

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-04799-0002

Date: March 17, 2014

To: The Council

From: Miguel A. Santana, City Administrative Officer Gerry F. Miller, Chief Legislative Analyst Subject: **SAVE OUR STREETS LA BALLOT MEASURE (CFN 13-1300-S1)**

In August 2013, the City Council instructed our Offices to report back on 24 requests for information related to the potential consideration of the Save Our Streets Los Angeles Ballot Measure (SOSLA). As initially envisioned, the SOSLA would provide funding to service streets in the greatest state of disrepair throughout the City. Additionally, a General Obligation Bond (GOB) was initially put forth as the SOSLA funding mechanism.

The Council instructions addressed by this report were the result of extensive outreach efforts made by Councilmembers Englander and Buscaino, the authors of the Motion that began this process. Our Offices responded directly to some of the requests for information and worked with other departments to answer other requests (see Discussion Section). Aside from our Offices, these report backs involved the Office of the City Attorney, the Department of Public Works (the Board and the Bureaus of Street Services, Engineering, Contract Administration and Sanitation), the Information Technology Agency and the Departments of General Services, Housing, Planning and Transportation.

The intent of this report is to provide responses to the 24 requests for information as they relate to SOSLA. These responses cover the following four categories:

1. Service components the SOSLA would fund;
2. Long term plan for maintaining City streets;
3. Funding options for service components not covered by SOSLA; and,
4. Program management and oversight.

To complete one of the requests for information, the Bureau of Engineering (BOE) engaged an independent civil engineering design expert (Harris & Associates) to review the Bureau of Street Services' estimate of a street repair program, which would include the rehabilitation of D and F rated (the most severe category) streets. Specifically, Harris & Associates reviewed the work program's magnitude and \$3 billion cost estimate, along with the feasibility of a 10 year program duration and construction schedule. Reports from the Bureau of Engineering and Harris & Associates are attached (Attachments 1 and 2). These reports state that a 10 year program duration composed of planning, construction and closeout periods is not likely feasible for a variety of reasons provided in their reports. They recommend a 20 year program duration composed of 3 years for planning, 15 years for construction and 2 years for closeout. Because of the annual escalation of costs, the extended program duration of 20 years (with a 2015 commencement) raises the cost estimate to \$3.86 billion. This scenario is illustrated in the Harris & Associates report.

Given the revised cost estimate, we reviewed numerous potential funding sources for SOSLA. These included:

- Use of existing funding sources such as Proposition C, Measure R, Gas Tax and Street Damage Funds. Use of these funding sources would increase pressure to reduce other critical City services such as street sweeping, traffic sign and signal maintenance, pedestrian and bicycle safety programs, pavement preservation and maintenance of bridges and tunnels. Even if 100 percent of these funding sources were used for SOSLA, they are unlikely to provide sufficient funding. (Attachment 3);
- Use of the General Fund would limit the ability to provide adequate funding for critical public safety services;
- Use of other funding mechanisms such as the Parking Occupancy Tax, Refuse Collection Franchise Fees and Documentary Transfer Tax would not generate enough General Fund revenue for SOSLA;
- Use of a voter approved General Obligation Bond (GOB) or Special Tax Assessment. Both of these property tax funding mechanisms are not recommended for the following reasons:
 - Neither reflects citizen input received at public meetings held to discuss SOSLA. At these meetings, attendees preferred a funding mechanism that would not place the entire burden on property owners but rather spread it across as many users of the streets as possible;
 - GOBs involve added costs in the form of interest payments, as well as, debt issuance and debt administration costs;
 - Funding derived from GOBs is limited to capital improvements. Therefore, some of this funding could not be used for certain needed street repair work; and,

- Although Special Tax Assessments can be used as a pay-as-you-go funding mechanism, they involve the calculation of the benefit received by each property owner. This would be burdensome to administer for a Citywide street repair program and would raise the overall cost of repairs. Additionally, costs for individual property owners could vary significantly with some having little or no assessment and others having higher assessments.
- Use of a voter approved sales tax increase would spread the costs for the street repairs to a broader spectrum of the infrastructures' users, including those who do not live within the City but still use the City's streets. Additionally, it would serve as a pay-as-you-go funding mechanism at a lower cost.

