

San José Transportation Needs and Funding Strategies

Draft Report



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Department of Transportation
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Introduction

An effective transportation system is vital to the livability and economic health of San José. The transportation system provides access to jobs, homes, schools, shopping and recreation. It is the City's goal to provide safe, efficient, and attractive transportation facilities for all travel modes, allowing for viable choices between driving personal vehicles, walking, biking, and using transit. Also, the condition and appearance of the transportation infrastructure is an important part of the "urban fabric" and contributes to the overall quality of life for City residents. As stated in the General Plan, "well maintained infrastructure makes a city a desirable place to live and work, and contributes to its prosperity."

The quality of the City's transportation system is in a significant state of decline. Current funding investments are not sufficient to adequately maintain, operate, and improve the system in accordance with City goals and community expectations.

The purpose of this report is to quantify the scope of the issue, identify the key factors that contribute to the problem, and explore options to address the challenge. **The intent is to stimulate discussion among City officials towards a comprehensive and coordinated plan of action.**

This report is focused on the local transportation infrastructure that is directly owned and managed by the City of San José, and which primarily consists of a 2,300-mile network of "city streets". Appendix A provides a detailed inventory and assessment of the various components of the existing system, ranging from pavement, to traffic safety devices, to landscaping.

The regional transportation network of expressways, freeways, and transit systems is also a vital part of the San José transportation infrastructure. Strategic planning efforts to address improvement needs for the regional transportation system have recently been prepared by the Santa Clara Valley Transportation Authority (VTA), in coordination with the City of San José and other local jurisdictions. These regional planning documents are titled *Valley Transportation Plan 2030* and *Long-Term Transit Capital Investment Program* and are available on the VTA's web site www.vta.org.

Chapter 1: The San José Transportation System “The Road Well Traveled”

The San José transportation system occupies about 25% of the land area within the City’s urban boundaries. The system is defined by the public street right-of-way and includes paved travel ways and bridges for vehicles, bicycles, and pedestrians. To allow for the safe and efficient movement of travelers, the transportation system contains traffic signals, communication systems, streetlights, signs, raised islands, pavement markings, and parking facilities. In addition, street trees are located in median and sidewalk areas to provide an attractive and healthy environment. It is estimated that over 5 million trips are made daily on the City’s surface transportation network.

This chapter provides a summary of the City’s adopted policies related to the transportation system. Figure 1.1 contains an inventory description of the City’s various transportation assets. Appendix A of this report provides a detailed description and assessment of the individual asset categories, as well as improvement needs.

Figure 1.1 – Inventory of Transportation Assets

Transportation Asset	Inventory Size
Paved Streets	2,300 miles
Bridges	152
Roadway Markings	6 million square feet
Sidewalks, Curbs, and Gutters	4,000 miles
Street Lights	57,000
Street Landscaping	210 acres
Street Trees	300,000
Traffic Signs	60,000
Streetname Signs	25,000
Traffic Signals	864
Traffic Signal Communication Cable	175 miles

General Plan – Vision 2020

The San José General Plan defines the scope of the major roads, bikeways, and pedestrian routes that serve the planned land uses for the City to the horizon year 2020. The City’s Department of Transportation tracks the progress of completing the planned system as noted in Figure 1.2.

Figure 1.2 – Completion Status of Planned Transportation System

Transportation Facility	Planned System	Percentage Complete
Arterial Streets	450 miles	97%
Bikeway Network	300 miles	51%
Priority Pedestrian Corridors	75 miles	26%
Curb Ramps	28,000	50%
Median Landscaping	150 miles	72%

The General Plan also includes policies and goals for the maintenance of the City’s infrastructure as described in Figure 1.3. This Council policy direction to efficiently manage the condition of the City’s infrastructure and to seek new funding sources for operations and maintenance is the basis for raising the issues and opportunities addressed in this report.

Figure 1.3 – San José Infrastructure Maintenance Policy

“Manage City resources efficiently in order to maintain existing infrastructure and facilities and avoid unnecessary replacement costs.”

“The City should explore new methods to supplement the City’s resources devoted to the operation and maintenance of its infrastructure and facilities.”

Source: San José General Plan

Transportation Business Plan – Goals and Performance

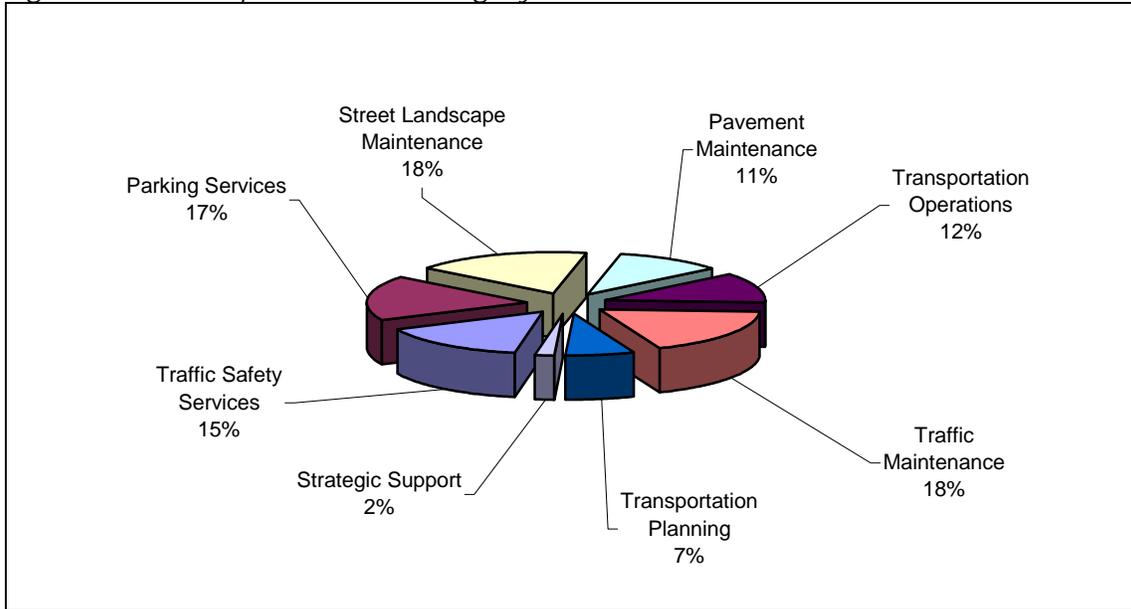
The City Service Area (CSA) structure for San José identifies “transportation services” as one of seven key “lines of business”. Accordingly, a business plan has been developed for the Transportation CSA that addresses goals, budgets, and performance measurements. The three desired outcomes of the Transportation CSA are to:

- Provide viable transportation choices
- Provide safe, efficient, and neighborhood-friendly transportation operations
- Preserve and improve transportation assets to enhance community livability

The operating budget for the Transportation CSA is \$63,776,000 (FY2004-05), for services provided by the Department of Transportation (\$54,686,000) and the Police Department (\$9,090,000 for traffic safety). The Department of

Transportation funds pay for the 388 staff employees and associated supporting equipment, materials and services (not including capital expenses). This funding is allocated among eight core services as illustrated in Figure 1.4.

