

1



# CITY OF SACRAMENTO

## DEPARTMENT OF PUBLIC WORKS

STREET DIVISION

ROBERT L. LEE  
Street Division Manager

February 3, 1987

Budget and Finance Committee  
Transportation and Community Development Committee

Honorable Members in Session:

Subject: City's New Pavement Management System (PMS) and the Results of  
the Street Inventory

### SUMMARY

The Public Works Department has scheduled Carter Associates, the consulting firm on the PMS, to make a presentation to the Council on their findings of the street condition of the City and the cost effectiveness of the Street Division's new computerized maintenance system. In addition, the staff will explore with the Council new methods to fund an adequate street maintenance program.

### BACKGROUND

The City Council approved funding to develop a computerized pavement management system in 1985. Past reports to the Council have indicated that Street Maintenance was not funded at an adequate level and there was a need for long range planning and new resource identification. The current study reviewed 1100 miles of street and assessed each individual street segment needs through the use of a computerized pavement management system.

The parameters for the pavement maintenance were specifically developed for the City of Sacramento and the system was designed to have the flexibility to adjust to a changing street maintenance program and yearly funding level. The report identifies a five year catchup program and also provides an alternate 10 year program that lessens the yearly financial demands.

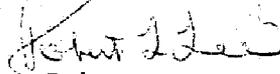
FINANCIAL

Based on preliminary costs, Carter Associates estimates indicate that the City should fund approximately \$67 million on the street reconstruction and maintenance program over the next 10 years. Current funding sources are not available for a program of this magnitude and new funding sources need to be developed.

RECOMMENDATION

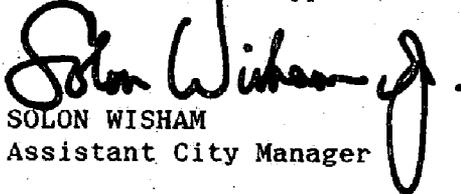
It is recommended that the Budget & Finance and the Transportation & Community Development Committees accept the Pavement Management System report and recommend to the City Council that it consider new funding sources for the street maintenance program.

Respectfully submitted,



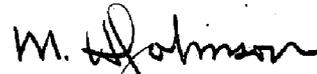
Robert L. Lee  
Street Division Manager

Recommendations Approved:



SOLON WISHAM  
Assistant City Manager

Approved:



M. H. Johnson  
Director of Public Works

February 3, 1987  
All Districts

S T R E E T M A I N T E N A N C E N E E D S

City of Sacramento  
PUBLIC WORKS DEPARTMENT

January 1987

## MAINTENANCE FUNDING NEEDS

### INTRODUCTION

Many reports and articles about infrasture deficiencies report that millions of dollars are needed to bring the existing road network up to an acceptable level of repair and maintenance. The Road Information Program Report prepared in July 1986 addressed sub-standard roads and bridges in California. The survey report of March 1984 showed that over 63 percent of the 52,580 miles of municipal roads needed some type of surface work to catch up with existing needs.

The City of Sacramento Pavement Management study just completed shows that we need \$26 million in street backlog work and \$17 million for regular maintenance programs over the next five years. A total expenditure of \$43 million on a total citywide street pavement investment of in excess of \$352 million dollars. A 10 year program calls for a \$67 million expenditure.

The outside financial resources, state and federal, are diminishing as our local road problems are becoming greater. The focus of the solution to the financial shortfall is falling on the shoulders of the local cities. The October 1986 issue of Better Roads shows that state tax on gasoline in the United States varies from a low of \$.07 per gallon to a high of \$.19 per gallon. California state rate is \$.09 per gallon and we are tied for 42nd place in the tax rate per gallon of gasoline. The median state tax is \$.13 per gallon; a good example of why our outside controlled funding sources for road related work is not keeping up. Although the price of gas has increased two fold over the last few years, the amount of state gas tax paid by Californians for road maintenance has seen us go from 33rd among other states in 1983 to 42nd in 1986.

