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>> Mayor Reed: I think we're ready to get started with the study session on transportation, pavement related issues. I think City Manager Deb Figone will start us off.

>> City Manager Figone: Thank you, Mr. Mayor, members of the council, good afternoon. This study session that we've prepared for you today deals with a serious issue facing San José which is the condition of our streets and the financial implications of continuing on the current path of maintenance and investment that we're on today. Given the times that we're in, this is just one of many challenges in a series of challenges that we know you are facing, and it, too, like all of the others, will require our best thinking, our discipline and collaboration to resolve. I must say we did debate a bit internally whether or not we should bring you this conversation at this point in time given all that you're facing but we are not seeking immediate action or a solution from the city council today. We do recognize that you must consider this issue in the context of other pressing matters, including the structural deficit and retirement reform. What we are seeking however, and I don't think it is too soon to do this, is a full understanding of the scope of the problem and what types of investments it will take to resolve this issue. So today, what we're doing is seeking your feedback on your desired next steps, whether that be to do further community outreach, consideration at some point of a task force, perhaps, or further review of the issue, once the results of VTA's transportation measure B on the November ballot is known. As you're all well aware, this issue just didn't suddenly emerge overnight. It has been worked on in earnest for well over a decade and any solution that we ultimately adopt will take time to implement in order to achieve an impact. So even though we are seeking long term investment solutions we do recognize that even short term increased investments in our infrastructure would save dollars over the long run. So as a result, this conversation and the policy choices that we need to explore do range in alternatives and options that must be ultimately feasible for the council and a community. So with that I will turn it over to Hans Larsen our act director of the Department of Transportation to provide you with an overview of the study session and the various roles and presentations involved. Thank you.

>> Hans Larsen: Thank you, Debra, Mr. Mayor, members of the council, very pleased to have this time with you today. And focus on this important issue on -- regarding pavement maintenance. What I'd like to do is highlight the cover slide that we have here. This is a picture of Willow Street, the way it looked a summer ago. And with the benefit of federal recovery act funds, we were able to repave that street this year, and it looks today like it does on

the picture to the right. One of our goals is to sort of highlight for you some of the problems that we have with pavement maintenance and focus on opportunities for solutions. Again, we're not looking to solve this problem here today but really to raise awareness and seek your input. And so we can have -- convert more of the streets that look like Willow Glen -- Willow Street did last summer and have more of them look like they do today. Just to highlight how we've organized the study session we have a series of panels for you that will each provide a presentation, and then we will be available for any clarifying discussion with council on that particular area. And so the first panel will be focusing on the problem. Our current pavement conditions and funding trends. We will then move to a second panel that will look at the goal. What is it that we would like to achieve as a city in terms of our pavement conditions? And we'll focus, on that session, on future pavement conditions and investment scenarios. We will then move to the solutions panel, and we have folks from VTA, MTC and the City and County of San Francisco that will provide insights on that looking at potential strategies. We would like to then frame for council some potential next steps. Then we suggest receiving some public comment and then facilitating a discussion with the council on the next-step discussion. So for our first panel, sort of the problem folks up here, we have myself, and Katy Allen, our director of Public Works. Jim Ortbal our assistant director of transportation and Kevin O'Connor deputy director for transportation infrastructure maintenance. We've also invited Dave Fadness to provide some comments on this topic from a neighborhood perspective. So with that I'll turn it over to Katy Allen for some background perspectives on this issue.

>> Katy Allen: Thank you, Hans. This slide is our snapshot of our citywide infrastructure backlog. I know that's something that council has heard about quite a bit over the last several years. We wanted to start here and take a few minutes so that we could take citywide infrastructure backlog in context with some of the information that you're going to be hearing today. So beginning in 2007, we identified and began to quantify 13 different assets where the city needed to make investment in some of our assets. You may not be able to read it in our overhead but I wanted to identify some of those areas and programs that we included. It was the airport, city facilities, convention center fleet, parks, sanitary and storm sewers, central service yard, technology, transportation, our water pollution control plant and water utilities. Those are the programs identified on the horizontal axis. The reason that I wanted to mention them all is I think this council can take great pride in the progress that we've made in many of these areas. And I wanted to touch on just a few of those areas that the council

