

## DISCUSSION

On August 21, 2013, the City Council instructed the City Administrative Officer (CAO) and the Chief Legislative Analyst (CLA) to report back with a variety of information related to the Proposed Save Our Streets LA (SOSLA) Program (C.F. 13-1300-S1). The SOSLA Program is envisioned to repair the City's failed streets and restore the overall City street system to a level that provides greater public safety, supports economic development and substantially eliminates the City deferred maintenance liability. As a byproduct of the effort to renew the street infrastructure, it is also intended to create new jobs for local residents and reduce unemployment within the City.

The report requests were listed as A through X. This Appendix provides responses to all the requests. Where appropriate, other City departments and agencies assisted with information. The reports from those other City agencies are included as Attachments to this report.

### A. FUNDING REQUIREMENT AND POTENTIAL FUNDING OPTIONS

- Attachment 1 - Report from the City Engineer**
- Attachment 2 - Report from Harris and Associates**
- Attachment 3 - City Special Fund Information from the CAO**
- Attachment 4 - Sales Tax Report from CAO/CLA**
- Attachment 5 - Documentary Transfer Tax Report from CAO/CLA**
- Attachment 6 - Parking Occupancy Tax Report from CAO/CLA**
- Recommendation # 1**

We were instructed to report back in detail on the funding requirement and potential funding options for achievement of an overall "B" with further breakdown and analysis by Select Streets v. Residential Streets.

#### Funding Requirement

As we reported in April 2013, the funding requirement to achieve an overall "B" includes the amount required to repair the failed streets and to maintain the existing streets that are not yet failed.

#### *Repair Failed Streets*

We requested that the City Engineer hire a consultant to perform an independent cost estimate of the SOSLA Program. The City Engineer hired Harris & Associates (Harris). Harris estimates that it will take \$3.54 billion to \$3.86 billion to repair the City's failed streets. Both Harris and the City Engineer believe that the SOSLA Program can be implemented as follows:

<u>Phase</u>	<u>Duration</u>	<u>Possible Start</u>
Planning	3 Years	January 1, 2015
Construction	15 Years	January 1, 2018
Closeout	<u>2 Years</u>	January 1, 2033
Total Program	20 Years	

Reports from the City Engineer and Harris are included as Attachments 1 and 2.

In our prior report, we indicated that the Street Capital Improvement Program would also need to be funded to ensure an overall improvement to the street system. We recommend that the same funding mechanism being used to fund the repair of D and F streets also be used to fund the elements of the Street Capital Improvement Program that deals with failing streets (e.g. bulkheads, retaining walls, landslide mitigation). We believe this overlap will be a relatively modest cost that can be absorbed by taking advantage of any potential savings and interest earnings.

### *Maintain the Pavement Preservation Program*

We estimate 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. Without this we cannot ensure improvement of the street system to an overall 'B' rating.

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.

We have provided a rough estimate of the cost of maintaining the Program and have included forecasts for the City Special Funds that are normally used to fund the Program (Attachment 3). These illustrate the challenge the City will face. However, we expect that the annual City Budget process will be utilized to meet this challenge each year. Eventually, it may be desirable to consider new revenue for Pavement Preservation.

### Potential Funding Options

Currently, identified services eligible for the special funds utilized for the Pavement Preservation Program exceed available funds. This results in the need to provide funding from the City General Fund. (Attachment 3) We do not expect this situation to change significantly during the implementation of the SOSLA. We expect that it is likely that the General Fund component of the Pavement Preservation Program may increase over the term of SOSLA. Therefore, to reduce pressure on other critical City services, the City needs to consider increasing existing revenue streams or creating new revenue streams to provide SOSLA funding.

Examples of potential increased and/or new revenue streams that may fund SOSLA are as follows:

<u>Item</u>	<u>Estimated Annual \$</u>
Dedicate Revenue from The New Multi-Family/Commercial Refuse Collection Franchise Fee	\$ 30 Million
Establish a Car Rental Tax (Increase to Five Percent)	\$ 24 Million
Increase Local Sales Taxes (Increase by Half Cent)	\$215 Million
Increase the Documentary Transfer Tax (Tiered Rate)	\$ 82 Million
Increase the Parking Occupancy Tax (Increase by Five Percent)	\$ 43 Million

Of these options, only the Sales Tax increase is sufficient to fund the SOSLA. We recommend that a half cent sales tax increase be provided to, at a minimum, fund the SOSLA. Our Offices previously reported on the increase in the Sales Tax (Attachment 4), Documentary Transfer Tax (Attachment 5), and Parking Occupancy Tax (Attachment 6). We have included those reports herein as attachments for your convenience.

Our joint report on a half-cent sales tax increase was released in November 2012 (Attachment 4). Using Fiscal Year 2011-12 sales tax receipts, the report provided an analysis of the additional revenue a half-cent sales tax increase would generate. The findings stated a range between \$208 million to \$215 million. Adjusting the low range amount of \$208 million to Fiscal Year 2013-14 Adopted Budget sales tax receipts levels, increases the \$208 million amount to \$232 million.

Further, over the previous 15 years, the City’s sales tax receipts have averaged an annual growth of three percent. If this trend continues for the foreseeable future, the annual revenue generated from a half-cent sales tax going into effect on January 1, 2015 is estimated at \$243 million. Proceeding to annually adjust this 2015 amount with a three percent growth factor, total estimated receipts from a half-cent sales tax increase commencing in January 2015 and ending in December 2029 (15 years) would generate approximately \$4.5 billion. Additionally, in June 2008, the Los Angeles County Economic Development Corporation (LAEDC) released a report entitled, “Sources of Sales Tax Revenue Collected in LA County.” The report estimated that approximately 41.8 percent of sales tax receipts were generated by Los Angeles residents’ purchases. The remainder was generated by tourist and business purchases. Using City 2013 actual sales tax receipts and population, a half-cent sales tax increase would annually cost each resident approximately \$24.63. If this amount is adjusted to reflect the anticipated growth in sales tax receipts and City population,, the cost per City resident would annually average \$31.50 from January 2015 through December 2029 (15 years) and cost per household for the same period would annually average \$91.34. The following table provides an annual breakdown of these stated projected amounts:

PROJECTIONS FOR HALF (0.5) CENT SALES TAX INCREASE						
Year Count	Calendar Year	Sales Tax Receipts	Residents' Sales Tax Portion	Los Angeles City Population	Per Resident Sales Tax	Per Household Sales Tax
1	2015	\$ 242,983,521	\$ 101,567,112	3,896,726	\$ 26.06	\$ 75.59
2	2016	250,476,247	104,699,071	3,913,274	26.75	77.59
3	2017	258,200,022	107,927,609	3,929,892	27.46	79.64
4	2018	266,161,970	111,255,704	3,946,581	28.19	81.75
5	2019	274,369,435	114,686,424	3,963,341	28.94	83.92
6	2020	282,829,989	118,222,935	3,980,172	29.70	86.14
7	2021	291,551,435	121,868,500	3,997,074	30.49	88.42
8	2022	300,541,819	125,626,481	4,014,048	31.30	90.76
9	2023	309,809,434	129,500,343	4,031,095	32.13	93.16
10	2024	319,362,828	133,493,662	4,048,214	32.98	95.63
11	2025	329,210,814	137,610,120	4,065,405	33.85	98.16
12	2026	339,362,476	141,853,515	4,082,669	34.75	100.76
13	2027	349,827,178	146,227,760	4,100,007	35.67	103.43
14	2028	360,614,574	150,736,892	4,117,418	36.61	106.17
15	2029	371,734,613	155,385,068	4,134,904	37.58	108.98
	<b>Totals</b>	<b>\$ 4,547,036,358</b>	<b>\$ 1,900,661,198</b>	<b>Averages</b>	<b>\$ 31.50</b>	<b>\$ 91.34</b>

Additionally, the CAO has begun looking at the possibility of a Public Private Partnership to fund both the construction and maintenance of the current inventory of failed streets. While these types of transactions can help the City transfer risk, they are inherently complex and require a significant amount of effort to implement and administer. We will continue to review this as a potential funding option and report back if we believe it will benefit the City.

**B. PRELIMINARY WORK PLAN AND CONSTRUCTION SCHEDULE**  
**Attachment 2 - Report from Harris and Associates**  
**No Recommendation**

We were instructed, with the assistance of BOE and BSS, to provide a preliminary work plan that identifies D and F grade streets that would be bond-eligible, and include a preliminary construction schedule.

All D and F rated streets are bond-eligible as they all require significant capital work to restore them.

A preliminary construction schedule, without individual streets identified, is included in the Harris report (Attachment 2). Identification of the schedule for individual streets will occur in the Planning Phase.

**C. LONG TERM PAVEMENT PRESERVATION PLAN**  
**Attachment 7 - Report from the Bureau of Street Services**  
**No Recommendation**

We were instructed, with the assistance of BSS, to provide a long-term pavement preservation plan to maintain streets in an overall average grade of B or better, using pavement preservation best practices.

Currently, very few resources, if any, are being applied to maintain failed streets. The bulk of resources are going to maintain streets rated A, B and C in an effort to keep them from failing. As streets are repaired under SOSLA, restoring them to A rated streets, the amount of maintenance and necessary funding required under the Pavement Preservation Program will increase. Providing for the proper amount of maintenance will be necessary to maximize the useful life of the restored street system.

A report from BSS provides additional information (Attachment 7).

**D. GENERATION OF FUNDING THROUGH VEHICLE OWNERS**  
**Attachment 6 - Parking Occupancy Tax Report from CAO/CLA**  
**No Recommendation**

We were instructed to report on the feasibility of generating funding through taxing or charging fees on vehicle owners, such as a local vehicle registration fee, local gas tax, or tolls. Our findings are as follows:

## Local Vehicle License Fee

In 2009, the legislature passed SB 83 (Hancock), which enabled counties to propose vehicle registration fees to voters, and use the revenue generated by these fees for transportation related projects. However, a vehicle registration fee for transportation infrastructure can only be proposed and collected at the county level of government. While a countywide fee could provide additional revenue for road reconstruction, the City would have to request the county to propose a fee, and only a portion of the new revenue would be provided to the City.

## Local Gas Tax

This is included in a separate response to Council Instruction G.

## Roadway Tolling

A cordon or congestion pricing model, similar to those in use in London or Singapore, could theoretically be implemented in denser areas of Los Angeles. Under this type of toll regime, vehicles would be charged a toll for entering defined areas of the City during peak traffic hours. In most jurisdictions that have established cordon pricing, the toll price varies with the level of congestion. However, every road into the cordon area would have to be monitored, and a toll collection system would have to be created which does not result in additional traffic congestion in non-cordon areas. Further, these types of congestion pricing schemes are primarily designed to reduce greenhouse gasses and traffic congestion, with revenue being a secondary reason for the implementation of cordon pricing. Cordon pricing may not be feasible in Los Angeles, as traffic congestion is a significant problem in multiple areas of the city, there are multiple roads leading in and out of congested areas of the city, and public transit is not as robust in Los Angeles as it is in cities that have implemented successful cordon pricing systems.

Additionally, Government Code Section 5956 grants local governmental agencies the authority and flexibility to utilize private investment capital to study, plan, design, construct, develop, finance, maintain, rebuild, improve, repair, or operate, or any combination thereof, fee-producing infrastructure facilities. If some of the infrastructure rebuilt under the SOS LA project was fee-producing, then the City would be able to partner with private-sector businesses or institutions to finance the project.

## Heavy Vehicles

### *Buses*

Buses impact the City street system. However, Metro provides the City with \$50 million annually from Proposition C and \$40 million annually from Measure R County sales tax assessments. Use of this money to repair City streets is appropriate and has been part of the City strategy for funding the Pavement Preservation Program. We recommend that this continue.

### *Commercial Trucks*

Establishment of a charge to commercial trucks would be difficult to implement in a City like Los Angeles. It may be easier to increase or establish a tax at the State and/or Federal level and have revenues distributed equally back to local jurisdictions.

### *Multi-Family and Commercial Refuse Trucks*

On April 24, 2013, the Council instructed this Office to report back with recommendations for dedicating a portion of fees from future Waste Hauling Franchises to street repair and maintenance (C.F. 10-1797-S15 Amending Motion 23D). Additionally, on August 21, 2013, in addition to instructing us to report back on generation of funding from vehicle owners, the Council instructed us, with the assistance from the Bureau of Sanitation (BOS), to report with recommendations for dedicating a portion of a future Waste Hauling Franchise Fee to street repair and maintenance (C.F. 13-1300-S1). We have reviewed this matter and find that it is both feasible and recommended.

In an August 23, 2012 report provided by the City Administrative Officer (CAO) to the Council on the issue of establishing a multi-family and commercial refuse collection franchise, the CAO estimated that between \$20 million and \$30 million in General Fund revenue was available annually. In promoting an alternative recommendation (the Exclusive Franchise system approved by the Council), the Director of the Bureau of Sanitation (BOS) testified that the same amount of General Fund revenue was available.

