

TO: James L. App, City Manager
FROM: Doug Monn, Public Works Director
SUBJECT: Repair/Maintenance of City Streets
DATE: February 1, 2011

NEEDS: Offered for City Council information are options to improve the repair/maintenance of City Streets.

FACTS:

1. The City has over 148 miles of paved surface and nearly 260 miles of curb, gutter and sidewalk to maintain.
2. The cost in 2008 dollars to restore streets to 80% of new was estimated at \$75 million dollars.
3. Once restored the annual cost to maintain at an average condition of 80% of new is \$3.5 million dollars annually.
4. Historically, the City received \$350 - \$400,000 for street maintenance from the State of California (Gasoline Tax Revenues).
5. In fiscal year 2009, Gasoline Tax Revenue was diverted from local jurisdictions to address State budget shortfalls.
6. The City's General Fund has been reduced by \$7 million per year, and 30% of the City workforce has been eliminated yet deficits persist. Consequently, street & sidewalk repair is limited to \$35,000 per year.

ANALYSIS &

CONCLUSION: Why can't the City build roads that last forever? Why can't they keep them in good shape all of the time? The short answer, weather, traffic and money (lots of money).

Wide swings in day to night temperature cause the road surface to expand and contract. The expansion and contraction causes cracks. When it rains, water seeps into the cracks multiplying the effects of weather. Larger cracks and potholes result.

Road design is based on projected traffic loads. It is not unusual to find roads that carry double or more the traffic they were designed for. Also, trucks are a problem. Road deterioration is roughly proportional to vehicle axle weight. So, if a typical car is 2,000 pounds, then even a small truck of just 4,000 pounds increases the wear and tear on the road 16 times. Big trucks even more.

Most City roads are built to last about 20 years. They could be built to last longer, but that requires a more substantial road bed and more durable materials. A road bed 40= inches deep will last far longer than one just 20 inches deep. Concrete lasts far longer than asphalt. But costs are very, very high for more substantial roads – millions of dollars per mile.

Paso Robles roads could be brought back up to a condition roughly 80% of new at a cost of \$75 million and kept that way for \$3.5 million per year. That kind of money is simply not available. The following are some options that could be considered:

Restoration of Gasoline Taxes for maintenance:

Proposition 22 restored Gasoline Tax Funding, however prior to its passing, on July 1, 2010 the legislature approved a gas tax swap. Gasoline sales and use taxes were reduced to 2.25% while State excise taxes were increased from 0.173 per gallon to 0.353 per gallon. The City does not share in excise taxes. As a result when gasoline sales taxes be returned to the City they could be 73% lower for regular gasoline (diesel fuel will be adjusted in a similar manner July 1, 2011).

Local Sales Tax:

A local sales tax increase specifically for street maintenance could be presented to voters. It would require a 2/3 majority vote.

A 1% sales tax would provide approximately \$6.5 million per year. \$3.5 million could be used for ongoing road maintenance, while the balance of \$3 million could be used for debt service on a \$40 million bond issuance. \$40 million would repair about 83 miles of existing streets.

Parcel tax:

Parcel assessment of approximately \$150 per \$100,000 of assessed value would fund an \$80 million bond. The parcel tax would require a 2/3 majority vote.

The bond funds could only be used once to repair or replace the roads to 80% new. Ongoing annual maintenance would need to be funded through another source such as sales tax (see above).

Regional Options:

A combination of agencies could propose specific taxes for a designated purpose. Each would require a 2/3 majority vote of the people. Examples of possible options would be as follows:

- Regional Sales Tax
- Regional Fuel Tax – Ten cent per gallon tax would likely be allocated by population.
- Regional Traffic Impact Fee – Would be allocated based on traffic studies for new, and/or expansion of, roads.
- Vehicle Registration Fee –\$10.00 per vehicle registered in County likely allocated by vehicle location. *Note: See attachment further describing regional options.*

Truck Routes:

The goal of a dedicated truck route is to funnel truck traffic onto the fewest number of streets possible (usually arterials) in order to minimize impacts on the remaining system and to better match infrastructure to freight transportation demand. This in turn reduces to impact on collector and residential streets because of the reduced loading. However, as noted in the analysis and conclusion above truck routes require a significant structural

support sections and design features to offset the increased weight they are required to bear. Roads not designed for a truck route will, as they fail, need to be removed and replaced with adequate structural sections at very high cost.

