



Memorandum

TO: MAYOR LICCARDO

FROM: Councilmember Johnny Khamis

SUBJECT: BUDGET DOCUMENT

DATE: May 20, 2015

Approved

Date: 05/20/2015

RECOMMENDATION

That the following recommendation be enacted:

Proposal

Program/Project Title: **Pavement Maintenance for Priority Street Network**

Amount of City Funding Required: **\$4.0 million for FY 2015-2016 projects**
\$2.0 million for FY 2016-2017 accelerated projects

Fund Type (i.e. General Fund, C&C funds, etc.): **General Fund**

This change is:

One-time Ongoing

Proposal Description, including anticipated outcomes (describe how change would affect services for San José residents, businesses, community groups, etc.):

Next to public safety, providing our citizens with a safe, well-maintained street network is of the utmost importance. Not only is it vital to the quality of life of our residents, it also benefits our local businesses and is an asset when attracting new businesses to San Jose.

Our street network infrastructure is in serious need of maintenance. As identified in the City Auditor's report on Street Pavement Maintenance, with over 20% of our City streets at poor-to-failed condition, and another 30+% determined to be fair or at-risk, the cost of bringing only the poor-to-failed streets up to good condition would be a staggering, one-time cost of \$500 million. This one-time need is not an expense our City can presently afford, but that does not mean we should not make an effort to maintain our Priority Street Network, minimizing such dramatic funding needs in the future.

According to staff presentations regarding pavement maintenance, we need to budget approximately \$20 million each year to maintain only our Priority Street Network. Even if we were to spend a full \$20 million in FY 2015-2016, in ten years half of all other San Jose streets would degrade to poor or

failed condition. In the FY 2015-16 Proposed Operating Budget, only \$16 million was proposed to be spent on street maintenance. This is \$4 million short of the \$20 million needed. In FY 2016-2017, the shortfall is expected to be \$7 million.

I recommend that we allocate \$4 million of the Essential Services Reserve to close the Priority Street Network funding gap for FY 2015-16. In addition, I propose that we dedicate an additional \$2 million of the Essential Services Reserve to help close the funding gap in FY 2016-17 and allow Department of Transportation staff to accelerate projects scheduled for FY 2016-17, preventing further deterioration and saving the City money on deferred maintenance costs.

Investing \$1 in pavement maintenance today exponentially saves us money in the long run. According to the City Auditor's recent audit of Street Pavement Maintenance, "Spending \$1 today on pavement maintenance can avoid the need to spend \$2 in five years, or almost \$4 in ten years...". This is equivalent to getting a 40% return on our investment.

Funding Source

Essential Services Reserve (\$2.5 million)

Other (Program/Project/Fund):

Department or Organization: **Department of Transportation**

Department or Organization Contact (list contact information for the individual that certified cost estimates contained within your recommendation):

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