The City Attorney has stated that all revenue from the refuse franchise fees are unrestricted revenue. This revenue would normally be placed in the City General Fund. However, the Council and Mayor could establish an SOSLA Trust Fund, place the franchise fees in the Trust Fund and designate the use of those funds for street repair and maintenance. This would be an appropriate use of those funds since refuse collection vehicles provide for greater wear and tear on the streets and alleys than a normal passenger vehicle.

The August 2012 CAO report further indicated that the amount of franchise fee revenue achievable is contingent upon future policy decisions. For example, properly weighting the amount and timing of the Franchise Fees in the bidding process, establishing minimum bids per district, establishing financial incentives for compliance with the Franchise terms, ensuring that enforcement activities are adequately supported and reducing the AB939 Fee to minimize the potential impact on refuse collection rates are decisions that should be made by the Council. If it is desired, the Council could instruct us, to work with the Bureau of Sanitation, to review relevant issues relating to properly establishing a Refuse Collection Franchise Fee and report back.

### *City Refuse Trucks*

A fee could be charged to City refuse trucks and be dedicated to roadway repair and/or maintenance. The nexus with the repair of failed streets is obvious as heavy City refuse trucks operate in single family residential neighborhoods, and the majority of the City D and F streets are located in residential neighborhoods.

The City Attorney reports that California courts have ruled that a franchise type fee cannot be directly applied to City refuse service. The courts have allowed, however, that, if the City could determine actual costs, those costs may be included in the rate structure. Therefore, the City could establish a fee to mitigate the impact of City trash trucks on City streets. However, to legally do so, a study would be needed to determine if there is a greater impact on streets by City refuse collection trucks than other vehicles and to quantify any potential impact.

If there is a desire to do this, the Council could instruct the City Engineer, the Bureau of Street Services, the Department of General Services, the City Administrative Officer and City Attorney to report back with such a study.

### *Weight Fees*

California sets Vehicle Weight Fees in California Vehicle Code Section 9400. DMV collects these fees in addition to registration fees when a vehicle is registered and uses the funds for various programs. These fees can only be revised by the state, and do not vary from county to county. To raise these fees, state legislation would be required.

### *Diesel Fees*

Under the current law, the California State Board of Equalization sets the sales and use tax rate for diesel fuel, as well as an excise tax. The current state sales and use tax rate for diesel fuel is 9.42 percent, while the excise tax rate is 10 cents per gallon. These rates are periodically reviewed by the Board of Equalization. The revenue raised under these programs is used for highway and road maintenance. Because these rates are set by the state, the City is unable to increase them without state legislation.

### Rental Cars

The Department of Public Works, Bureau of Sanitation has provided a suggested Car Rental Tax that would require further study. It could potentially be used for street repair, stormwater and flood control projects and maintenance and street sweeping. A five percent assessment per car per day tax is estimated to generate \$24 million per year. Implementation of this proposal would be similar to an additional business tax.

### Parking Occupancy Tax

Our Offices provided a report to the Council, (C.F. 11-1357-S1, on October 17, 2012) that described the process and amount required to increase Parking Occupancy Taxes. It was estimated that an increase in the tax rate from 10 percent to 15 percent could increase revenues by \$41 million or more. We have included additional information on this funding source as Attachment 6.

## Special Parking Revenue Surplus Transfers

The Special Parking Revenue Fund (SPRF) receives revenue from parking meters and parking lots owned by the City Department of Transportation (DOT). After paying for the operations, maintenance and debt service of the system, the City is allowed to declare a surplus in the Fund and transfer the surplus money to the City Reserve Fund. The CAO counts on \$18 million in surplus funds transfers for the City Budget forecast. Any surplus transfer in excess of the \$18 million is considered one-time funding that, once transferred to the Reserve Fund, is available for any purpose, including street repair.

### **E. AVAILABILITY OF FEDERAL OR STATE GRANT PROGRAMS** **No Recommendation**

We were instructed to report back on the availability of any federal or state grant programs that could potentially provide supplementary funding for this measure.

Grant funding for road reconstruction and maintenance projects is limited or non-existent. However, Grant funding programs that support “green streets” programs, or projects for infrastructure infill, transportation, and economic development, may be of use for the SOSLA program.

However, the availability of grant funds in the future for these types of projects is not guaranteed and grant funds utilization would be limited to specific projects within the SOSLA program. California also offers a grant for the use of recycled tires which could be of use to the SOSLA program.

### Infrastructure State Revolving Fund Program (CA)

(Max award: \$10,000,000)

The purpose of this program is to provide public agencies with low-cost financing for a variety of infrastructure projects. Intending to promote economic development and the conservation of natural resources, projects must facilitate effective and efficient use of public resources, as well as develop and enhance public infrastructure in a manner that will create and retain long-term employment opportunities. Applicants must demonstrate a readiness to proceed with construction within six months of loan origination. Projects should be consistent with the general plan of the city and/or the county, and projects must be eligible for tax-exempt financing without an allocation of the state's private activity bond volume cap.

This program utilizes a two-tiered loan system. Tier 1 projects must meet the loan underwriting criteria outlined on pages 20-26 of the NOFA file. Tier 2 loans are available for projects in economically distressed communities that are expected to meet Tier 1 underwriting criteria within three to five years of loan origination.

Funding is available to support infrastructure projects such as:

- City streets, county highways, and state highways
- Drainage, water supply, and flood control
- Educational facilities



- Environmental mitigation measures
- Parks and recreational facilities
- Port facilities
- Power and communications facilities
- Public transit
- Sewage collection and treatment
- Solid waste collection and disposal
- Water treatment and distribution
- Defense conversion and military infrastructure
- Public safety facilities

Eligible costs include:

- Construction, renovation, and acquisition
- Demolishing or removing buildings or structures on acquired land
- Machinery, equipment, and financing charges
- Interest prior to, during, and for a period after completion of the eligible project
- Provisions for working capital
- Reserves for principal and interest and for extensions, enlargements, additions, replacement, renovations, and improvements
- Architectural, engineering, financial, and legal services, plans, specifications, estimates, administrative expenses, and other necessary or incidental costs

#### 2013 TIGER grant funding (Federal)

(Max award \$200,000,000)

The purpose of this program is to support capital investments in surface transportation infrastructure projects that provide significant impacts nationally, in a metropolitan area, or in a region.

Eligible project types include:

- Highway and bridge projects eligible under title 23, U.S. Code
- Public transportation projects eligible under chapter 53 of title 49, U.S. Code
- Passenger and freight rail transportation projects
- Marine port infrastructure investments

#### Infill Infrastructure Grant Program FY 2014 (CA)

(Max Award \$4,000,000)

The purpose of this program is to support the development of higher-density affordable and mixed-income housing in locations that are designated as infill.

Qualifying infill projects must be located in an urbanized area that has adopted a housing element compliant with Article 10.6 of Chapter 3 of Division 1 of Title 7. Examples of eligible improvements include:

- Development or rehabilitation of parks or open space
- Utility improvements and relocation
- Streets, roads, transit linkages, and facilities
- Traffic mitigation features
- Site preparation or demolition

- Sidewalks and streetscape improvements
- Storm drains, storm water basins, culverts, and similar drainage features

#### Economic Development Assistance Program Grants - FY 2013/2014 (Federal)

(Award Amount Unspecified)

The purpose of this program is to provide distressed communities and regions with resources to support job creation and private investment. Seeking to prepare regions for success, this program supports bottom-up strategies that build on regional assets to spur economic growth and resiliency. Applicants are encouraged to present new ideas and creative approaches to advance economic prosperity.

Funding is available in the following streams:

- Public works: catalytic investments to help distressed communities build, design, or engineer critical infrastructure and facilities that will help implement regional development strategies and advance bottom-up economic development goals to promote regional prosperity. Eligible projects may include a technology center that provides laboratory, office, and manufacturing space or regional job creation in targeted cluster industries.
- Economic adjustment assistance: provide a wide range of construction and non-construction assistance, including public works, technical assistance, strategies, and revolving loan fund (RLF) projects, in regions experiencing severe economic dislocations. Examples of eligible projects include a university or community college launching an RIC and the construction of a multi-tenant facility to house early-stage businesses. Consideration for funding through this stream will be given to applications from communities experiencing adverse economic changes due to base realignment and closures (BRAC) and federally declared disasters.

#### Tire-Derived Aggregate (TDA) Grants - FY 2013 (CA)

The purpose of this program is to promote the use of tire-derived aggregates (TDAs) in order to increase recycling of California-generated waste tires. Assistance is targeted at civil engineers in their efforts to solve a variety of engineering challenges posed by the process of recycling shredded tires.

Eligible projects generally fall into one of the following categories:

- Lightweight fill, including slope stabilization, embankment fill, and landslide repair
- Retaining wall backfill where lightweight material is required
- Vibration mitigation under rail lines
- Landfill application (aggregate replacement projects)
- Landfill application projects do not include use of shredded waste tires as alternative daily cover (ADC) or alternative intermediate cover (AIC). Additionally, these landfill application projects are not eligible for consideration as a very large project (VLP).

All projects must meet the following requirements:

- One hundred percent California-generated waste tires must be used in the TDA portion of the project

- The project must be located in California.
- A minimum of 750 tons of TDA must be used in the project
- Project design plans must be at a minimum 50 percent design at the time of application submission and 100 percent design prior to the start of the project
- Each project must incorporate technical assistance/training that will be provided by CalRecycle contractors and/or staff
- Applicants must obtain any and all access rights (e.g., easements) to the project site

#### Rubberized Pavement (TRP) Grant Program - FY 2013 (CA)

(Max Award Amount: \$500,000)

The purpose of this program is to promote markets for rubberized pavement products completely derived from recycled California-generated waste tires. The program has two components to encourage first-time or limited users of rubberized pavement:

- Rubberized Asphalt Concrete (RAC) Projects: Awards are based on the differential cost of using RAC versus that of using conventional asphalt concrete and the tonnage of RAC used. A minimum of 3,500 tons of RAC must be used. Refer to page 4 of the NOFA file for additional information on differentials.
- Chip Seal Projects: Awards are based on a fixed dollar amount per square yard of material used. A minimum area of 35,000 square yards of chip seal material must be used. Refer to page 4 of the NOFA file for additional information on the award basis.

All projects must contain a minimum of 300 pounds (equivalent to 15 percent by weight) of tire-derived crumb rubber per ton of rubberized binder.

#### Urban Greening Program (Parts A and B): Projects - FY 2013 (CA)

(Max Award Part A: \$250,000, Max Award Part B Unspecified)

The purpose of this program is to create sustainable communities and help California meet its environmental goals and to by assisting state and local entities with the development of local greening plans and the implementation of related projects in urban areas. Program goals include improving air and water quality, protecting natural resources and agricultural lands, increasing the availability of affordable housing, improving infrastructure systems, and promoting public health.

Supported plans or projects must reduce greenhouse gas emissions and provide multiple environmental benefits. In addition, plans/projects must be consistent with the state's planning policies and in compliance with the California Environmental Quality Act (CEQA) and other applicable regulations.

Funding is available through the following program components:

- (Part A): Planning
- (Part B): Projects

The Planning component will support the development of a master urban greening plan that will guide and coordinate greening projects in the applicant's jurisdiction. Applicants

should involve the community in the development and coordination of plans, and plans should integrate entities with jurisdiction over the service area.

Eligible costs may include personnel, employee, and consultant services, as well as necessary miscellaneous costs and a limited amount of contingency costs.

The Projects component is designed to incrementally create more viable and sustainable communities by supporting development or acquisition projects that preserve, enhance, increase, or establish green areas such as urban forests, open spaces, wetlands, and community spaces. Potential project types include:

- Tree canopy/shade trees
- Urban heat island mitigation and energy conservation through landscaping and green roof projects
- Multi-objective storm water projects, such as construction of permeable surfaces and collection basins and barriers
- Community, demonstration, or outdoor education gardens or orchards.

#### Los Angeles Metro Call for Projects (Los Angeles County)

(Max Award unspecified)

Metro is responsible for allocating discretionary federal, state and local transportation funds to improve all modes of surface transportation. Metro also prepares the Los Angeles County Transportation Improvement Program (TIP). A key component of TIP is the Call for Projects program, a competitive process that distributes discretionary capital transportation funds to regionally significant projects.

The Call for Project program seeks to:

- Improve Mobility
- Maximize person throughput on streets
- Reduce Vehicle Miles Traveled (VMT)
- Reduce Greenhouse Gas (GHG) emissions

Every other year, Metro accepts Call for Projects applications in eight modal categories:

- Regional Surface Transportation
- Improvements
- Goods Movement Improvements
- Signal Synchronization & Bus Speed Improvements
- Transportation Demand Management
- Bicycle Improvements
- Pedestrian Improvements
- Transit Capital

#### California Highway Safety Improvement Program (HSIP) – FY 2013 (CA)

(Max Award unspecified)

The purpose of this program is to assist with the construction of safety improvements on public roads, publicly owned bicycle or pedestrian pathways or trails, or tribal lands for tribal use. Program funding is intended to eliminate or reduce the number and severity of traffic accidents at locations that have demonstrated transportation safety problems.