funded. Recently, the completion of our airport has literally zeroed out our backlog of infrastructure maintenance needs at the airport. Since 2002, Public Safety, park and library bonds brought many new facilities online, and upgraded many of our age systems. This addressed many of the facility shortfall that we had over the last decade. A \$25 million investment at the central service yard and then the council's decision to propose bond financing at the convention center, all are examples of way that you have taken action to address some of our backlog. And then finally, plans to upgrade and rebuild our treatment plant through a new master plan are currently underway and they are going to be financed through existing utility fees. So overall there's some good news out there and I wanted to shed some light on that before turning to the dire condition that we have in our transportation system. In fiscal year 2009-10 our backlog was \$822 million. That this past fiscal year, our backlog is \$788 million. 50% of that and I'm looking over at the pie chart on the right, 50% of that falls into our transportation arena, whether it's pavement maintenance or just the condition of our signs and signals. 25% of that is the blue part of the pie. That's our sanitary sewer program. We're currently master planning that and we're going to be able to program out through fee structures that are collected for sanitary program a very aggressive capital program. But what you will hear today in the study session is the situation with our transportation system. The need that the general -- the total reliance I will say, a lot of the reliance for the funding of that infrastructure or the General Fund. And over you know many, many years now, our General Fund has been in hard shape to contribute in an increasing way to our transportation backlog. Finally before turning it over to Jim Ortbal I wanted to just close by mentioning regardless of what council decides today if it's a baby step or a big step I was asked to point out San José's track record for delivering capital projects. Many jurisdictions, many governments, many school districts really struggle with large capital programs or with managing projects within a set schedule and budget and to deliver quality projects to those individuals in our community that have supported the financing. We're very fortunately in San José that we've had a very solid track record for delivering capital programs. And so with that I'm going to turn it over to Jim Ortbal.

>> Jim Ortbal: Thank you very much, Katy. The size of the city's pavement maintenance backlog is not the result of a lack of awareness or efforts to fix it by the city. Back in 1997 the council adopted a ten year pavement maintenance recovery plan, in an effort to improve street conditions and reduce the cost of further deterioration. The plan was 95% funded and implemented through 2001, resulting in over 1,000 miles of streets

being maintained over a six-year period resulting in 93% of San José streets being in acceptable condition. Unfortunately in 2002, funding for street maintenance was on the decline and it required suspension of our pavement maintenance recovery plan. In 2007, with the effects of suspending the recovery plan becoming quite evident, a transportation maintenance master plan was developed to bring attention to the growing backlog of infrastructure maintenance. The survey and polling work from the master plan demonstrated that street maintenance was a high priority service to the community but not something that two-thirds of voters seemed prepared to support in terms of hire taxes. It's important to understand the size and scale of street network in San José as we explore what types of solutions it will take to improve conditions and eliminate our backlog. San José has almost 2400 miles of pavement. If you stretched all of San José's roads lengthwise, you would have a 30-foot-wide road that stretched from here all the way to the motor city in Detroit, Michigan, by far the largest roadway network in the Bay Area. Other numbers to understand about our pavement network include its average condition rating of 64 on a 100 point scale. 82% of our streets are in fair or better condition. A rating of 50 or better on the 100-point scale. Conversely, 18% or 425 miles, are in poor condition, thus requiring a more costly resurfacing maintenance treatment. Much of the \$250 million backlog for street maintenance is made up of the 425 miles I just mentioned, these are roads that are past the point where preventative maintenance treatments are acceptable or useful. The most concerning numbers on this slide clearly are that by 2020 if we can't increase projected funding over the next decade the average condition rating of our streets will drop to 45 which is poor, with over half the streets some 1275 miles, rated below 50, on the 100 point scale, and the backlog repair cost ballooning to an estimated \$860 million, clearly the next decade is a critical one for our streets. I refer to a pavement condition index in a number of instances so I think it's important to provide some additional explanation as to its origins and its applications here in San José. We in San José like most other Bay Area jurisdiction uses the Metropolitan Transportation Commission's pavements maintenance system. The system is based on a 100 point rating scale with 100 being a brand-new street in excellent condition. As we know as pavement ages and deteriorates, its condition drops accordingly. The rating category depicted in green, yellow, orange and red, correspond to the condition rating of pavement and to the cost range to provide the right maintenance treatment. When street reaches the orange category and rated below 50 PCI they have ended up on our resurfacing backlog list. The purpose of regular preventative maintenance is to extend the life of roadways in the most cost efficient manner. Streets in the good to excellent rating in the green category only require a surface