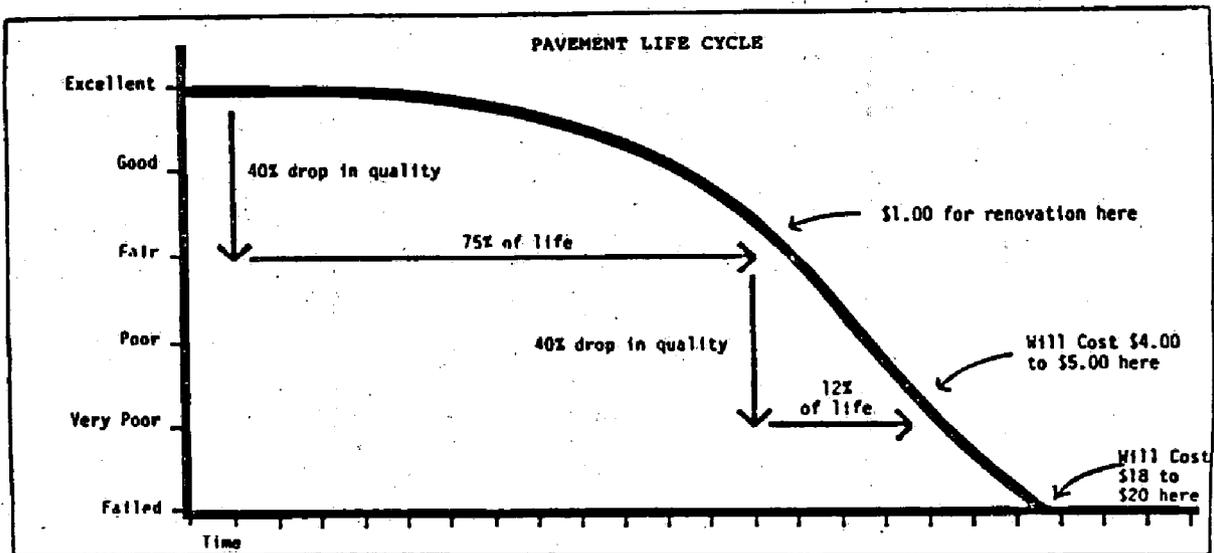
There is significant and growing lag in what is needed and what we are getting to repair roads. It is apparent that the cities road systems need to be thought of as a basic utility. Administrators and engineers are currently exploring ways to assess the users of the street system short of implementing toll roads and bridges, a user fee, so an on-going benefit fee can be implemented to provide an appropriate level of maintenance for our streets. A well thought out user fee can be fairly distributed to the community just like the fees charged for water and other utility services.

The cutting off of all maintenance on the street system does not have the immediate impact that shutting off the electrical power or the gas services has. However, in the long run the community pays just as much for appropriate maintenance of the streets as it does for the inappropriate maintenance of older and traditionally classified utility systems.

Poor road systems cost the California drivers \$1.6 billion annually in added vehicle operating cost. This is equivalent to about \$97 for each of the State's 17.5 million licensed drivers. For every dollar that we spend on street maintenance in a timely manner we save between \$4.00 to \$5.00 in deferred cost. This hidden cost, according to recent studies, is equivalent to an additional \$.10 on each gallon of gas used by the average consumer. Figure I shows the effects of timely maintenance. The longer maintenance is deferred, the more it costs.

FIGURE I

THE COST OF DEFERRED STREET MAINTENANCE



In the recent labor and business alliance survey conducted in January/February of 1986, 552 registered voters were sampled. They were questioned on transportation concerns. The questions were specifically developed to provide an in depth and unbiased look at people's attitudes within our County on vital transportation issues. In one question, the public was asked their opinion on the various transportation conditions in the Sacramento area. They gave the largest "not satisfied" vote, 30.1 percent, to "maintenance and condition of local streets and roads."