Projects may engage in preliminary engineering, address right-of-way issues, advance construction, or develop non-infrastructure (NI) elements. This grant is funded by the federal government and administered by Caltrans.

Eligible projects include:

- An intersection safety improvement
- Pavement and shoulder widening (including addition of a passing lane to remedy an unsafe condition)
- Installation of rumble strips or other warning devices, if they do not adversely affect the safety or mobility of bicyclists, pedestrians, and persons with disabilities
- Installation of a skid-resistant surface at an intersection or other location with a high frequency of crashes
- An improvement for pedestrian or bicyclist safety or for the safety of persons with disabilities
- Construction of any project for the elimination of hazards at a railway-highway crossing that is eligible for funding under Section 130, including the separation or protection of grades at railway-highway crossings
- Construction of railway-highway crossing safety features, including installation of highway-rail grade crossing protective devices
- The conduct of an effective traffic enforcement activity at a railway-highway crossing
- Construction of a traffic calming feature
- Elimination of a roadside hazard
- Installation, replacement, and improvement of highway signage and pavement markings
- Installation of a priority control system for emergency vehicles at signalized intersections
- Installation of a traffic control or other warning device at a location with high crash potential
- Planning integrated interoperable emergency communications equipment, operational activities, or traffic enforcement activities (including police assistance) relating to work zone safety

#### Safe Routes to Schools Program (Parts A and B)

(Max award part A \$1,000,000; part B \$500,000)

There are two separate Safe Routes to School Programs, both of which are administered by Caltrans. One is a State Grant Program. The other is a Federal Grant Program authorized by the Federal Transportation bill, SAFETEA-LU. The State program still exists; however the federal program has been consolidated into the federal Transportation Alternative Program legislated by the current federal transportation bill, MAP-21. As of today, both programs will be slated to be consolidated into the Governor's new Active

Transportation Program. The State is going through a rulemaking process for this program to be completed in March 2014.

The purpose of this program is to provide reimbursement funding for safe routes to school (SRTS) projects that reduce injuries and fatalities, improve safety for students in grades K-8 who walk or bike to school, and encourage behavior, attitudes, and social norms that increase the number of children walking or biking. Emphasizing community participation, this program seeks projects that incorporate the key elements of education, encouragement, enforcement, engineering, and evaluation. Applicants are encouraged to utilize environmental justice principles.

Expected outcomes include:

- More children walking and bicycling to schools
- Decreased vehicular traffic congestion around schools
- Reduced childhood obesity
- Improved air quality, community safety and security, and community involvement
- Improved partnerships among schools, local agencies, parents, and other stakeholders

This program will support two components:

- (Part A): Infrastructure
- (Part B): Non-Infrastructure

The Infrastructure component intends to support engineering and capital projects that substantially improve the ability of students to safely walk and bike to school. Projects must involve the planning, design, and construction of facilities within a two-mile radius of an elementary or middle school.

Eligible projects will fall under the broad categories of pedestrian facilities, traffic calming measures, installation of traffic control devices, construction of bicycle facilities, and public outreach, education, and enforcement. Examples of eligible projects include:

- New bicycle trails and paths, bicycle racks, and bicycle lane striping and widening
- New sidewalks, widening of sidewalks, sidewalk gap closures, curbs, gutters, and curb ramps
- New pedestrian trails, paths, and pedestrian over and under crossings
- Roundabouts, bulb-outs, speed bumps, raised intersections, and median refuges
- Narrowed traffic lanes, lane reductions, full or half-street closures, and other speed reduction techniques.

## **F. FEASIBILITY OF BORROWING AGAINST FUTURE REVENUES**

### **No Recommendation**

We were instructed to report back on the feasibility of borrowing against future revenues to provide upfront funding.

Based on the Bureau of Engineering report dated February 28, 2014, the estimated program cost range is \$3.54 billion (“low cost estimate”) to \$3.86 billion (“mean cost estimate”) and the recommended construction period is 15 years, with an overall program duration of 20 years. The specific sources reviewed include Gas Tax, Sales Tax Revenue Bonds, including Measure R and Proposition C (Prop C), General Fund, General Obligation (GO) Bonds, Special Taxes, and Community Facilities Districts (CFDs). The possibility of a private-public partnership (P3) is also briefly addressed herein.

The following analyses make various assumptions regarding market conditions that will change over time. The information provided is to assist with the identification of preferred alternatives and will require further refinement that will result in changes to the final calculations. Further, certain revenue streams, such as Measure R and Proposition C, have funding commitments that have not been factored in the revenue available to support debt service. The decisions to withdraw these funding commitments are policy decisions that will require further review outside the scope of this preliminary report.

### Gas Tax

Over the past few years, several issuers have completed Gas Tax borrowings by issuing Certificates of Participation, a form of lease-backed debt. We have researched this option and confirmed with bond counsel that while the agencies did complete the validation process of having the proposed debt structure approved by the Courts, the Attorney General and State Controller have since challenged the validity of these issuances. Bond counsel advises that leveraging Gas Tax revenues is not possible under existing federal legislation and that any attempt to validate through the courts will likely be unsuccessful based on current indications by the Attorney General and State Controller. Accordingly, we do not recommend attempting to issue debt secured by Gas Tax revenues.

### Sales Tax Revenue Bonds

Sales Tax Revenue Bonds are payable from and secured by revenues received by the issuer from the imposition of a sales and use tax on transactions within the issuer’s boundaries. Any sales tax increase must be approved by a two-thirds vote and the ballot measure must specify the uses of the revenue generated by the tax. The ballot measure must also include specific language authorizing the City to issue its own sales tax revenue bonds, if that is a desired financing option. Absent that language and based on current State law, the City is limited to issuing bonds through the regional agency through which the revenues will pass. In the recent past, the only completed financing secured by City sales tax revenues has been for Prop C.

### Sales Tax Revenue Bonds - Measure R

The CAO previously reported on the possibility of issuing \$55 million in debt secured by Measure R revenues for the Leimert Park and Westchester rail stations (C.F. 13-0337). Pursuant to policies adopted by the Los Angeles County Metropolitan Transportation Authority (MTA) for the issuance of Measure R bonds, the most efficient and cost-effective method would be for the MTA to issue on the City’s behalf. This is similar to the method used for Prop C bonds issued by MTA on the City’s behalf in 1998. MTA would likely

secure higher ratings than the City since Measure R revenues are distributed by MTA to local agencies pursuant to the local share formula, as compared to other revenues that are received directly by the City and not passed through another agency. Higher ratings reduce interest costs and maximize proceeds. As in the case of the Prop C issuance, the parties could enter into a Memorandum of Understanding clarifying roles and responsibilities, with the City completing the transaction and responsible for controlling essentially all aspects of the proceeds, as well as disclosure and other fiduciary requirements.

The CAO, with assistance from our Financial Advisors, completed a preliminary analysis of a bond issuance structured to maximize proceeds given an annual revenue stream of \$35 million available to fund debt service through the expiration of Measure R. This analysis also includes certain other assumptions, such as debt service coverage ratios and credit ratings which are subject to market forces and will change in the future.

Issuer	MTA
Credit Structure	Sales Tax Revenue Bonds
Anticipated Ratings	"A"
Debt Service Requirement	1.35x coverage
Annual Revenues	\$35 million <sup>(1)</sup>
Net Capacity (Project Fund)	\$312 million
Avg. Annual Debt Service	\$25.9 million <sup>(2)</sup>

- (1) Existing funding commitments have not been backed out of the annual revenue available to support debt service; policy decisions regarding those commitments would need to be made prior to moving forward with a debt financing supported by these revenues.
- (2) Assumes 25 years; Measure R expires in 2039

Sales Tax Revenue Bonds - Prop C

As previously mentioned, the City leveraged its Prop C revenues in 1998 in a transaction where MTA issued sales tax revenue bonds in the amount of \$25 million on the City’s behalf. The following preliminary analysis assumes the same method would be used for a future issuance and maximizes proceeds given an annual revenue stream of \$50 million available to fund debt service for a 30-year bond issuance. This analysis also assumes similar factors as the above Measure R scenario.

Issuer	MTA
Credit Structure	Sales Tax Revenue Bonds
Anticipated Ratings	"A"
Debt Service Requirement	1.35x coverage
Annual Revenues	\$50 million <sup>(1)</sup>
Net Capacity (Project Fund)	\$470 million
Avg. Annual Debt Service	\$37 million <sup>(2)</sup>

- (1) Existing funding commitments have not been backed out of the annual revenue available to support debt service; policy decisions regarding those commitments would need to be made prior to moving forward with a debt financing supported by these revenues.
- (2) Assumes 30 year bond; Prop C is in perpetuity



## Sales Tax Revenue Bonds – New Sales Tax

The following discussion is based on current year revenue projections which estimate the value of a one percent sales tax is \$470.4 million. Accordingly, a quarter-cent sales tax would generate \$117.6 million annually and a half-cent sales tax would generate \$235.2 million annually. Assuming the program is funded on a pay-as-you go (pay-go) basis without debt financing and a three percent growth factor, a half-cent sales tax would be more than sufficient to cash fund either the low cost estimate or mean cost estimate; a quarter-cent sales tax would be insufficient to fully cash fund either cost estimate scenario. The half-cent sales tax would generate overall surplus revenues that could be used for various improvements outside the scope of the proposed SOSLA program. The quarter-cent sales tax would cash-fund approximately half of the proposed SOSLA program and require either another cash funding source or extension of the program by an additional five years. It would not be feasible to debt finance the program based on a quarter-cent sales tax increase. Debt financing based on a half-cent sales tax increase would not be necessary since revenues would be sufficient to cash fund the program.

## General Fund

The City has authority to issue non-voter approved debt secured by the General Fund, subject to certain State law requirements, by entering into lease arrangements with a nonprofit set up for this purpose, the Municipal Improvement Corporation of Los Angeles (MICLA). The City's Financial Policies authorize up to six percent of General Fund revenues to support non-voter approved debt. The current ratio of non-voter approved debt service to General Fund revenues is 4.86 percent. The City currently has capacity to issue up to approximately \$290 million for a project fund in 2013-14 based on current estimates. Bond counsel has indicated that streets cannot be used as a lease asset; further research would be required into the assets that could be used to support a program of this size.

Issuer	MICLA
Credit Structure	Lease Revenue Bonds
Debt Service Requirement	1.35x coverage
Anticipated Ratings	"A"
Net Capacity (Project Fund)	\$290 million
Avg. Annual Debt Service	\$23.9 million

## General Obligation Bonds

The City may issue general obligation bonds (GO bonds) for the acquisition and improvement of real property, subject to two-thirds voter authorization of the bond proposition. GO bonds may not be used to pay for maintenance costs. A tax on all taxable property to pay principal and interest on general obligation bonds is levied by the City and collected on property tax bills by the County.

Over the years, voters have approved ballot measures providing funding for projects such as library, police, fire, and zoo facilities. GO bonds tend to provide the lowest borrowing

costs because they are secured by a pledge of the City's general revenues and are rated higher than sales tax revenue bonds.

GO bonds are typically issued with maturities of 20 years, further input from bond counsel will be necessary to determine if using a strategy wherein maturities extend beyond 20 years is consistent with the City's charter and tax law. Two scenarios are presented below for the mean cost estimate of \$3.86 billion based on the median single-family home (SFH) value of \$270,000 as of the current year assessment roll. The first scenario reflects level debt service or the repayment of bonds equally over the life of the bonds, which has been the method used by the City for previous GO bond issuances. The second scenario reflects a level tax rate or the imposition of a flat tax rate that does not change over the life of the bonds. The first scenario is ultimately less expensive to property owners, but extends two years longer than the second scenario.

	Scenario 1: Level Debt Service	Scenario 2: Level Tax Rate
Average Tax	\$ 97	\$ 118
Highest Tax	203	118
Total Tax Paid per SFH	3,699	4,252
Years of Tax Assessment	38	36

### Special Tax and Assessment Districts

Proposition 218 approved in 1996 provides a complicated classification of taxes, fees and assessments with equally complicated approval processes and conditions that must be met. These financing mechanisms generate revenues from taxes, fees or assessments that are not property taxes. Property taxes are based on assessed value only. There are a variety of mechanisms that can use formulas based on a flat rate or on other factors, such as use or square footage.

#### *Parcel Tax/Special Tax*

- Type of excise tax on the opportunity to consume municipal services, typically levied for a defined period of years.
- For the proposed street program, a parcel tax would be considered a special tax as defined under Proposition 218 and subject to a two-thirds vote.
- For a special tax, there must be a clear correlation between the tax and the special benefit the taxpayer accrues.