Given the above review, our Offices recommend that a half-cent sales tax increase serve as the SOSLA funding mechanism, and that the funding be used for a street repair program, as well as, a much needed sidewalk repair program. The street repair program would rehabilitate D and F rated (the most severe category) streets and install curb ramps where warranted. The sidewalk repair program would focus on the removal of barriers to mobility on City sidewalks. An SOSLA designed to fund these service components would serve as the foundation and provide opportunities to pursue additional potential funding for other program options discussed in this report. A half-cent sales tax increase that would sunset after 15 years would provide an estimated total of \$4.5 billion in funding. This would provide funding required to repair the City's worst streets (estimated at \$3.86 billion) and provide funding (potentially \$640 million) for the repair of the City's worst sidewalks.

A half-cent sales tax increase is recommended over a General Obligation Bond as the SOSLA funding mechanism for the following reasons:

- It spreads the costs for the street repair and sidewalk repair programs to a broader spectrum of the infrastructures' users, including those who do not live within the City but still use the City's streets. An important message communicated by participants of public outreach meetings has been that the SOSLA not be solely financed by property owners;
- It is estimated that a half-cent sales tax increase would generate sufficient revenue to fund the proposed repairs within the 15 year construction window recommended by the Bureau of Engineering and Harris & Associates;
- A half-cent sales tax increase would enable the street repair and sidewalk repair programs to be financed on a "pay-as-you-go" basis unlike a General Obligation Bond, which would require the payment of interest and a repayment schedule that would extend significantly beyond 15 years; and,

- In our April 2013 report regarding the use of a GOB funding mechanism, we estimated that for a 10 year, \$3 billion street repair program the owner of a \$350,000 home would pay an average of \$121 more in property taxes per year (approximately 33 cents per day), over a 29 year period. With a half-cent sales tax increase, which sunsets in 15 years, we currently estimate that for 20 year street and sidewalk repair programs funded at \$4.5 billion, a City household would pay approximately \$91 per year for 15 years (approximately 25 cents per day) as illustrated on page 13 of the Discussion.

Additional information on a proposed sales tax increase is provided in the Discussion Section A and Attachment 4.

Service Components the SOSLA Would Fund

Rehabilitation of D and F Rated Streets and Warranted Curb Ramp Installations (Street Repair Program)

The magnitude of the recommended street repair program, if not properly planned and executed, would cause significant disruption to communities and traffic patterns across the City. Therefore, the program would require the City to develop a strategic and coordinated implementation plan to prioritize streets to ensure that vehicular movement is not unduly constrained.

Staff considered a 10 year, 15 year, and 20 year construction period for street repairs and warranted curb ramp installations. Multiple scenarios were thoroughly reviewed. A 10 year construction period appears to be a significant challenge. A 15 year construction period appears to be more feasible as it accounts for a more practical scale of construction on an annual basis and minimizes escalation costs. Additionally, the BOE estimates that three years would be needed to properly prepare, plan and coordinate with other agencies before commencement of construction work, and two years would be needed for project and program closeout following the construction period. Therefore, the street repair program under this scenario would take 20 years to complete with commencement in 2015 and a median cost estimate of \$3.86 billion. This scenario is illustrated in the Harris & Associates report. The \$3.86 billion amount assumes a three percent annual cost escalator throughout the duration of the street repair program to account for inflation.

Sidewalk Repair Program

One of the August 2013 report backs was that our Offices, with assistance from the Bureau of Street Services (BSS), provide cost estimates, and report on the feasibility of including a sidewalk repair program as part of SOSLA. Based on community input obtained from outreach efforts, sidewalk repair is of high priority. We recommend inclusion of a sidewalk repair program with funding from SOSLA because both focus on the repair of existing infrastructure, instead of creating new infrastructure, and both address existing City liability.