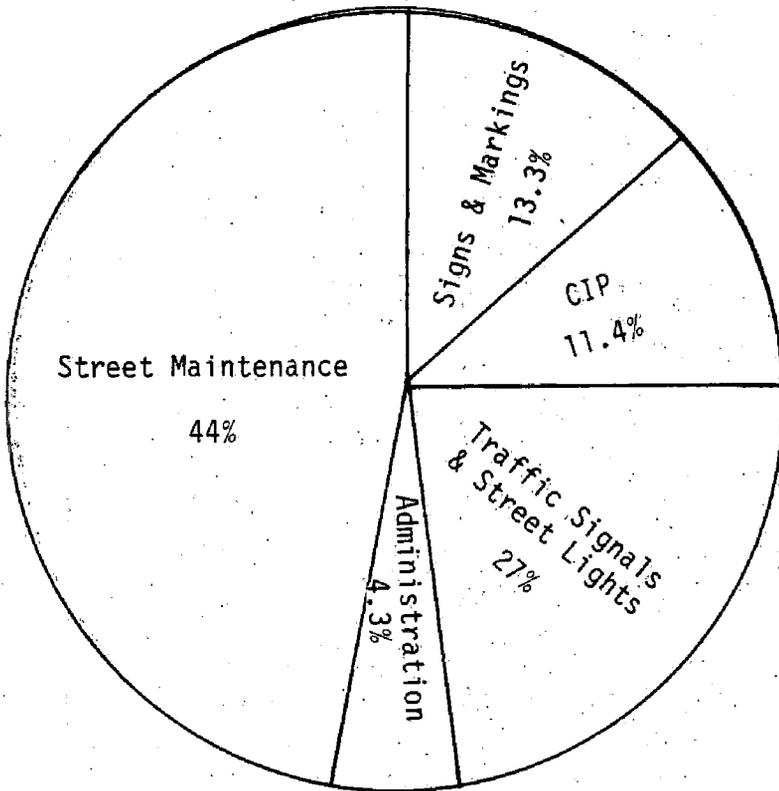
#### Financing Options

The following scenarios identify possible new and existing funding sources to increase support of the street maintenance program. The implementation, expansion, and enlargement of any City program requires an analysis of current and possible new funding sources. Competition for general fund money is tremendous and the distribution of this money must be weighed between basic City services and quality of life services.

In order to discuss the funding sources in detail, facts relative to current street maintenance and Street Capital Improvement budget is provided in Figure II. This figure shows expenditures and existing funding sources. The current budget for Street Maintenance is \$8,786,000. We need to consider raising this amount by \$5.5 million per year for 10 years to bring our streets into an acceptable level of repair.