Figure 1.4 – Transportation Funding by Core Service



The Transportation Business Plan provides data on trends and conditions related to the performance of the City's transportation system. Among the notable items are the following:

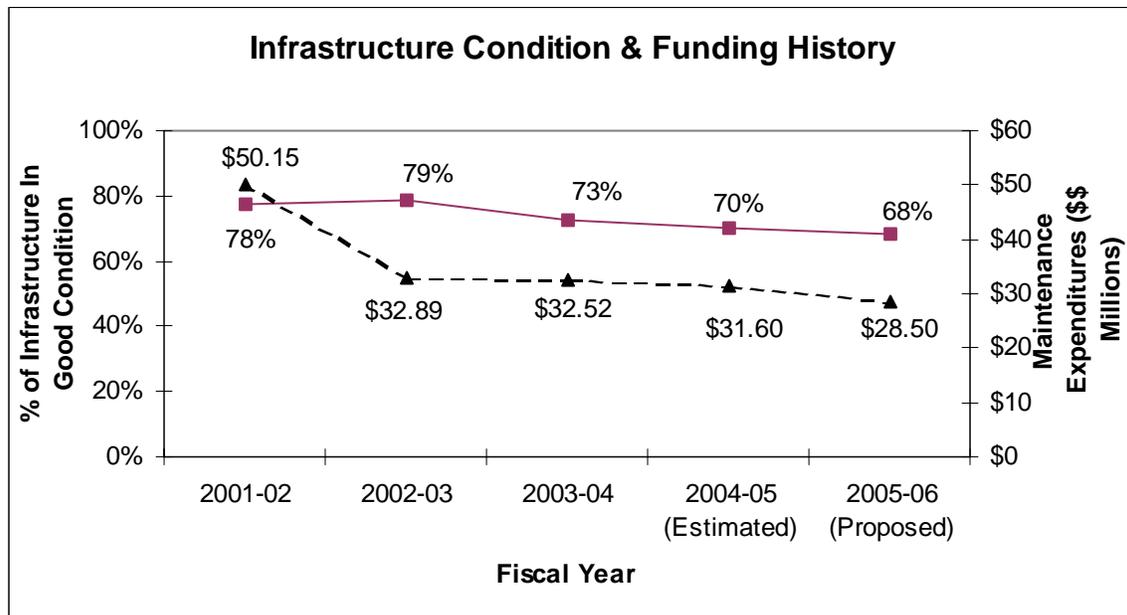
- San José has among the best traffic safety records among large cities in the nation. The City's ratio of 4.1 injury and fatality crashes per 1000 population compares well to the national average of 6.82.
- 59% of residents rate commute traffic flow on City streets as "acceptable" or better.
- San José area residents commute by: drive alone (72%), carpool (20%), transit (4%), walk/bike (3%), telecommute (1%).
- Residents rating traffic conditions as safe while: driving (81%), biking (41%), and walking (75%).
- 75% of residents rate traffic impacts in their neighborhood as "acceptable".
- Infrastructure asset inventory has grown by 12% over the last 5 years, while funding for maintenance has declined.

- The condition of assets rated as “acceptable” or better is: pavement (86%), traffic devices (62%), and streetscapes (sidewalks, lights, landscaping) (61%).

Chapter 2: Key Issues “On the Road to Ruin?”

The quality of the City of San José’s transportation system is deteriorating. Overall transportation infrastructure condition measurements are on a downward trend as noted in Figure 2.1. This overall data addresses a composite of all transportation system assets including pavement, signs, markings, signals, lighting, and landscaping. The basic issues are a substantially decreased level of investment from Federal, State, and local funding sources, combined with an increasing inventory of infrastructure assets, and then aggravated by increased costs for materials, labor, and energy. Another equally important factor is the age of the City’s infrastructure. A large portion of San José’s street system developed between the 1950’s and 1980’s and is 20 to 50 years old. As a result, much of the infrastructure is in need of costly rehabilitation or replacement.

Figure 2.1 – Transportation Infrastructure Condition Trends



The City has proactively worked to “do more with less” for years and is considered a leader in progressive and cost-effective infrastructure management. The City’s Department of Transportation has developed over the years a particularly strong culture supporting “continuous improvement” that results in the efficient use of available resources.

Nevertheless, the condition of transportation infrastructure assets is steadily declining. Since 2001-02, annual investment levels have dropped from \$51.1 million to \$28.5 million (projected for 2005-06) – a 44% drop in funding. In this same period, overall assets in good condition have dropped from 78% to 68%. With the resources available for necessary infrastructure maintenance shrinking, preventive maintenance activities are not being performed at desired levels and asset conditions are declining. Further compounding the situation is the fact that as the infrastructure condition has declined, more time is being spent on service requests to respond to asset failures, such as potholes, traffic signal malfunctions, and traffic signs and roadway markings repairs. Service request response activities have increased 23% over the same 5-year period.

The conclusion at this time is that improving the City's transportation system, in any consequential or meaningful way, can only be accomplished by increasing funding resources. The fixed assets that make up the transportation system are essential to the basic function, safety, and livability of the City. Therefore, it is not practical to reduce inventory as a means to reduce costs – streets can't be closed, traffic signals can't be shut off, and street trees can't reasonably be eliminated. Similarly, there is limited opportunity to manage the demand for maintenance of the system:

- Pavement naturally ages and requires major maintenance about every eight to ten years,
- Street lights and traffic signal lamps have a predictable useful life and require constant energy for operation, and
- Landscaping needs regular care to maintain a healthy condition.

This chapter explores the various conditions that have created what many are referring to as a "transportation crisis". The discussion focuses on six key issues:

1. Declining Transportation Investment
2. Increased Costs
3. Expanding Infrastructure
4. Growing Demands
5. Pavement Maintenance is the Most Serious Challenge
6. San José is an Efficiency Leader

It is noted that San José certainly is not alone in facing the challenge of a deteriorating transportation system, coupled with a severe lack of funding resources. The following is a collection of other perspectives on the topic:

- "Transportation is the most important problem facing the Bay Area region, with 26% of residents identifying it as the area's top problem in the 2004 Bay Area Poll. It's clear that the economic recovery is being felt among Bay Area residents, yet issues surrounding transportation surface as big worries. Future growth and continued competitiveness of the region

requires that we make significant progress in alleviating the shortcomings in our transportation infrastructure."

*Jim Wunderman, President and CEO of Bay Area Council,
November 2004*

- "California cannot continue to sustain its competitiveness, economy and quality of life without maintaining and expanding its transportation infrastructure. Only through major, predictable investments in all aspects of the transportation system -- monitoring, maintenance and rehabilitation, traffic operations, traffic management, and road and transit capacity enhancement -- can California protect its position in the national marketplace and global economy."

*Governor Arnold Schwarzenegger, 2005-06 Budget Summary,
January 2005*

- "Poor road conditions cost US motorists \$54 billion per year in repairs and operating costs -- \$275 per motorist. Total spending of \$59.4 billion annually is well below the \$94 billion needed annually to improve transportation infrastructure conditions nationally. The nation is failing to maintain even the current substandard conditions, a dangerous trend that is affecting highway safety and the health of the economy."

*American Society of Civil Engineers, 2005 Report Card for America's
Infrastructure, March 2005*

- "[Lack of transportation funding] is a genuine crisis, one that affects virtually every Californian and that threatens the state's economic vitality. Why it is not getting the serious, bipartisan political attention it deserves is an unfathomable mystery."