seal. The lowest cost treatment, every eight to ten years. A surface seal typically cost \$35,000 to \$70,000 per mile. Once again the lowest cost treatment. If preventative maintenance is not performed at prescribed intervals, the costs of maintenance rise exponentially. Of the 425 miles of streets on the current backlog list, the average repair cost will be in the neighborhood of \$500,000 when the treatment is ultimately performed. The next set of slides that I'm going to show the council provide pictures and examples of streets in the various pavement condition categories so we can get a real kind of street view of what we're looking at in terms of those categories. In the good to excellent category we have West San Carlos street, with a PCI of 80 do, has good structural condition, no potholes and would be a candidate of the lowest cost treatment at its next scheduled interval. In the fair to at risk category, Hellyer avenue has a 60 PCI. It is still a candidate for preventative maintenance sealing treatments with limited amounts of repair and crack sealing. This is a street, though, that's at risk and if not maintained at its next prescribed interval will likely end up on the backlog list and require a more costly resurfacing treatment. Park Avenue was a street that was in the poor category just before this summer. With a 45 PCI. With the federal recovery act funds we were able to resurface this street. Unfortunately the cost per mile to do a street in this condition was between five to \$700,000, so very expensive treatment to restore. Fortunately this street was maintained this summer and is in good condition now, that particular segment. The last example I have four is mills court. It's a street unfortunately that has failed. The street to get in that condition it has to be skipped over for maintenance multiple times and usually has underlying soil stability issues which is the case for mills court. The important question I know that we ask ourselves and I'm sure the council's asking is, how did San José get to this point? The next four slides describe the factors that most contributed to the current pavement conditions here in San José. San José is at the point where many of its streets are approaching the end of their useful life based on when the city developed, when the streets were constructed, the inability to prescribe preventative maintenance over the decades. 2,000 miles or almost 80% of our streets are over 30 years old today. The table on this slide shows the average year of construction for streets by decade and by council district. It follows a familiar pattern where the central core street network developed first in the 1940s followed by three waves of suburban growth and development in the 1950s, 60s and 70s. Some streets though regardless of their maintenance history have aged to a point where resurfacing treatment is required. And even the four council districts that were the last to develop on the southern and northern periphery of the city with streets being built on average in the 1970s have aging infrastructure that must be maintained or it

will deteriorate into a condition that requires more costly treatments. This graph shows the actual and projected investment levels in pavement maintenance since the city council adopted the ten year maintenance recovery plan in 1987. There is a lot of information on this chart. I'll try to walk through what I think are the key elements. The multicolored bars show the annual level of funding and the horizontal dashed black lines indicate the level of funding needed to provide preventive maintenance treatments on an eight and ten year cycle. The red portion of the bars represents city funding, the green state and federal grants, and the yellow, proposition 42 gas taxes from the state. Focusing on four important trends in this chart, first, through initial six years of the 1997 recovery plan, the city funded 95% of the plan, performed over 1,000 miles of maintenance, and raised our condition level to the point where 93% of our streets were in fair or better condition, and were candidates to still receive the lowest cost maintenance treatment a surface seal. So we certainly had made good progress to that point in time. But unfortunately, in 2002 and 3, total funding dropped off considerably and hit an all time low in 2004, at \$10 million. Third in 2005 and 6 the trend began reversing itself again through local state and federal funding, specifically the mayor and city council adopted policies to invest half of the annual ending General Fund balance for pavement maintenance repair and backlog reduction, also one-time investments from state proposition 1B, and the federal recovery act, bolstered funding to the levels needed in two of the past three years. However, and definitely most concerning as you can see at the right end of the chart the one time funds have dried up and city investment has hit an all time low at less than \$2 million annually. The projected underfunding will have negative consequences on the pavement maintenance backlog. The largest contributor to the current condition of our roadways has been the lack of prescribed preventive maintenance. The computerized pavement maintenance system we used combined with our staff's engineering and construction experience led to an established annual target, or 250 miles of maintenance to keep our streets in good condition and to have the lowest overall cost investment required to keep it that way. The amount of maintenance is based on prescribed cycles of eight years for major streets and ten years for residential streets. The level of funding over the years, however, has been well short of what is needed to achieve those prescribed cycles, resulting in an average 104 miles of maintenance each year over the last decade. Underfunding is not a recent phenomenon that started after 1997, though, and the story I think behind this picture really illustrates what I'm referring to. This is an arterial street that was constructed in 1966, 44 years ago. It should have had its first treatment in 1974 but actually received its first treatment in 1983, probably because it appeared to be in good condition and funding was not