Transit:

Use of Public Transit can reduce the number of vehicle trips per day; however, an increase to the use of Public Transit will not reduce road maintenance given the impact of a loaded medium sized transit bus (equal to 7000 vehicle trips). Additionally, with the passage of Proposition 22, revenues for transit are forecast to shrink to \$800,000 per year from the current \$1.2 million per year.

Parking:

An increase in available parking in the downtown or construction of a parking structure would not reduce street maintenance needs.

Grant Funding

Currently there are no grant funds at either the State or Federal level available for road maintenance.

POLICY

REFERENCE: City Economic Strategy and Council Goals List.

FISCAL

IMPACT: To restore the City's streets to 80% of new and maintain them as such will require a significant new revenue source. Currently there are no funds available at either the State or Federal level available for road maintenance.

OPTIONS:

- a. Receive and file; or
- b. Amend, modify, or reject the above option.

Attachment: 12/08/10 San Luis Obispo Council of Governments Supplemental Funding Report

SAN LUIS OBISPO COUNCIL OF GOVERNMENTS

STAFF REPORT

MEETING DATE: December 8, 2010

SUBJECT: Supplemental Funding Assessment

SUMMARY

The 2010 Regional Transportation Plan (RTP) identifies SLOCOG's revenue limitations, instabilities, and declines. Most notably, it has been determined that State and Federal funding sources have deteriorated. **The 2010 RTP identifies \$1.8B in funding and over \$4.8B in requests.** While recent State and Federal actions have provided one-time funding, funding uncertainties continue and no recent or forthcoming actions provide for a stable, long-term solution to an increasing shortfall. Given the unlikelihood of similar, future funding actions, the 2010 RTP included a Financial Policy (FS 5) to: Investigate and pursue opportunities for supplemental funding. This effort is identified and funded in the current overall work program and would continue into the 2011/12 fiscal year. This staff report identifies the revenue insufficiencies of the RTP, the options to address those insufficiencies, and includes the scope of work for a consultant-led effort to survey our citizen's transportation investment priorities (projects, programs, and services) and their willingness to support supplemental funding options available to our region.

Item is a critical element for the 2011/12 OWP development and to provide stability of funding in the region.

RECOMMENDATION

Staff: Approve Scope of Work and Authorize Staff to Distribute Request For Proposals (RFP)

SSTAC:

TTAC:

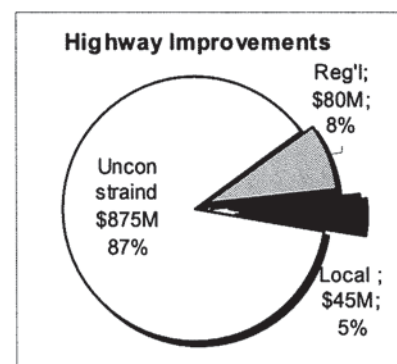
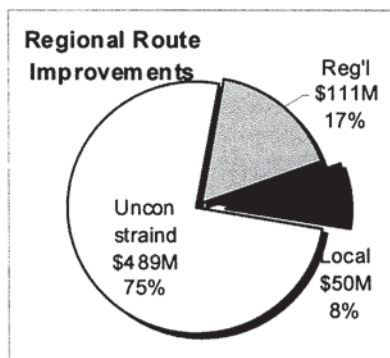
CTAC:

DISCUSSION

The 2010 Regional Transportation Plan (RTP) identified overall revenue limitations, including State and Federal funding instabilities, declines to key funding programs, and significant funding issues and challenges facing the region. Five sections – Highways and Regional Routes, Non-Motorized, Transit, Road Maintenance, and High Priority projects – identify the inadequacies of SLOCOG's existing revenues. An overall shortfall of \$3B exists.

Highways and Regional Routes

Over \$1B were requested for Highway improvements by local agencies. Only \$125M is within financial constraints over 25 years with \$45M (1/3rd) required from local (city/county) funds. Over \$650M were requested for improvements to Regional Routes by local agencies. \$161M was financially constrained over 25 years with \$50M (nearly 1/3rd) coming from local (city/county) funds. In years past, the most significant source of funding was the Regional Transportation Improvement Program (RTIP) at \$15M/yr. Recently, while project costs have escalated, the RTIP has declined to \$6M/yr. In the RTP's short-term (2011-2015), the RTIP (a 5-year program) is nearly non-existent. It is optimistic to expect programming of 50% of the 2012 RTIP in its 4th year (2014/15).



