIC SAFETY FUND

The City's share of fines and forfeitures collected under Section 42200 et. al from any person charged with a misdemeanor or an infraction under the Vehicle Code of the State of California is used for traffic signs, signals, and other traffic control and safety devices; traffic law enforcement and accident prevention; and for the maintenance, improvement or construction of public streets, bridges and culverts within the City.

STREET DAMAGE RESTORATION FEE SPECIAL FUND

The Street Damage Restoration Fee Special Fund was created by Council action to receive revenues from the Street Damage Restoration Fee. The Fee was established to compensate the City for damage to City streets caused by excavations or other work performed by any entity, including City agencies, required to obtain a permit for the performance of said excavations or other work. The funds are to be used only for street surfacing, resurfacing, repair and reconstruction, and laboratory fees, testing,

materials, engineering, salaries and overhead associated therewith.

GENERAL FUND

The General Fund is the primary operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds. General Fund revenues are derived from such sources as taxes, fines, interest income and other resources available for discretionary funding. Expenditures are expended for functions of general government, protection of persons and property, public works, health and sanitation, transportation, cultural and recreational services, community development, capital outlay, and debt service.

STREET INFRASTRUCTURE FINANCING OPTIONS

The following provides a listing of potential financing options for the restoration of the City street system.

Options That Are Readily Available to the Mayor and Council

Prioritization of All Street-Related Projects

The priority of street deferred maintenance work (as opposed to new street construction) could be deemed a priority, central component (or core service) of the annual budget process, instead of an ancillary component. This means that the amount required to repair and maintain the City's streets at the desired level would be determined and programmed into the annual budget. Reductions in other City programs would be necessary to balance the budget in tight years.

Potential Sources of Funds	Current Use
General Fund	Various
Gas Tax	Street Related Projects
Street Damage	Resurfacing/GSD Support
Measure R	Capital Projects (ADA,Bike/Pedestrian Match)
Prop C	Various - Transportation
Traffic Safety	Traffic Control Maintenance – Crossing Guards

Developer Mitigations

Development Agreements could be structured to provide for the funding of needed street and alley repair and maintenance in the affected area. Focus could be placed on the worst streets and alleys and those streets and alleys that will receive the trips generated by the development. Less focus could be placed on beautification projects such as tree planting, fencing or installation of street furniture.

Measure R Financing

Measure R is a Countywide ½ cent sales tax surcharge approved by voters in November 2008 to provide for an improved regional transportation system. Measure R funds are divided among regional funds for which the Metro has direct control and Local Return Funds that local jurisdictions have direct control over.

The City Council and Mayor have adopted policies governing the use of Measure R Funds. Since the public approval of Measure R was focused on completion of transportation projects, 90 percent of revenue is reserved for capital projects (ongoing costs are limited to 10 percent of revenue). In addition, five percent of revenue is reserved for bicycle projects and five percent of revenue is reserved for pedestrian projects. This leaves 80 percent of the revenue available without a change in policy. However, the Council and Mayor have given high priority to another 25 percent of the

revenue for the funding of sidewalk access ramps (to provide equal access to infrastructure for all people) and for Downtown Streetcar operations when operations begin in 2016. In addition, the Council intends to provide $317 million in matching funds for regional projects (to accelerate projects of benefit to the City) and reimbursement of costs to the General Fund. This leaves approximately 40 percent of the revenue (approximately $16 million annually) for discussion without changing policy.

The Measure R Ordinance and Guidelines allow local jurisdictions to issue revenue bonds repayable from Measure R Local Return Funds, subject to prior approval of the County MTA Board. The County MTA approved issuance of bonds for local jurisdictions in February 2013. The Public Resources Advisory Group (PRAG) estimated that between $227 million to $406 million of debt capacity is available to the City for a debt service requirement between $14 million and $27 million. However, this is based upon assumptions in several important financing criteria, such as interest rates, term and coverage ratios.

Gas Tax Financing

Several smaller California cities have issued debt to provide for street improvements. The debt is repaid from Gas Tax receipts. The City receives approximately $100 million annually in Gas Tax receipts. It might be possible for a Gas Tax financing to be done without impacting or pledging the General Fund and with the approval of the Council and Mayor. However, this needs to be reviewed and confirmed.

Trash Franchise Fees

Franchise Fees could be charged to private (and/or public) refuse collection agencies for the use of the City right-of-way, primarily streets and alleys. These fees could be used to repair and maintain roads and alleys utilized by private (and/or public) haulers. Franchise Fees are exempt from Proposition 26, have a logical nexus with the use of revenue and is consistent with current City practice. Road damage is a result of the weight put on the axle of a vehicle. A truck carrying 10 times the weight of a car does 1,000 times more damage to a road than a car.

In 2012, the City decided to implement a Franchise model for private refuse collection. The process of implementation is expected to take several years.

Options That Require A Vote or Direct Approval of Taxpayers

General Obligation Bond (Street Bond)

General obligation (GO) bonds are backed by a promise to levy ad valorem property taxes in an unlimited amount as necessary to pay debt service. Due to this pledge of revenues, the State Constitution requires that local governments seek voter approval prior to issuing GO bonds. These bonds typically have low borrowing costs because of their broad security pledge. They tend to yield high bond ratings and have wide investor acceptance.

GO bonds that are issued by local agencies require two-thirds voter approval. Article XVI, Section 18 of the State Constitution, states that local agencies (i.e., county, city, town, or school district) may not incur indebtedness without two-thirds voter approval.

Incremental Sales Tax Assessment

Effective July 1, 2011, the State of California let one percent of the Sales Tax expire. This had the net effect of reducing Sales Tax from 9.75 percent to 8.75 percent in Los Angeles County. An increase in the sales tax for the City could partially or wholly fill the gap, subject to the local cap on sales tax. A 1/4th of one percent increase would be approximately equal to $100 million, if administered by the City.

It should be noted that the City included a sales tax increase proposal on the most recent election ballot, which was not approved by the voters.

Special Tax Assessment

There are two primary acts which authorize the establishment of assessment districts:

- The Improvement Act of 1911 (Streets & Highways Code §5000 *et seq.*), which can be used by cities, counties and other municipal governments to fund a wide range of public infrastructure projects. The 1911 Act can also fund maintenance of improvements.

- The Municipal Improvement Act of 1913 (Streets & Highways Code §10000 *et seq.*), which can be used by cities, counties, joint powers authorities and other special districts to fund water, electrical, gas and lighting infrastructure, public transit facilities, as well as other basic infrastructure needs.

The Improvement Bond Act of 1915 (Streets & Highways Code §8500 *et seq.*) is normally used in combination with one of these acts to issue bonds to finance the improvements.

An Assessment District is created to finance improvements when no other source of money is available. Assessment Districts are often formed in undeveloped areas and are used to build roads and install water and sewer systems so that new homes or commercial space can be built. Assessment Districts may also be used in older areas to finance new public improvements or other additions to the community.

An Assessment District is created by a sponsoring local government agency, such as a city or county. The procedure for forming a district begins with a petition signed by owners of the property who want the public improvement. The proposed district will include all properties that will directly benefit from the improvements to be constructed. A public hearing is held, at which time property owners have the opportunity to protest the assessment district.

If approved, property owners have the opportunity to prepay the assessment prior to bond issuance. After this cash payment period is over, a Special Assessment Lien is

recorded against each property with an unpaid assessment. Then, these parcels will pay their total assessment through annual installments on the county property tax bill. The property owners will have the right to prepay the remaining balance of the assessment at any time, including applicable prepayment fees.

The assessment cannot be directly based on the value of the property. Instead, the assessments are based on mathematical formulas that take into account how much each property will benefit from the installation of the improvements. Each parcel in the assessment district becomes responsible for a fixed percentage of the total district debt, and pays that portion of the principal and interest due on the bonds each year. Bond issues are normally structured so the amount of the annual installment remains relatively level.

Mello-Roos District

The Mello-Roos Community Facilities District Act of 1982 established a method whereby the City may form a special, separate district to finance public infrastructure by the sale of bonds. A Community Facilities Districts is formed and bond issues authorized by a two-thirds vote of the property owners in the district. Bonds are sold to finance facilities that can include schools, parks, libraries, public utilities and other forms of infrastructure. The Districts may provide public services that include police and fire protection, recreation programs, area maintenance, library services, flood and storm drainage. Bonded debt service and/or the public services are paid for by special taxes levied on the real property within the district.

Infrastructure Financing District

Cities and counties can create Infrastructure Financing Districts (IFDs) to pay for regional scale public works. IFDs can divert property tax increment revenues for 30 years to finance highways, transit, water systems, sewer projects, flood control, child care facilities, libraries, parks, and solid waste facilities. IFDs can't pay for maintenance, repairs, operating costs, and services. Unlike redevelopment, the property in an IFD doesn't have to be blighted. IFDs and redevelopment agencies' project areas can't overlap.

To form an IFD, the city must develop an infrastructure plan, send copies to every landowner, consult with other local governments, and hold a public hearing. Every local agency that will contribute its property tax increment revenue to the IFD must approve the plan. Schools cannot shift their property tax increment revenues to the IFD. Once the other local officials approve, the city or county must still get the voters' approval to:

- Form the IFD (requires 2/3 voter approval).
- Issue bonds (requires 2/3 voter approval).
- Set the IFD's appropriations limit (majority voter approval).

Marks-Roos District

The State Legislature enacted the Marks-Roos Local Bond Pooling Act of 1985 to facilitate the financing of local government facilities by bond bank pools funded by bond proceeds. The pool, formed under a Joint Powers Authority, can buy any type of legally issued debt instrument within or without its geographic area. The idea was to save money through economies of scale by selling one large bond issue to finance several small projects.

General Road User Fees

While road user fees (tolls) have been widely implemented on highways, implementation on municipal streets would be difficult, if not impossible. Several California agencies responsible for toll roads have struggled to cover costs.

PAVEMENT PRESERVATION PLAN

The Bureau of Street Services is responsible for maintaining the City's 6,500-mile street network through the Pavement Preservation Plan, consisting of:

- Resurfacing/Reconstruction: Crews mill, or grind away, the road several inches and then repave with asphalt over the roadway. The cost is $300,000 to $450,000 per mile depending on the street type. If the road is damaged down to its base (failed roadway), then the pavement will have to be reconstructed at an average cost of $600,000/mile. The actual cost to repair an individual segment depends upon the width and type of street.

- Slurry sealing: This operation applies an emulsified rubber asphalt material to the surface of the street. This function reseals the roadway and can typically extend its useful life up to seven years. The cost is $30,000 to $50,000 per mile depending on the street type. The actual cost to slurry an individual segment also depends upon the width and type of street.

- Crack sealing: Because water is such a destructive element to pavement, it needs to be prevented from intrusion into streets. Filling or sealing pavement cracks with asphalt to prevent water from entering the base and sub-base extends pavement life and slows deterioration. The cost is approximately $5,000 per mile.

- Small asphalt repairs/Potholes: Potholes are created when water enters the surface, the roadway erodes, and the asphalt breaks away. Holes are fixed using cold- or hot-patch materials. Potholes vary in size and repair costs range from $7 to $21.

Generally, the approach to Pavement Preservation incorporates two strategies:

- The most economical selection of streets and rehabilitation method used; and,
- The prevention or slowing of the deterioration of streets.