available at that point in time. A similar cycle was repeated in the 1990s, and unfortunately today we have a street with a pavement condition index of 47, in poor condition, and it needs resurfacing as the appropriate treatment. Properly scheduled treatments would have extended life of this street likely for as much as 20 years before a resurfacing treatment would have been necessary. Inflation and the cost to perform maintenance has risen over time as well, and is contributing to the maintenance backlog. The league of California cities has reported that statewide asphalt prices have risen an average 7% since 1998. The chart that you have here focuses on our city experience. Locally the price per ton of asphalt paid by the City of San José since 1998 has tracked consistently with that statewide average, rising from \$30 per ton to \$70 per ton. Asphalt, material costs make up more than half the total cost of a pavement project. The other key point on this slide on the lower left is that the cost to resurface streets after they've fallen into poor condition is at least five times more expensive than performing regular preventive maintenance. A couple of underlying causes that helped create the situation in San José, we have many quality attributes, unfortunately some of the ones we have in San José don't contribute to having good pavement conditions. The major growth that we experience from the 1950s to 70s led to large residential tracts in the city and a less than optimal retail, commercial, and industrial base. We have a well-documented jobs-to-housing imbalance which has led to a weaker tax base and revenue base than otherwise might be the case. Sprawling suburban development with large arterial streets and vast tracts of residential neighborhoods has created the largest street inventory in the Bay Area. Large redevelopment project areas have reduced property taxes available for maintenance to allow for redevelopment and capitol projects, and finally, many of our past transportation ballot initiatives in Santa Clara County have prioritized freeways, light rail, and BART over local pavement maintenance. So kind of what does all this mean in terms of where we're at today? Unfortunately, we in the City of San José are in a predicament to a certain extent. We are on the leading edge of rapid deterioration of our pavement infrastructure. Despite our absolute best efforts over the past decade, we have not invested enough in preventative maintenance. Many streets are due or past due for maintenance and rehabilitation. As conditions deteriorate, maintenance costs rise further, taxing our limited budgets and requiring staff to make difficult choices among various treatment options. If the current path continues over the next decade, since we're on the steepest part of the deterioration curve, we will see our average pavement condition drop from 64 down to 45, and the percentage of streets in poor condition will rise from 18% today to

over half of our streets at 54%. With the estimated cost to repair the backlog rising from \$250 million today to an estimated \$860 million by 2020. And with that I'll turn it back over to Hans.

>> Hans Larsen: Thank you, Jim. You heard a lot of kind of technical information about how we got here from staff and where we stand. We wanted to provide another perspective, directly from the community. And we invited Mr. Dave Fadness to come speak with you and share his thoughts. I believe many of you know him. He's a well-respected leader in his community, been very active with the VEP homeowners association. He also has a particular expertise on the topic, as having served many years on the county's roads commission. And then I think many of you are also aware, he is one of the members on the envision 2040 general plan task force. He has a neighborhood perspective, expertise and has committed his time to working on citywide issues, and we appreciate his spending -- sharing his thoughts with you today. Mr. Fadness.

>> Dave Fadness: Thank you, Hans. It is a pleasure to be here this afternoon. And hopefully, the respect that I've worked for will be retained after I finish saying what I have to say today. It's -- I'm sure it's nothing new for you folks to hear bad news about situation that's going on in our community. Perspective I'm going to bring today, I was invited to speak as a member of the community. It's difficult for me to do that in a pure sense because I've been so involved in transportation matters over the years. So I prefer to say that what I'm going to do today is to talk with you about my observations as a member of the community which you share, of course. The 26 years I've spent as a commissioner on various county commissions on transportation, and also, importantly, as a member of the general plan 2040 task force. The subdivisions that I live in in my part of San José which is Edenvale were built in the late 60s and early 70s. And our roads are getting very old, very tired, and starting to look third world. And it's a real disappointment. They're patched, they're cracked, they're potholed, they're littered, they're weed-strewn, and it's embarrassing, but -- and it's also very costly. We've learned in the newspaper, we've learned in studies and those of us that are involved in transportation over the years have come to understand that. This costs us money. When we go to the auto repair shop, when we get our suspensions repaired on our cars and so forth. In fact, the latest report is that it costs the average motorist car owner in San José \$756 a year more than it would if you lived elsewhere, just to operate their car. For our city departments, D.O.T. and PW, it's a zero-sum game. Life is a zero-sum game for many of us but for these people, they're struggling, juggling funds, to