Dan Walters, Sacramento Bee Columnist, March 2005

Key Issue 1: Declining Transportation Investment

Funding for transportation has declined from all sources especially since the significant downturn in the local and State economy, starting in 2001. Examples of reduced funding include:

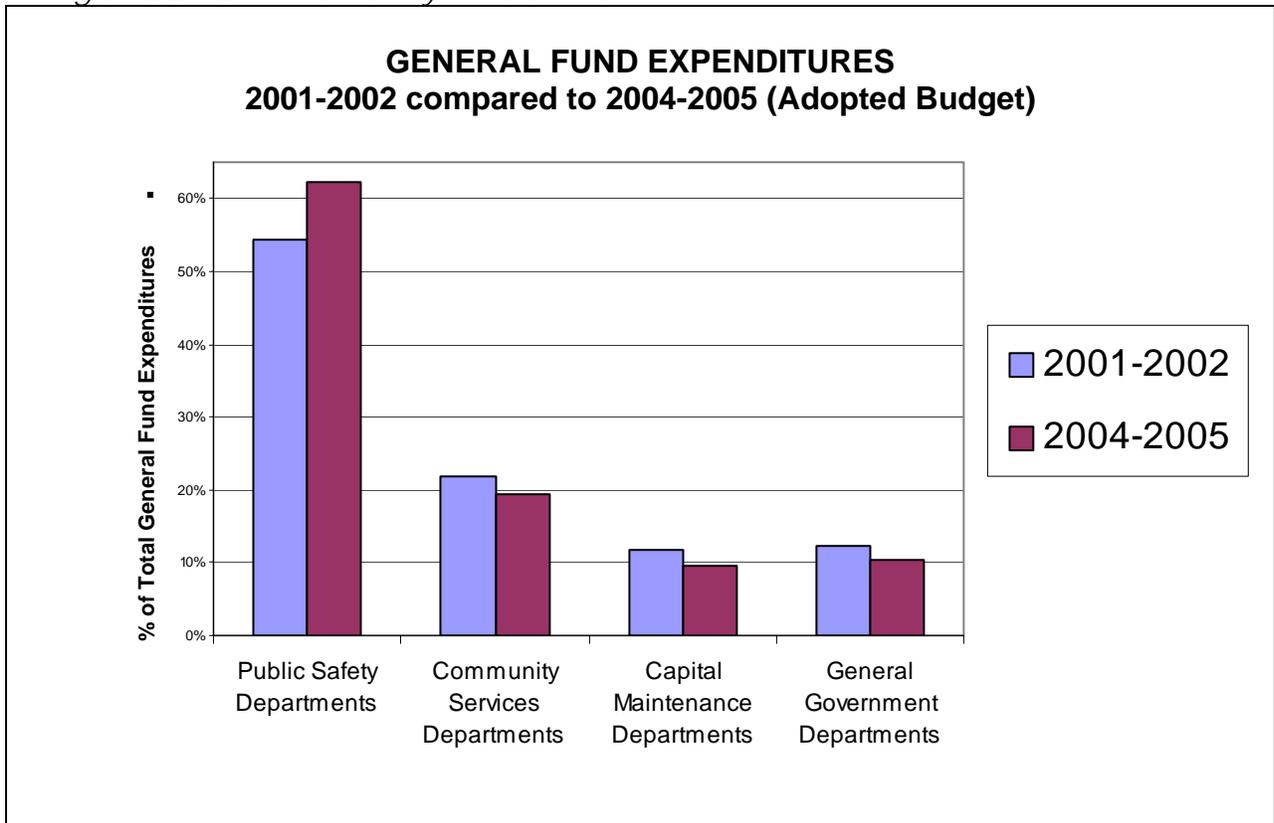
- 44% reduction in City funding for infrastructure maintenance since 2001-02 (includes reduced revenues from grant sources)
- State "raid" of transportation budget in the amount of \$4 billion
- Delay of new Federal transportation funding bill since 2003

- Expiration of 1996 Measure A/B transportation program, which provided funds to cities for local pavement maintenance over a 9-year period (San José share was \$36 million)

Reduced City Investment in Infrastructure Maintenance

In addition to an overall declining amount of City funding for infrastructure maintenance, the City’s capital maintenance departments (such as the Departments of Transportation and General Services) have suffered significant budget reductions over the past 4 years. As shown in Figure 2.2, and as presented at the Budget Study Session on January 21, 2005, maintenance department funding has declined from 12% to 9% of the City’s General Fund budget.

Figure 2.2 – Decreased City Infrastructure Investment



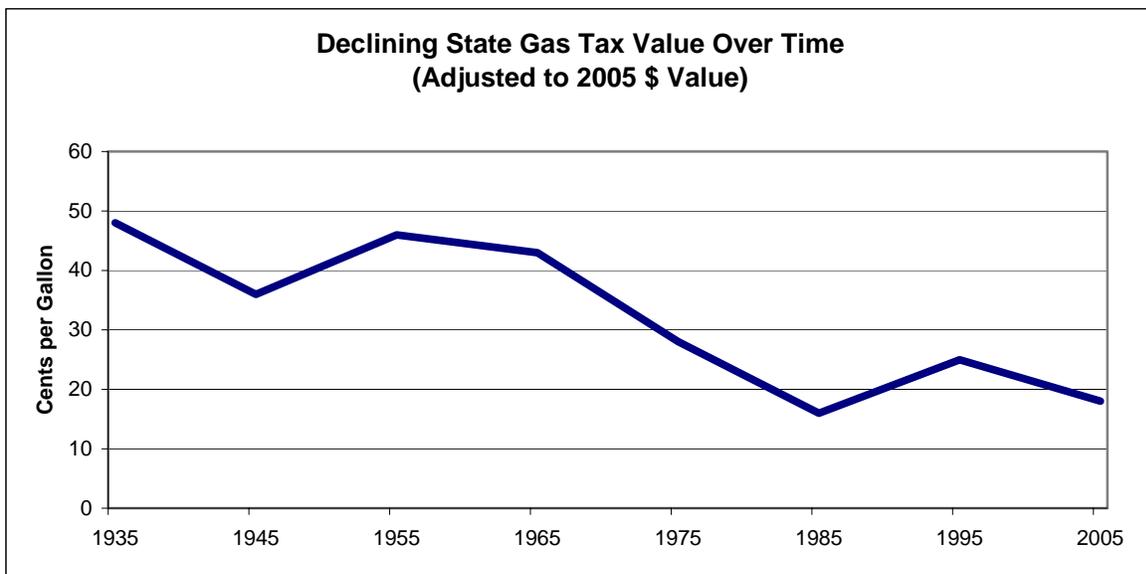
Declining Value of Gas Tax

A major funding issue is the declining value of gas taxes. The gas tax has been the traditional method of financing transportation improvements for over 80 years. However, the tax rate is set at a flat amount per gallon of gas. The federal tax is 18 cents per gallon and the State of California tax is 18 cents per

gallon. It is noted that the California gas tax is lowest in the western United States. The tax rates in other states are: Nevada, 23 cents; Oregon, 24 cents; Washington, 28 cents; Utah, 24.5 cents; Colorado, 22 cents; and Arizona, 18 cents.