The City evaluates the condition of streets using the Pavement Condition Index (PCI) and uses a Pavement Management System to assist in identifying the optimal mix of the two strategies so that the best possible PCI is attained with the available funding.

The PCI is an index that grades the condition of City streets and is measured on a 100-point scale. The higher the PCI, the better the overall condition of the City streets. The lower the PCI, the higher the percentage of failed streets and the more expensive the overall cost of repairing City streets. The City's current PCI is 62. A Pavement Preservation Plan of approximately 735 miles must be funded to maintain the current PCI.

Three City Departments are responsible for successful implementation of the Pavement Preservation Plan. They are:

The Department of Public Works

Bureau of Street Services

The Bureau is the primary point of contact on the Pavement Preservation Plan and is responsible for strategically planning the distribution of funding for street repairs and for the core street repair activities (resurfacing/reconstruction, slurry, crack sealing and pothole repair). The Bureau also ensures that the correct level for maintenance holes is reset once the street work is completed. In addition, the Bureau operates two asphalt plants on behalf of the City, which allows the City to save money on asphalt and to stabilize its supply. These plants use 15% to 20% of recycled asphalt pavement, which saves millions in dumping fees and reduced raw material purchase. Using prior-year Municipal Improvement Corporation of Los Angeles (MICLA) funding, the Bureau will modernize one of the two plants, greatly expanding both the amount of asphalt recycled and produced. The Bureau is also responsible for the assessment of the condition of the streets and the resulting Pavement Condition Index.

Bureau of Engineering

The Bureau's Survey Division performs survey monument preservation. The ownership of land, and consequently the ability to define boundaries, is dependent on survey monuments (brass plaques on the streets) and their perpetuation. The survey monuments define the location of streets and the limits of all real property. State law requires the preservation of these monuments which are in jeopardy of being destroyed or obscured during road repair. In addition, road repair can require the City to reestablish the flow line (after reconstruction) for proper water flow. Surveyors will help redesign flow lines in areas where there are damaged gutters and curbs or where no gutters, only curbs, exist. Where necessary, surveyors will delineate right-of-way lines on the ground so that paving crews will not pave over private property.

The Department of Transportation

Transportation engineers prepare the street-striping plan. Transportation field crews provide temporary markers after the old asphalt has been removed, apply temporary markers again once the street has been resurfaced, install permanent striping with messages after the street has cured sufficiently, and reconfigure loop detectors.

The Department of General Services

Standards Division

The Standards Division designs the asphalt mixes and pavement sections, and analyzes samples on the street to ensure material and construction compliance with standards.

Fleet Services Division

Fleet Services maintains vehicles and equipment used for the Pavement Preservation Plan.

THE 2013-14 ADOPTED BUDGET

The 2013-14 adopted budget continues funding for an 800-mile Pavement Preservation Program. Beginning in 2012-13 Measure R Local Return Funds were provided to increase the Plan's mileage by 65 miles to 800 miles.

	Total Funding	Total Miles	Total Potholes
2013-14 Adopted Budget	$ 132,768,737	800	350,000

The 800-mile Plan consists of 245 miles of resurfacing and reconstruction, 455 miles of slurry seal, and 100 miles of crack sealing. The 2013-14 adopted budget will continue 350,000 small asphalt repairs, like potholes.

Pavement Preservation Plan funding amounts are summarized below:

	Department				
Funding Source	**Street Services**	**Engineering**	**Transportation**	**GSD**	**Total**
Special Gas Tax	$ 46,094,056	$ 746,065	$ 2,880,730	$ 2,066,858	$ 51,787,709
Proposition C	19,959,772	-	3,309,995	502,319	23,772,086
Street Damage Restoration Fee	-	-	-	5,745,276	5,745,276
Measure R	28,453,617	500,000	2,103,600	2,158,356	33,215,573
Traffic Safety Fund	526,988	-	-	-	526,988
General Fund	17,721,105				17,721,105
Total	**$ 112,755,538**	**$ 1,246,065**	**$ 8,294,325**	**$ 10,472,809**	**$ 132,768,737**

FUTURE CHALLENGES

Two significant challenges exist in managing the Pavement Preservation Plan – available funding and staffing.

Available Funding

Funding for the City's pavement preservation program has remained steady due to the availability of non-General Fund resources including over $53 million from the Federal American Recovery and Reinvestment Act (ARRA) of 2009 and over $124 million from the California Transportation Bond Program (Prop 1B). The availability of these funds allowed the pavement preservation program to fill a gap created by the loss of General Fund dollars due to the recession.

With the final draw down of Prop 1B funds complete, the new challenge for the City is identifying funds to replace the Prop 1B funds that are no longer available. Given competing demands and limited General Fund resources, increasing the General Fund allocation for street repairs to the level required to keep the program successful is not easily achieved. Through the use of one-time revenues, Measure R, and Proposition C funding, the City can continue the Pavement Preservation Program through 2013-14. However, the use of Measure R and Proposition C funds for future resurfacing will limit the funds available for other longer-term City transportation projects. As the budget for 2013-14 is developed, the Mayor and Council will need to prioritize street preservation against other City priorities to determine the level of funding and the number of miles of repair that will be completed. If appropriate funding cannot be secured, the number of miles will decrease as will the condition of the City's streets. A Pavement Preservation Program of approximately 735 centerline miles must be funded to maintain the current pavement condition.

Current projections for the Pavement Preservation Program are expected to be greater than the available revenues.

Please see chart on the next page.

PAVEMENT PRESERVATION PROGRAM (Estimated Direct Costs)

BUDGET OUTLOOK

(As of May 31, 2013)

	2012-13	2013-14	2014-15	2015-16	2016-17
ESTIMATED AVAILABLE FUNDING					
Special Gas Tax	$ 53,867,205	$ 51,787,709	$ 38,788,000	$ 38,788,000	$ 38,788,000
Proposition C	26,550,087	23,772,086	-	-	-
Street Damage Restoration Fee	6,546,436	5,745,276	5,800,000	5,900,000	6,000,000
Proposition 1B	33,377,867	-	-	-	-
Measure R	11,500,000	33,215,573	17,412,000	22,852,000	18,370,000
Traffic Safety Fund	578,309	526,988	-	-	-
General Fund	1,075,573	17,721,105	1,121,000	1,121,000	1,121,000
Total Funding	**133,495,477**	**132,768,737**	**63,121,000**	**68,661,000**	**64,279,000**
Available Funding Decrease %		***-0.5%***	***-52.5%***	***8.8%***	***-6.4%***
Available Funding Decrease $		***(726,740)***	***(69,647,737)***	***5,540,000***	***(4,382,000)***
ESTIMATED EXPENDITURES					
PW Street Services	112,844,449	112,755,538	109,871,000	113,167,000	116,562,000
PW Engineering	965,783	1,246,065	1,026,000	1,057,000	1,088,000
Transportation	9,387,845	8,294,325	7,793,000	8,027,000	8,268,000
General Services	10,297,400	10,472,809	10,272,000	10,580,000	10,897,000
Total Expenditures	**133,495,477**	**132,768,737**	**128,962,000**	**132,831,000**	**136,815,000**
Expenditure Growth %		***-0.5%***	***-2.9%***	***3.0%***	***3.0%***
Expenditure Growth $		***(726,740)***	***(3,806,737)***	***3,869,000***	***3,984,000***
TOTAL BUDGET GAP (DEFICIT)	-	-	**(65,841,000)**	**(64,170,000)**	**(72,536,000)**
Incremental Increase %				***-3%***	***13%***
Incremental Increase $				***1,671,000***	***(8,366,000)***
TOTAL PAVEMENT PLAN MILES	**800**	**800**	**735**	**735**	**735**
Resurfacing & Reconstruction Miles	245	245	235	235	235
Slurry Seal Miles	455	455	400	400	400
Crack Sealing Miles	100	100	100	100	100
TOTAL POTHOLES TO BE REPAIRED	**350,000**	**350,000**	**350,000**	**350,000**	**350,000**

As expenditure growth exceeds revenue growth, the City will need to find alternative funding sources to maintain the Pavement Preservation Plan at or above 735 centerline miles and prevent the City street system from deteriorating from its current condition. Available future year funding from Proposition C and Measure R is limited as illustrated in the Five-Year Forecasts for each respective special fund. In addition, funding needs to be identified to improve the condition of the City street system.

Staffing

Each of the four departments has experienced difficulty in maintaining full staffing throughout the current fiscal crisis. As a result, the following solutions are being implemented in 2013-14 to ensure full staffing and successful implementation of the Pavement Preservation Plan:

- Positions in each of the four departments are being provided from non-General Fund sources so that it will be easier to remain fully staffed;

- On an annual basis the City Administrative Officer works with the Managed Hiring Committee to establish a blanket unfreeze list of Hiring Hall positions so that it will be easier for departments to remain fully staffed; and,

- When necessary, the City Administrative Officer and the Personnel Department are working together to help departments transfer employees into non-General Fund vacancies to support the Pavement Preservation Plan.

FUTURE MOBILITY IN CALIFORNIA

The Condition, Use and Funding of California's Roads, Bridges and Transit System

DECEMBER, 2009

Prepared by:

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Founded in 1971, TRIP ® of Washington, DC, is a nonprofit organization that researches, evaluates and distributes economic and technical data on highway transportation issues. TRIP is sponsored by insurance companies, equipment manufacturers, distributors and suppliers; businesses involved in highway and transit engineering and construction; labor unions; and organizations concerned with an efficient and safe highway transportation network.

Executive Summary

California's extensive system of roads, highways, bridges and public transit is the backbone that supports the state's economy. California's surface transportation system needs to provide safe and efficient commutes to work and school, visits with family and friends, and trips to tourist and recreation attractions while simultaneously providing businesses with reliable access for customers, suppliers and employees. With an unemployment rate of 12.5 percent – the fourth highest in the nation - and with the state's population continuing to grow, California must improve its system of roads, highways, bridges and public transit to foster economic growth, avoid business relocations, and ensure the safe, reliable mobility needed to improve the quality of life for all Californians.

As California looks to rebound from the current economic downturn, the state will need to enhance its surface transportation system by improving the physical condition of its transportation network and enhancing the system's ability to provide efficient and reliable mobility for residents, visitors and businesses. Making needed improvements to California's roads, highways, bridges and transit could provide a significant boost to the state's economy by creating jobs and stimulating long-term economic growth as a result of enhanced mobility and access.

California faces enormous challenges in addressing its transportation needs. Urban road conditions are among the roughest in the nation. The state faces crippling traffic congestion, which threatens to impede economic activity and diminish quality of life. The state's public transportation systems are also in disrepair and must be modernized and expanded.

While the needs of the state's highway and transit systems continue to grow, the amount of revenue to address these needs is expected to remain limited, leading to significant challenges in providing a smooth, efficient and well-maintained system of roads, bridges and transit. Despite recent gains in transportation funding, the state still faces an annual highway transportation funding shortfall of approximately $4 billion. This is in addition to the $6.9 billion annual shortfall in funds needed to improve and expand the state's public transit system.

As the state lacks adequate funding to improve physical conditions and traffic congestion worsens, meeting California's need to modernize and maintain its system of roads, bridges and public transit will require a significant boost in local, state and federal funding.

Approved in February 2009, one aim of the American Recovery and Reinvestment Act is to stimulate the economy and provide a significant, short-term boost in transportation funding. California's estimated $3.6 billion in stimulus funding will allow the state to make some needed rehabilitation and improvements to its road, bridge and public transit systems, but this one-time funding boost will not allow the state to proceed with numerous projects needed to modernize its surface transportation system. Even with the aid of stimulus funding, the state will still face a sizeable, on-going transportation funding shortfall.