try to slow the deterioration of our pavement quality. And I'm grateful and most people that drive today should be grateful for that effort. But what's happening is, as a result from the community standpoint is that some of the lower priorities, if you will, like street sweeping, graffiti removal, weed abatement, traffic calming and bike lane suffer as a result and so do our neighborhoods. And that's really where we folks out there in the community see the results of this, in addition to the car repairs. And when you ask what's driving this, obviously it's money. Our economy is down, of course. But as a county roads commissioner and a person that's been involved for a long time and watching the trends, I understand that, as the price of fuel increased in recent years, so did the price of asphalt. And as the price of fuel increased and some would laud this, so have the number of miles that we drive our cars. And as we drive fewer miles, and as our cars get more and more fuel-efficient, the number of dollars that proceed from the per-gallon gas tax goes down, and all of this adds to the problem. It aggravates the situation of trying to make ends meet in pavement management. So this inadequate funding is really putting at risk our \$4.2 billion of physical plant, our pavement system in the City of San José. And that's a system that's fundamental. It's essential to every person who travels in our city. It -- our businesses, our governments, our motorists, our bicyclists, our pedestrians and our transit users all depend on roads and it's our job to try our best to get those roads in good condition for them for a variety of reasons. And as the staff has already said, importantly, as maintenance and repair are delayed, the damage and the cost to fix them accelerates dramatically. So there's a time element to this. So it's obvious that we need to get more money for streets and road maintenance. And my experience on the road commission has led us to conclude, and we're trying to convince the Board of Supervisors of this, that there's one of possibly two solutions to this. The first one is to work with what we have. But to reorder the priorities. And by that, I mean we should rebalance the current funding allocations to more closely reflect the needs of the majority. Today, we spend only 35 cents out of every transportation dollar on the streets and roads that carry 95% of our daily trips. Secondly, we could increase the pot. By adding new taxes and fees. That's really difficult as you know, I can explain to you from today answer economy and the push back from the voters. But there are things we can do. By the way, the \$10 vehicle tax that's on the ballot, I urge each of you to support that but you have to understand, that tax is going to bring \$14 million a year to this county to support the needs of 15 cities, and the county itself. The City of San José, as you've already heard, needs \$100 million a year to attend to this problem successfully. So it's a pretty small amount. But to overcome the voter resistance, we need the council's support, and we, as transportation advocates, I think, have to understand that education is going to be

key. You and I have to tell our neighbors that a relatively small investment at this point in time, is going to produce bountiful rewards. Among other things, a small investment, one that the staff is recommending on the order of three or \$400 a year sounds pretty good compared to \$756. But importantly it's going to restore our pavement and our traditional service levels, and it's going to make our city a better place to live, work, play, and do business. Now, finally as the general plan 2040 task force member, I fear that the optimistic goals we seek for San José's economic, fiscal and environmental sustainability may never be met if we don't have good quality streets and roads and the range of transportation options that they accommodate. Thank you.

>> Hans Larsen: Thank you, Mr. Fadness for your comments, perspectives and your service to the community. I would like to just pause here. And take any clarifying questions from the council on this topic. Again, reminding you, we're breaking this into a couple of segments, so really we've discussed the problem, how we got here. Our next two pieces will focus on the goal and solutions. But we wanted to assure that the city council understood kind of the underlying problems and issues, and offer an opportunity for any questions that the council may have at this point.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thank you, mayor. Our current policy exempts affordable housing from certain construction taxes. I believe it's a CRIM fee and that's used to pay arterial roads. Is there an idea of how much money we have lost out by exempting, carving out that exempts for affordable housing?

>> Hans Larsen: I don't have a number off the top of my head but certainly one of the purposes of this study session is, if there's any questions or additional information the council would like to have, we'll take that as a request for information, we can get back to you on that.