Another significant concern with the gas tax is that it has not been adjusted since 1995. As a result, the purchasing power of the gas tax has steadily been eroded by inflation, as shown in Figure 2.3. Also, as other fuel sources are increasing in popularity (electricity, hybrid, CNG, hydrogen), the gas tax base is further declining against an increasing demand for travel and infrastructure investment.

Figure 2.3 – California Fuel Tax Loses Value



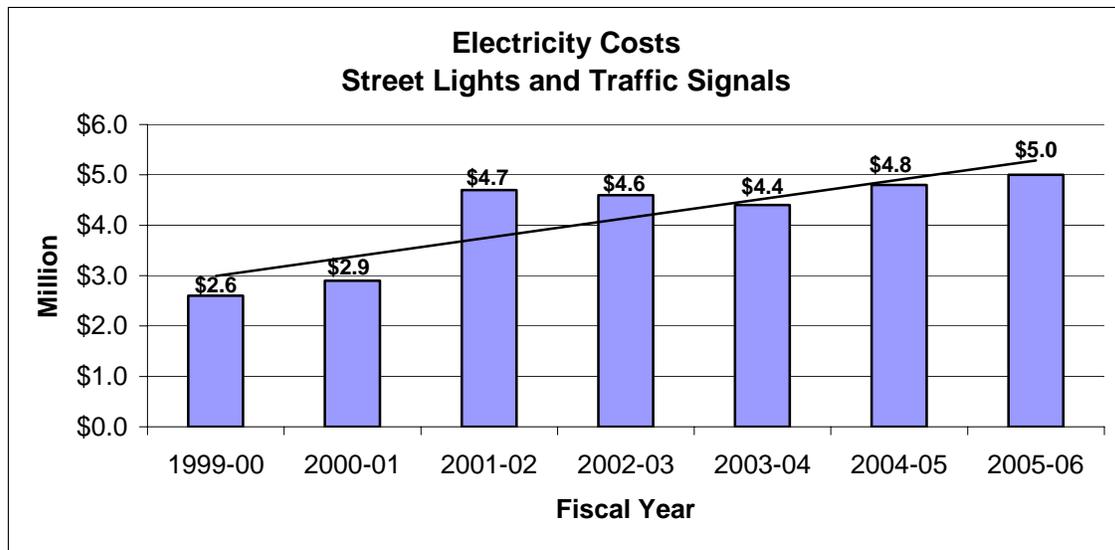
Gas taxes are the primary source of funding for the State and Federal transportation budgets. These budgets finance major transportation infrastructure investments and various grants programs that cities and regions can compete for. However, to a large degree the funds are “returned to source” for direct use or allocation by MTC, VTA, or cities. The direct subvention of State gas tax funds to San José is about \$19 million annually. These funds are contained in the City’s General Fund and are used to partially fund the City’s annual transportation operating budget of \$64 million. Clearly, the gas tax does not come close to funding the real costs to maintain and operate the transportation system. Subsidies to operate the highway system are required from other sources to address needs and increasingly these needs go unfunded. In San José, other sources used for basic transportation operations and

maintenance include the General Fund as well as capital funds generated by development fees.

Key Issue 2: Increased Costs

Just like any other business, the City has had to deal with rising energy costs. As shown in Figure 2.4, electricity costs, which fund the operation of infrastructure assets such as traffic signals and streetlights, have nearly doubled in the last seven years. In the last three years alone, oil and gasoline prices have doubled. (Oil prices have risen from \$26 per barrel at the end of 2001-02 to over \$51 per barrel currently. Gasoline prices have risen from \$0.83 per gallon at the end of 2001-02 to over \$2.50 currently.) As energy costs rise, so does the cost of doing business. Operating vehicles and equipment becomes more expensive. The cost of goods and services purchased by the City also rises. Not only are materials more expensive for contractors to produce, they are also more expensive to deliver.

Figure 2.4 – Escalating Energy Costs



The City has also seen other rising costs of doing business related to employee wages and benefits. Employee benefit costs, in particular, such as medical insurance and retirement, continue to rise substantially, as do workers' compensation costs.

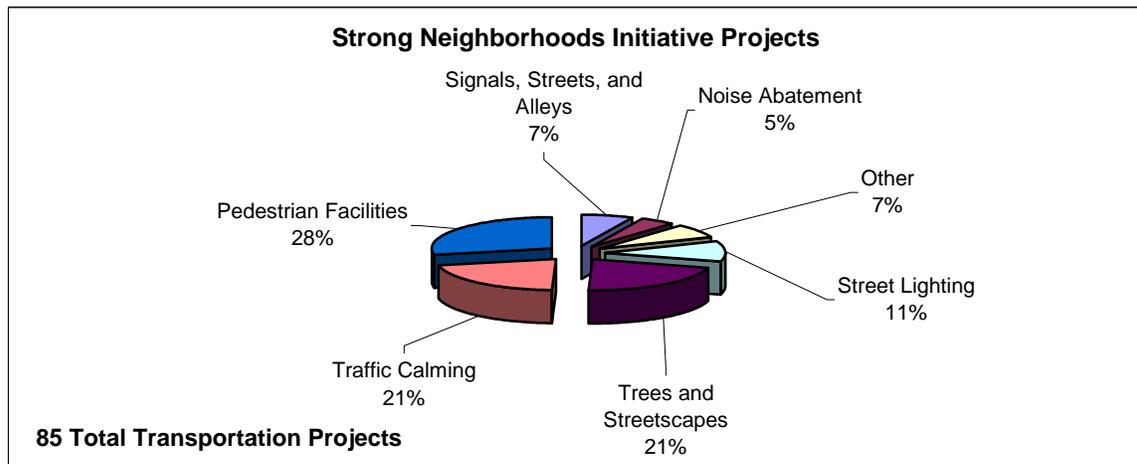
Key Issue 3: Expanding Infrastructure

The size of the infrastructure network, across the board in all assets, continues to expand. By the end of 2005-06, infrastructure inventories will have experienced five years of substantial growth. For example, street landscape inventories will have increased by over 20% and traffic signal inventory will have increased over 9%. Growth in other assets, such as streetlights, traffic signs, and roadway markings are more moderate (under 4%), but are growing nonetheless.

Strong Neighborhoods Initiative Program

Part of the growth in infrastructure assets is attributable to strong public interest and priority given to improved transportation facilities and services. As an example, the City's Strong Neighborhoods Initiative (SNI) program has identified 85 transportation projects as high priorities (see Figure 2.5).

Figure 2.5 – Transportation Related SNI Priorities



Proposals for State Route and County Expressway Relinquishment

Facilities owned by Caltrans and the County that traverse San José have been proposed for relinquishment to the City. The specific facilities are noted in Figure 2.6. The benefit of relinquishment is that it allows for local control and efficiency for addressing design issues, community interests, transit improvements, private development, and special events. However, as a consequence the City would need to assume responsibility for the ongoing maintenance and operations of additional infrastructure assets. The added costs are estimated to be \$2.4 million annually. Given the current funding shortfalls, any increase in the size of the City's infrastructure would result in reduced service levels Citywide.