The Bureau of Street Services does not currently have complete data regarding the condition of City sidewalks. Based on limited observations, BSS estimates that approximately 40 percent of the City's sidewalks may be in need of repair/replacement with a majority of them having been damaged by tree roots. It is unclear how much funding would be required to address all needed sidewalk repairs. This proposal would provide up to approximately \$640 million of the estimated incremental half-cent sales tax revenue to be used on sidewalk repairs. Although the proposed funding mechanism would go towards street and sidewalk repairs, it is recommended that separate street repair and sidewalk repair programs be established and operated for the following reasons:

- Sidewalk barrier removal and mobility is an issue that deserves a singular focused effort and will require close coordination with urban forestry efforts to ensure that tree root damage is effectively addressed;
- Sidewalk repair projects could be overshadowed by large roadway reconstruction projects if both are operated under a singular work program;
- While there is overlap between both street and sidewalk repair efforts and a definite need to coordinate closely to ensure efficiencies, not all failed streets will require sidewalk repair;
- The initial focus and strategy in the sequencing of repairs will likely differ significantly between programs. For example, a focus on pedestrian access issues for sidewalks will likely lead to an early focus on high pedestrian traffic areas first, while a focus on street damage issues will likely lead to attention on significantly damaged roadways; and,
- The street repair program is further along with a detailed cost estimate that was prepared over the past several months using data collected over multiple years, and validated through sampling performed by Harris & Associates. The scope and cost of the sidewalk repair program is still in the early stages of development.

Long Term Plan for Maintaining City Streets

In our joint report, dated April 2, 2013, our Offices advised that a successful street repair program would be contingent upon also providing sufficient funding to the City's Pavement Preservation Program and the Physical Plant Capital Improvement Program both during and after implementation of SOSLA.

Pavement Preservation Program

We estimated that it will cost approximately \$3 billion to continue the Pavement Preservation Program (PPP) over the life of the SOSLA Program. This is important to avoid creating a large inventory of new failed streets while repairing the current inventory of failed streets.

Additionally, we project that cost increases will continue to challenge the City in providing sufficient funding for this Program. Discipline will be required to ensure that this is properly funded during the course of the proposed SOSLA Program.

Capital Improvement Program

The Capital Improvement Program (CIP) has historically included repair to some significant failed streets (generally those that are collapsing or have serious structural issues and are a public safety concern). The funding provided for SOSLA would also allow the City to address these types of projects (e.g. Paseo Del Mar; Asilomar; various bulkheads and retaining walls). Other CIP items such as ventilation fans for tunnels, guardrails, and berm replacement will still require funding separate from SOSLA.

Funding Options for Service Components not Covered by SOSLA

The SOSLA will provide opportunities to accomplish multiple goals. Focused effort should be made to develop other revenue streams (including grant opportunities) to allow for the leveraging of SOSLA funds to construct appropriate green street elements, streetscape (complete street) elements, cool street elements, and Great Street neighborhoods. Descriptions for these items are provided in the Discussion section and corresponding attachments.

Program Management and Oversight

The SOSLA funds should be overseen by the City Council through an Administrative Oversight Committee and Citizens' Oversight Advisory Committee. This is a successful formula the City has used to oversee GOB funds and corresponding programs/projects. The Discussion section herein provides further information.

Implementation of street and sidewalk repair programs funded by SOSLA will be done in the most cost-effective manner. This will include the use of both City staff and contractors as described on page 5 of the Bureau of Engineering report (Attachment 1).

Items Recommended Regardless of the Disposition of the SOSLA Ballot Measure

In our research, we found two items that we recommend the Council and Mayor approve regardless of the disposition of the SOSLA Ballot Measure. They are as follows:

Public Right-of-Way Reservation System

We were instructed to report back, with the assistance of BOE, BSS and the Bureau of Contract Administration with recommendations for procuring a new, cloud-based, public right-of-way activity coordination software system (C.F. 13-0612). We also asked the Information Technology Agency (ITA) to assist with this evaluation. As a response to this request, ITA submitted a report on the City's existing Public Way Reservation System (Attachment 16).