The City received two-thirds voter authorization to levy special taxes on real property to secure \$235,000,000 in bonds for a Police Emergency Communications System (911). The last series of these bonds was issued February 14, 2002. These bonds matured in September, 2013, with final debt service payments made from debt service reserve funds.

In the case of a special tax for a street repair program, it would be essential for the City to carefully construct a valid tax formula and consider such factors as: not taxing vacant property, specifying that the special tax is an excise tax for the purpose of taxing the use of municipal services, correlating probable consumption to the size of the tax, and taking

steps to impose on users/parcel occupants instead of property owners by collecting on a utility bill. These are only examples of factors to be considered. Further investigation would be necessary before a definitive recommendation can be made about this methodology.

### *Special or Benefit Assessment*

- Charge levied to pay for identified public improvements or services, typically levied against real property and collected on the property tax bill.
- There must be clearly specified a special benefit that accrues to the property and the levy cannot exceed the reasonable capital cost of such special benefit. No levy under this category can be imposed for public improvements or services that are of general benefit to the public.
- Proposition 218 requires majority property owner approval by mail ballot; voting weighted according to the proportional financial obligation of the affected property.

The City received majority voter approval to create a Citywide Landscaping and Lighting Assessment District to finance various park and recreational improvements throughout the City (Proposition K, creating the City of Los Angeles Landscaping and Lighting District No. 1). While most of these projects have been funded on a pay-as-you-go basis, the City issued bonds totaling \$44.3 million secured by these assessments.

Proposition K was adopted at the same election as Proposition 218 and became operational prior to case law that clarified the Proposition 218 requirements regarding special benefit and proportionality. For the proposed street repair program, it would be critical to establish special benefit relative to the assessment. Special benefit would likely be very difficult to establish for infrastructure repair of major thoroughfares. It may be possible to identify special benefit for local streets, however bifurcating financing methodologies is not an efficient approach. Further investigation would be necessary before a definitive recommendation could be made about this methodology.

### Community Facilities District

The Mello-Roos Community Facilities Act of 1982 established the legislative framework for Community Facilities Districts (CFDs) in California as an alternative method for local governments to finance public facilities. The City has established nine CFDs of which four have been terminated for various reasons and three have issued bonds. CFDs can be used to fund services, such as fire or police protection, or park maintenance, but are more commonly used to finance infrastructure improvements, such as streets, sewers and recreational areas. In general, the law provides for the imposition of a special tax, but specifically prohibits using assessed value as the basis of the tax. Other factors, such as square footage, would need to be the basis for determining the special tax. The special tax must be approved by a two-thirds vote of the qualified voters within the proposed CFD. Tax receipts can be used on a pay-go basis or leveraged through debt financing.

CFDs typically have lower ratings in comparison to GO bonds, while facing the same two-thirds voter requirement. This would result in higher costs as a result of the difference in credit quality. However, CFDs allow for the inclusion of maintenance costs, unlike GO

bonds. If this is considered a desirable financing option, a decision as to establishing proposed boundaries would need to be made. If there is interest in establishing a single CFD contiguous with the City's boundaries to maximize the scope of the SOSLA program and include maintenance, the higher financing cost of a land-secured credit compared to the City's GO credit would need to be considered. If there is interest in dividing the City into separate CFDs, the possibility of some CFDs being approved and others failing at election would need to be weighed against the overall public policy objective of SOSLA. In general, issuing debt using this funding mechanism is not recommended by this Office because of the anticipated higher costs associated with CFDs.

### Public-Private Partnership

Public-Private Partnerships (P3s) are arrangements between government and the private sector for the provision of a public project or service. P3s have been used throughout this country and internationally to construct and/or major infrastructure systems, typically toll roads, bridges and airports. In most cases, risk of the project or service is primarily transferred to the private entity in exchange for payment by the consumers of the project or service, through contract with the public agency. P3s also offer stability in that payment can be fixed over the life of the agreement and can be structured to include maintenance requirements.

Last year, staff from several City offices was approached by a firm promoting the concept of a P3 approach for SOSLA. This firm cited several examples of large-scale projects that were constructed using the P3 methodology, particularly the Presidio Parkway in San Francisco and Long Beach Courthouse. Preliminary research indicates that there has not been a previous attempt in the United States to execute a street repair program using a P3 model. In 2012, the state Legislative Analyst's Office (LAO) released a study reviewing the use of this methodology for project delivery for these projects. The study concluded that the awarding departments did not use clear P3 processes and selected projects that were not well suited for a P3 procurement. Further, the assumptions used in the analyses to evaluate procurement methods appeared to favor the selection of a P3 approach. These issues are highlighted herein to emphasize that significant additional comparative analysis will be required to determine if the P3 model is a viable project delivery option for SOSLA, if there is interest in developing this option for further consideration.

### Issues for Consideration

If a sales tax initiative is pursued, we recommend that the ballot initiative include language that specifically authorizes the City to issue debt supported by the sales tax revenue stream to preserve that tool as an option in the future. We also recommend the adoption of a Reimbursement Resolution in the case of any financing option to enable the reimbursement of expenditures incurred prior to the issuance of bonds.

If there is interest in pursuing other options, such as special taxes, assessments, CFDs, or public-private partnerships, additional investigation would be needed. Accordingly, funding would be needed to engage consultants, including bond counsel and a financial advisor, to further develop these options for consideration.

## **G. FUNDING STRATEGIES TO REPLACE GAS TAX, ARRA AND PROP 1B**

### **No Recommendation**

We were instructed to report back on long-term funding strategies to replace the ongoing decline of gas tax revenue and the loss of revenue from the American Recovery and Reinvestment Act and Proposition 1B. Our findings are as follows:

#### Vehicle Miles Traveled Tax (VMT)

Fuel taxes have been the primary means of collecting revenue to finance construction, operation and maintenance of roads and highways since the 1920s. With the increasing use of hybrid and fuel efficient vehicles, aging transportation infrastructure, and rising construction costs, transportation budgets are strained. Many states now recognize that fuel tax revenues are not keeping pace with improvement in vehicle fuel efficiency, which is identified as the leading cause of declining fuel tax revenues in the future. One alternative to the fuel tax is a “Vehicle Miles Traveled” (VMT) tax. Replacing the gas tax with a VMT seems especially attractive when the possibility of a fleet operating on a variety of fuels, including electricity, is considered.

Vehicle Miles Traveled (VMT) taxes are distance-based fees levied on a vehicle user for use of a roadway system. They differ from tolls in that tolls are facility specific and not necessarily levied on a defined network of roadways. To date, this method of revenue generation has been implemented only for trucks (e.g. in Germany and, on a limited basis, Illinois) and only exists as a proposal for all vehicles (to replace or supplement the motor fuel tax, for example). It has been tested on a pilot basis in Oregon and 12 cities in the U.S. as part of a study conducted by the University of Iowa. Under such a system, vehicles could be outfitted with equipment capable of tracking the number of vehicle miles traveled in a given area and fees could be collected based on the number of miles, and revenues could be distributed among various jurisdictions.

#### *Policy Considerations*

Various papers and studies have been completed on this topic and discuss the potential benefits and obstacles related to a VMT system. Among the advantages that have been identified:

- Significant revenue potential
- Revenue stability
- Greater cost distribution equity – drivers would be charged in direct proportion to their use of the road system
- Greater revenue distribution equity – the amount of travel in different jurisdictions could be measured and revenues could be distributed accordingly
- Greater economic efficiency – drivers could be encouraged to ration or change their travel behavior
- VMT can serve broader policy aims, by enabling policy makers to set variable fees in different network areas to reduce congestion during peak travel times.
- Pilot tests have been completed using various technology

Among the disadvantages and potential obstacles that have been identified:

- VMT is not inherently responsive to inflation
- It would require significant investment of capital for devices that would track mileage
- Safeguards against VMT fee evasion would be needed
- The appropriate institutional framework for implementing VMT tolling is unclear.
- VMT would need to be phased in over time
- Privacy advocates
- Environmentalists may both find fault with a VMT system
- Decreases the incentives for people to buy more fuel-efficient vehicles.
- Local support is a critical element if transportation pricing measures are to move forward.

A complete transition from fuel taxes to mileage charges may take several years and would involve Federal and State legislative changes in addition to actual program design.

#### Vehicle License Fee Initiative (VLF)

In California, car owners currently pay 0.65 percent of their vehicle's value annually. The license fee had long been 2 percent of a vehicle's value before lawmakers began reducing it in 1998 (flush state budget). After state revenue collapsed a few years later, then-Governor Gray Davis raised the fee back up to the full amount in the spring of 2003. Motorists reacted angrily and Schwarzenegger campaigned against the increase during the summer recall fight, and restored the lower amount after taking office in November 2003. In 2009, lawmakers approved a temporary 0.5 percent increase in the vehicle license fee to close the budget shortfall. The 0.5 percent surcharge expired in July 2011.

On November 18<sup>th</sup>, 2013, Will Kempton and James Earp (Proponents) submitted a proposed Initiative Constitutional Amendment, entitled the "California Road Repairs Act of 2014" to the State Attorney General for preparation of a title and summary of the measure. Under this new proposal, a California road repairs fee would be imposed at the rate of 1 percent of the market value of a vehicle. The total vehicle license fee would increase from 0.65 to 1.65 percent over a four year period. Revenue collected from the fee would be deposited into the California Road Repairs Fund, appropriated therefrom to other funds and accounts to be distributed to the State Department of Transportation, counties, cities, and other eligible agencies as specified.

The California Road Repairs Act would provide essential funding for critical road repairs, maintenance, and expansion across the state, including: improving roads with known safety hazards; maintaining and rehabilitating local streets and roads; repairing and replacing aging bridges; maintaining and expanding state freeways and highways to reduce traffic congestion; and investing in local mass transit and rail.

Once cleared for signature gathering, proponents will have up to 150 days to collect 807,615 valid voter signatures to qualify for the Fall 2014 ballot. Passage of the California Road Repairs Act would result in additional revenue to the City to could be used to fund Street and highway maintenance, rehabilitation, reconstruction, or storm damage repair.

As of the date of this report, the Proponents have withdrawn this initiative.

### Local Motor Vehicle Fuel Tax

Counties may impose a motor vehicle fuel tax on a county-wide basis. This tax may be expended only for the purpose authorized by Article XIX of the California Constitution. Prior to imposition, the proposal must be approved by the Board of Supervisors, a majority of the city councils of the cities having a majority of the population in the incorporated areas of the county, and a majority of the voters. The county and the majority of the cities having a majority of the population in the incorporated areas of the county must also have a written agreement with respect to allocation of the revenues between the counties and the cities (Rev. & Tax Code 9502 et seq.; PUC Code 99500 et seq.).

Implementation of such a tax would require the approval at the County level and revenues collected from this mechanism would have to be shared with the other cities within the County of Los Angeles.

#### **H. WASTE HAULING FRANCHISE FEE No Recommendation**

This is included in a separate response to Council Instruction D.

#### **I. RENT STABILIZATION ORDINANCE PASSTHROUGH Attachment 8 - Report from the Los Angeles Housing and Community Investment Department No Recommendation**

We were asked, with the assistance of the Los Angeles Housing and Community Investment Department to report back on the feasibility of amending the Rent Stabilization Ordinance (RSO) to allow the pass through of voter approved property tax increases for the purpose of repairing City streets, as a part of a comprehensive review to the RSO (C.F. 07-0883).

We discussed this issue with representatives of The Los Angeles Housing and Community Investment Department and determined that mechanisms exist to allow the pass through of General Obligation Bond assessments to renters. The Los Angeles Housing and Community Investment Department provided additional information that is included as Attachment 8.

#### **J. ALTERNATIVE/COOL PAVING MATERIALS Attachment 9 - Report from the Bureau of Street Services No Recommendation**

We were asked to report back, with the assistance of the Bureau of Street Services and the Department of General Services, on the feasibility of using alternative paving materials

capable of reflecting heat from sunlight, thus reducing the heat island effect created by asphalt. The use of these materials is a cool streets activity.

The Bureau of Street Services provided a report that is included as Attachment 9.

**K. HISTORIC PRESERVATION ZONES**  
**No Recommendation**

We were asked to report back, with the assistance of the Bureau of Street Services, on the feasibility of using concrete, in place of asphalt, to repair existing concrete streets outside of official Historic Preservation Zones.

We discussed this possibility with the Bureau of Street Services, the City Engineer and with Harris and Associates. We have also had exploratory meetings with members of the concrete industry. The use of concrete on a widespread basis is not contemplated in the Harris report and estimate. However, the City should continue to investigate the use of concrete and cement mixes as the SOSLA program develops, as the possibility exists that positive benefits for the City may be achievable.