This report examines the use, condition and funding of California's roads and bridges as well as its public transportation system. Also included in the report are individualized analyses for California's six largest metropolitan areas. These areas are the Los Angeles urban area (which encompasses Los Angeles County and Orange County), Riverside and San Bernardino, Sacramento, San Diego, San Jose, and the San Francisco–Oakland area. These individualized reports cover each respective city and the surrounding metropolitan area and contain regional data on road and bridge conditions, congestion, transit use, transit system conditions and traffic safety, as well as lists of each area's most deteriorated roads and bridges. These regional assessments are included as Appendices A through F in the report. All data used in the report is the latest available.

California faces an estimated annual transportation funding shortfall of $10.9 billion to improve the state's roads, bridges and public transportation systems. The state's residents incur a significant cost as a result of roads and highways being congested, deteriorated or lacking some desirable safety features. A failure to eliminate or reduce the state's transportation funding shortfall will likely increase these costs incurred by Californians.

- According to Caltrans' 2007 Ten-Year Highway Operation and Protection Plan, approximately $5.5 billion will be needed annually from 2009 to 2018 to operate and rehabilitate the state highway system, a total of $55 billion over 10 years. However, based on funding projections and the current economic climate, only $1.5 billion will be available each year during that time, leaving a shortfall of $40 billion from 2009 to 2018, or $4 billion each year.

- California faces a transit funding shortfall of approximately $6.9 billion per year. While $1.7 billion in funding annually will be available, the state would need approximately $8.6 billion each year to improve the current conditions and service on its public transportation network.

- TRIP estimates that California's roadways that lack desirable some safety features, have inadequate capacity to meet travel demands or have poor pavement conditions cost the state's drivers approximately $40 billion annually in the form of traffic crashes, additional vehicle operating costs and congestion-related delays.

- Approved in February 2009, the American Recovery and Reinvestment Act offers a significant, short-term boost in transportation funding in California by providing $2.57 billion for road and bridge improvements and $1.07 billion for the state's public transit system. However, this funding is not sufficient to allow the state to proceed with many needed long-term projects that will improve safety, relieve congestion, enhance economic productivity and rehabilitate the state's roadway and transit system.

- Numerous projects needed to maintain and expand the current transportation system will not be able to move forward without a significant, long-term boost in funding at the local, state or federal level.

- Making needed repairs to the state's transportation system can help boost California's economy. A 2007 analysis by the Federal Highway Administration found that every $1 billion invested in highway construction would support approximately 27,800 jobs, including approximately 9,500 in the construction sector, approximately 4,300 jobs in industries supporting the construction sector, and approximately 14,000 other jobs induced in non-construction related sectors of the economy.

- California's unemployment rate reached 12.5 percent in October 2009, a significant increase since October 2009, when the state's unemployment rate was 5.7 percent.

- California's funding shortfall has been exacerbated by the escalation of the cost of transportation improvements due to rapid increases in the price of key materials needed for highway and bridge construction. The average cost of materials used for highway construction – including asphalt, concrete, steel, lumber and diesel – increased by 33 percent over the five-year period from October 2004 to October 2009.

Increases in the state's population and rate of vehicle travel have placed additional stress on California's roadways and transit systems, lead to rising congestion and additional deterioration. Traffic congestion in California is a growing burden in key urban areas and threatens to impede the state's economic development.

- Vehicle travel on California's major highways increased by 22 percent from 1990 to 2008 – jumping from 259 billion vehicle miles traveled (VMT) in 1990 to 315 billion VMT in 2008. Vehicle travel in California is expected to increase by another 20 percent by 2025, reaching approximately 378 billion VMT.
- California's population reached approximately 36.8 million in 2008, an increase of 24 percent and nearly seven million people since 1990. California's population is expected to increase to 49.2 million by 2030, an increase of approximately 12.4 million people.

- From 1990 to 2008, California's gross domestic product (GDP), a measure of the state's economic output, increased by 42 percent, when adjusted for inflation.
- Congestion on California's urban highways is growing as a result of increases in vehicle travel and population. In 2007, 68 percent of California's urban highways were congested, carrying traffic volumes that result in significant rush hour delay.
- The statewide cost of traffic congestion in lost time and wasted fuel is approximately $18.7 billion annually.

California has the second highest share of roads in poor condition in the nation. Driving on rough roads costs the state's motorists nearly $600 per year in extra vehicle operating costs – a total of $13.5 billion statewide.

- In 2007, 35 percent of major roads in California were rated in poor condition, the second highest share in the nation, behind only New Jersey. Another 31 percent of the state's major roads were rated in mediocre condition. Major roads include the state's Interstates, freeways and arterials.
- Roads rated in poor condition often have significant rutting, potholes or other visible signs of deterioration and typically need to be resurfaced or reconstructed. Roads rated in mediocre condition show signs of significant wear and may also have some visible pavement distress. Most pavements in mediocre condition can be repaired by resurfacing, but some may need more extensive reconstruction to return them to good condition.
- Roads in need of repair cost each California motorist an average of $590 annually in extra vehicle operating costs – the second highest amount in the nation and significantly higher than the national average of $335. Driving on roads in need of repair costs the state's motorists a total of $13.5 billion each year. These costs include accelerated vehicle depreciation, additional vehicle repair costs, increased fuel consumption and increased tire wear.
- The functional life of California's roads is greatly affected by the state's ability to perform timely maintenance and upgrades to ensure that structures last as long as possible. It is critical that roads are fixed before they require major repairs because reconstructing roads costs approximately four times more than resurfacing them.
- Among all major urban areas in the nation with a population of 500,000 or more, six of the top 10 cities with the roughest pavement conditions are in California.
- This report contains information on pavement conditions in California's major metropolitan areas, including Los Angeles, Riverside and San Bernardino, Sacramento, San Diego, San Jose, and the San Francisco-Oakland area. Also included is a list of the sections of roadway in each of these urban areas that are most deteriorated and in need of repair. These regional assessments can be found in Appendices A through F of the report.

Twenty-nine percent of California's bridges and overpasses show significant deterioration or do not meet current design standards. This includes all bridges that are 20 feet or more in length and are maintained by state, local and federal agencies.

- Thirteen percent of California's bridges were structurally deficient in 2008. A bridge is structurally deficient if there is significant deterioration of the bridge deck, supports or other major components. Structurally deficient bridges are often posted for lower weight or closed to traffic, restricting or redirecting commercial trucks and other larger vehicles including emergency service vehicles.
- Sixteen percent of California's bridges were functionally obsolete in 2008. Bridges that are functionally obsolete no longer meet current highway design standards, often because of narrow lanes and shoulders, inadequate clearances or poor alignment.
- The report contains a list of needed bridge rehabilitation and replacement projects across the state that currently lack adequate funding to proceed.
- This report contains information on bridge conditions in California's major cities, including the urban area containing Los Angeles, Long Beach and Santa Ana, the Riverside and San Bernardino urban area, Sacramento, San Diego, San Jose, and the San Francisco-Oakland area. Also included in the report is a list of bridges in each of these areas that are most deteriorated and in need of repair. These regional assessments can be found in Appendices A through F of the report.

California's rural traffic fatality rate is three times greater than the fatality rate on all other roads in the state. Improving safety features on California's roads and highways would likely result in a decrease in traffic fatalities in the state. Roadway design is an important factor in approximately one-third of all fatal and serious traffic accidents.

- Between 2004 and 2008, 20,122 people were killed in traffic accidents in California, an average of 4,024 fatalities per year.
- California's traffic fatality rate was 1.09 fatalities per 100 million vehicle miles of travel in 2008.
- The traffic fatality rate in 2008 on California's non-Interstate rural roads was 2.79 traffic fatalities per 100 million vehicle miles of travel, which is more than three times higher than the traffic fatality rate of .84 on all other roads and highways in the state.
- Several factors are associated with vehicle accidents that result in fatalities, including driver behavior, vehicle design and roadway characteristics.
- TRIP estimates that roadway characteristics, such as lane widths, lighting, signage and the presence or absence of guardrails, paved shoulders, traffic lights, rumble strips, obstacle barriers, turn lanes, median barriers and pedestrian or bicycle facilities, are likely a contributing factor in approximately one-third of all fatal and serious traffic crashes.

- Where appropriate, highway improvements can reduce traffic fatalities and accidents while improving traffic flow to help relieve congestion. Such improvements include removing or shielding obstacles; adding or improving medians; adding rumble strips, wider lanes, wider and paved shoulders; upgrading roads from two lanes to four lanes; and better road markings and traffic signals.

- The Federal Highway Administration has found that every $100 million spent on needed highway safety improvements will result in 145 fewer traffic fatalities over a 10-year period.

- The cost of serious traffic crashes in California in 2008, in which roadway characteristics were a contributing factor, was approximately $7.6 billion. The costs of serious crashes include lost productivity, lost earnings, medical costs and emergency services.

The efficiency of California's transportation system, particularly its highways, is critical to the health of the state's economy. Businesses are increasingly reliant on an efficient and reliable transportation system to move products and services. A key component in business efficiency and success is the level and ease of access to customers, markets, materials and workers.

- Approximately $924 billion in goods are shipped annually from sites in California and another $894 billion in goods are shipped annually to sites in California, mostly by commercial trucks on the state's highways.