ITA and BOE led an evaluation of two potential options:

1. Enhancing the City's existing Public Way Reservation System; and,
2. Utilizing a privately owned system called Envista.

ITA recommends that BOE be provided \$200,000 to enhance the Public Way Reservation System. In addition, City department administrative and electronic processes must be strengthened to ensure accurate and timely information is provided to the System. We concur with the ITA recommendation. Whether SOSLA is approved or not, this is recommended to allow the City to provide more clear, timely and transparent communication to the public of all potential road work and closure activity.

Street Cut Moratorium Extension

We were instructed to report back on potential changes to the Street Damage Ordinance and Program. We discovered that other cities have a five year street cut moratorium while the City of Los Angeles has a one year moratorium. We believe that City streets are a valuable investment worthy of protection. Therefore, it is recommended that the City increase the street cut moratorium from one year to five years, whether the SOSLA is approved or not. This will help reduce the rate at which streets deteriorate.

Timeline and Next Steps

The timeline for placement of the SOSLA Ballot Measure on the November 2014 Ballot is as follows:

July 2, 2014	Last day for the Council to adopt a motion requesting the City Attorney to prepare resolutions placing proposed measures on the ballot [Election Code Section 601(a)].
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July 16, 2014	Last day for Council adoption of all resolutions placing proposed measures on the ballot [Election Code Section 601(b)].
August 8, 2014	Last Day for Council to request consolidation with State General Election [California Elections Code 10403].
August 11, 2014	Last day to file ballot arguments with the City Clerk [Election Code Section 605(e)].
August 21, 2014	Last day to file rebuttal arguments with the City Clerk [Election Code Section 605(e)]
August 26, 2014	Last day to file impartial summaries and financial impact statements with the City Clerk [Election Code Section 604(a)].

The City Clerk estimates that placement of the SOSLA ballot measure on the November 2014 ballot will cost approximately \$4.4 million.

RECOMMENDATIONS

That the Council, subject to the approval of the Mayor:

1. Request the City Attorney, working with the Chief Legislative Analyst and City Administrative Officer, to prepare resolutions and an ordinance for a November 2014 ballot measure to enact a one-half cent sales tax over a 15 year period and dedicate resulting revenue towards the rehabilitation of D and F rated (the most severe category) streets, the installation of curb ramps where warranted, and sidewalk repairs aimed at the removal of barriers to mobility, and further, request the Mayor to include in his fiscal year 2014-15 proposed budget funding for said ballot measure;
2. Request the City Attorney, working with the City Administrative Officer, to prepare and present appropriate material for the Council to approve an SOSLA Oversight Structure consistent with this joint report from the CLA and CAO and report back to Council concurrently with the ballot measure for the enactment of the above sales tax measure;
3. Modify the Street Damage Repair Program as follows:
 - a. Request the City Attorney to prepare, and present for Council consideration an ordinance to increase the current moratorium on excavations in streets resurfaced from one year to five years, unless the permittee resurfaces the entire block curb face to curb face and/or intersection containing such cuts and/or excavations;
 - b. Request the City Attorney to work with the Bureau of Contract Administration to amend Section 62.02(f)2., Article 2, Chapter VI of the Los Angeles Municipal Code to modify the exception to requiring utility companies and their contractors to provide liability insurance;