>> Councilmember Oliverio: That would be great. It would be good to know because I think as the speaker said sometimes we prioritize some things over others and then there's implications and tradeoffs. And it would be good

to have that number. We obviously lost out quite a bit when it came to parks. I'm curious what we lost out when it came to pavement maintenance. Thank you.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: Just to follow up on that point. My understanding is, those construction fees are for new capital improvements. They can't be used for maintenance and repaving, am I right about that, Hans?

>> Hans Larsen: Councilmember Liccardo, we have two development taxes that come into the city's transportation program. One is limited to new improvements. The other one is flexible, we do use it for operations and maintenance purposes.

>> Councilmember Liccardo: Okay. With regard to pavement materials I saw in the report asphalt was increasing 7% a year over the last decade or so. We hear a lot about new experimental kinds of materials. Is there much headway there being made with regard to finding lower cost materials that can hopefully reduce the slope of that curve that we have to somehow scale in the next ten years?

>> Kevin O'Connor: Councilmember Liccardo, Kevin O'Connor deputy director of transportation. There is headway being made in new materials, environmental area, utilization of rubber products. Right now they are more expensive than traditional and conventional products and they aren't going to replace the volume and amount of product that's needed to pave a street. Essentially we are talking about asphalt concrete, and it needs to be a certain thickness and to withstand the load and the volumes of cars. So it's a difficult approach to solving a very difficult problem. It would be difficult to say let's carry this with alternative materials and other options that we haven't looked at.

>> Councilmember Liccardo: No technological panacea coming around?

>> Right, right.

>> Councilmember Liccardo: Okay, thanks.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. Couple of questions for you. I'll go to my second question first since Sam was just talking about the materials. How much of the costs that are outlined on the -- you have the one chart that shows the pavement condition index with the green, yellow, orange, red and then the cost per mile of maintenance for those in those conditions. How much of that cost is attributed to materials versus labor?

>> Kevin O'Connor: It's over half of the cost. About 60% of our cost is from asphalt product materials going into the work.

>> Councilmember Constant: Okay. And then historically, how much of this work is done by city employees versus outside contractors?

>> Kevin O'Connor: A very small percentage of the work is done by city employees. Out of our annual maintenance program about \$5 million is spent on internal resources such as equipment and employment of our in-house staff resources. So as the pavement program can vary from say \$10 million a year to \$42 million as it was this year, that number stays fairly constant. So when we do get new paving money and we are going out to do projects the bulk of that is going out contractually and we're getting low bids.

>> Councilmember Constant: And then you mentioned the plan that came out I believe it was '97 was it, the pavement maintenance plan, and we stuck to that for about three years, is that correct?

>> Kevin O'Connor: About five years.

>> Councilmember Constant: About five years, okay, and -- I forgot my question related to that. So I'll come back to that at some point. And then obviously you provided us in our binder the list that has all the streets, appendix A, the pavement condition below 50. Do we have -- it's alphabetical so it's kind of hard to figure out which ones are in which district. But based on the chart that you gave us with District 3 being the oldest streets and I think District 5 and 6 being the next oldest and kind of radiating out. Does our pavement conditions mirror those districts? In other words, does District 3 have the highest number of the PCI below 50 and is there average PCI lowest in the city versus the next batch, do they kind of fit within that range or have they gotten out of whack?

>> Kevin O'Connor: No, they don't fit within those ranges neatly, they have kind of gotten out of whack, and it's been difficult to try to figure out how that's occurred. Some of our newer districts actually have conditions that are worse off than our older districts, like District 3. I tend to believe that it's based on the fact that we have kind of gone through those older districts, done some level resurfacing, and it's the combination of age and recent lack of maintenance in our newer districts that has really caused premature deterioration there where we're seeing some imbalance in conditions.

>> Councilmember Constant: So in a district like 3, that has, just in skimming, it looks like it has the most in the PCI under 50, but that may not be accurate because I didn't get a chance to go re-sort them. Is it safe to say that the districts that have the larger number of the really bad streets, the balance of the streets are a little bit higher, where the other districts might be more lower on average? Does that make any sense?

>> Jim Ortbal: Try that question again, councilmember. Let me try and understand that better.

>> Councilmember Constant: It wasn't clear in my mind, so I knew it wouldn't come out clear. If you have a district like District 3, that has -- or any of the districts that have a large number of PCI under 50, is it common to see a district that has a lot of really bad streets, and the rest of the streets are maintained at a little higher average, because we're forgiving the fixing of those, because they cost too much, so we're doing maintenance where other districts may be more equal in distribution on all their streets say 60 or 65 or 82 or whatever the number may be?