**FIGURE II**  
**STREET DIVISION EXPENSES**

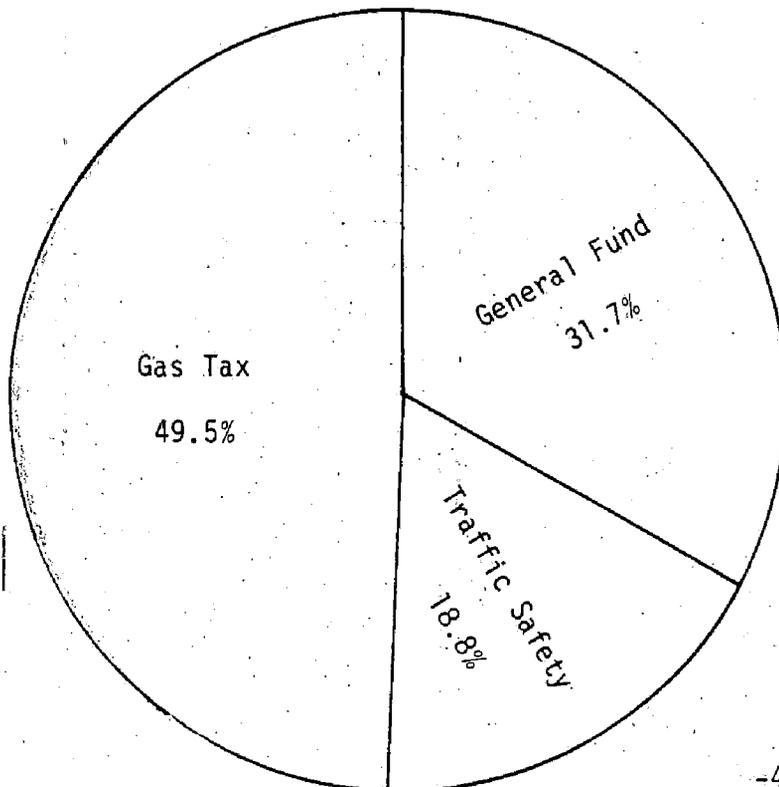
---



Administration	\$ 380,000
Street Overlay	1,000,000
Signs & Markings	1,180,000
Signals & Lights	2,375,000
Street Maintenance	3,851,000
	<hr/>
	\$8,786,000

**STREET DIVISION EXISTING FUNDING SOURCES**

---



General Fund	\$2,788,000
Gas Tax	4,348,000
Traffic Safety	1,650,000
	<hr/>
	\$8,786,000

## EXISTING REVENUE SOURCES

Gas Taxes are apportioned to the City by two methods, population and consumption (Section 2106 and 2107). Both sections of the above State Code require these proceeds to be used for street purposes only. The City revenue from the gas tax source is roughly \$5.3 million annually. The City total gas tax revenue goes into the Street Maintenance and Capital Improvement function. The amount of yearly increases of this figure is modest and will remain so unless significant changes are made in the State tax rate. California's State gasoline tax rate is \$.09 per gallon. It is tied for 42nd place with other states in tax rate charged per gallon of gasoline. Again, the median rate is \$.13 per gallon.

All of this fund goes to Street Maintenance or improvements. However, in past years some has been diverted to tree maintenance in the street area.

Traffic Safety Money is derived from fines imposed by the court on moving vehicle violations. State law restricts the use of these funds to the construction and the maintenance of traffic control devices, equipment and supplies for traffic law enforcement, accident prevention programs and construction/maintenance of streets. The annual resources for this fund total about \$1.8 million and yearly increases are minimal.

Except for the crossing guard program, all of this fund goes to Street Maintenance.

### Major Streets

Major street construction tax fund is a City imposed surcharge on all building valuation for new construction or for alterations which add areas to existing buildings. These funds are restricted by the City Code 9.73 to construction and replacement or alterations to roadway traffic control and lighting. The use of the fund for maintenance is not permitted under the Code. Annual resources from this fund are approximately \$3 million. The fund increases with the growth of new construction; however, growth in construction requires additional expenditures for street maintenance. The interest on this fund for the last fiscal year was roughly \$500,000.

The interest from this fund goes into the General Fund.

### General Fund

Total General Fund support to Street Division Program totals \$2.8 million. Of this amount, \$1.7 million supports lighting and signals. \$0.7 million is fully reimbursed to the General Fund from revenues. The remaining \$0.4 million is directed to Administration, Signs and Markings, and Street Maintenance.

### Motor Vehicle in Lieu Fee

This is a State subvention to local government. This revenue is compensation for taxes which were originally part of the local tax base but which are now levied or exempted by the State. Revenue from this source is approximately \$9 million per year.

This tax goes into the General Fund.

## POSSIBLE NEW SOURCES OF REVENUE

### Transportation Utility Fee

To assure that streets are properly maintained factors can be developed that relate the cost of maintenance of streets to those who use them or live along side them. This is not a new concept. Cities bill storm drainage fees directly to properties in proportion to property's area and intensity of development. The idea behind this approach is to charge the property owner on the amount of run-off associated with his property.

This concept is also applicable to streets. Essentially every property that fronts on the public streets receives some benefit from access to that street. Single family residences use the street to get to and from work or shopping. The street allows delivery of goods and protective services, such as fire, police, garbage pick up and mail deliveries. Commercial enterprises benefit by having a means for customers to get to their businesses as well as from the delivery of all goods and services. Even farmers benefit as streets provide access to their fields.