The table, on the following page, illustrates the future short- and mid-term revenues expected for Highways and Regional Route Improvements including capacity-increasing, operational improvements,

auxiliary lanes, turn-pockets, shoulders, etc. (does not include High Priority funding for projects such as 46E widening and no funding for 101 widening).

Short and Mid Term Revenues for Highway and Regional Route Improvements

	Short-term (2010RTP)					Mid-term (2010RTP)					Total \$Ms
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Future Funding Resources (existing) (\$Ms)											
2010 RTIP		0	0	0							0
2012 RTIP		0	0	0	5	6					11
2014 RTIP				0	0	0	6	6			12
2016 RTIP						0	0	0	7	7	14
RTIP Subtotal											37
STP	0.9	0.9	0.9	0.9	0.9	1	1	1	1	1	9.5
Local Funds	3.2	3.2	3.2	3.2	3.2	3.6	3.6	3.6	3.6	3.6	30.6
Total											77.1

In addition to the short- and mid-term projects in the RTP, the 2012 RTIP may be impacted by projects that are (at this time) believed to be 'Funded, not yet complete.' Cost overruns or break out phases from Willow Road / Rt 101 Interchange and Extension or Los Osos Valley Road / Rt 101 Interchange improvements would compete for 2012 RTIP funding. Continued instability of State and Federal funding will impede project delivery (typically, the California Transportation Commission allows programming of new-cycle funding in the last year only.)

The adjacent table lists nearly \$1.3B in project requests of which only \$285M are constrained within 25 years. Without a stable, new source of funding, each and every project may be subject to delays and delay-related cost-increases.

*Supplemental funding could advance mid- and long-term projects, decrease delay-related cost-increases, deliver high cost highway improvements, and advance additional unconstrained projects.

Non-Motorized

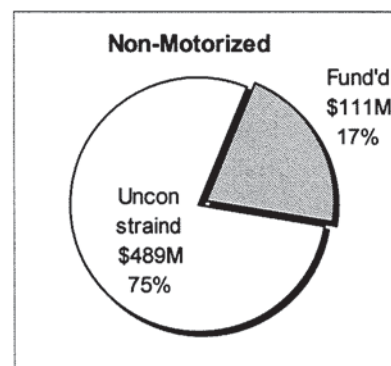
A similar situation is expected for Non-Motorized projects. Nearly \$600M were requested for non-motorized projects by local agencies. Only \$128M is within financial constraints of the 25-year plan. Over 75 beneficial projects (found in every city and community) are not expected to be funded within 25 years, including unconstrained phases of:

- Railroad Safety Trail (SLO),
- Bob Jones pathway (County),

Highway and Regional Route Funding Requests

\$Ms	Short-term (2010RTP)
\$2	SLO- Rt 1 turn pockets (NB and SB at Olive)
\$2	Paso Robles- 46E/Union Rd interim intersection imp.s
\$1	Regional- Rt 101 Mobility Study (MIS)
\$1	AG/GB/SLO/Co- Asst'd Reg'l Routes Improvements
\$6	Total
	Mid-term (2010RTP)
\$3	SLO-101 NB Aux lane (Prado to Madonna)
\$5	Atascadero Interchange modifications (Del Rio, Rosario)
\$18	Arroyo Grande- Rt 101/Brisco/Grand Interchange
\$3	County- Rt 1/Halcyon Intersection Imp.s
\$8	County- S. County Rt 101 Corridor Imp.s
\$10	Grover Beach- Grand Ave. Enhancements
\$4	Paso Robles- Union/Golden Hill Intersection Imp.s
\$6	Paso Robles- Union Rd Improvements
\$7	SLO- Widen Bridge on Prado Rd
\$4	SLO- Broad St Medians (Ph. I and II)
\$9	County- Price Cyn Road Shoulder Imp.s
\$76	Total
	Long-term (2010RTP)
\$5	Morro Bay - Rt 1/41 Interchange improvements
\$30	In the N. County- Various Rte 101 Ramp imp.s
\$4	Atascadero- Rt 101 / Traffic Wy Interchange imp.s
\$26	County- Rt 101nb aux lane (and Ped) from San Ramon
\$19	Co/SLO- Various Highway imp.s
\$118	Various- Reg'l Routes Improvements
\$203	Total
	Unconstrained (2010RTP)
\$49	SLO- Prado Road Overcrossing
\$34	Arroyo Grande- Rte 101sb Climbing lane from Oak Park
\$45	Pismo Beach- Hinds Bridge and Price St. Extension
\$95	County- Various Interchange imp.s on Rt 101
\$27	Atascadero- 4 Interchange imp.s
\$118	Paso Robles- Rt 101/46W Interchange imp.s
\$559	Various- Highway Improvements
\$362	Various- Reg'l Routes Improvements
\$1,287	Total