**L. INCLUSION OF SIDEWALKS AND ALLEYS IN SOSLA**  
**Attachment 10 - Report from the Bureau of Street Services**  
**No Recommendation**

We were asked to report back, with the assistance from BSS, on the feasibility of including the following elements into the SOSLA Program:

- i. Sidewalk Repair
- ii. Alley Construction and Repair

Sidewalk Repair

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.. The half-cent sales tax proposal would provide up to approximately \$640 million of its total estimated incremental revenue to be used on sidewalk repairs. Although the proposed half-cent sales tax would go towards funding 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.

### Alley Construction and Repair

The Bureau of Street Services reports that 349.56 centerline miles (or 573.89 lane miles) of alleys within the City are in need of paving and/or repaving or dirt mitigation. The Bureau, however, does not have costs for these alley improvements.

Should there be a desire to combine alley paving and reconstruction with the SOSLA Program, it is recommended that a cost estimate first be prepared to enable the City to develop a funding plan and strategically implement the work program. For additional detail, see the September 27, 2013 memo from the Bureau of Street Services (Attachment 10).

### Recent City Legislative Background on Sidewalks

Currently, state law (Improvement Act of 1911, aka California Streets and Highways Code – Division 7) and Los Angeles Municipal Code Section 62.104 place the responsibility for sidewalk construction, reconstruction and repair on the adjoining property owner. In 1974, however, the City accepted responsibility for repairs to curbs, driveways or sidewalks that were necessary due to tree growth, as there were federal funds available for these repairs. The limited exception is still in effect, even though federal funding is no longer available.

In 2005, a Motion (Parks – Smith) was introduced instructing BSS, with the assistance of other City departments and outside stakeholders to develop recommendations for implementing a point-of-sale plan for fixing sidewalks, where damaged sidewalks would be required to be certified as safe before escrow closed on a property transaction. To implement this Motion, BSS partnered with the USC Graduate School of Public Policy to

develop viable options and recommended alternative plans. The USC study reinforced the feasibility of a point-of-sale program. In July 2007, the Council formally supported the concept of a point-of-sale program and instructed BSS to proceed with task force work.

A Point-of-Sale Implementation Plan was presented to the Public Works Committee in February 2008. The Committee directed BSS to develop alternatives other than point-of-sale on implementation options for enforcing L.A.M.C 62.104 and The Improvement Act of 1911. These alternatives included bonding, third party finance, a risk/legal-based program and a restart of the popular 50-50 plan, where a property owner and the City would split the costs of sidewalk repair. The City Attorney, in a report dated August 3, 2009, transmitted a draft ordinance that would repeal the limited exception for tree root growth, effectively eliminating City responsibility for damage caused by trees.

*In August 2010, Willits v. City of Los Angeles*, No. CV 10-05782 CBM (C.D. Cal.), was filed in Federal Court that alleges that the City of Los Angeles has violated the Americans with Disabilities Act and the Rehabilitation Act of 1973 by failing to install accessible curb ramps at intersections, failing to maintain sidewalks in a condition that is useable by class members who rely on wheelchairs, scooters, and other assistive devices to get around and failing to enforce parking in the driveway aprons. The resolution of this litigation may have an impact on the specific goals and activities of the City as it relates to future sidewalk repair.

As part of the City' ongoing discussions on the issue of sidewalk repairs, BSS and other City agencies have discussed various plans to finance sidewalk repairs on a citywide scale. In October 2011, BSS presented the following seven options:

- Repeal the limited exception and enforce the 1911 Act. BSS investigators would be required to inspect sidewalks and cite property owners, directing that repairs be started within 90 days;
- Repeal the limited exception and do not enforce the 1911 Act;
- Repeal the limited exception and authorize the City Attorney to seek reimbursement from homeowners insurance in claims where liability is assessed;
- Point-of-Sale, Point-of-Service or Point-of-Permit, which would require property owners to repair sidewalks prior to close of escrow, prior to utility connection, or when any building permit is issued for repairs or improvements valued over \$20,000, respectively. These rules could also be enforced on a citywide level, in commercial zones, or as part of a 50-50 voluntary sidewalk repair program;
- Sidewalk Repair and Assessment District;
- Bond programs; or
- Maintain the limited exception, where BSS would continue its current practice of making interim repairs to damage caused by trees using hot asphalt or other flexible, readily available and effective material.

In its January 30, 2012, report BSS narrowed down these choices to four options that were deemed most practical. The following four choices were chosen after significant discussions with City staff, City Officials, and Council Committees:

- Citywide Bond, creating an indebtedness to fund repairs throughout the City;
- Assessment Districts, where property owners within the City could form assessment districts to repair their sidewalks using the procedures in the State Streets and Highway Code;
- Point-of-Service where, when a utility service is requested, a property owner must first obtain verification from BSS that the sidewalk is compliant; or
- Point-of-Permit where, when a permit with a valuation of \$20,000 or more is sought, the property owner must first obtain verification from BSS that the sidewalk is compliant.

After significant discussion, the BSS was instructed to investigate a Citywide Bond and Assessment Districts, both requiring a vote by the electorate, as the two most practical and appropriate funding strategies for a sidewalk repair program. BSS reports that Assessment Districts would include ongoing administration costs, approximately 20 percent of the assessment amount, in addition to the district formation costs and costs associated with the repair of sidewalks. The City Administrative Officer also reports that a Citywide Bond would also result in administrative costs.

In August 2012, BSS submitted a follow up report seeking the authority to solicit bids for a comprehensive condition survey and creation of an asset management database for the public right-of-way. The information from the survey and the subsequent development of a database would provide the City with a more accurate account of the percentage of sidewalks that need reconstruction or repair, which would also assist in prioritizing future repair work. Additionally, the database would enable BSS to monitor the condition of the City's sidewalk infrastructure after repairs are made.

## **M. COMPLETE STREETS**

### **Attachment 11 - Report from the City Department of Transportation Recommendation # 5**

We were instructed to report back, with assistance from the Department of Transportation, Department of City Planning, BOS, BSS and BOE, on including Complete Streets in the SOSLA Program. Generally, Complete Streets refer to the application of comprehensive and coordinated street-related elements to enhance the community and mobility. There is no single definition of a Complete Street project, as they vary widely. Examples of elements of a Complete Streets project include, but are not limited to transit and wayfinding signs, bicycle parking, bicycle lanes and signals, parkway enhancements, pedestrian lighting, street furniture, median pedestrian refuge and crosswalks.

The following are legislative actions taken by the City Council with respect to Complete Streets:

- 14-0124 - Fuentes-Martinez, et al, motion directing staff to prepare a comprehensive report on "Complete Streets" that is pending in Public Works and E&E Committees;

- 14-0241- Huizar-Bonin resolution declaring March 5, 2014 as "Complete Streets Day" in Los Angeles that was approved by Council on March 5, 2014;
- 14-0002-S21- Fuentes-Huizar resolution to support H.R. 2468 the "Safe Streets Act of 2013" that was approved by Council on March 5, 2014;
- 10-0490 - Huizar-Rosendahl motion seeking a Caltrans grant for the "Eagle Rock Complete Street and Revitalization Plan." This motion was adopted by the Council on May 12, 2010;
- 08-3349 - Reyes-Greuel motion instructing staff to prepare a report describing the City's plan to implement AB 1358 (Leno) "The Complete Streets Act of 2007." The Council file expired;
- 09-0688 - Huizar-Greuel motion seeking a Caltrans grant for the "Eagle Rock Soars Back to the Future" project. This motion was adopted by the Council March 31, 2009; and,
- 13-0002-S90 - Huizar-Rosendahl resolution relative to opposing the Governor's proposal to loan money from Cap-and-Trade funds. This resolution is pending in Rules, Elections and Intergovernmental Relations Committee.

Should the Council desire to add Complete Street projects to the SOSLA Program, it is recommended that the Council:

- Seek additional funding sources to fund the incremental costs of Complete Streets;
- Consider instructing departments to give top priority to submitting requests for funding of Complete Streets to Metro's Call For Projects;
- Consider instructing 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;
- Task the Proposed SOSLA Citizens' Oversight Advisory Committee (COAC) with 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,
- 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.

The Department of Transportation provided a report that is included as Attachment 11.

## **N. GREEN STREETS**

### **Attachment 13 - Report from the Bureau of Sanitation Recommendation # 6**

We were instructed to report back, with assistance from the Los Angeles Department of Water and Power, BOS, BSS, BOE, LADOT and DCP, on the feasibility and potential locations for creating Green Streets, similar to the Elmer Avenue Project in Council District Six. Generally, Green Streets refers to the installation and use of green elements to capture and treat stormwater. Examples include streetside bioswales, tree wells, dry wells and permeable surfaces.

The following are legislative actions taken by the City Council with respect to Green Streets. Additionally, the Board of Public Works adopted a Green Street Program in May 2007.

- 13-1692 - Englander-Buscaino-Huizar motion relative to the Low Impact Development Ordinance/program and how the funds can be used to support the green street elements in SOSLA. The motion is pending in Planning Committee;
- 08-0102 - LaBonge-Hahn-Rosendahl motion was introduced relative to the feasibility of implementing a Green Alley Program that was approved by Council on December 9, 2008;
- 05-0752 - LaBonge-Perry motion was introduced relative to using environmentally friendly street resurfacing materials. This motion sought to set forth a more comprehensive approach to greening the City. The motion and subsequent reports were approved by Council on December 9, 2008; and,
- 10-0604 - Huizar-Parks motion authorizing staff to apply for a State grant regarding urban greening, which was approved by Council on April 23, 2010.

Should the Council desire to add Green Street projects to the SOSLA Program, it is recommended that the Council:

- Seek additional funding sources to fund the incremental costs of Green Streets;
- Consider simpler, more cost effective installations than the Elmer Avenue model;
- Approve projects where they can help alleviate flooding as well as assist with infiltration;
- Task the Proposed SOSLA Citizens' Oversight Advisory Committee (COAC) with working with the City Green Streets Committee to create a strategic approach to locating, scoping and prioritizing Green Street projects; and,

- 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.

Additionally, the Bureau of Sanitation provided a report that is included as Attachment 12.

## **O. GREAT STREETS**

### **Attachment 14 - Report from the Department of City Planning Recommendation # 7**

We were instructed to report back, with assistance from BOS, BSS, BOE, LADOT and DCP, on best practices and potential funding sources for launching a Great Streets Program. Generally, Great Streets programs across the country have varied but tend to include Green Street and Complete Street elements and add an effort to further enhance the public realm, support neighborhoods and provide economic revitalization. Leveraging of private investment can also be a component of a Great Streets project. The Mayor is actively leading the development of a Great Streets program for Los Angeles.

The following are legislative actions taken by the City Council with respect to great streets. Additionally, the Mayor has enacted, by Executive Directive, a "Great Streets Initiative" through Executive Directive No. 1, October 2013.

- 13-0658-S1- Huizar-Buscaino motion regarding the Historic Core Sidewalk Dining pilot program, including its integration as a component of the proposed "Great Streets" initiative. The motion is pending in Public Works Committee.

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.

Additional information is provided in a report by the Department of City Planning that is included as Attachment 13.

## **P. VACATION OF STREETS AND ALLEYS**

### **Attachment 1 - City Engineer's Report No Recommendation**

We were instructed to report back, with assistance from BOE and LADOT, on potential locations where underused streets or alleys may be vacated to reduce ongoing maintenance requirements. The Bureau of Engineering provided a report that is included as Attachment 1. A discussion on this issue begins on Page 8 of that report.

**Q. PENDING STATE AND FEDERAL LEGISLATION**  
**No Recommendation**

We were instructed to report back on pending state and federal legislation that could impact this program, including efforts to lower the required voter approval threshold for infrastructure bonds.

During the 2013-14 State Legislative Session, the Senate and Assembly considered four Constitutional Amendments that would change the percentage of votes required to pass local tax measures or bond measures related to transportation and infrastructure. However, none have been passed.

Senate Constitutional Amendment 4: (SCA 4) would authorize a local government to impose a sales tax exclusively for transportation improvements upon the approval of 55 percent of the voters of that local government, rather than the current 2/3rds vote requirement. SCA 4 is currently in the Senate Appropriations Committee.

Senate Constitutional Amendment 8: (SCA 8) would lower the vote threshold for local agencies imposing, extending, or increasing a special tax to fund local transportation projects within their jurisdiction to 55 percent. The measure also makes conforming changes to the Constitution. SCA 8 additionally requires a local agency that previously imposed a tax under a 2/3 vote to first complete capital projects funded by that tax before spending proceeds from a tax approved by 55 percent of voters. SCA 8 is currently in the Senate Appropriations Committee.

Senate Constitutional Amendment 11: (SCA 11) would lower the vote threshold for increasing most special taxes from 2/3 to 55 percent. By doing so, it would align the general requirement with that of school bonds under Proposition 39. It would lower the burden on cities, counties, and special districts to increase revenue for needed local services provided to Californians. It would apply to nearly all services, from schools, to transportation, to public safety agencies. SCA 11 would not mandate any increase on special taxes. Cities, counties, and special districts would still have to place proposals on the ballot, and local voters would still have to approve them. The existing exceptions to the 2/3 rule (for instance, sales taxes on real property sales) under Prop. 13 would remain in place. The only change SCA 11 makes in existing law is to lower the vote threshold so that 55 percent of local voters can choose to increase revenue for their city, county or special district. SCA 11 is currently in the Senate Appropriations Committee.