Figure 2.6 – Caltrans/County Relinquishment Proposals

Location	Owner	Annual Cost
State Route 82 (The Alameda/Monterey Highway) from 880 through Downtown to 101/Blossom Hill	Caltrans	\$1.5 million
State Route 130 (Alum Rock Avenue) from 101 to 680	Caltrans	\$0.1 million
Capitol Expressway from 680 to 87	County	\$0.8 million

Key Issue 4: Growing Demands

There is an increasing demand for maintenance services in the Downtown and the Neighborhood Business Districts (NBDs).

Currently, services for streetlight maintenance, street sweeping, roadway markings maintenance, and blight abatement currently occur throughout Downtown at levels higher than other areas of the City. Prior to 2003, it was estimated that the General Fund contributed approximately \$1.2 million annually for enhanced maintenance services, compared to \$71,000 for an equivalent sized area Citywide.

Specific areas, like the Transit Mall, South First Street, and San Pedro Square, receive additional cleaning services, such as portering (general cleanup of litter, gum, and debris) and sidewalk power washing. However, reductions in the General Fund since 2003 have reduced services across the board, including a one-third reduction for enhanced cleaning services in Downtown, and further reductions are contemplated for next fiscal year. Funding from other sources, like the San José Redevelopment Agency, the Integrated Waste Management Fund, and the Storm Sewer program, contribute nearly \$700,000 for blight abatement and street sweeping throughout the Downtown and the NBDs.

Implementation of the Downtown streetscape, lighting, and signage master plans will increase the demand for maintenance funding as the new infrastructure is constructed in Downtown. Ultimately, if all recommended streetscape elements were constructed - which is not expected for 10-15 years - it is estimated that annual funding needs operations and maintenance would exceed \$3 million in today's dollars. For Neighborhood Business Districts, it is estimated that approximately \$330,000 in additional funds would be required annually to provide enhanced cleaning services, such as portering and sidewalk power washing to reach higher, but not ideal, levels of cleanliness in the NBD's.

Key Issue 5: Pavement Maintenance is the Most Serious Challenge

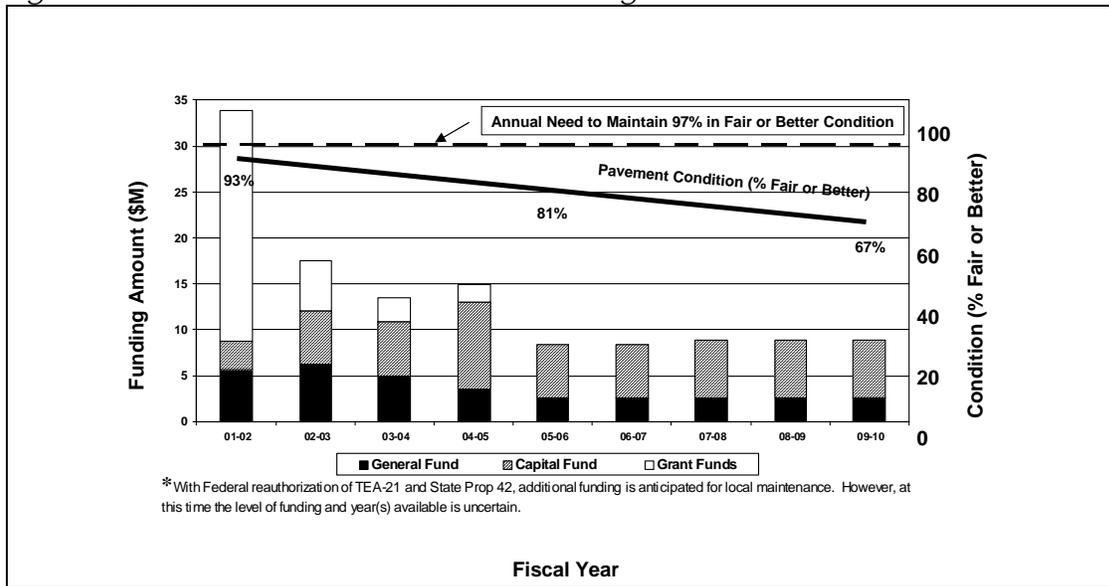
Of all the Transportation-related assets, street pavement is the most unique situation and poses the most serious challenge. The sheer size of the asset inventory (2,300 miles of paved roads valued at \$1.2 billion) requires a large commitment of resources. \$30 million is needed annually to maintain the goal of 97% of City streets in acceptable or better condition. Looking at the City's current and forecasted funding situation, along with the City's historical reliance on grants and other short-term and one-time funding sources to fund the pavement maintenance program, it is difficult to foresee a time when the program would be consistently funded at that annual level.

Coupled with the sheer magnitude of such an annual funding need is the unique nature of pavement deterioration. Unlike many other assets, pavement deteriorates in a manner that requires different types of treatments at different stages. The further that pavement deteriorates, the more costly the treatment. The \$30 million annual need is based on nearly all streets receiving proper treatments -- sealing or resurfacing -- at the appropriate time. When streets do not receive a preventive surface seal treatment, they continue to deteriorate and eventually require a more extensive treatment, such as resurfacing, to repair the further damage and return them to the proper condition level. Currently, it costs about five times more to resurface a street than it does to apply a surface seal.

The recent fall off in street maintenance funding is driving up the number miles in need of resurfacing. By the end of 2004-05, 16% of City streets will be in need of resurfacing; it is estimated that by the end of 2005-06, it will increase to 19%, requiring approximately \$130 million to address. Based on projected funding levels, that need will increase further to 33% and will cost approximately \$225 million by the end of 2009-10.

Figure 2.8, illustrates the relationship of a severely under funded pavement maintenance program to a steady decline in pavement conditions. Unless funding levels are increased, by 2009-10 67% of the City's streets will be in fair or better condition. Or in other words, 33% of San José streets will be rated as in poor condition.

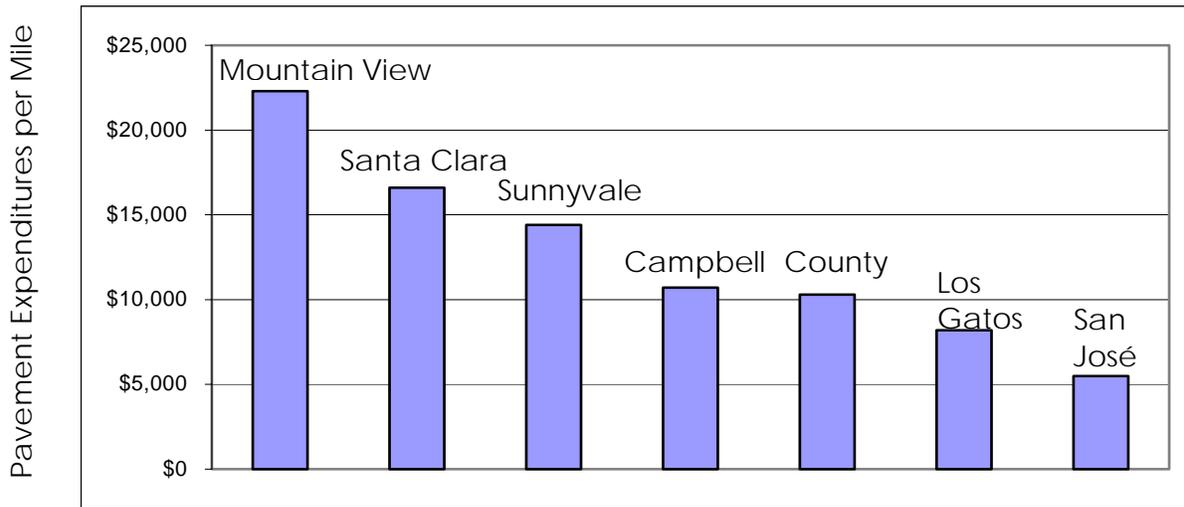
Figure 2.8 – Pavement Maintenance Funding and Condition Trends



As the condition of the street network continues to deteriorate, the public will directly incur higher costs, such as damage to their vehicle or increased travel times, due to pavement damage and rideability issues. To address safety and other corrective-type issues, staff has budgeted nearly one-third of the 2005-06 budget to fund corrective and spot rehabilitation activities. If resources continue to shrink and the street network continues to deteriorate, these activities could become the primary street maintenance program activity.