- c. Request the City Attorney to work with the Bureau of Contract Administration to amend Section 62.02(g), Article 2, Chapter VI of the Los Angeles Municipal Code to require all utility owners to provide to the Bureau of Contract Administration (Inspector of Public Works), written affidavits designating their authorized representative (contract/subcontractor) who will be performing the work described in a permit;
 - d. Request the City Attorney to work with the Bureau of Contract Administration to amend Section 62.04(b), Article 1, Chapter VI of the Los Angeles Municipal Code to include notification requirements on permits for utility service work cuts of less than 100 square feet;
 - e. Instruct the Bureau of Street Services to report back with recommendations relative to the current Street Damage Restoration Fee to account for the increase in salaries and materials that has occurred since the last fee increases were approved eight years ago; and,
 - f. Request the City Attorney, City Administrative Officer, and the Bureau of Contract Administration to report back within 90 days with recommendations to increase the City's current fines and penalties associated with failing to comply with the City's permit requirements.
4. Instruct the Bureau of Engineering, with support from the Information Technology Agency as required, to immediately proceed to enhance the Public Way Reservation System (PWRS) to provide a more customer friendly public interface and to increase the accuracy and depth of available information; and,
- a. Instruct the City Administrative Officer to work with all departments and FilmLA to ensure that data provided to the PWRS is complete and is refreshed as frequently as possible and report back within 90 days;
 - b. Subject to the approval of the Mayor, instruct the City Engineer and request the Controller to appropriate \$200,000 of available cash within the Engineering Special Services Fund, Fund 682, Department 50, to a new account (Account number to be determined) entitled "PWRS Enhancement";
 - c. Authorize the City Engineer to execute a contract for information technology services to assist with the PWRS Enhancement, subject to City Attorney review; and,
 - d. Authorize the City Engineer, with the concurrence of the City Administrative Officer, to make any technical corrections required to carry out the intent of the Council and Mayor.
5. Should the Council desire to add Complete Street projects to the SOSLA Ballot Measure, it is recommended that the Council:
- a. Instruct departments to give top priority to submitting requests for funding of Complete Streets to Metro's Call For Projects;
 - b. Instruct the Director of City Planning, the City Administrative Officer and the Chief Legislative Analyst to establish a template for use in future development agreements that will assist in the funding of Complete Street projects; and,
 - c. Should the proposed ballot measure be approved:

- i. Task the Proposed SOSLA Citizens' Oversight Advisory Committee (COAC) working with the City Complete Streets Committee to create a strategic approach to locating, scoping and prioritizing Complete Street projects for review and approval by the Proposed SOSLA Administrative Oversight Committee (AOC) and the City Council; and,
 - ii. Within the strategic approach created by the COAC and approved by the Administrative Oversight Committee and the City Council, encourage departments to apply for grants to assist with leveraging City funds in implementation of the Complete Street Projects.
6. Should the Council desire to add Green Street projects to the SOSLA Ballot Measure, it is recommended that the Council:
 - a. Instruct all departments to:
 - i. Work with the City Administrative Officer and Chief Legislative Analyst to seek additional funding sources to fund the incremental costs of Green Streets;
 - ii. Consider simpler, more cost effective installations than the Elmer Avenue model; and,
 - iii. Prioritize projects that can help alleviate flooding as well as assist with infiltration.
 - b. Should the proposed ballot measure be approved:
 - i. Task the Proposed SOSLA Citizens' Oversight Advisory Committee (COAC) working with the City Green Streets Committee to create a strategic approach to locating, scoping and prioritizing Green Street projects; and,
 - ii. Within the strategic approach created by the COAC and approved by the Administrative Oversight Committee and the City Council, encourage departments to apply for grants to assist with leveraging City funds in implementation of the Green Street Projects.
7. Should the Council desire to add Great Streets projects to the SOSLA Program, it is recommended that the Council encourage all departments to leverage City funds by seeking outside funding, including applying for grants to fund the implementation of Great Streets projects.

FISCAL IMPACT STATEMENT

The City Clerk estimates that placement of the SOSLA ballot measure on the November 2014 ballot will cost approximately \$4.4 million in fiscal year 2014-15. Additionally, a maximum of \$200,000 will be spent from uncommitted funds within the Engineering Special Services Fund to enhance the Public Way Reservation System.