Assembly Constitutional Amendment 8: (ACA 8) would allow local governments to incur bonded indebtedness in order to fund specified public improvements and facilities, and lowers the voting threshold to 55 percent from the current 2/3rds. Funds could be used for public improvements, including, but not limited to, improvements to transportation

infrastructures, streets and roads, sidewalks, transit systems, highways, freeways, sewer systems, water systems, wastewater systems, storm drain systems, and park and recreation facilities and facilities or buildings used primarily to provide sheriff, police, or fire protection services to the public, including the furnishing and equipping of those facilities or buildings. ACA 8 has passed in the Assembly and is currently in the Senate Government and Finance Committee and the Senate Elections and Constitutional Amendments Committee.

Proposed Ballot Initiative: The California Road Repairs Act of 2014: Two organizations, Transportation California and the California Alliance for Jobs, have jointly submitted a request to the California Secretary of State for title and summary for a proposed constitutional amendment to create a new source of transportation funding. The proposers of this initiative have decided to place their initiative on hold, and it will not be on the November 2014 ballot. It is unclear if or when this ballot measure would be presented to California voters.

The amendment would seek to address California's growing transportation funding shortfall by creating a California Road Repair Fee, which would be collected as part of the Vehicle License Fee. The fee would be set at 1 percent of the vehicle's value, and would be phased in over four years, with a 0.25 percent increase each year until completely implemented. Heavy duty trucks (over 10,000 lbs) would be exempt from this fee, as the proposed amendment requires the state to increase the Diesel Fuel Tax by 3 percent or more by July 2016. The Diesel Fuel Tax must contain an annual adjustment factor to incorporate any increase or decrease in inflation in order to maintain the exemption from the proposed Road Repair Fee.

The proposers of this initiative estimate that the fee would generate \$2.9 billion per year when the fee reaches 1 percent of vehicle value. The initiative would set revenue allocation as follows"

- 25 percent of all revenue generated distributed to cities in California based on population
- 25 percent of all revenue generated distributed to counties, based on a formula allocation equal to 75% of fee-paying vehicles and 25% road miles.
- 40 percent of revenue generated to the State Highway System
- 10percent of revenue generated distributed for public transit system maintenance, based on the current State Transit Assistance Program formula.

The City of Los Angeles makes up approximately 10.18 percent of the population of California and would receive approximately \$73,805,000 in revenue generated by the Road Repair Fee per year after the fee is fully phased in. The City would be able to use this revenue for road maintenance, rehabilitation reconstruction and storm damage repair.



**R. THE STRUCTURE OF ADMINISTRATIVE OVERSIGHT COMMITTEE (AOC) AND CITIZENS' OVERSIGHT ADVISORY COMMITTEE (COAC)**  
**Recommendation # 2**

We were instructed to report back with recommendations on the structure of an Administrative Oversight Committee (AOC) and a Citizens' Oversight Advisory Committee (COAC).

Background

It is instructive to understand the roles and history of the City's current oversight of the Capital Improvement Program, including those projects funded by General Obligation Bonds (GO Bonds). All the oversight committees must seek Council approval for project approvals, appropriations and budgets. If outside consultant/construction contracts are required, they are approved by the Mayor, Board of Public Works and the Council, as required. This authority structure has worked well for the City. Projects are delivered consistently and occasionally under budget. It is recommended that a similar authority structure be used for SOSLA.

*Non-GO Bond Sources and Facility Space:* The oversight for municipal facilities funded from non-GO Bond sources and for facility space planning is provided by the Municipal Facilities Committee (MFC). The oversight for street and transportation projects from all funding sources is provided through the Street and Transportation Projects Oversight Committee (STPOC).

Both the MFC and STPOC meet monthly and have representatives of the Mayor, the Chief Legislative Analyst and the City Administrative Officer (who chairs the meetings).

*GO Bond Programs:* The oversight for these programs is generally provided by both an Administrative Oversight Committee (AOC) comprised of representatives from the Mayor's Office, the Office of the Chief Legislative Analyst and the City Administrative Officer (who chairs the meetings), and a Citizen's Oversight Advisory Committee (COAC) that includes individuals representing non-City entities. Each of these Committees meets on a monthly basis.

Proposition O, which funds clean water, stormwater and flood control projects, is overseen by an AOC for administrative, program and project management matters. The Proposition O COAC advises the AOC on these matters and, unlike the other COACs, participates in sourcing most of the bond-funded projects. Monthly status reports are presented by City staff to the COAC. Although the COAC is advisory, the AOC values their input and seeks to incorporate their perspective on all actions; disagreements are rare in number and generally minor in nature.

## Proposed SOSLA Oversight

In preparing a recommended structure for the SOSLA, we interviewed the Proposition O COAC, were provided with public comments received by Councilmembers Englander and Buscaino from their public comments on SOSLA and drew upon our experience with successful capital programming. Several relevant issues shaped our recommendation:

- There is an expressed desire in the public discourse for “real oversight.” We did not interpret this as a desire to eliminate the critical project management expertise that experienced professionals within the City bring to the oversight process. Rather, we interpreted this to mean that a desire exists for a meaningful voice for any COAC for SOSLA in the oversight process.
- The City’s current oversight framework works and the roles of both the AOC and COAC are important to the successful delivery of infrastructure projects.
- AOC members are currently subject to financial disclosures rules while COAC members are not due to their advisory nature. If increased decision making authority is provided to COAC members, additional financial disclosure responsibilities for participants may be necessary. This added obligation may prevent meaningful participation of the public. We have found that the benefit of separate AOC and COAC structures is to allow more active participation from a wide range of outside individuals in the oversight structure.
- While it may be desirable to establish a large oversight committee with 30 or so members of the public, it is difficult in practice because of the need to secure a commitment from this many people to participate and establish quorums on a regular and ongoing basis. We have found that a group of nine individuals is optimal.
- Representation from directly affected parties and established experts is highly desirable.
- In order to ensure the ability to achieve a quorum and that represented constituencies are adequately represented, an automatic mechanism for replacement of members is recommended. This was highly recommended by the Prop O COAC Chair and Vice-Chair.

We recommend that the Council establish both an AOC and COAC as follows:

### Administrative Oversight Committee (AOC) Members

City Administrative Officer (Chair)

Chief Legislative Analyst

Mayor

President of the Board of Public Works

General Manager of the Department of Water and Power (LADWP)

- As the largest utility company in the City, the LADWP is included to ensure that coordination with the City proprietary department is maximized to reduce the impact of street cuts.
- Administrative, program and project oversight will be provided by the AOC. The City Council and Mayor will retain final approval for project approvals, appropriations and budgets. Outside contracts will continue to be approved by the Mayor, Board of Public Works and the Council, if necessary.

### Citizens' Oversight Advisory Committee (COAC) Members

5 Appointed by the Council President

4 Appointed by the Mayor

- Each member of the COAC shall have a backup appointed simultaneously. When the member is unable to attend a meeting, the backup shall be expected to attend.
  - If a member is unable to attend three consecutive times within 12 months, the member will be automatically designated as resigned and replaced by the backup.
  - The Chair of the AOC will keep attendance records and will notify each member after the second consecutive absence within 12 months.
  - The Chair of the AOC will also send a notice to an appointing authority of any automatically designated resignation and replacement.
  - If both the member and backup are unable to attend three consecutive times within 12 months, both will be automatically designated as resigned.
  - The appointing authority will be required to replace the member within 30 days of the date on the notice from the Chair. If the appointing authority does not make a replacement appointment within 30 days, the Chair of the AOC will be empowered to make a temporary appointment until the appointing authority makes a permanent appointment.
- The COAC will review implementation plans for the repair of the failed streets and provide advice to the AOC.
- The COAC will work with City departments to recommend specific Complete Streets and Green Streets projects for funding. COAC

recommended projects will be priority for local funding and for the submission of grant applications.

- To address specific issues and increase participation levels in decision making, the COAC may establish either temporary or continuous subcommittees and/or periodically hold meetings in neighborhoods away from City Hall.
- The COAC Chair will be a Non-Voting, Ex-Officio Member of the AOC and will be required to attend all AOC meetings.

**S. USE OF DEVELOPMENT AGREEMENTS TO FUND STREET AND ALLEY REPAIR AND MAINTENANCE**  
**Attachment 14 - Report from the Department of City Planning**  
**No Recommendation**

We were instructed to report back, with assistance from BSS, BOE, LADOT and DCP with recommendations for new policies to structure development agreements to provide funding for needed street and alley repair and maintenance in the areas included in such agreements.

We believe that this approach is an important funding strategy and important to ensure cohesive improvement of our communities. Should the Council desire to explore this approach, it could instruct that the Director of City Planning, the City Administrative Officer and the Chief Legislative Analyst prepare a template that can be used by the City in development agreements and report back to the City Planning Commission and City Council. Additional information is provided by the Department of City Planning as Attachment 14.

**T. MODIFICATION OF THE STREET DAMAGE RESTORATION FEE**  
**Attachment 15 - Report from Public Works**  
**Recommendation # 3**

We were instructed to report back, with assistance from the Bureau of Street Services (BSS) and the Bureau of Contract Administration (BCA) with recommendations for modifying the Street Damage Restoration Fee, to increase funding for street repair and maintenance, incentivize utilities to better coordinate with the City and each other, and to reduce the number and frequency of street cuts (C.F.s 12-1825 and 11-1935).

We have reviewed this matter and find that it is both feasible and recommended to increase the current SDRF fee schedule given that the original fee was based upon the cost to the City to resurface the street, the fees have not been adjusted since 2006, and

the cost of labor and materials has increased since then. Additionally, the following actions should be considered to further incentivize utilities to better coordinate with the City, and reduce the number and frequency of street cuts:

- Revise Section 62.06 D of the Los Angeles Municipal Code 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; and,
- Approve the recommendations contained in the report of the Directors of the Bureaus of Contract Administration and Engineering, adopted and transmitted to City Council by the Board of Public Works, regarding the Amendment and Additions to Section 62.02 Article 2, Chapter VI of the Los Angeles Municipal Code Strengthening Requirements for Utility Contractors Working in the Public Right-of-Way, for the reasons set forth in this report.

#### Street Damage Restoration Fee

In the mid 1990's the City retained Shahin and Associates (Shahin) to conduct several studies to determine the extent of the impact of street cuts on street maintenance and repair needs, the following findings were made and the current SDRF graduated fee schedule is based upon these findings:

- Street cuts result in water seepage, weakening of the pavement support, allowing for deterioration at an accelerated pace;
- Even if pavement restoration in the trench itself is structurally adequate, excavations damage the strength and life of the pavement located adjacent to the trench where the excavation occurs;
- Potential for damage to pavement is magnified when a street is subject to heavier traffic such as the difference between major and local streets;
- The average reduction in the average life span for a Select, or major, street is 8.5 years, reduced from 25 years for an uncut street to 16.5 years when a street is cut;
- The average reduction in the average life span for a Local street is 6 years, from 34.5 years to 28.5 years when a street is cut;
- The annual extra cost of rehabilitating City streets damaged by utility cuts is approximately \$16.4 million (\$12.9 million for Select and \$3.5 million for Local Streets), the difference between the total annual cost to rehabilitate all streets if none had cuts and the total cost to rehabilitate all streets if a portion have cuts (based on 1996 data and costs); and,
- Excavations in paved streets degrade and shorten the life of the surface of the streets, and increases the frequency, and therefore, cost to the public for street maintenance and repair, no matter how well the excavation is restored, therefore

the SDRF was established to be paid by utilities to help offset the shortened life of the streets that are cut.

Subsequent to the completion of the Shahin study, the SDRF was established by ordinance (No. 171922) in 1998. The fees help the City recover the cost of mitigating the damage caused by the excavations performed by utility companies and are calculated based upon the age of the street and the size of the cut. Excavations in streets scheduled for repaving under the “Departmental Annual Resurfacing Program” within one year are exempt from the fee, as to incentivize utilities to perform excavations prior to the date that the street is scheduled for resurfacing or reconstruction. Excavations in streets that have been resurfaced less than one year from the date of the proposed cut or excavation shall not be cut unless the whole block within which such cut is to occur is to be paved by the entity seeking to make the cut or excavation.

The intent of establishing the SDRF fee was to:

- Offset the additional cost to the City for the shortened life of the streets that are cut;
- Incentivize utilities to install, maintain, and repair underground facilities without making excavations in City streets wherever feasible; and,
- Promote better coordination among utilities making excavations in City streets and between these utilities and the City (i) to minimize the number of excavations being made wherever feasible, and (ii) to ensure that excavations are performed, to the maximum extent possible, prior to the date on which streets are scheduled for resurfacing when such resurfacing is scheduled within twelve months of the excavation.

