



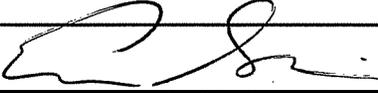
Memorandum

TO: TRANSPORTATION AND ENVIRONMENT COMMITTEE

FROM: Hans F. Larsen

SUBJECT: PAVEMENT MAINTENANCE CONDITIONS AND FUNDING

DATE: 04-19-09

Approved 

Date 4/20/10

COUNCIL DISTRICT: Citywide

RECOMMENDATION

1. Accept this report on the condition and funding needs of the City's Pavement Network.
2. Recommend that the City Council conduct a special Study Session in the Fall of 2010 to discuss specific pavement maintenance funding alternatives and strategies to reduce or eliminate pavement maintenance backlogs and funding shortfalls.

OUTCOME

Approval of these recommendations identifies that pavement maintenance backlogs and funding shortfalls are issues that require the focused attention of the Transportation and Environment Committee and the full City Council if tangible strategies are to be put in motion to reduce or eliminate the deferred maintenance backlogs and avoid rising costs for pavement maintenance.

BACKGROUND

In 2007, the Department of Transportation (DOT) completed a Transportation Maintenance Master Plan (TMMP) that identified the existing conditions and funding needs for transportation infrastructure. The TMMP also included results from a public survey to gauge the interest of likely voters in supporting a special tax for improving transportation infrastructure conditions, including street pavement. While the condition of the City's pavement network was a concern to the public and maintaining it was viewed as a high priority, only a majority of voters indicated a willingness to support new or increased taxes to invest in the level of maintenance needed. Fifty-eight percent (58%) of voters surveyed indicated they would support a special tax measure for increased pavement maintenance, short of the two-thirds threshold needed for approval of a special tax. As a result of these findings and further direction by the Committee, DOT began researching and pursuing strategies to mitigate the decline in pavement and other infrastructure

conditions recognizing that a special tax requiring a two-thirds majority was not a realistic strategy, and other alternatives would be needed.

Unfortunately, on-going funding for pavement maintenance continues to be well short of the levels needed to perform adequate maintenance and rehabilitation, and future funding projections show annual shortfalls of \$20 to \$30 million of the \$39 million overall need. Due to this funding shortfall, and the unique nature of pavement where condition deterioration and maintenance costs accelerate over time when adequate maintenance is not performed, it is apparent that the City's pavement network is in a perilous position. Unless additional on-going funding is secured in the next few years, the pavement network will rapidly decline to an overall condition rating of poor and the deferred maintenance needs will grow exponentially from \$250 million today, to an estimated \$750 million to \$1 billion by 2020. The attached charts illustrate the funding issues and the accelerated deterioration of pavement conditions when proper maintenance is deferred.

The purpose of the remainder of this report is to briefly summarize the most appropriate and promising funding alternatives for pavement maintenance in order to facilitate a more in-depth discussion with the Committee on these options and the additional work that staff will perform in order to present a full analysis and recommendations to the City Council in the Fall of 2010.

ANALYSIS

The following is a summary of the funding alternatives that are being recommended for further staff analysis and future consideration by the City Council.

Bond Funding

Tax-exempt bonds might be an alternative funding source for capital improvements with a useful life of at least one year. This could help return the overall street network to a good state of repair and avoid further deterioration of the pavement network and the increased maintenance liability and cost associated with future pavement rehabilitation. Staff, in conjunction with the City Attorney's Office, will perform an analysis of the various bond types, financing options, possible implementation schedules, and the likely cost avoidance of these strategies. Any use of bond funds for specific projects would need to be coordinated with the City's financial advisors and bond counsel on a case-by-case basis.

Property-Related Pavement User Fee

This alternative was conceptually described to the Committee in June of 2009, but was not recommended for additional analysis at that time. Since that time, long term funding for pavement maintenance, particularly for residential streets, has become bleaker, jeopardizing the delivery of residential pavement maintenance services after the 2011 construction season. As a result, further analysis of this fee would be focused on its application to residential streets where the property owners are the overwhelming user of the maintenance service and the street.

Under this alternative, it would be assumed that properties use, or are served by, their fronting street for ingress and egress purposes, and that the amount each property uses the street can be quantified. A fee would then be charged to each property for the pavement maintenance services performed on their street based on their amount of use. Additional analysis is necessary to fully evaluate the legal feasibility of a pavement user fee, the methodologies that could be used to structure fees, appropriate application of fees on different types of streets, projected property owner costs and City revenues, and the work plan and timing of implementing a fee program.

Vehicle Registration Fees

The Valley Transportation Authority is studying a possible \$10 annual vehicle license fee for motor vehicles registered within Santa Clara County, under bill passed last year authorizing countywide transportation planning agencies to impose such a fee with voter approval. If approved by a majority of voters in an election, the fee would generate approximately \$14 million per year in revenues. The VTA has formed a committee to develop an expenditure plan, which as currently structured has the majority of funds returning to their source and could result in approximately \$6 million per year to San José for pavement maintenance.

EVALUATION AND FOLLOW-UP

If the recommendations are approved by the Transportation and Environment Committee, a status report will be provided to the Committee in October 2010 followed by a Study Session by the full City Council.

PUBLIC OUTREACH/INTEREST

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater; **(Required: Website Posting)**

- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**

- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

This document will be posted on the City's website for the May 3, 2010 Transportation and Environment Committee, where the Council and the public will have the opportunity to comment.

COORDINATION

This report has been coordinated with the City Attorney's Office and the Department of Public Works.

CEQA

Not a project.

/s/

HANS F. LARSEN
Acting Director of Transportation

For more information, please contact Kevin O'Connor, Deputy Director of Transportation at 277-3028.

Attachments