Equitable units of measure and those that best reflect the variables involved, are property frontage and vehicular use. The City could develop a users' fee to fill the void between what we currently get through auto oriented taxes/fees and what is needed to maintain the City street system. It is estimated that a dollar per month per household and proportional shares, less for apartments and somewhat more for businesses per month would raise over \$1.5 million per year. We are investigating ways that this may be implemented under California law.

It is clear that benefits can be demonstrated on this fee concept, it is now only necessary to determine how much maintenance cost should be allocated the owner or renter/lessee. The road users are already paying a share of the road cost through gasoline and automobile ownership tax; however, the basic cost of maintaining streets is greater than the current funds now collected through state taxing procedures.

### Assessment Districts

Localized areas of deteriorated roadways can be funded for reconstruction through property assessment. Assessment districts must be formed by a vote of the affected property owners. These projects often include other improvements such as water, sewer, and storm drainage which are supported by separate fees. This method could be a useful tool for completing work on many particularly bad residential roadways.

This method is in limited use for general maintenance work.

### Service Districts

Servicing and operation of street lights and traffic signals for the City of Sacramento are projected to cost \$2.4 million in 1986/87. \$1.7 million of this amount is supplied by the General Fund. \$1.3 million is the projected power supply cost. Due to rising power costs, new additions to the system, and aging of the existing system, required expenditures are sure to rise in the future.

Many local agencies, including the County of Sacramento, form special service districts to pay the cost of street light operation. These districts can be formed by Council action. Street lights are a service provided by agencies which benefits all residents where they exist and it is reasonable to charge the beneficiaries directly for the service.

### Sales Tax

A supplemental county wide sales tax could be implemented by a vote of the people, with prior approval of the State Legislature. These sales taxes are difficult to pass and usually tied to specific projects. Until this last general election in October '86, Santa Clara County was the only successful agency thus far to implement this special tax. Now, Alameda and Fresno Counties have adopted a special tax for transportation issues. Typically, the duration is also limited. The planning for a County sales tax and its allocation are currently in preliminary stages.

### Overlay Fund

A portion of required street repairs are necessary due to surface patches resulting from repeated utility work in the street. The total cost of trench repairs to the Street Division is projected to be \$1.3 million over the next five years. This is the cost of repairing the trenches only, more frequent overlay of the roads, required by the patchwork, is not included.

An overlay fund could be established as part of new right-of-way encroachment fees to fund that portion of street work which is required due to right-of-way encroachment. A new city encroachment ordinance would be required and is currently being assembled for Council review.

Parking Meter Revenue

On-street parking meters generate approximately \$2 million a year in revenue. Prior to Proposition 13 this funding was used to help support off-street parking in the City. Since Proposition 13 this funding goes directly into the general fund.

Essentially, parking meters are renting out a section of the street for individual parking purposes. The maintenance of the street is taken care of through the Street Division's funding sources. An excellent case can be made for increasing this fee to generate new revenue for street maintenance. Raising the existing fee \$.10 per hour could generate an additional \$700,000 that could be used for street maintenance.

Tables I & II summarize existing and possible future sources of revenue for Street Maintenance as discussed in the report.

TABLE I

Existing Funding Sources

<u>Source</u>	<u>Total \$ Amount</u>	<u>Allocation To The General Fund</u>	<u>Funds To Str. Division Inc. CIP's</u>
Gas Tax	\$ 5,321,000	\$ -0-	\$ 4,348,000
Traffic Safety	1,800,000	-0-	1,650,000
Major Street Tax Fund	2,500,000	500,000	-0-
General Fund	133,196,000	130,408,000	2,788,000
—Motor Vehicle In- Lieu Fee \$ 9,000,000			
—Other \$124,187,000			
 TOTAL			 \$ 8,786,000