The current graduated fee schedule, last revised by Council on April 12, 2006 is as follows:

**STREET DAMAGE RESTORATION FEE  
FEE SCHEDULE**

<b>Major</b>	<b>Fee per Square Foot</b>
Resurfaced/reconstructed between one year, one day and five years ago	\$21.26
Resurfaced/reconstructed between five years, one day and 10 years ago	\$17.72
Resurfaced/reconstructed between 10 years, one day and 15 years ago	\$14.18

<b>Local</b>	<b>Fee per Square Foot</b>
Resurfaced/reconstructed between one year, one day and five years ago	\$7.78
Resurfaced/reconstructed between five years, one day and 10 years ago	\$6.90
Resurfaced/reconstructed between 10 years, one day and 15 years ago	\$6.48
Resurfaced/reconstructed between 15 years, one day and 20 years ago	\$5.86
Resurfaced/reconstructed between 20 years, one day and 25 years ago	\$5.18

For purposes of this Fee Schedule a major street is defined as Federal Highway Segments and all designated select system streets as defined by the Street Maintenance Division (SMD) of the BSS.

A local street, as such term is used in this Resolution, is all other City streets not meeting the definition of a “major” street.

In 2006 the BSS utilized the 2005 CalTrans Price Cost Index, and the CalTrans Price Cost Index for Selected Items (for which they utilized the cost for asphalt concrete) to calculate the fee increase based on the consumer price index, which resulted in a 51 percent increase to each fee. No fee increases had been imposed during the eight year period since the original fee schedule was established (1998).

It is recommended that the BSS report back with recommendations relative to how much the current SDRF should be increased to account for the increase in salaries and materials that has occurred since the last fee increases that were approved eight years ago.

#### Street Damage Restoration Fee (SDRF) Revenue Fund

Annual receipts to the fund have ranged between \$2.8 million (2005) and \$9.7 million (2010), although the initial report prepared when the fee was developed had estimated annual receipts of \$16.4 million.

The Gas Company currently does not pay the SDRF. The City is currently in the process of re-negotiating the franchise agreement with the Gas Company. Establishment of a new franchise agreement will automatically remove the Gas Company exemption and will subject them to the SDRF. The current estimated impact to SDRF is \$500,000-\$600,000 in additional revenue annually.

#### Coordination between the Bureau of Street Services and Utilities

On an annual basis, BSS sends a letter with the proposed resurfacing segment list file to approximately 200 utilities and agencies, who respond by placing a hold when they intend to perform subsurface work on a particular street segment.

Additionally, every May, BSS releases the annual notification of proposed resurfacing projects for the following fiscal year to all Council District Offices, utility companies, outside agencies, and City departments. Subsequently, a monthly "Committed List" of projects is sent out 30 days in advance of the scheduled resurfacing work, and notifications to property owners are mailed 30 days in advance.

The BSS also utilizes the Public Way Reservation System (PWRS), an in-house map-based public right-of-way coordination application system implemented through a 2006 pilot program (L.A.M.C. 62.251) and managed by the Bureau of Engineering (BOE). Although BSS sends out utility clearances to the major utility companies and government agencies, local contractors and property owners regularly apply for various other permits. With this in mind, BSS regularly checks the PWRS. BOE also geo-codes all of BSS's projects in the system so that all of BSS's proposed work can be viewed by the general public.

The BSS has indicated that the current process works well to ensure that utilities and agencies have plenty of time to perform work before the BSS performs resurfacing and protects the City's investment. However, collaboration between BSS, BOE, and BCA could yield additional systems integration enhancements and features that would further improve project planning, scheduling and coordination to minimize street cuts.

#### Increase the Moratorium on Excavations in City Streets

The current moratorium on excavations in streets resurfaced or reconstructed is one year, unless the permittee resurfaces the entire block curb face to curb face and/or intersection. Many other cities in California and across the United States have moratoriums of one to five years. Cities with five year moratoriums include New York, San Diego, and San Francisco.

It is recommended that the City revise Section 62.06 D of the Los Angeles Municipal Code 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. The intent of this action would be to provide incentive for utilities to coordinate with the City and complete work which requires excavations in City streets prior to the date that the street will be resurfaced or reconstructed.

Exceptions to the five-year street cut moratorium will continue to require formal City Council approval, and be made when it can be sufficiently demonstrated that the City's 30 day notice of a scheduled street resurfacing project was not mailed to the correct property owner of the record at the time of notification, and the adjacent property owner made significant efforts to promptly notify the BSS of any planned street excavations. Street cuts or excavations deemed as "emergency repairs" to protect the safety and/or welfare of the general public will be allowed. Repaving of these cuts shall continue to be handled on a case by case basis and not subject to the entire block or intersection paving requirement. However, resurfacing will include a minimum width of five feet on all four sides of the trench limit and grinding or milling of that pavement to a minimum depth of 1 ½ inch for final resurfacing. This technique is referred to as the "T Cap".

It is important to note that increasing the moratorium, may also impact the amount of SDRF revenue received by the City, since in-lieu of paying the SDRF, utilities will have to repave the entire street where the street cut is occurring. The exact impact is unknown at this time.



<b>Moratorium Period for Reconstructed Streets</b>	
<b>City</b>	<b>Standard Period</b>
New York, New York	No permit to use or open any street, except for emergency work, shall be issued to any person within a five year period after the completion of the construction of a capital project relating to such street requiring resurfacing or reconstruction unless such person demonstrates that the need for the work could not have reasonably been anticipated prior to or during such construction. Notwithstanding the foregoing provision, the Commissioner may issue a permit to open a street within such five year period upon a finding of necessity therefor.
San Diego, CA	Moratorium Street means any street, or portion thereof, that has been reconstructed or resurfaced in the preceding five year period or slurry sealed in the preceding three year period.
San Francisco, CA	"Moratorium Street" shall mean any Block that has been reconstructed, repaved, or resurfaced by the Department or any other Owner or Person in the preceding five year period.
Pleasant Hill, CA	Five year moratorium
Newport Beach, CA	Five year moratorium
Berkley, CA	Five year moratorium
El Cerrito, CA	Five year moratorium
Portland, OR	Five year moratorium
Lowell, MA	Five year moratorium
Tuscon, AR	Five year moratorium
Montgomery, MD	No pavement cutting may occur for five years following the completion of a newly constructed road and for three years following the completion of a reconstruction or resurfacing project. Emergency utility repairs and utility service connections to new residences or businesses are exempt from the moratorium.

### Council File Number 12-1825

Council File Number 12-1825 is referenced in recommendation T. of the SOSLA Report. The Motion states the following with respect to street cuts:

- The quality of permitted construction related excavations is substandard and results in street failure
- One City attorney needs to be dedicated to follow-up and enforce liability for street failures caused by street cuts
- The current SDRF is insufficient to recover the cost of a dedicated City attorney position
- Action is needed to increase the SDRF in an amount sufficient to pay for the cost of City attorney staff specifically dedicated to follow-up and enforcement efforts for liability for street failures caused by street cuts and excavations and support City attorney staff

Although the Motion requests action to increase the SDRF in an amount sufficient to recover the cost of a City Attorney dedicated to enforcement efforts for liability for substandard permitted construction related excavations, the SDRF is not the appropriate mechanism for recovering this type of cost. In theory, a utility company has upheld its obligations if it has abided by all of the City's permitting requirements relative to street cuts. And, a utility company has already paid the City for the shorter life that the street will have as a result of the street cut. The SDRF is unrelated to substandard repair of excavations.

A resurfaced trench constructed under permit, and in compliance with all requirements has a metal "medallion" properly affixed to the trench surface. This "medallion" has the utility company's name, and the year the work was performed. In the event that within the warranty period (of 5 years from completion) this trench fails for any reason which cannot be attributed to unrelated causes, the City can identify the utility owner, and mandate a repair at no cost to the City. Usually this is accomplished by a BCA official contacting the utility owner and informing them of the issue. If the Bureau of Engineering or BSS contacts the utility, it is done in coordination with BCA for inspection purposes. The utility is then scheduled for the repair and the re-work is performed under inspection. In the event the failure is serious in nature, the Bureau of Engineering would evaluate and direct the necessary scope of work. In the event that this is a street under moratorium, the limits of the resurfacing would be governed by Moratorium requirements.

Street failure at the site of permitted utility construction related excavations is more likely to occur when:

- Work is performed without a valid permit, therefore, the work is not inspected by a BCA construction inspector;
- Work is performed with a valid permit but without notifying the Inspector of Public Works; and,

- Failing to comply with permit restrictions, such as completing permanent resurfacing within the specified period of time

Increasing the City's inspection staffing and increasing administrative fines and penalties for these offenses may help to reduce the number of utility permit violators.

#### Council File Number 11-1935

Council File Number 11-1935 is referenced in recommendation T. of the SOSLA Report. The Motion states the following with respect to street cuts:

- The City issues over 10,000 permits for utility installation and repairs per year;
- The City requires that this work be inspected to ensure adherence to traffic safety and quality control standards;
- Despite these requirements, work occurs and street resurfacing is completed without the City being properly notified;
- Sometimes work is completed without the City being properly notified, resulting in work that is below City standards;
- Similar problems regarding sewer construction have been mitigated through increased bonding requirements and regulation of contractors; and,
- BCA and BOE should report back to Public Works Committee with recommendations to ensure that all street repairs are completed to City standards.

The Board of Public Works has transmitted a report from the Directors of the Bureaus of Contract Administration and Engineering, which the Board adopted, back to the City Council for consideration. Council has referred the item to the Public Works and Gang Reduction Committee. The communication from the Board states the following with respect to strengthening requirements for utility contractors working in the public right-of-way:

- Common Areas of Non-Compliance
  - Notify Con Ad prior to noon the day before work commences;
  - Notify Con Ad prior to noon the day before permanent resurfacing;
  - Maximum time stipulated for permanent resurfacing (3 weeks); and,
  - Approved marker required on permanent trench paving (medallion) – work is warrantied for 5 years
- Additional Administrative Permit Matters
  - Utility companies often apply for numerous permits simultaneously and then bid groups of the projects out to contractors as a package, the consequence being that the operative name of the permit is not the actual entity that is working in the street;
  - Contractors often sublet the contract to another firm;
  - Requiring a permittee to have on file with BCA a current list of contractors employed on utility work will provide BCA more control for enforcement; and,

- Contractors who do not have formal authorization to represent a utility company will not be allowed to proceed and the utility company will also be informed of the issue.
- Recommendations to mitigate common areas of non-compliance and other administrative issues:
  - Require liability insurance for utilities and their contractors;
  - Require an authorized representative affidavit; and,
  - Increase fines and penalties for misconduct

The combination of requiring liability insurance for utilities and their contractors, requiring an authorized representative affidavit, and increasing fines and penalties for misconduct will provide the City with additional tools to further ensure that the performance of contractors working in public streets is the best and most conscientious that can be achieved. Attachment 15 is the Bureau of Contract Administration and Bureau of Engineering Joint Report that was approved by the Board of Public Works.

### Enforcement

The operational models for expanding patrols, inter-Bureau communications, and citation processing already are in existence and are tested by six years of field experience. However, it is important to note that upgrading the City's current Public Way Reservation System to include additional underlying business rules could also provide a better tool for BCA to manage its permit related work and improve its enforcement efforts. We recommend that the Council:

- 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.

**U. ESTABLISH A LIST OF QUALIFIED CONTRACTORS**

**Attachment 1 - Report from the City Engineer  
No Recommendation**

We were instructed to assist BOE, with development of a Request for Qualifications to establish a list of qualified contractors eligible to perform work associated with the SOSLA Program.

We believe that this is an important task that will have benefits to the City regardless of whether voters approve funding for SOSLA. The list of contractors will be useful in completing other City street projects. We propose to begin this task after completion of this report. Additionally, the City Engineer provided a report that is included as Attachment 1. This issue is discussed in more detail beginning on page 9 of that report.

**V. PUBLIC RIGHT-OF-WAY COORDINATION SOFTWARE SYSTEM**

**Attachment 16 - Report from the Information Technology Agency  
Recommendation # 4**

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 ITA to assist with this evaluation.

Public right-of-way coordination software is an electronic tool used by municipalities to synchronize and communicate activities that impede the public right-of-way. Common activities tracked in this type of software include: street resurfacing, construction, utility repairs, special events, and moving filming. After identifying key features of a public right-of-way coordination software and the necessary City policy to ensure usage, staff researched available options for the City, as follows:

- *Utilize the existing City of Los Angeles Public Way Reservation System (PWRS).* This in-house, map-based application system was implemented through a 2006 pilot program and is managed by the Bureau of Engineering. ITA has determined that this system incorporates much of the key functions needed by a public right-of-way coordination software. The PWRS is currently integrated with existing BOE departmental permit systems, accounting for 80 percent of all City permits entered into the system. Several key improvements would be needed to support the SOSLA initiative due to the magnitude and complexity of the proposed work plan. While the PWRS servers require periodic replacement, BOE does not foresee a near-term investment required for new servers to support the SOSLA initiative. BOE

estimates require a contractor for the one-time update at an estimated cost of \$200,000.