Perhaps the most striking information source related to San José’s investment in pavement maintenance is the comparison with neighboring jurisdictions reported in MTC’s 2000 Pothole Report. As shown in Figure 2.9, San José allocated the lowest level of funding for pavement maintenance per mile (of all South Bay cities for which data was available). It is worth noting that staff is researching the availability of more current data.

Figure 2.9 – Pavement Funding Comparison with Other Jurisdictions



Source: MTC 2000 Pothole Report

Key Issue 6: San José is an Efficiency Leader

Staff continues to explore opportunities and implement methods to contain costs and increase efficiencies. In the last three years alone, staff has been involved with the following:

- Combine various maintenance crews to take advantage of activity seasonality.
- Combine purchases of materials and services across activities or across fiscal years to take advantage of economies of scale.
- Evaluate and utilize new technologies, such as energy-efficient LED traffic signals and street resurfacing alternatives to decrease maintenance costs.
- Implement information technology improvements to take advantage of better methods to monitor asset inventories and track maintenance activities and costs.
- Implement more efficient design standards for landscape maintenance in order to contain maintenance costs and better ensure long-term viability of plant life.

Along with these internal activities, City staff continuously looks for partnership opportunities with community groups and programs, such as Our City Forest and the Adopt-A-Street program, in order to increase community interest in infrastructure asset condition and maintenance and to take advantage of community resources.

Chapter 3

Improvement Strategies

“Follow the Yellow Brick Road”

The magnitude of the City’s funding shortfall for transportation needs is so great that it can’t practically be resolved by a single action. Instead it will likely require the pursuit of many separate initiatives over a number of years to create a comprehensive solution. This chapter provides a discussion of the possibilities available to generate increased revenue to meet the needs of the transportation system. These include legislative advocacy actions to increase funding from regional sources as well as a variety of local options. Finally, a “potential strategy” is offered that illustrates an example of how a variety of measures can be packaged together to provide a comprehensive solution.

Legislative and Regional Solutions

This section describes a set of policy initiatives that the City can advocate with regional agencies as part of the City’s legislative agenda, and to a large degree this is already a work in progress. Key organizations that the City partners with for regional policy advocacy are:

- Santa Clara Valley Transportation Authority (VTA)
- Metropolitan Transportation Commission (MTC)
- Silicon Valley Leadership Group (SVLG)
- League of California Cities (LCC)
- National League of Cities (NLC)
- State and Federal Legislative Representatives

Establish “Fix it First” Policies

The use of transportation funding for new capital projects has generally been more popular than paying to fill potholes. Increasingly though, it is being recognized that first taking good care of what you already have is a sound investment. Recently through MTC, “fix it first” policies have been adopted that have led to an increased allocation of Federal gas tax funds to cities for pavement maintenance. MTC has also worked closely with Bay Area cities to standardize Pavement Management Systems and to compile a comprehensive inventory of local street pavement conditions and funding needs.

In the Bay Area, the 30-year pavement maintenance funding need is \$14 billion for local arterial streets. MTC is proposing to allocate Federal gas tax funds to cover \$9 billion (or 64%) of the need on arterial streets only. It is noted that the MTC funding commitment is oriented towards arterial streets that are considered

to have regional significance. These streets are the major thoroughfares that carry significant traffic volumes and support bus transit services. San José has about 400 miles of arterials streets, representing 17% of the City's overall street network.

San José Department of Transportation staff participates on MTC's Local Streets and Roads Committee as well as the Bay Area Partnership to advocate for local transportation needs. The VTA has also committed to making discretionary regional funds available for local pavement maintenance. The VTA's 30-year regional transportation master plan, known as the Valley Transportation Plan 2030 (VTP 2030), proposes an allocation of \$301.5 million for pavement maintenance. It is noted that this includes funding from Federal gas tax sources made available to local jurisdictions in Santa Clara County. Prorated over a 30-year period, the VTA funding allocation goal translates into about \$5 million annually for San José.

Adopt New Federal Transportation Bill

The last major federal transportation bill referred to as the Transportation Efficiency Act for the 21st Century (TEA21) expired in 2003. A new transportation bill is being developed and is proposed for completion and approval in 2005. The new bill is expected to provide discretionary funding to MTC for their subsequent allocation. As noted above, MTC has already adopted policies to allocate federal funds to cities for pavement maintenance. These funds are designated for use only on arterial streets. It is estimated that the average annual funding allocation for San José will be \$3.3 million and the first allocation of funding is proposed for 2005-06.

"Rescue" State Proposition 42

In March 2002, California voters approved Proposition 42 (by a 69% margin) directing the allocation of gasoline sales tax funds for transportation purposes. This program was expected to initially provide San José with \$2 million annually for pavement maintenance and then beginning in 2008-09 the amount would increase to approximately \$8 million annually. Proposition 42 does contain an "escape clause" allowing the State to withhold the funds in the event of a "fiscal emergency". Since 2003 the State has withheld the Prop 42 funds and the Governor has proposed to continue this through 2006-07.

A significant State legislative priority for San José and other transportation stakeholders is to "rescue" Prop 42 by placing "firewalls" around the funds to protect them from future State raids. The Governor has proposed to restore the Prop 42 program beginning in 2007-08 and to repay the withheld funds over a 15-year period.

Pursue New Transportation Sales Tax Measure

Many counties in California have approved transportation sales tax measures. The majority of the funding is often allocated for major regional transit or highway projects. However, increasingly these county transportation tax programs are providing funds to cities for local pavement maintenance and other local needs, typically with funding levels in the range of 20% to 25%, and as high as 43%. A few examples are noted in Figure 3.1.

Figure 3.1 – Local Transportation Funding from Sales Tax Measures

County	Allocation to Cities	Local Uses of Funds	Voter Approval Date and Rate
Alameda (Measure B)	24.5%	Road maintenance/ improvements; bike/ped facilities	2000 – 81%
San Francisco (Measure K)	25%	Road maintenance/ improvements; bike/ped facilities; curb ramps	2003 – 75%
San Mateo (Measure A)	22.5%	Road maintenance/ improvements	2004 – 76%
Contra Costa (Measure J)	18%	Road maintenance/ improvements	2004 – 71%
Sacramento (Measure A)	43%	Road maintenance/ improvements; streetscapes; bike/ped facilities; curb ramps	2004 – 75%
San Diego (Measure A)	17%	Road maintenance/ improvements; bike/ped facilities	2004 – 67%
San Bernadino (Measure I)	20%	Road maintenance/ improvements	2004 – 79%

The 1996 Measure A/B program in Santa Clara County included a local pavement maintenance program that provided San José with approximately \$36 million over the 9-year term of the measure (an average of \$4 million per year).