- Streetscapes (SLO, Atascadero, Paso Robles, Templeton, Santa Margarita, San Miguel, Los Osos, Nipomo, Grover Beach),
- Toro Creek Bridge (N. Coast),
- Anza Trail (N. and S. County)
- Chorro Valley Trail (N. Coast),
- Creekside Bikepath (Paso Robles),
- Railroad & Zoo paths (Atascadero),
- Creekside Walk (Arroyo Grande),
- Pismo Promenade,
- Nipomo Creek Trail,
- Oceano Beach Trail, and
- Park and Ride lots (at 166/101, Shandon, and Santa Margarita-expansion).



*Supplemental funding could advance non-motorized mid- and long-term projects, decrease delay-related cost-increases, and advance many unconstrained projects.

Transit

During the past 20 years, transit services doubled in the region. A doubling of service in the next 25 years is not possible without supplemental funding. The 2010 RTP forecasts a 45% increase over current regional transit services and a mere 8% expansion of local fixed routes. The 2010 RTP constrained \$540M for Transit purposes which increases the 55 round trips in 2010 to 83 round trips in 2035. An estimated \$757M is needed to increase total weekday round trips from 55 (in 2010) to 215 (in 2035).

Financial uncertainties continue to exist. State Transit Assistance (STA) benefitted from recent legislation to stabilize and protect it from State raids. However, SLOCOG expects revenues to be \$800k/yr instead of the assumed \$1.2M/yr seen recently as a result of the recent passage of Proposition 22.

Agenda Item C-3 identifies a potential reduction to assumed transit funds. If proposed rules (to decrease the jump distance) are used, the North County area would be declassified from 'Urban' to 'Rural' resulting in a shift from Federal Transit funding Sections 5307 to 5311 and an overall decrease in transit funds.

*Supplemental funding could provide the means to double transit and restore any funding losses from State or Federal funding delays, redirections, or reclassifications.

Road Maintenance

\$1.1B is needed to bring all local roads to a maintenance level of 'good'. With projected funding of \$624M, the overall condition (maintenance) of our local road network is expected to improve, minimally. However, any redirection of 'General Funds' to other programs or Local Transportation Funds to Public Transit would result in degrading conditions.

*Supplemental funding could provide the means to noticeably improve road maintenance conditions.

High Priority Projects

Nearly \$700M is needed to fully fund the High Priority Projects (Rt 46 East widening), but only \$221M was constrained using extraordinary funds (Transportation reauthorization earmarks) and Interregional Transportation Improvement Program (ITIP) funds.

*Supplemental funding could advance certain High Priority projects.

Key November 2010 Election Outcomes

Proposition 22 (2010): Approved by 61% of voters, this measure prohibits the State from borrowing or taking funds used for transportation, redevelopment, or local government projects and services. This provides protection for existing (Proposition 42-Sales Tax on Fuel and Highway Users Tax Account-HUTA) funds, but does not increase or create new revenues.

Vehicle Registration Fee increases: Seven out of the nine Bay Area counties voted (52% to 63% approval) to increase Vehicle Registration fees by \$10 to aid transportation (Solano and Napa did not have ballot measures). The financed improvements vary from county to county, but improvements were included to sustain and improve: transit, bicycle, pedestrian, road maintenance, safe routes to school, and senior and disabled mobility.

Proposition 26: Requires that certain State and Local fees be approved by two-thirds vote (i.e., future Vehicle Registration Fee increases). It has been suggested that the approval of this measure will overturn the gas tax swap approved in March 2010. This includes any future Vehicle Registration Fee increases. Financial uncertainties continue. (

Supplemental Funding

Other regions have successfully secured, and/or are aggressively pursuing, alternative revenue streams for transportation. The first step in such an endeavor is to survey the public's transportation investment priorities and their willingness to support supplemental funding options available to our region. In the event that supplemental funding is not supported, the survey results will be beneficial as a means to aid prioritization of projects relative to the findings of their investment priorities.