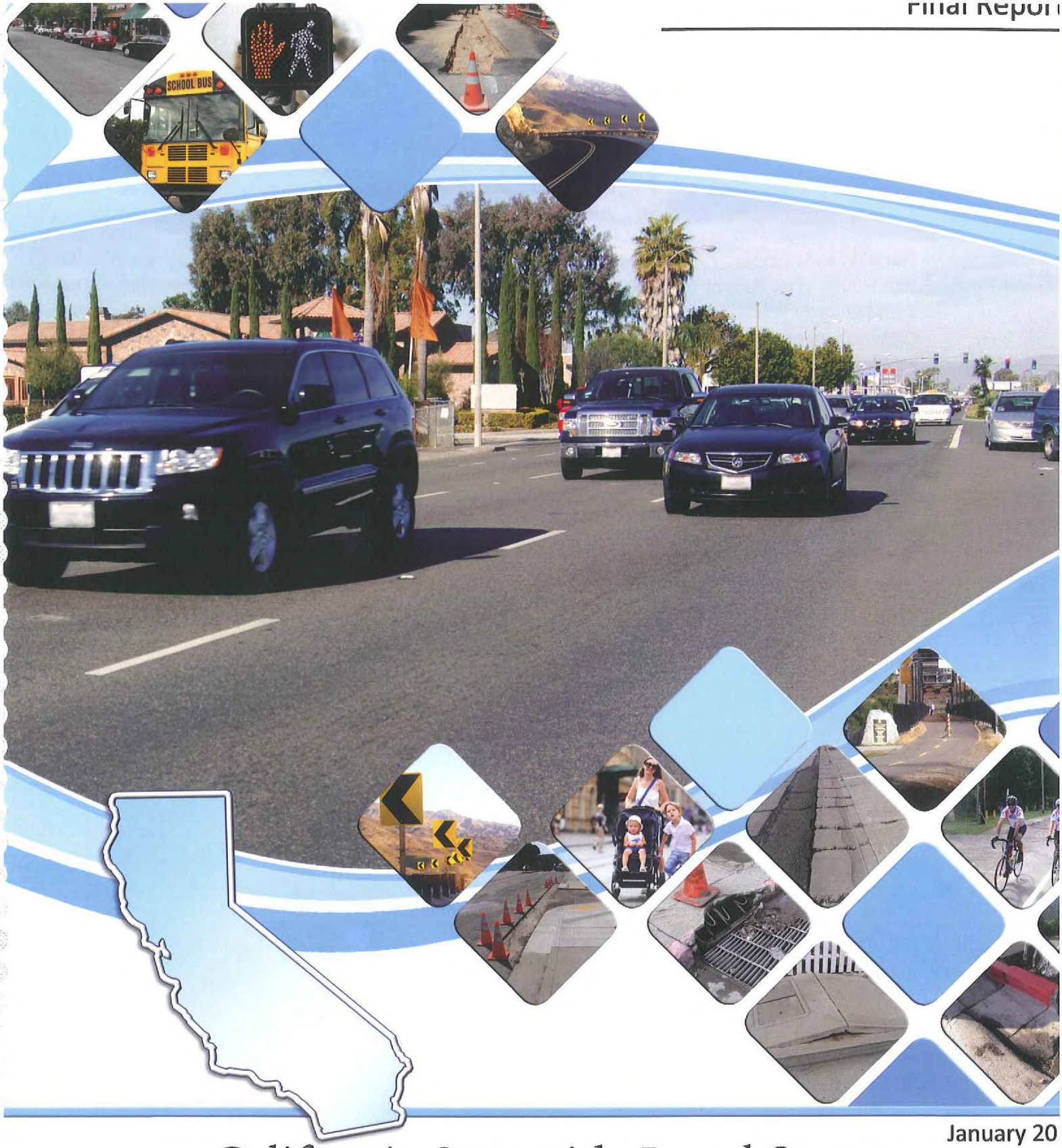
- Sixty-eight percent of the goods shipped annually from sites in California are carried by trucks and another 19 percent are carried by courier services, which use trucks for part of the deliveries. Similarly, 69 percent of the goods shipped to sites in California are carried by trucks and another 15 percent are carried by courier services.

- Commercial trucking in California is projected to increase 28 percent by 2020.

- Increasingly, companies are looking at the quality of a region's transportation system when deciding where to relocate or expand. Regions with congested or poorly maintained roads may see businesses relocate to areas with a smoother, more efficient transportation system.

- Businesses have responded to improved communications and greater competition by moving from a push-style distribution system, which relies on low-cost movement of bulk commodities and large-scale warehousing, to a pull-style distribution system, which relies on smaller, more strategic and time-sensitive movement of goods.

All data used in the report is the latest available. Sources of information for this report include the U.S. Department of Transportation (USDOT), Caltrans, the Federal Highway Administration (FHWA), the Federal Transit Administration (FTA), the National Surface Transportation Policy and Revenue Study Commission (NSTPRSC), the U.S. Census Bureau, the National Highway Traffic Safety Administration (NHTSA), the Reason Foundation and the Texas Transportation Institute (TTI).



January 20

California Statewide Local Streets and Roads Needs Assessment

CSAC LEAGUE OF CALIFORNIA CITIES RTPA RCTF

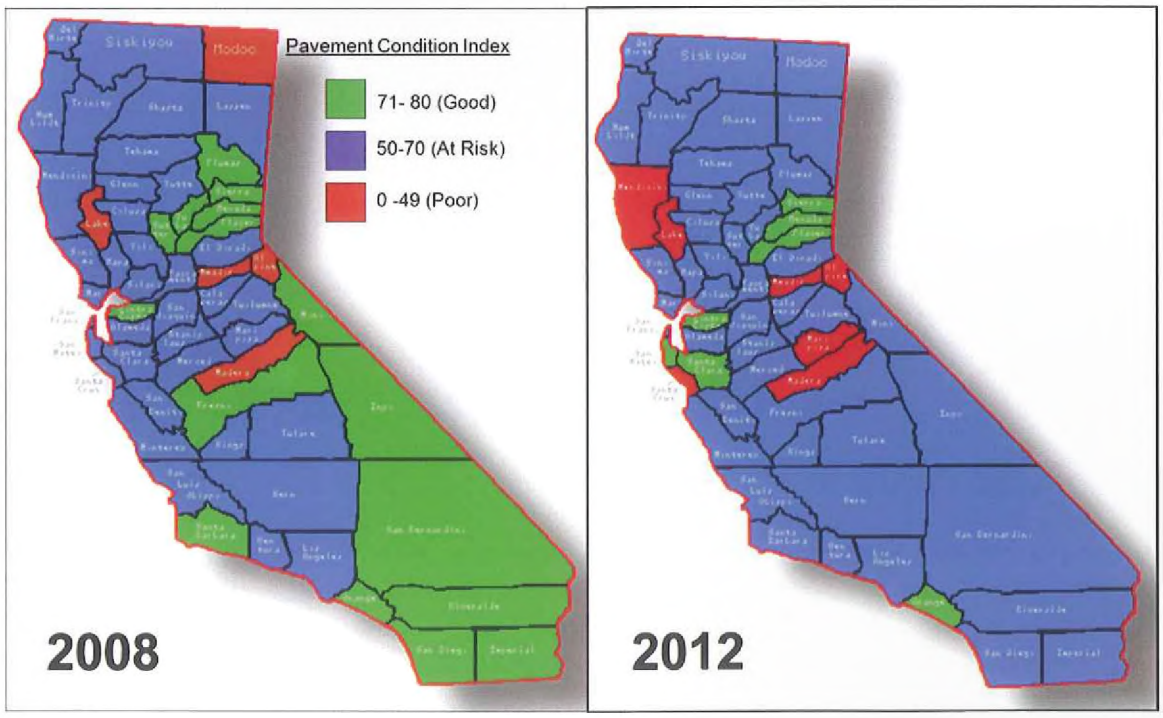
Abstract

California's local streets and roads system is in crisis, driving state and local governments to a decision point: either pay now to update communities' deteriorating thoroughfares, or pay much more later to replace them.

Due to an aging infrastructure, rising construction costs and budget constraints, the state's local road network is falling into disrepair at an alarming rate. With heavier vehicles, increasing traffic and the need to accommodate alternative modes of transportation—including buses, bicyclists, pedestrians, the disabled and school children—the demands on California's streets and roads are growing. At the same time, a growing percentage of streets and roads are in poor condition and in need of repair.

Cities and counties own and maintain 81 percent of California's roads, and these byways are the underpinning of California's statewide transportation network. From the moment we open our front door in the morning to drive to work, bike to school, walk to the bus station, or buy groceries, we are dependent upon our local streets and roads. Emergency responders and law enforcement rely on the network to save lives and keep us safe. It's hard to think of a single aspect of daily life that doesn't involve a local road.

The results of the *2012 California Statewide Local Streets and Roads Needs Assessment* show that there has been a steady downward trend in the pavement condition since 2008. The majority of California's counties now have an average pavement condition rating that is considered "at risk" (see maps below). Projections indicate that In 10 years, 25 percent of California's streets and roads will be in the "failed" category.



The state system encompasses bridges and safety and traffic components such as traffic signals, traffic signs, storm drains, sidewalks, and curbs and gutters. Public safety concerns intensify the urgency for state and local decision makers to come up with answers – and funding - for maintenance and repair.

This report shows that there is a funding shortfall of more than $82 billion over the next 10 years to bring the system up-to-date. The current funding level for the local system is $2.5 billion a year. Just maintaining the status quo for pavements will require an investment of an additional $1.9 billion a year. But that still doesn't resolve the issue that as California grows, its road system is aging and deteriorating rapidly.

Lack of any investment will undoubtedly result in higher costs to all users of the state's transportation system. Cars, bikes, school buses, and utility and emergency vehicles will find it more and more challenging to arrive at their destinations safely and reliably. If bridges fail or are closed for safety reasons, communities will be affected by long detours and delays. Water quality standards will be compromised. The ability to meet clean air standards becomes more difficult as expensive rehabilitation and reconstruction treatments are required.

The 2012 Assessment focuses on the transportation needs, but solutions must come from state and local governments, the Legislature, and the people of California. There's no question that new sources of revenue must be found. The cost to make our local streets and roads safe and reliable should be shared by everyone who uses and benefits from them, whether from the north or south, urban, suburban, or rural areas. Given that new technologies (e.g. hybrids and electric vehicles) continue to improve the efficiency of many types of transportation methods, transportation users must be open to new alternative funding mechanisms.

The bottom line is, Californians will have to work together to secure sustainable revenues to prevent our local streets and roads system from collapse.

The conclusions from this study are inescapable. Given existing funding levels available to cities and counties for maintaining their local systems, the condition of California's local streets and roads will continue to decline in the next 10 years. Unless this crisis is addressed, costs to maintain the local system will only continue to grow, while the safety, quality and reliability of California's local transportation network deteriorates.

We cannot afford to delay action. By investing in the state's local street and road system now, we can avert disaster and strengthen California's transportation future.

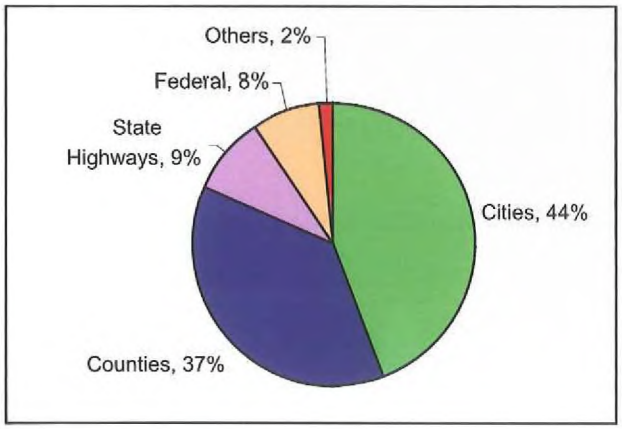
Executive Summary

California's local street and road system continues to be in crisis.

Every trip begins on a city street or county road. Whether traveling by bicycle, bus, rail, truck or family automobile, Californians need a reliable and well-maintained local street and road system. However, these are challenging times on many levels. Funding is at risk, and there is a significant focus on climate change and building sustainable communities, and the need for multi-modal opportunities on the local system has never been more essential. Every component of California's transportation system is critical to provide a seamless, interconnected system that supports the traveling public and economic vitality throughout the state. Sustainable communities cannot function without a well-maintained local street and road system.

The first comprehensive statewide study of California's local street and road system in 2008 provided critical analysis and information on the local transportation network's condition and funding needs. This 2012 needs assessment provides another look at this vital component of the state's transportation system and finds further deterioration and a growing funding shortfall.

As before, the objectives were to report the condition of the local system and provide the overall funding picture for California's local street and road transportation network. We needed answers to some important questions. What are the current pavement conditions of local streets and roads? What will it cost to repair all streets and roads? What are the needs for the essential components to a functioning system? How much is the funding shortfall? What are the solutions?