The VTA is considering a new permanent 1/2-cent sales tax measure for transportation that would allocate 75% of the funds for transit, and 25% directed to cities and the County for local pavement maintenance and other local transportation needs. The estimated share of these funds for San José is \$15 million annually. If successful this funding proposal would provide a tremendous boost towards achieving a sustainable funding source for San José's transportation system.

The Silicon Valley Leadership Group is exploring an alternative transportation funding program for Santa Clara County that consists of a 1/4-cent sales tax for a 30-year period. This mostly funds transit projects and services but it also includes

a modest allocation for local pavement maintenance. As currently proposed, the SVLG initiative would provide \$4 million annually for San José pavement needs.

The VTA and SVLG proposals are being contemplated for a November 2006 vote. Either measure would require a 2/3rd majority approval. Based on recent polling, the more modest SVLG program is showing 61% voter support from likely voters.

Update and Adjust Gas Tax

Gas prices are currently at an all time high, however transportation revenues are not increasing in proportion to gas prices. As noted in Chapter 2, the State and Federal gas taxes are set at a flat rate per gallon. The purchasing power of the tax has steadily eroded since it was last adjusted in 1991. Costs have escalated by over 50% due to inflationary costs for labor and materials, but the gas tax has remained at the same level. Also, as more vehicles are using alternative fuel sources (such as hybrid vehicles), this serves to create a further imbalance between gas tax revenues and the cost to support the transportation system.

Attempts to remedy the eroding gas tax base include the following:

- Increase the gas tax periodically
- Index the gas tax automatically to adjust for inflation or to convert the gas tax to a percentage of the fuel cost
- Shift to a more direct user fee based on miles traveled (i.e., a “mileage tax”) to provide equity in revenue collection from all motor vehicles regardless of fuel efficiency and fuel source.

The MTC has legislative authority to initiate a ballot measure to consider a 10-cent gas tax increase in the Bay Area. As a general estimate, a 10-cent gas tax increase in the Bay Area could generate about \$10 million annually for San José transportation needs. In general, gas tax adjustments have proven to be unpopular with the public and elected officials. Polling for such a measure has not shown sufficient support to warrant pursuing this.

However, in response to the current “transportation funding crisis” proposals are being raised in the State and Federal legislatures to both increase and index the gas tax, and the State of Oregon is actively studying a “mileage fee” program.

Enact Vehicle Registration Surcharge

In 2003, the State of California reduced Vehicle License Fees (VLF) by 65%, effectively reducing the State’s tax base by \$4.1 billion. These funds were previously allocated to local government for a variety of purposes including transportation and the San José share was \$11.1 million annually. It is noted that

the State has partially offset the reduced VLF revenues to cities from other sources.

Recently State legislation has been proposed to allow local counties to impose new vehicle registration fees for transportation purposes. In 2004, San Mateo County was authorized to enact a \$4 annual fee per registered vehicle. In 2005, SB 680 (Simitian) has been proposed to allow an annual \$5 vehicle registration surcharge for an 8-year period in Santa Clara County.

These funds would support a combination of regional and local programs. It is estimated that roughly \$1 million per year would be available for improvements to San José transportation facilities. The program is oriented toward traffic congestion relief improvements, accordingly it is anticipated the funds would be used to upgrade San José's aging traffic signal system with new technology and hardware allowing for more efficient traffic flow.

Local Options

This section describes a variety of actions that the City can consider to improve the availability and sustainability of local funding for San José's transportation system.

Continue "Smart Growth" Land Development

From the 1950's to the 1980's, San José growth and development consisted mostly of suburban, low-density development. A sprawling network of wide streets, cul-de-sacs, and large signalized arterial intersections characterizes the transportation system that supports this development pattern. As a result, the City has a massive inventory of transportation assets (pavement, signals, lighting, signs, and landscaping) spread over a large geographic area, and supported by a relatively low-density population and business base. The City's "low density" tax base is not sufficient to sustain the size of the built infrastructure.

The City's current smart growth policies focused on economic development and in-fill, with higher density land uses allowing for the problem to be alleviated over time. Smart growth has the promise to increase the City's tax base without having a corresponding increase to the City's transportation infrastructure.

Establish Downtown and Business Improvement Districts

The City's Downtown area and neighborhood business districts generally request higher quality standards and levels of service in order to provide an attractive environment for their customers. Special facilities and services include increased lighting, tree planting, tree trimming, banners, sidewalk cleaning, benches, trash receptacles, and enhanced crosswalks. It is common practice for business

districts to form special tax districts to generate funding for enhanced City services.

Recently, there has been some interest by Downtown stakeholders and representatives from the NBDs to form special districts fund enhanced maintenance services in these areas. Special districts are a funding mechanism through which a special assessment or tax is used to finance improvements or services within a designated area. Special districts exist in downtowns and business districts throughout the country, from small cities in New York, to cities like Los Angeles, Chicago, Philadelphia, Sacramento, Long Beach, and San Diego. Research indicates the San José has not pursued or utilized this public/private partnership tool to the level that other jurisdictions have.

Enact Downtown Parking Surcharges

The City operates parking lots and garages in the Downtown area providing 5526 spaces. Parking fees are charged during weekdays that generate revenues for the Parking Fund to operate facilities and finance parking improvements. During evenings and weekends parking is free. A surcharge on parking rates and a nominal charge for evenings and weekends could be implemented providing revenue to support enhanced services for Downtown streets and sidewalks. It is also noted that in 2003 the Redevelopment Agency adopted enhanced standards for Downtown streetscapes, lighting, signage, and crosswalks. However, no source of operating funds has been identified to support the new standards. A Downtown parking surcharge could potentially help finance enhanced services for Downtown.

Adopt Utility Trench Cut Fee

Several cities in California have adopted utility trench cut fees or street deterioration fees, including San Francisco, Union City, Santa Ana, and Sacramento. The intent of the fee is to generate funding to repair pavement damage caused by pavement trenching work associated with the installation of underground utilities (such as gas, electricity, cable, phone, and water). These fees are controversial and have been the subject of litigation from utility companies. The courts have ruled against the San Francisco and Union City fees and both cases are under appeal. A basic issue is that existing utility franchise agreements already require utility companies to repair street damage "to a useful, safe, and durable condition to the satisfaction of the City Engineer". The utility companies contend that a separate utility fee is "double charging". Also, from a practical perspective, the amount of funding that a fee could generate is relatively small compared to the cost it takes to implement and manage the fee. In Sacramento, their estimate of annual revenue is less than \$100,000.

Assess New Development Fees

City staff has been requested by the Building Better Transportation Committee to explore the potential of having new private development projects contribute to upgrading the transportation infrastructure in the vicinity of the project (Committee Agenda 05-02-05, Item C1). The City does impose conditions on private development to upgrade the infrastructure at the direct frontage of the project if conditions are substandard. However, beyond the development's frontage the City is limited by "nexus law" on imposing conditions that are not direct and proportional to impacts created by the development. Pursuing developer funding for pavement maintenance has similar legal and implementation issues as the utility trench cut fee mentioned above.