The 2010 RTP includes Financial Policy (FS 5) to: Investigate and pursue opportunities for supplemental funding. In order to strongly support the 2010 RTP goals and strategies, the development of a Supplemental revenue stream is necessary. While small increases to existing sources may improve the deliverability of single projects, a new stream of Supplemental Funding can advance the underlying goals and strategies and improve the deliverability in all areas, including:

- Significant expansion of the public transportation system,
- Substantial increases to the non-motorized / livable community projects,
- Noticeable improvement to local road maintenance,
- Advancement of mid-term, long-term, or even unconstrained projects
- Delivery of high-cost improvement projects.

Supplemental Funding options to investigate:

Regional Option Sales Tax

Potential: \$500M (1/2c = \$20M/yr)
Requires: 67% vote
Investments in: Transit, Ped, Bike, Regional Routes, ITS, Highway, local maintenance

Regional Option Fuel Tax

Potential: \$400M (10c/gal = \$16M/yr)
Requires: 67% vote
Investments in: Transit, Ped, Bike, Regional Routes, ITS, Highway, local maintenance

Vehicle Registration Fee

Potential: \$65M (\$10/vehicle = \$2.6M/yr)
Requires: 67% vote & Congestion Mgmt Agency
Investments in: Transit, Pedestrian, Bike, Regional Routes, ITS, Highway, Road Maint.

Regional Traffic Impact Fee

Potential: \$125M (1000dus*\$5k = \$5M/yr)
Requires: Deficiency Analysis & Nexus Study.
Capacity Improvements only: Highway, Regional Routes

Scope of Work

The Consultant's role would involve the following:

1. Provide supervision, coordination, analysis and recommendations involving voter opinion research, including polls and focus groups.
2. Actively meet with and fully involve SLOCOG Board members, key community-based stakeholders and interest groups to solicit their views on major transportation investments (projects, programs, or service needs), as well as other non-transportation issues that may be of concern.
3. Conduct a 900-sample size, 25-minute baseline poll.
4. Conduct a focus group session (with an option for a second session) to test overall concepts and plan refinement.

5. Prepare and present a final report and recommendations regarding the potential feasibility of various supplemental funding options for San Luis Obispo County, identify resulting investment priorities, and prepare a schedule and work plan for next steps.

Financial Implications

The 2010/11 OWP includes the following objectives, task, and funding:

WE7100 Task 6: Conduct public opinion poll to ascertain public attitudes on supplemental funding.

WE8000 Objective 8: Assess/pursue supplemental funding opportunities.

WE8500 Tasks 1, 2, 3: To assess and pursue supplemental funding.

WE8500: \$95,400 is programmed for consultant services for this effort in 2010/11.

BACKGROUND

On October 3rd 2007, David Grannis from the Planning Company Associates presented an in depth discussion on the transforming funding climate as it relates to transportation infrastructure. In response to the discussion and as a preliminary step in the development of the 2010 RTP, the Board formed a steering committee of five Board delegates to review funding issues as they pertain directly to the San Luis Obispo region.

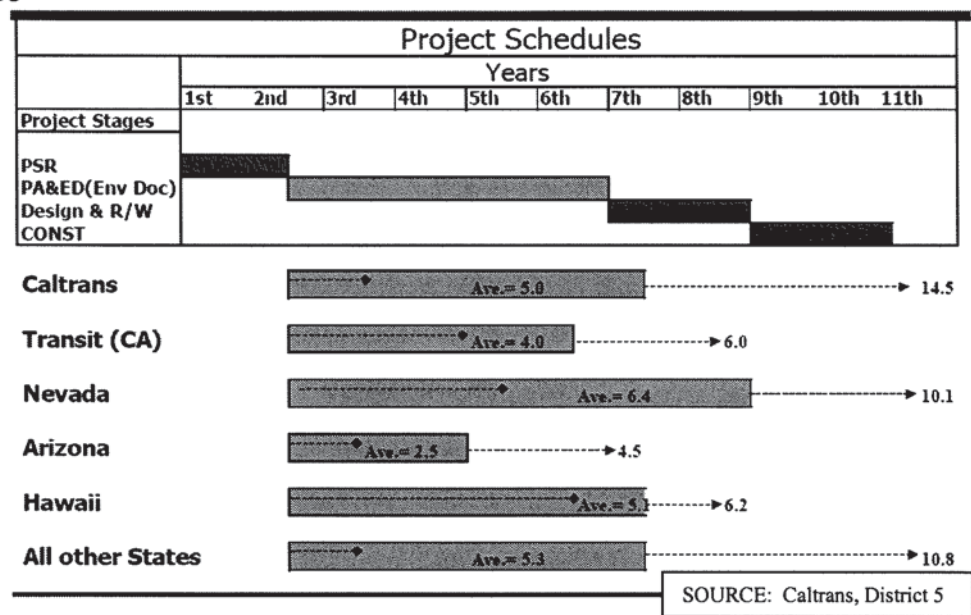
The SLOCOG Steering Committee on Supplemental Funding met on four occasions between November 2007 and February 2008. During these meetings, the Committee reviewed materials pertaining to: Existing sources of Federal funding, State Funding, and Local Funding, and also reviewed Supplemental Funding options. After careful review of the materials, the committee recommended that SLOCOG continue to investigate supplemental funding. The SLOCOG Board did not support a consultant contract.