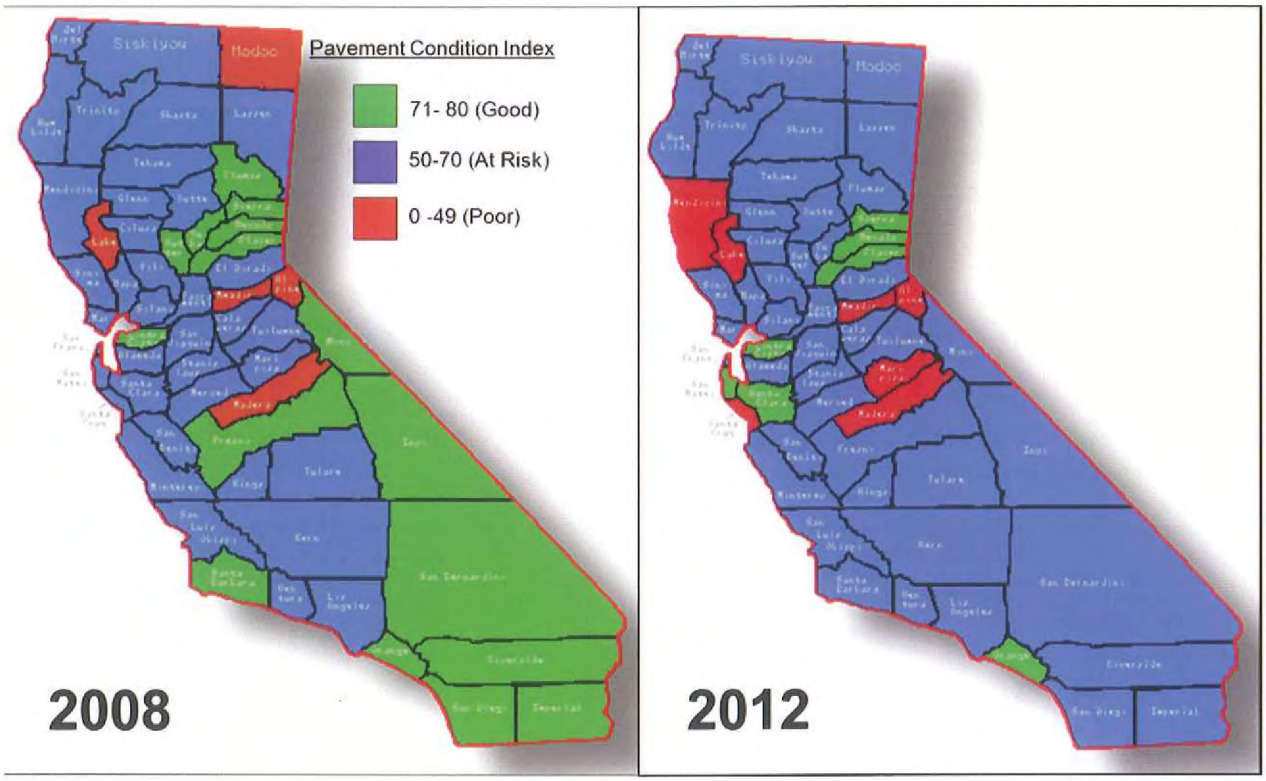
As owners of 81 percent of the state's roads, cities and counties found that the 2008 study was of critical importance for several reasons. While federal and state governments' regularly assess their system needs, no such data existed for the local component of the state's transportation network. Historically, statewide transportation funding investment decisions have been made without recognition of the particular requirements of the local system, and without local pavement condition data. Thus, this biennial assessment provides a critical piece in providing policy makers with a more complete picture of our transportation system funding needs.

The goal is to use the findings of this report to continue to educate policymakers at all levels of government about the infrastructure investments needed to provide California with a seamless, multi-modal transportation system. The findings of this study provide a credible and defensible analysis to support a dedicated, stable funding source for maintaining the local system at an optimum level. It also provides the rationale for the most effective and efficient investment of public funds, potentially saving taxpayers from paying significantly more to fix local streets and roads into the future.

This update surveyed all of California's 58 counties and 482 cities in 2012. The information collected captured data from more than 98 percent of the state's local streets and roads! This level of participation exemplifies the interest at the local level to provide comprehensive and defensible data in hopes of tackling this growing problem.

Pavements

The results show that California's local streets and roads are moving ever closer to the edge of a cliff. On a scale of zero (failed) to 100 (excellent), the statewide average pavement condition index (PCI) has deteriorated from 68 in 2008 to 66 ("at risk" category) in 2012. If current funding remains the same, the statewide condition is projected to deteriorate to a PCI of 53 by 2022. Even more critical, the unfunded backlog will increase from $40.4 billion to $66 billion. The maps illustrate the pavement deterioration that has resulted in each county since 2008.



To spend the taxpayer's money cost-effectively, it makes more sense to preserve and maintain our roads in good condition than to let them deteriorate, since deteriorated roads are more expensive to repair in the future. Consistent with that approach, the costs developed in this study are based on achieving a roadway pavement condition of what the industry calls Best Management Practices (BMPs). This condition represents improving the pavement condition to a level where roads need preventative maintenance treatments (i.e., slurry seals, chip seals, thin overlays). These treatments have the least impact on the public's mobility and commerce, and are more environmentally friendly than the next level of construction that would be required (i.e., rehabilitation and reconstruction).

The importance of this approach is significant. As roadway pavement conditions deteriorate, the cost to repair them increases exponentially. For example, it costs twelve times less to maintain a BMP pavement compared to a pavement that is at the end of its service life. Even a modest resurfacing is four times more expensive than maintenance of a pavement in the BMP condition. At a time when counties and cities are on fixed budgets, employing maintenance practices consistent with BMP results in treating four to twelve times more road area. By bringing the roads to BMP conditions, cities and counties will be able to maintain streets and roads at the most cost-effective level. It is a goal that is not only optimal, but also necessary.

Multiple funding scenarios were investigated to determine the impacts different funding levels would have on the condition of the roads. Five different scenarios were analyzed to determine the level of improvements achieved in ten years. The funding scenarios were as follows:

1. **Existing funding levels of $1.33 billion/year** – this is the current funding level available to cities and counties.
2. **Additional $1 billion/year** – this assumes an additional $1 billion is available through a yet to be determined revenue source.
3. **Funding to maintain existing conditions ($3.23 billion/year)** – this is the funding level required to maintain the pavement conditions at its current PCI of 66.
4. **Efficiency measures to add $882 million/year** – this assumes that new technologies to repair pavements may be implemented and which is estimated to save $882 million/year.
5. **Funding required to achieve best management practices ($7.23 billion/year)** – the optimal scenario is to bring all pavements into a state of good repair so that best management practices can prevail. After this, it will only require $2.4 billion a year to maintain the pavements at that level.

Three key performance measures were used to evaluate the impacts of each scenario and the results are summarized in the table below:

1. Pavement condition index
2. Percent of pavements in both good and failed condition
3. Cost savings achieved by not deferring repairs to a later date

Scenarios	Annual Budget ($B)	PCI in 2022	Condition Category	% Pavements in Failed Condition	% Pavements in Good Condition	Cost Savings* ($B)
1. Existing Funding	$1.33	53	At Risk	25%	46%	-
2A. No bond	$2.33	60	At Risk	23%	68%	$26
2B. Bond	$4.23/$1.33	63	At Risk	21%	71%	$34
3. Maintain PCI = 66	$3.23	66	At Risk	20%	78%	$44
4. Efficiency Savings	$4.11	71	Good	16%	83%	$59
5. Best Mgmt. Practices	$7.23	84	Excellent	0%	100%	$108

* Cost savings are compared to Scenario 1.

Essential Components

The transportation network also includes essential safety and traffic components such as curb ramps, sidewalks, storm drains, streetlights and signals. These components require $30.5 billion over the next 10 years, and an estimated shortfall of $21.8 billion.

Bridges

Local bridges are also an integral part of the local streets and roads infrastructure. There are 11,863 local bridges, and approximately $4.3 billion is needed to replace or rehabilitate them. There is an estimated shortfall of $1.3 billion.

Total Funding Shortfall

The table below shows the total funding shortfall of $82.2 billion over the next 10 years. For comparison, the 2008 and 2010 results are also included.

Summary of 10 Year Needs and Shortfall for 2008 through 2012($Billion)

Transportation Asset	Needs ($B)		2012		
	2008	2010	Needs	Funding	Shortfall
Pavement	$67.6	$70.5	$72.4	$13.3	$(59.1)
Essential Components	$32.1	$29.0	$30.5	$8.7	$(21.8)
Bridges	N/A	$3.3	$4.3	$3.0	$(1.3)
Totals	**$99.7**	**$102.8**	**$107.2**	**$25.1**	**$(82.2)**

What are the Solutions?

To bring the state's local street and road system to a best management practice level where the taxpayer's money can be spent cost effectively; we will need approximately $59.1 billion of additional funding for pavements alone and a total of $82.2 billion for a functioning transportation system over the next 10 years. The sooner this is accomplished, the less funding will be required in the future (only $2.4 billion/year will be needed to maintain the pavements after that).

If cities and counties do not get additional funding, the results will be disastrous for local streets and roads, and ultimately the entire transportation network, as all modes are interrelated. The fact that more than twice the current funding level is needed just to maintain the current conditions is alarming.

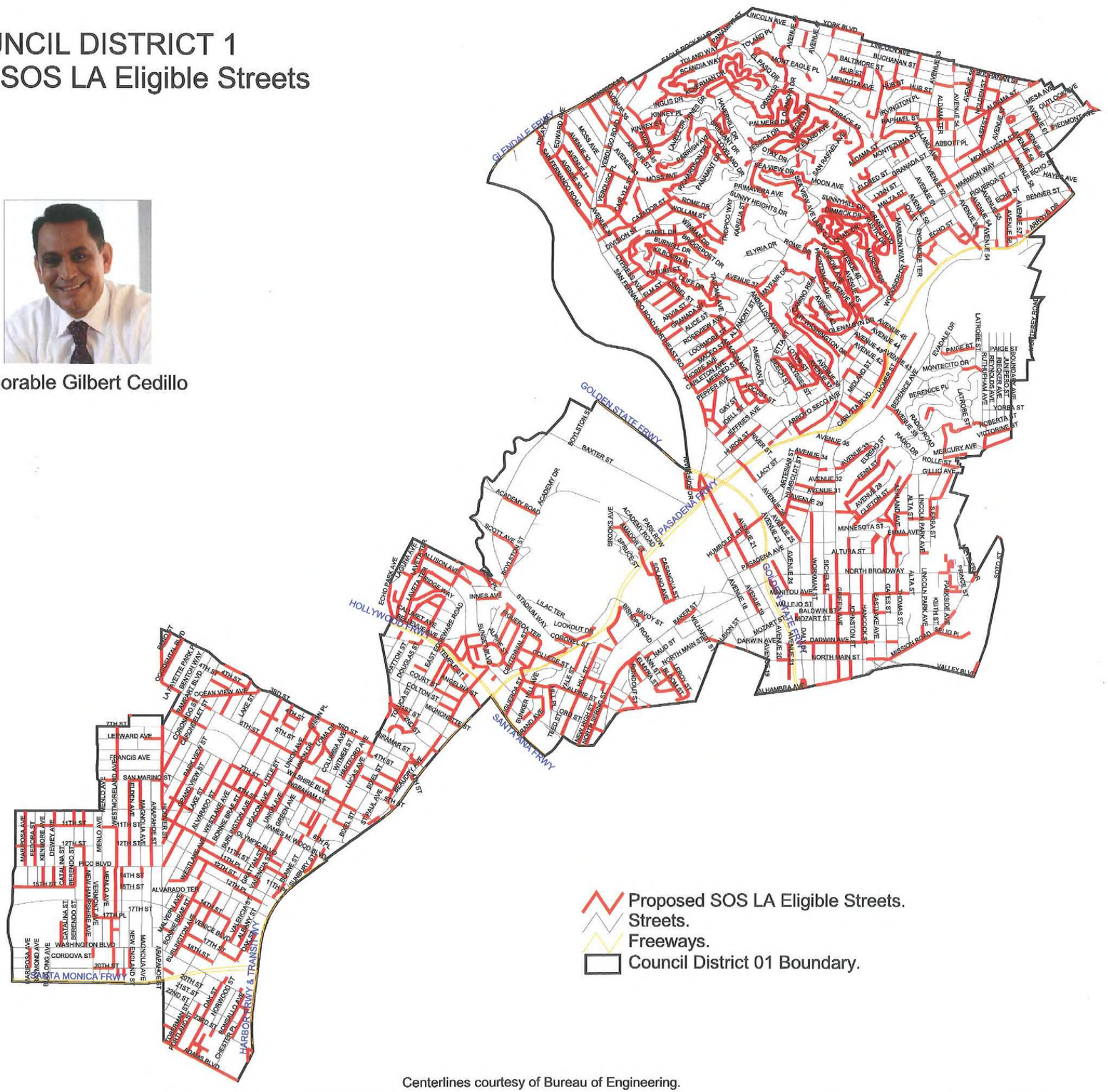
To bring the local system back into a cost-effective condition, thereby preserving the public's $189 billion pavement investment and stopping further costly deterioration, $8.2 billion annually in new funds are needed to stop the further decline and deterioration of the local street and road system. This is equivalent to a 56-cent per gallon gas tax increase.