TABLE II

New Funding Sources

<u>Source</u>	<u>Projected Revenues</u>	<u>Cost per Dwelling Unit</u>	<u>Anticipated Use/Comments</u>
Transportation Utility Fee	\$ 1,500,000	\$ 1 per month	Used to fund street surface work only.
Assessment District for residential streets	\$ 7,500,000 needed for reconstruction	\$2,000 + one time assessment	Used for complete removal and reconstruction of deteriorated residential streets only. Installation of curb, gutter and sidewalk, plus other improvements is not included. Assessment per dwelling could be much higher.
Service Districts	Up to \$2,400,000 annually	\$1.50/month	Earmarked for maintenance and operation of street lights and traffic signals. Current funding to this function would then be diverted to street maintenance.
Sales Tax	1/4 cents \$ 8,000,000 1/2 cents \$16,000,000	N/A	Used for funding of <u>specific</u> transportation projects. Requires approval of state legislature. Some diversion of funds to Regional Transit.
Overlay Fund	\$ 300,000 annually	No direct cost to private parties	Through revision of the encroachment ordinance, fees would be imposed relating to the area of a pavement cut. Similar fees exist in the city of Phoenix, Arizona and San Francisco.
On street parking meters	\$ 700,000	N/A	Each \$.10/per hour raise in meter rate generates \$700,000 + annually.

The City's funding for street maintenance needs to be increased to adequately handle the street deterioration problem. The problem needs to be approached two fold: immediate action and future goals/objectives.

#### Immediate Action

##### Maintenance District

This district could be set up City wide to pay the current \$2.4 million power and maintenance bill. This would cost the average household \$1.50 per month.

##### Parking Meter Revenue

Raise the on street parking meter rates by \$.10/per hour. This would provide \$700,000 in annual revenue.

##### Street Cuts Fee

In accordance with what other cities such as San Francisco and Phoenix, Arizona have implemented, this fee should raise \$300,000.

#### Future Action

The median range goals, 1-3 years, would be to develop a dedicated funding resource for street maintenance needs. This could be accomplished through the development of a transportation utility fee.

- Initially a transportation utility fee could generate \$1.5 million and be gradually increased as the road system expands.

- Cost approximately \$1/per household per month.

One of the future solutions to the street maintenance problem requires that the gasoline sales tax be increased. California's gas tax is \$.09/gallon and we are tied for 42nd place among other states rates. The median tax is \$.13 a gallon. An increase of \$.01 per gallon for City use would increase our revenue by approximately \$2,600,000.

See Attachment \* A

Attachment \* A

RECOMMENDATIONS

It is the staff's recommendations that the Council take the following action:

- A. City Council authorize the City staff to proceed with preparation of necessary ordinance and resolutions to enact the following new funding sources.
  - . Street Cuts Fee
  - . Raise the Parking Meter Rates
  - . Establish a Maintenance District for Street Lighting
- B. City Council authorize the staff to evaluate median and long range street maintenance funding proposals and schedule same for Council action.
- C. City Council support the needs of street maintenance funding thru new and existing user fee legislation.

RECOMMENDATIONS

Funding for Street Maintenance

IMMEDIATE ACTION

<u>Source</u>	<u>Fund Generated</u>	<u>Method</u>	
Maintenance District	\$ 2,400,000	\$1.50 per household per month	
On - Street Parking Meter Revenue	700,000	Raise the Parking Meter Rate \$.10/Hour	
Street Cuts Fee	300,000	\$.12 per square foot street cut fee	
Sub-Total			\$3,400,000

FUTURE ACTION

<u>Source</u>	<u>Fund Generated</u>	<u>Method</u>	
*State Gas Tax	\$ 5,200,000	Raise State gas tax \$.02 per gallon for City use.	
Transportation Utility Fee	\$ 1,500,000	\$1 per Household per Month Equivalent Factors for Industrial and Multi-Family Units	
Sales Tax:	\$ 8,000,000	1/4 cent/\$1.00	
	16,000,000	1/2 cent/\$1.00	

\*City currently receives \$5,300,000 from State gas tax.