- *Acquire and implement a commercial, cloud-based public right-of-way coordination software.* A “software-as-a-service” (SaaS) system is a “cloud-based” solution that does not require hardware and software investments from a municipality. To implement a new SaaS system, the City would be required to issue a Request for Proposal, negotiate a price and scope of work, contract professional services to integrate the commercial system with existing department technology systems, and revise existing processes to ensure that all new work activities are entered and coordinated through the SaaS system. While the City would not need to make periodic hardware investments, the City would pay a substantial annual subscription for the life of the system, which is estimated to range from \$5-\$7 million over ten years. In addition, the City would still need to maintain its existing departmental systems, such as the PWRS, because these systems would continue to be required to feed information into the private coordination software.

ITA is recommending that the City utilize the existing PWRS to support the SOSLA initiative, and ongoing functions, as well as improve City policies to enforce the citywide usage of the system. Additional information is provided by ITA as Attachment 16.

**W. CITY’S TRACK RECORD WITH GENERAL OBLIGATION BOND PROJECTS**  
**Attachment 1 - Report from the City Engineer**  
**No Recommendation**

We were instructed to report back with the assistance of BOE on the City’s track record of delivering General Obligation Bond projects. This information is provided by the Bureau of Engineering in a report that is included as Attachment 1. The discussion on this topic begins on page 10 of that report.

**X. ECONOMIC IMPACT OF SOSLA**  
**Attachment 1 - Report from the City Engineer**  
**No Recommendation**

We were instructed to report on the economic impact of SOSLA, including but not limited to the following: private sector job creation; increased tax revenue; potential to decrease claims filed with the City for personal injury and damage to vehicles and other property; and potential reduced maintenance costs to the City vehicle fleet.

Information regarding potential private sector job creation is provided by the Bureau of Engineering in a report that is included as Attachment 1. The discussion on this topic is on page 14 of that report.

In the time required to produce this report, we could not project increased tax revenue. If the Council desires to pursue this, we would propose hiring an economist to assist with this task and funding would be required.

We consulted with the City Attorney and were unable to quantify the potential to decrease claims filed with the City for personal injury and damage to vehicles and other property.

We consulted with the fleet managers of the City fleet to determine if SOSLA would potentially reduce maintenance costs to the City vehicle fleet. The General Services Department (GSD), Los Angeles Police Department (LAPD), Los Angeles Fire Department (LAFD), Department of Water and Power (DWP), Port of Los Angeles (POLA), and Los Angeles World Airports (LAWA) were identified as the City departments with fleet maintenance divisions.

Our survey of these departments found that most departments do not identify and track vehicle repairs specifically resulting from street related causes, such as potholes, therefore it is difficult for departments to definitively quantify pothole related vehicle damage. However, most departments do track the quantity of repairs that are made to components that would incur damage as a result of potholes and poor road conditions. Below is a summary of the information that each of these departments provided regarding the potential reduction in maintenance costs that would occur if the City's failed streets were repaired.

#### General Services Department (GSD)

GSD maintains 5,705 on road fleet vehicles. In Fiscal Year 2012-13, these vehicles traveled on average over 5,964 miles each.

GSD has not historically attempted to identify and track vehicle repairs specifically related to pothole and other kinds of street damage. As a result, it is difficult for GSD to quantify pothole related vehicle damage costs. However, there are certain components that are prone to being damaged as a result of striking a pothole, and GSD does track the type of repairs that are made to the City's vehicle fleet. Potholes can cause premature damage to the following vehicle components:

- suspension
- steering components
- tires and rims
- shocks and struts
- ball joints
- tie rods
- control arms
- idler arms
- pitman arms
- sway bar and links
- center and drag links
- wheel bearings
- axle shafts

Potholes also contribute to a vehicle needing an alignment as a result of the duress they put on suspension and steering components. Long-term effects of damaged suspension or steering components can also lead to premature tire wear and poor handling of the

vehicle. In severe cases of pothole damage, lower engine damage and undercarriage components such as the exhaust system can be compromised.

In 2012-13, GSD completed over 10,000 suspension, steering, and tire related repairs. GSD is certain that a percentage of these repairs are related to pothole damage. However, they are currently unable to distinguish and quantify the exact cost of the damages that specifically resulted from pothole damage. GSD has provided the following statistics related to suspension and tire repair maintenance costs:

FLEET SERVICES' MAINTENANCE COST  
SUSPENSION AND TIRE REPAIR

FISCAL YEAR 2012/2013				SUSPENSION COST			TIRE COST		
EQUIPMENT TYPE	TOTAL COUNT AS OF 2/27/2014	ANNUAL MILEAGE	AVG ANNUAL MILEAGE	LABOR HOURS	LABOR COST	PARTS COST	LABOR HOURS	LABOR COST	PARTS COST
AUTOMOBILES	1270	8,002,964	6,302	364	\$24,718	\$30,823	1,441	\$97,988	\$204,612
LIGHT DUTY TRUCKS	1722	9,021,168	5,239	505	\$34,357	\$40,423	1,481	\$100,691	\$285,205
MEDIUM DUTY TRUCKS	1028	5,246,059	5,103	384	\$26,078	\$31,291	678	\$46,121	\$326,186
REFUSE COLLECTION TRUCKS	738	7,772,680	10,532	4,031	\$274,094	\$300,754	1,500	\$102,000	\$2,101,841
STREET SWEEPERS	149	858,607	5,762	154	\$10,472	\$34,750	323	\$21,981	\$156,432
HEAVY DUTY TRUCKS	798	3,122,223	3,913	477	\$32,453	\$54,565	549	\$37,298	\$362,250
<b>TOTALS</b>	<b>5705</b>	<b>34,023,701</b>	<b>5,964</b>	<b>5,914</b>	<b>\$402,172</b>	<b>\$492,607</b>	<b>5,972</b>	<b>\$406,079</b>	<b>\$3,436,527</b>

Please note: The calculations above include all repairs involving suspensions and tires. It is likely that a percentage of these repairs have been made as a result of pothole damage, because GSD did not specifically track pothole damage, GSD is currently unable to distinguish and quantify pothole damage costs for City vehicles.

Los Angeles Police Department (LAPD)

LAPD has approximately 5,000 vehicles in its fleet and most of them are in operation 24 hours per day, seven days per week, to patrol the City. These vehicles travel between 54 and 58 million miles annually.

According to LAPD, brake and suspension components need to be replaced prematurely due to wear that results from excessive stopping, steering, and vibrations from going over potholes and degraded street surfaces. Road cracks and potholes can cause serious damage to wheels, tires, suspension systems, windshields, and throw off wheel alignments on vehicles and cause them to pull dangerously to one side or the other. Tire, brake, and suspension system repairs are the most costly vehicle expenditures, apart from those for fuel. Vehicle repairs of this nature can cost thousands of dollars in parts and labor.

Overall, LAPD estimates that poor road conditions increase the cost of automotive maintenance and repairs by up to 11 percent or approximately \$1.8 million annually.



Los Angeles Fire Department (LAFD)

LAFD has approximately 529 vehicles in its fleet that travel over 4.6 million miles annually.

It is not definitively known what percent of annual vehicle damage or repair is attributed to poor road condition. However, the vehicle components that would be most likely damaged as a result of poor road conditions are tires, suspension, steering, and frame parts. As such, LAFD provided the following statistics related to the quantity of these types of repairs for fiscal year 2012 and 2013:

**SUSPENSION AND TIRES COSTS FOR FISCAL 2011-12 thru 2012-2013**

Fleet Types		Number in Fleet	Mileage 2011-12	Mileage 2012-13	Suspension Repair Orders 2011-12	Suspension Repair Orders 2012-13	Total Tire Repair Orders 2011-12	Total Tire Repair Orders 2012-13	Total Repair Orders 2011-12	Total Repair Orders 2012-13
Aerials	Aerial Ladder Trucks	56	467,269	471,737	494	469	197	189	691	658
Triples	Fire Engines	189	1,740,777	1,431,264	1,131	1,375	517	568	1,648	1,943
Ambulances	Ambulances	222	1,986,495	2,241,034	1,836	1,074	695	603	2,531	1,677
Suburbans	Command Suburbans	62	482,978	540,369	46	142	143	111	189	253
	<b>Total</b>	<b>529</b>	<b>4,677,519</b>	<b>4,684,404</b>	<b>3,507</b>	<b>3,060</b>	<b>1,552</b>	<b>1,471</b>	<b>5,059</b>	<b>4,531</b>

LAFD also provided the following information regarding labor, parts, and tire costs for calendar years 2011 and 2012:

2011	2011	Labor	Parts	Tires	Total Cost	Mech Hours	Mech Cost
Aerials	Aerial Ladder Trucks	\$ 57,842	\$ 29,125	\$ 70,844	\$ 157,811	916.75	\$ 70,397
Triples	Fire Engines	\$ 117,642	\$ 102,998	\$ 147,221	\$ 367,861	1,906.25	\$ 146,380
Ambulances	Ambulances	\$ 82,453	\$ 60,385	\$ 108,317	\$ 251,156	1,397.00	\$ 107,275
Suburbans	Command Suburbans	\$ 4,358	\$ 785	\$ 20,460	\$ 25,603	153.00	\$ 11,749
	<b>Total</b>	<b>\$ 262,296</b>	<b>\$ 193,293</b>	<b>\$ 346,842</b>	<b>\$ 802,431</b>	<b>4,373.00</b>	<b>\$ 335,801</b>
2012	2012	Labor	Parts	Tires	Total Cost	Mech Hours	Mech Cost
Aerials	Aerial Ladder Trucks	\$ 49,990	\$ 45,894	\$ 87,665	\$ 183,549	772.25	\$ 59,301
Triples	Fire Engines	\$ 140,775	\$ 129,062	\$ 313,643	\$ 583,480	2,133.26	\$ 163,813
Ambulances	Ambulances	\$ 63,966	\$ 46,887	\$ 142,902	\$ 253,755	1,117.00	\$ 85,774
Suburbans	Command Suburbans	\$ 3,878	\$ 15,334	\$ 14,810	\$ 34,021	128.50	\$ 9,868
	<b>Total</b>	<b>\$ 258,610</b>	<b>\$ 237,176</b>	<b>\$ 559,019</b>	<b>\$ 1,054,805</b>	<b>4,151.01</b>	<b>\$ 318,756</b>

In 2011-12 LAFD completed over 5,000 suspension and tire repairs. In 2012-13, LAFD completed 4,500 suspension and tire repairs. Based upon calendar year data provided for 2011 and 2012, these types of repairs cost over \$1.0 million annually in labor and parts. A percentage of these repairs could be a result of pothole damage. However, LAFD is currently unable to distinguish and quantify the exact cost of the damages that specifically resulted from pothole damage.

Port of Los Angeles (POLA)

POLA maintains 350 on road fleet vehicles. From November 2012 through October 2013, these vehicles traveled on average 6,358 miles each.

During fiscal year 2012-13, the POLA conducted 1,700 vehicle/truck repairs, including tire repair work for a fleet that contains approximately 400 over the road trucks and vehicles.

POLA does not specifically identify and track the number of vehicle fleet repairs performed as a result of pothole damage. Department vehicles operate primarily on Tidelands property rather than outside Port operated areas. Employees are familiar with the local street conditions and operate their vehicles accordingly. POLA equipment mechanics do not think that street conditions are a significant contributor to annual repair costs. A minimal number of vehicle repair tickets include suspension work, specifically. Vehicle alignment work, which is commonly caused by potholes, is typically handled under regular scheduled preventative maintenance work. POLA does not think that any of the vehicle preventative maintenance or repair work can specifically be attributed to poor street conditions, although such problems may be contribute to such work over a period of time.

#### Los Angeles World Airports (LAWA)

LAWA's Fleet Maintenance does not track pothole damage to vehicles. However, most of LAWA's vehicles stay within airport property. Therefore fleet damage caused by street potholes and poor road condition is minimal.

#### Department of Water and Power (DWP)

DWP indicated that they do not track vehicle damage from potholes because their fleet is mostly commercial or construction equipment and they do not typically see this type of damage. Although, they do track accidents, pothole related accidents has not been an issue.

In summary, City departments do not identify and track vehicle repairs specifically resulting from street related causes, such as potholes. Therefore it is difficult for departments to definitively quantify pothole related vehicle damage. However, most departments do track the quantity of repairs that are made to vehicle components that would incur damage as a result of potholes and poor road conditions. LAPD and GSD spend over \$7 million per year on suspension and tire repair. Improving the overall condition of the City's street system could reduce the City's cost to repair fleet vehicles damaged by potholes, however, it is unclear how much the City could save.