The conclusions from this study are inescapable. Given existing funding levels available to cities and counties for maintaining the local system, California's local streets and roads will continue to deteriorate rapidly within the next 10 years. Unless this condition is addressed, costs to maintain the local system will only continue to grow, while the quality of California's local transportation network deteriorates.

It is imperative that cities and counties receive a stable and dedicated revenue stream for cost effective maintenance of the local system to avoid this crisis.

COUNCIL DISTRICT 1
Proposed SOS LA Eligible Streets

Honorable Gilbert Cedillo



Bureau of Street Services
Nazario Sauceda, Director

Centerlines courtesy of Bureau of Engineering.

1-7-2013

COUNCIL DISTRICT 2
Proposed SOS LA Eligible Streets

Honorable Paul Krekorian

Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 02 Boundary.

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Nazario Sauceda, Director

Centerlines Courtesy of Bureau of Engineering.

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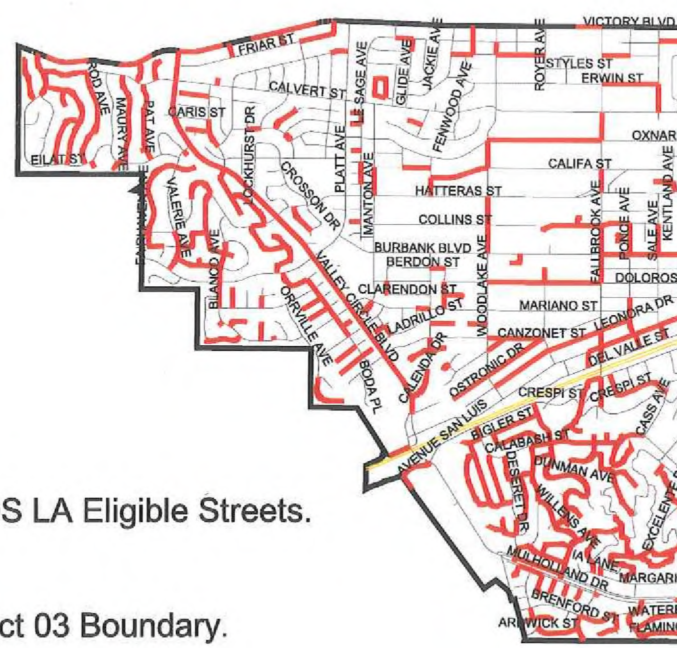
COUNCIL DISTRICT 3
Proposed SOS LA Eligible Streets

Honorable Bob Blumenfield




Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 03 Boundary.

Bureau of Street Services
Nazario Sauceda, Director

Centerlines courtesy of Bureau of Engineering.

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1-7-2013

COUNCIL DISTRICT 4
Proposed SOS LA Eligible Streets

Honorable Tom LaBonge

Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 04 Boundary.

Bureau of Street Services
Nazario Sauceda, Director

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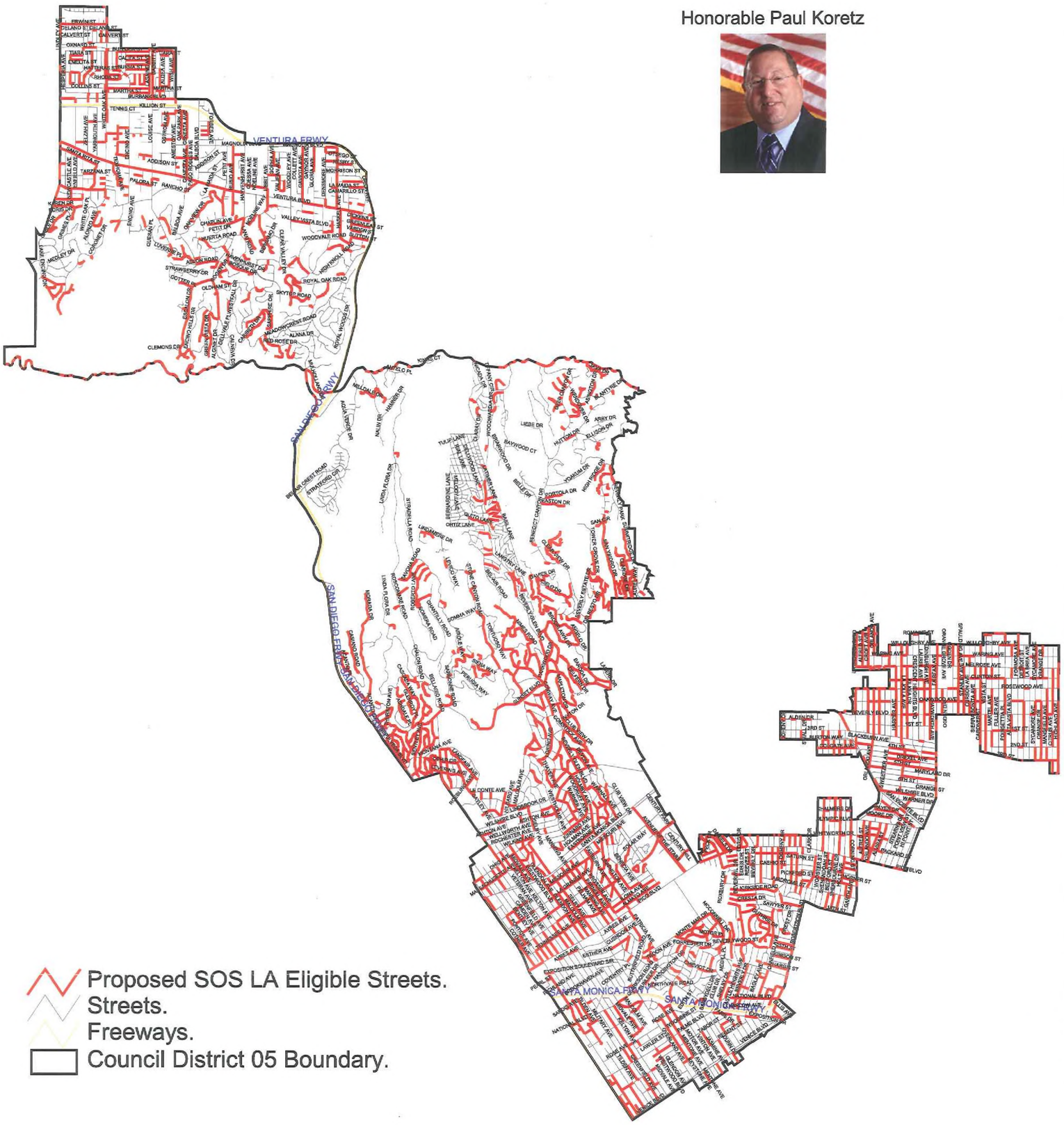
COUNCIL DISTRICT 5
Proposed SOS LA Eligible Streets

Honorable Paul Koretz



Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 05 Boundary.

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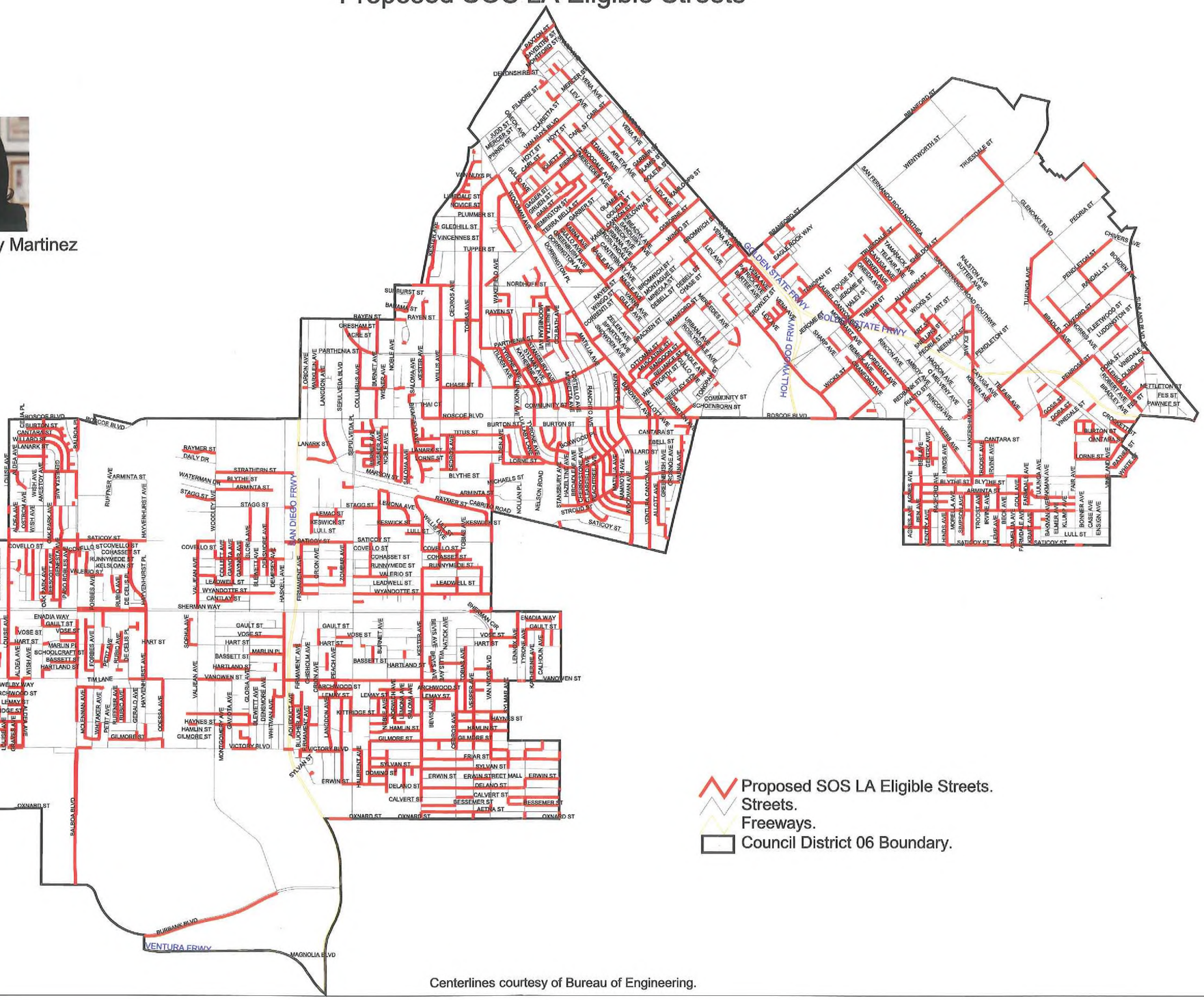
COUNCIL DISTRICT 6
Proposed SOS LA Eligible Streets

Honorable Nury Martinez



Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 06 Boundary.