In March 2009, the SLOCOG Steering Committee on Funding was reconvened and found that the findings from 2008 had minimally changed. Inflation had flattened out, the cost of many resources have dropped to 2004 or 2005 levels, and SLOCOG and its partners received one-time money from both the State and Federal governments that had augmented regular fund shares (Federal Stimulus "ARRA" in the amount of \$18M and Proposition 1B in the amount of \$110M. However, SLOCOG's funding base continues to decline, our existing revenues outlook remains bleak, and our needs continue to escalate. Stable sources of State and Federal funding are deteriorating. While recent 'one-time' State and Federal actions have shored up our shortfalls, they do not displace the need for a long-term, stable, funding source. The SLOCOG Board did not support a consultant contract.

Project Development Process

Transportation improvement projects, such as interchanges and auxiliary lanes, follow a specific development process that can exceed 14 years in the making. The steps (and the number of years to complete) include:

- Project Study Report (2 years)
- Project Approval and Environmental Determination (5 year average)
- Design and Right-of-Way (2 years)
- Construction (2 years)



Additional delays occur due to programming limitations of the STIP. Latter phases cannot be funded in the STIP until the Environmental phase is complete. A significant delay can occur between the completion of the Environmental phase and programming of the next phase for STIP funding that becomes available 4 or

5 years later. It is for these reasons, SLOCOG encourages member agencies to provide local commitment by investing non-STIP funds for the Environmental and Design phases (such as LOVR interchange).

Regional Option Sales Tax

Nineteen counties (representing 85% of the population) have passed voter measures to increase the local sales tax, most typically, by 0.5%. Throughout California, more and more regions have turned to a more stable, locally-derived, funding source for transportation projects. In 07/08, over \$4.5B was generated for transportation purposes in these regions. Currently, these measures require a 2/3rd majority vote and the funding may only be used for projects and programs in the voter- approved Expenditure Plan.

A similar measure in the San Luis Obispo region would generate \$20M-\$25M per year. While many of the remaining counties continue to actively and aggressively pursue a regional option sales tax, the San Luis Obispo region has not yet made any progress.

Regional Traffic Impact Fee Program

These one-time fees may be imposed on new development to pay for fair-share improvements and facilities required to serve it or otherwise reduce the impacts of development on a community on a regional level. While a number of jurisdictions actively collect local impact fees, to date, regional traffic impact fees have not been pursued within the San Luis Obispo region. Ideally these fees should supplement other local funding sources (Regional Option Sales Tax or Regional Option Fuel Tax) and may be used to leverage federal and state funding

Vehicle Registration Fees

Current legislation allows Congestion Management Agencies to place a measure before the voters to authorize an increase (up to \$10/vehicle) in the fees of motor vehicle registration in the county for transportation-related projects and programs. (Covered by Govt. Code Section 65088-65089). Subject to Proposition 26 (2010), future measures require 2/3rds majority vote.

Regional Option Fuel Tax

Similar to a Regional Option Sales Tax, a 2/3rd Voter approval is required along with an Expenditure Plan. With respect to allocation of the revenues between the county and the cities, a written agreement is required. The written agreement could specify improvement purposes such as transit, bikeways, pedestrians, or freeways. The law states that these funds could be used for "streets and highways and their related public facilities for non motorized traffic."