Establish Citywide Assessment Districts

The City could propose a property assessment for transportation system maintenance and operations in general, or for a particular citywide service like pavement maintenance or street lighting. Such an action would require a 2/3rd approval of City voters. This would be similar to assessments the City has for storm drainage and sanitary sewers. Examples of current benefit assessment districts are noted in Figure 3.2.

Figure 3.2 – Benefit Assessment District Examples

Jurisdiction	Service Provided	Parcel Cost (Annually)
City of San José	Sanitary and Storm Sewers	\$271
City of San José	Library	\$ 25
Santa Clara Valley Water District	Flood Control	\$ 30
Santa Clara Valley Water District	Clean and Safe Creeks	\$ 41
Santa Clara County	Vector Control	\$ 5
Open Space District	Open Space Acquisition	\$ 32
Alameda County	Street Lighting	\$ 15

Note: "Parcel Cost" is based on single family residential household

Evaluate Local Bond Measure

Recently, the City successfully gained voter approval of bond measures to improve park, library, police, and fire facilities. These measures passed by over 2/3rd approval rates as noted in Figure 3.3. A similar effort could be initiated for improving the City's transportation infrastructure. The measure could include major rehabilitation to the City's pavement infrastructure along with system enhancements like pedestrian safety improvements, ADA curb ramp installation, traffic signal upgrades for congestion relief, and street trees/ median island landscaping for aesthetic enhancements. The evaluation of such a measure

for transportation would need to be weighed in the context of other community priorities, and packaged accordingly.

Figure 3.3 – Recent San José Bond Measures

Service Provided	Voter Approval Rate	Funding
Park Facilities	79%	\$228 million
Library Facilities	67%	\$212 million
Public Safety Facilities (Police/Fire)	72%	\$159 million

Potential Strategy

This chapter has presented a variety of regional and local funding options that can help resolve the severe funding shortfall the City faces to adequately maintain, operate and improve the City’s local transportation system. In summary, the City’s Department of Transportation has estimated the magnitude of the City’s transportation needs to be:

- \$30 million for annual operating and maintenance costs (increased amount over existing funding)
 - \$22 million for pavement maintenance
 - \$1.1 million for traffic signal systems
 - \$0.3 million for roadway markings and striping
 - \$1.2 million for sidewalk repair
 - \$0.4 million for street light maintenance
 - \$1.1 million for street landscaping
 - \$1.5 million for tree trimming
 - \$0.4 million for traffic control and streetname signage
 - \$2.0 million for Downtown and NBD cleaning and maintenance

- \$370 million for one-time rehabilitation and capital costs
 - \$209 million for pavement maintenance
 - \$20 million for street reconstruction
 - \$18 million for curb and gutter repair
 - \$31 million for new street lighting
 - \$50 million for curb ramps
 - \$26 million for median island landscaping
 - \$16 million for traffic signal system rehabilitation

There are numerous ways that the various funding options can be combined to provide a complete funding solution or to address the most critical needs. This section presents one scenario on how a funding strategy might be packaged together. The proposal is based on selecting the funding options that seem to have the greatest viability at the present time. It is expected that addressing the

transportation funding shortfall will be an ongoing and long term effort -- one that will require a regular reassessment to adjust to changing conditions and opportunities.

The table in Figure 3.4 presents a summary of a potential funding strategy and assumptions. The key elements are as follows:

1. Increase the allocation of Federal gas tax funds by \$4 million annually for pavement maintenance. Subject to approval of new Federal transportation bill, funding could be available as soon as 2006.
2. Preservation of State Proposition 42 funds, providing \$8 million annually beginning in 2008 for pavement maintenance.
3. Approval of Vehicle Registration Surcharge authorization (SB 680-Simitian) and subsequent approval by VTA Board, providing \$1 million annual for traffic signal system improvements starting in 2006.
4. Implementation of a new Countywide Transportation Tax Measure (1/2-cent sales tax or ¼-cent sales tax), allocating a share for local pavement maintenance, providing San José with at least \$10 million annually to be used for ongoing preventative pavement maintenance. This new measure is being considered for the November 2006 ballot.
5. Increase in State gas tax by 10 cents, providing \$10 million annually to San José for transportation system maintenance, including pedestrian facilities, street trees, and median islands. Gas tax changes assumed to be implemented by 2010.
6. In addition to other City neighborhood infrastructure needs (e.g., technology, housing), voter approval of a City Bond Measure providing \$211 million for Citywide pavement rehabilitation, upgraded traffic signal system, ADA curb ramps, street trees and median island landscaping. The bond measure could have a 10-year term having a cost of approximately \$90 annually per single family dwelling. It requires a 2/3rd voter approval and could be presented for consideration in November 2008.
7. Enact a Downtown Parking Surcharge or modify the Downtown Free Parking program to generate \$2 million annually to finance enhanced streetscapes, cleaning, and pedestrian facilities. Potential consideration in 2006.
8. Establish Neighborhood Business Improvement Districts to generate \$1 million annually to finance enhanced streetscapes, cleaning, and pedestrian facilities. Potential development between 2006 and 2010.

9. Create a Citywide Street Lighting Benefit Assessment District allowing the City to maintain and enhance Citywide street lighting services and to retrofit the system to deploy new, low-energy technologies. Potential funding level is \$4.4 million ongoing and \$31 million one-time. Estimated cost is \$20 per single-family dwelling. It requires 2/3rd voter approval and could be considered for November 2008.

Figure 3.4 - Potential Funding Strategy for Unfunded San José Transportation Needs

	Pavement	Traffic Signal System/ Signs/ Markings	Curb Ramps/ Sidewalks/ Gutters	Street Lighting	Street Trees/ Median Islands	Downtown/NBD Enhancements	Total
Current Funding/ Needs							
Current City Funding (Millions)	\$8	\$5	\$1	\$4	\$1	\$1	\$20
Unfunded Needs (Millions)	\$22 Ongoing \$229 One-Time	\$ 1.8 Ongoing \$ 16 One-Time	\$1.2 Ongoing \$68 One-Time	\$0.4 Ongoing \$31 One-Time	\$2.6 Ongoing \$26 One-Time	\$2 Ongoing \$20 One-Time	\$30 Ongoing \$370 One-Time
Funding Strategy							
Regional							
• Federal Gas Tax Allocation	\$4 Ongoing						\$4 Ongoing
• Vehicle Registration Surcharge (SB680)		\$1 Ongoing					\$1 Ongoing
• State Proposition 42	\$8 Ongoing						\$8 Ongoing
• New County Transportation Tax	\$10 Ongoing						\$10 Ongoing
• VTP 2030	\$1 Ongoing \$20 One-Time						\$20 One-Time
• State Gas Tax Increase	\$5.4 Ongoing \$108 One-Time	\$0.8 Ongoing	\$1.2 Ongoing		\$2.6 Ongoing		\$4.6 Ongoing \$108 One-Time
City							
• City Bond Measure	\$101 One-Time	\$16 One-Time	\$68 One-Time		\$26 One-Time		\$211 One-Time
• Business Improvement Districts						\$2 Ongoing \$20 One-Time	\$2 Ongoing \$20 One-Time
• Street Lighting Assessment District				\$0.4 Ongoing \$31 One-Time			\$4.4 Ongoing \$31 One-Time