Bureau of Street Services
Nazario Sauceda, Director

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COUNCIL DISTRICT 7
Proposed SOS LA Eligible Streets

Honorable Felipe Fuentes

Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 07 Boundary.

Bureau of Street Services
Nazario Sauceda, Director

Centerlines courtesy of Bureau of Engineering.

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COUNCIL DISTRICT 8
Proposed SOS LA Eligible Streets

Honorable Bernard Parks

Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 08 Boundary.

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COUNCIL DISTRICT 9
Proposed SOS LA Eligible Streets

Honorable Curren D. Price Jr.

Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 09 Boundary.

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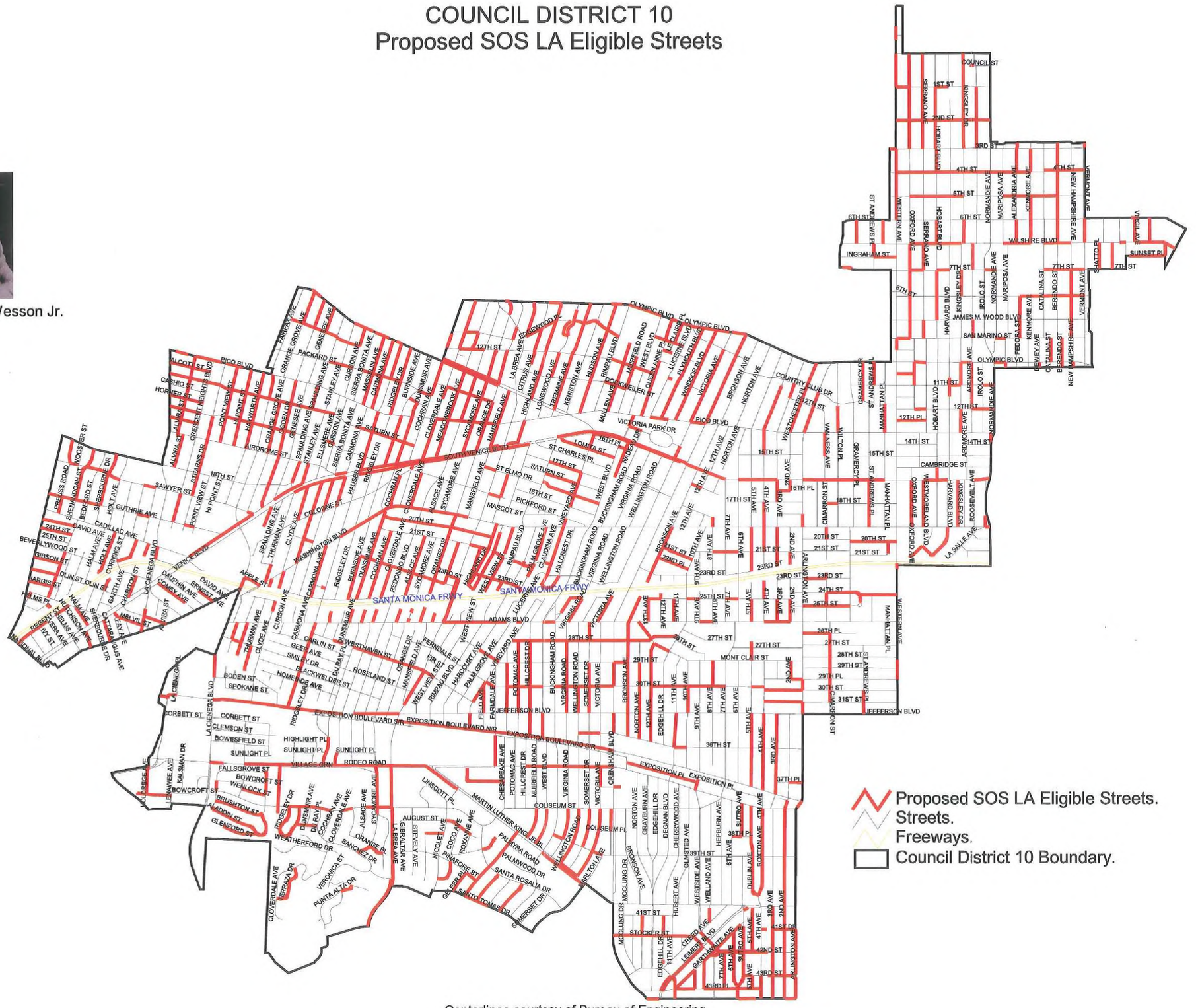
COUNCIL DISTRICT 10
Proposed SOS LA Eligible Streets

Honorable Herb J. Wesson Jr.



Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 10 Boundary.

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Nazario Sauceda, Director

Centerlines courtesy of Bureau of Engineering.

COUNCIL DISTRICT 11
Proposed SOS LA Eligible Streets

Honorable Mike Bonin

Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 11 Boundary.

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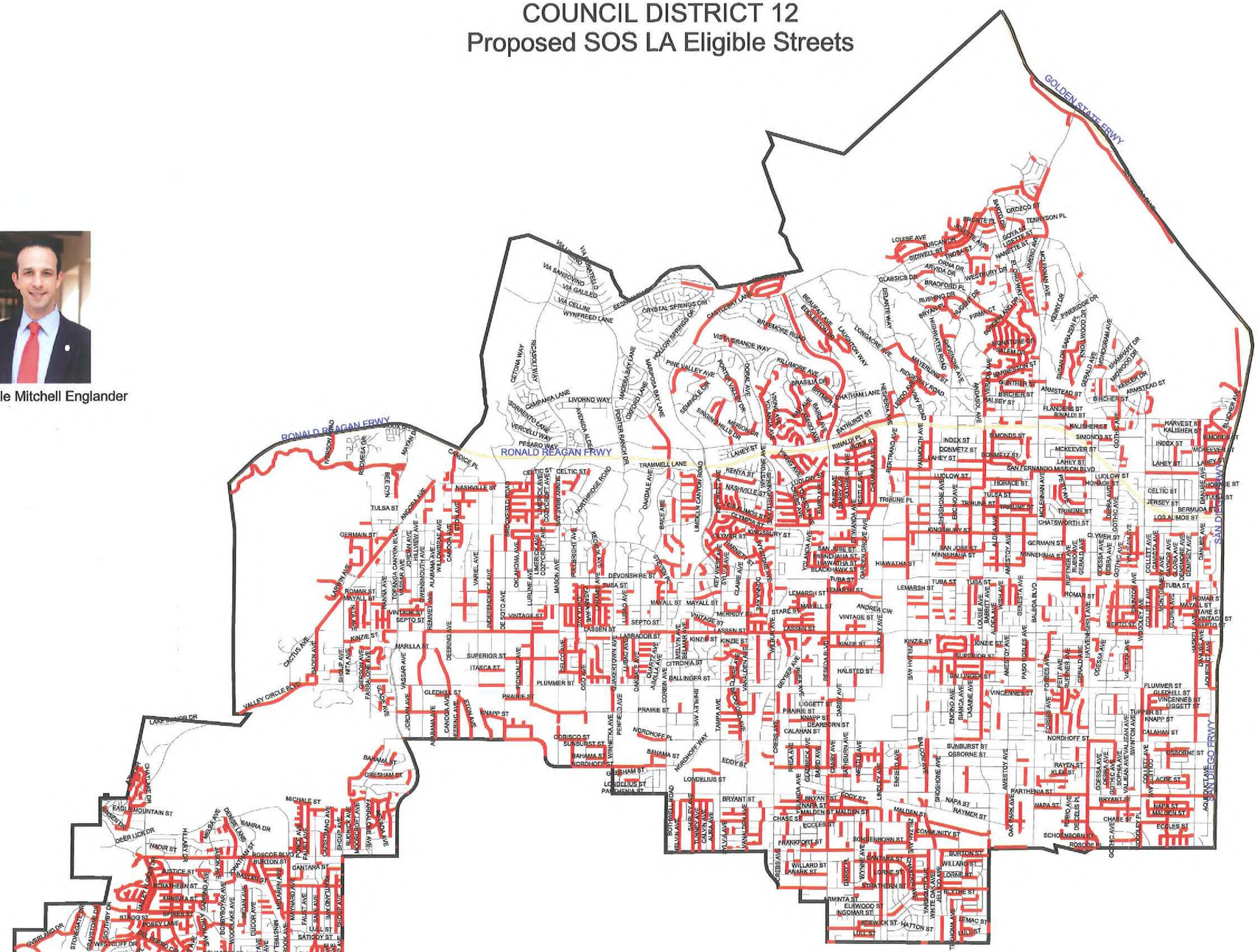
COUNCIL DISTRICT 12
Proposed SOS LA Eligible Streets

Honorable Mitchell Englander



Proposed SOS LA Eligible Streets.
Streets.
Freeways.
Council District 12 Boundary.

