



Memorandum

TO: MAYOR LICCARDO

FROM: Councilmember Johnny Khamis

SUBJECT: BUDGET DOCUMENT

DATE: May 24, 2017

Approved

Date

5/24/17

RECOMMENDATION

- (a) Increase the budgeted 2017-2018 Pavement Maintenance Funding from \$71 million to \$75 million to achieve the level of funding required in order that City streets do not deteriorate and cause an increase in our pavement maintenance backlog, as identified as part of the Department of Transportation's Pavement Maintenance Status Report.
- (b) Maintain this commitment as a minimum funding level for pavement maintenance in the 2018-2022 Proposed Capital Improvement Program by restoring the funding provide by the City's Measure B at levels adequate to ensure streets do not deteriorate and that we maintain our commitment to VTA to we do not reduce our local commitment and put VTA Measure B money at risk.

Proposal

Program/Project Title: Increase and Maintain Funding for Street Maintenance

Amount of City Funding Required: \$4 million in 2017-2018, \$3 million in 2018-2019, and greater commitments in out-years of 2018-2022 Capital Improvement Program

Fund Type (i.e. General Fund, C&C funds, etc.): Essential Services Reserve, 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.):

I am grateful to Mayor Liccardo for his efforts to increase pavement maintenance funding to levels unseen over the past decade in San José as maintenance was deferred and funds diverted to other, essential City needs. An improved economy and new voter-approved tax revenues have allowed us to finally achieve an improved level of investment in street maintenance. In order to maintain our commitment to our residents who voted overwhelmingly to approve both the City's June 2016 Measure B sales tax and the VTA's

November 2016 Measure B sales tax, it is important that we devote significant ongoing funding from both measures to the Department of Transportation (DOT) for pavement maintenance. Our goal in investing in pavement maintenance should be to achieve a minimum of \$75 million in street maintenance funding each year to ensure that our roads “get no worse” which reflects a Pavement Condition Index (PCI) rating of 62, as reported by DOT in their March 21, 2017 Pavement Maintenance Status Report and Funding Strategy Update (page 8, figure 5: Annual Investment Needs (in \$ millions), reprinted below). Although I am recommending investment of \$75 million, the ideal amount the City should spend to *improve* the condition of our streets is \$108.8, which would get us to a PCI of 70, or “good”, City-wide.

Figure 5 – Annual Investment Needs (in \$ millions)

Funding Scenario	Ongoing Funding Allocation/Need				Shortfall to Achieve Scenario
	Pothole Repair & Program Management	Major Streets	Local Streets	Total	
Current Funding	\$6.3	\$25	\$0	\$31.3	N/A
Get No Worse (PCI 62)	\$6.3	\$27.1	\$41.6	\$75	\$43.7
Improve to Good (PCI 70)	\$6.3	\$23.9	\$78.6	\$108.8	\$77.5

In years ahead, we must also remember that the VTA 2016 Measure B funds for local streets and roads, as outlined in their Measure B guidelines for fund distribution, require that cities and the County demonstrate that their funds are being used to **“enhance and not replace”** current investments in street and road system maintenance and repair. The VTA is also recommending similar Maintenance of Effort requirements be included in 2017 Senate Bill (SB) 1: Road Maintenance and Rehabilitation Program. This could be interpreted to mean that the City of San José must maintain its ongoing commitment to street funding from the City’s 2016 Measure B sales tax in an amount equal to or greater than that committed in FY 2016-2017 and FY 2017-2018. The City’s commitment to pavement maintenance is reduced by more than half after FY 2017-2018 in the 2018-2022 Proposed Capital Improvement Program. The reduced local commitment may put us at risk of being disqualified from receiving future VTA 2016 Measure B funds, as well as Senate Bill 1 funds, for our local streets and roads.

We must maintain a strong commitment to protect the City’s most valuable transportation asset, the 2,424 miles in our street network valued at \$4 billion. City streets have reached a \$584.4 million backlog of deferred maintenance in 2017, representing more than double the maintenance backlog of \$250 million identified in 2010. Inadequate investment for maintenance has resulted in a steady deterioration to where the average condition of our streets is now “fair” and declining, with a PCI rating of 62 on a scale of 0-100. A 2015 City Audit of the DOT identified insufficient and inconsistent funding levels as the root cause of the continued decline of our streets network. Additionally, the Metropolitan Transportation Commission (MTC) recommends that agencies maintain streets to an average PCI rating of 80.

The City of San Jose makes up 53% of Santa Clara County, yet San Jose continues to have the lowest-rated streets in the entire County and remains in the bottom one-third compared to over 100 MTC member Bay Area cities. With our current backlog and rating of “fair” (PCI 62), projections indicate that by 2022, the street network will be close to an overall rating of “poor” (PCI 50) with a

\$1.1 billion deferred maintenance backlog, making it unrealistic for the City to have the capacity to recover.

Funding Source

- Essential Services Reserve (\$2 million)
- Other (Program/Project/Fund): City Measure B Sales Tax funds

Department or Organization: Department of Transportation

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

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