Bureau of Street Services
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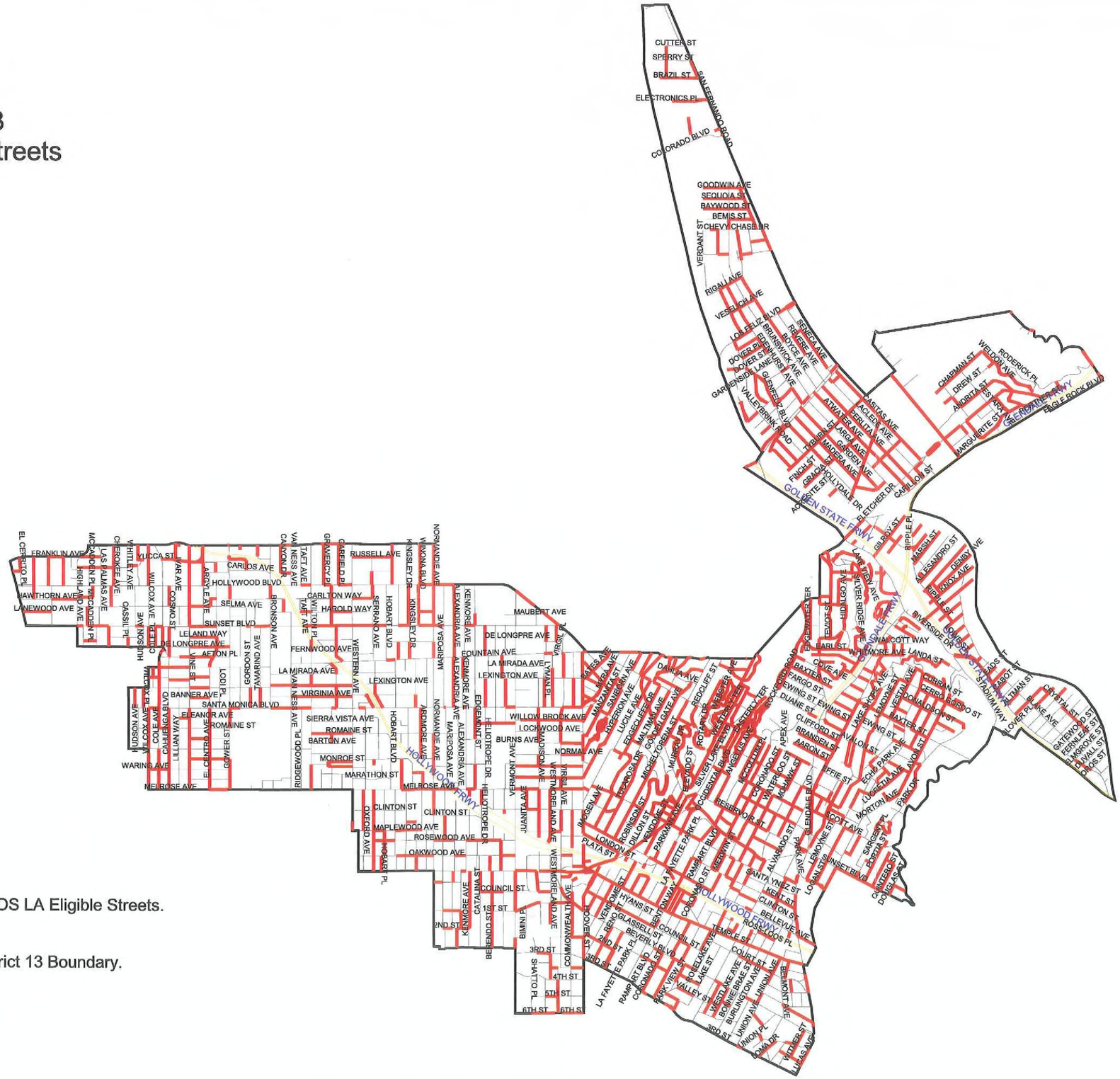
COUNCIL DISTRICT 13
Proposed SOS LA Eligible Streets

Honorable Mitch O'Farrell



Bureau of Street Services
Nazario Sauceda, Director

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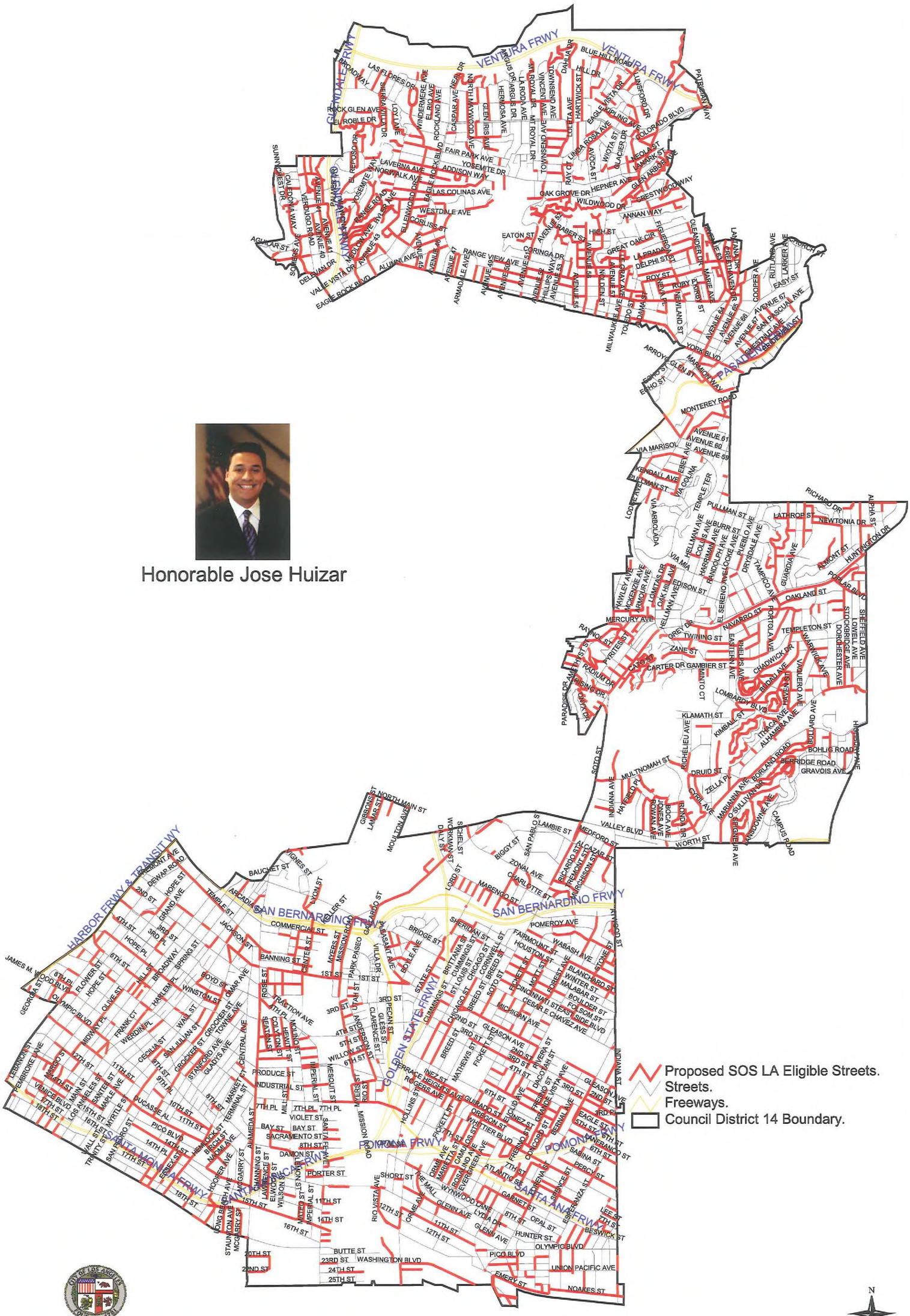
COUNCIL DISTRICT 14
Proposed SOS LA Eligible Streets

Honorable Jose Huizar



Bureau Of Street Services
Nazario Sauceda, Director

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1-7-2013

COUNCIL DISTRICT 15
Proposed SOS LA Eligible Streets

Honorable Joe Buscaino

Bureau Of Street Services
Nazario Sauceda, Director

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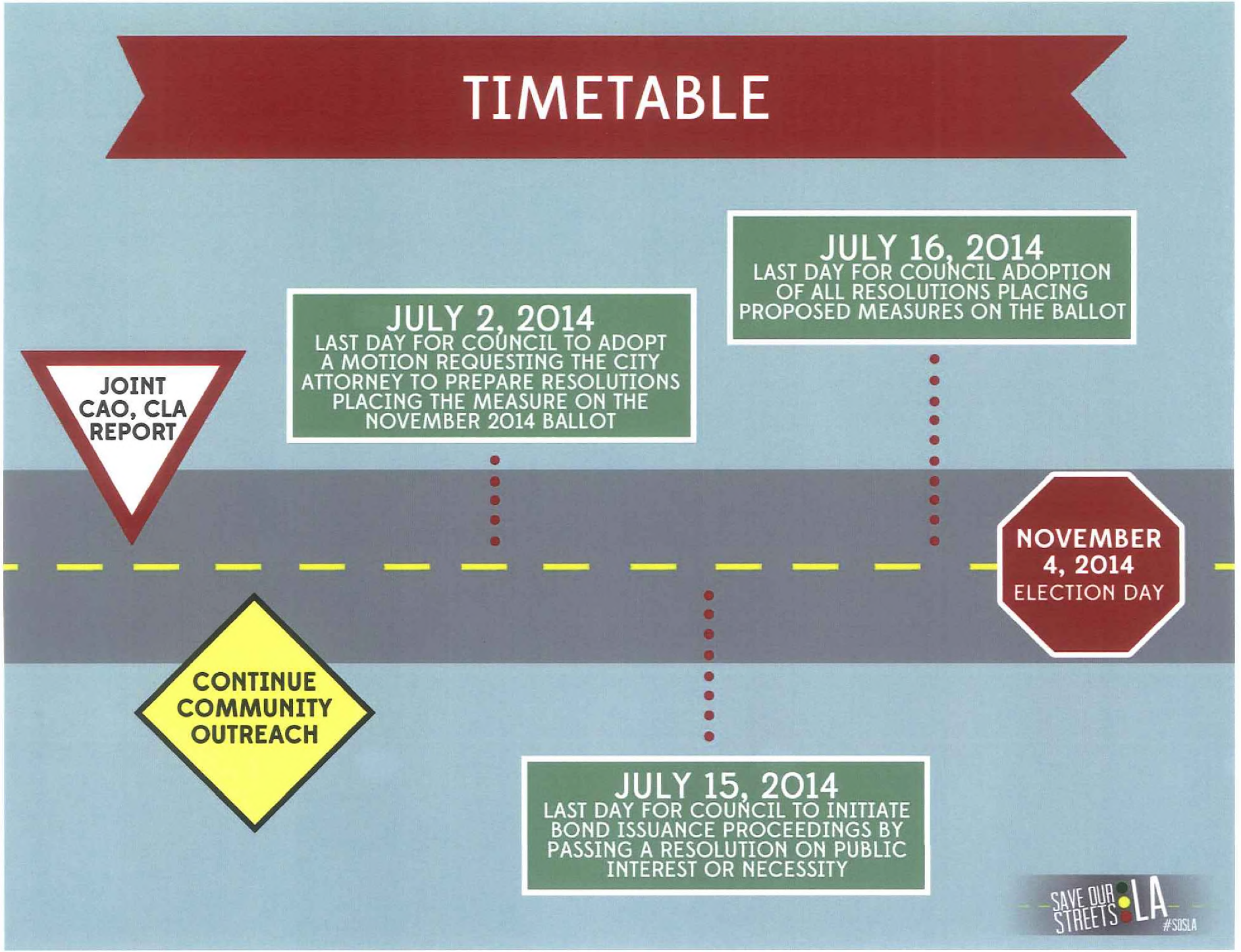
TIMETABLE
JOINT CAO, CLA REPORT
JULY 2, 2014
LAST DAY FOR COUNCIL TO ADOPT A MOTION REQUESTING THE CITY ATTORNEY TO PREPARE RESOLUTIONS PLACING THE MEASURE ON THE NOVEMBER 2014 BALLOT
JULY 16, 2014
LAST DAY FOR COUNCIL ADOPTION OF ALL RESOLUTIONS PLACING PROPOSED MEASURES ON THE BALLOT
NOVEMBER 4, 2014
ELECTION DAY
CONTINUE COMMUNITY OUTREACH
JULY 15, 2014
LAST DAY FOR COUNCIL TO INITIATE BOND ISSUANCE PROCEEDINGS BY PASSING A RESOLUTION ON PUBLIC INTEREST OR NECESSITY
SAVE OUR STREETS LA
#SOSLA