>> Jim Ortbal: Maybe I'll take a crack at it, Kevin, then add to it. I would think probably the areas that have the streets that are in the worst condition are primarily being affected by soil conditions. So in District 6 it certainly has some soil conditions. But the range in terms of the overall condition is fairly tightly together. We don't have a huge range. When you are looking at the average PCI across all council districts, we have a low of 59 and a high of 66, with an average of 64. So --

>> Councilmember Constant: Where are you looking at that? Do we have that chart here?

>> Jim Ortbal: That is actually not dated, it is in the report. It is certainly something we can provide. But there isn't a tremendous variation in the range across the districts. You know they are -- each of the council districts has a large number in terms of miles of streets. And the problem is fairly well distributed across the city. I don't think we could say with a PCI, average PCI between 59 and 66, that any district is in a good position in terms of their pavement conditions. All of them are at risk, in the fair to at risk category. And there isn't a huge variation in that. But that's information we can get to council.

>> Councilmember Constant: So those numbers and then also, which districts have the preponderance of the under-50 ones. Because I think it would be interesting to give us context for whole city. And I don't think we would be surprised if District 3 and 6 had a large number of them just because of what we see as we're getting out there and around. And I think some of my questions are for later. And then just stating the obvious, we know that we have the poor pavement conditions. And you know it's really obvious, I think it was Hans was in my office, and I was going to explain something to him on one of the streets, and we could actually see from a satellite image, the problem I was pointing out. It kind of gives you an idea of when the pavement conditions are visible from the Google satellite images, that it's something universal that we need to do something about. So I'm thankful we're having this meeting today, and I'm sure I'll have a few more as we go into the other sections. Thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you, mayor. I wanted to double-check on something. You said, I think it was I'm not sure which one of you said it but 60% of the cost would be for the material itself, and 40% would be for labor. Is that because labor costs are being underbid now or bid lower?

>> Kevin O'Connor: What I'm saying is in general over the years about 60% of a pavement project's cost is related to asphalt products. The rest are other costs associated with the project such as management and equipment and labor involved in the project.

>> Councilmember Pyle: And we at this time don't have much information in reference to the rubberized pellets that are made with ground-up tires? There is a facility in Las Vegas that expects by the end of the year to be paving their roads with it. We already have an example I believe it's between San Leandro and I'm trying to think of the city where it is. But there is an example of a road going through. And here's my question. We don't know at this point how much more expensive the rubber pellets would be. If we don't start looking at this from the standpoint of the recycling and the Green Vision I think we're make a huge mistake. Because while it may cost a little more now, the life of the roads, it would be substantially greater, would it not?

>> Kevin O'Connor: So just to be clear. We do, we have utilized rubber asphalt on several of our projects. So our recent tier 1 ARRA project and tier 2 ARRA project have used rubberized asphalt products in the overlay themselves. To our utilizing the product, it is slightly more expensive. There are many benefits of utilizing it which is why we're going down that road.

>> Councilmember Pyle: Right, because otherwise they wind up in the landfill. So okay, thank you.

>> Mayor Reed: Question about the funding sources, part of the discussion, on page 11 of the staff memo, comments about source and use of city's current transportation revenues. It says the General Fund receives approximately 41.6 million annually in transportation related revenues. State gas tax 16 million, prop 42, 9 million, parking fines, 10 million, special fund transfers, a couple of million. And then at the end of the paragraph it says pavement maintenance receives the largest part of city transportation investment. There are lots of other things

we have to spend money on as well. So holding that thought, when I turn to the chart you had up -- I don't have a number on it -- how did San José get to this point? Lack of funding for pavement maintenance. That one. So in year 10-11 which is not the end of the chart but somewhere towards the right-hand side of the chart, looks like we've got \$20 million, I can barely read the line, so not quite sure, somewhere \$20 million in '10 and '11.

>> Jim Ortbal: That's approximately correct.

>> Mayor Reed: So out of the \$40-something-million, we're spending \$20-some-million on pavement maintenance.

>> Jim Ortbal: I would add a qualifier to that, Mr. Mayor. And that is that the federal allocation, the green bar, is not in one of the General Fund sources. So Section F, on page 11 that you're referring to, really speaks to those ongoing General Fund sources. And the funding in the green bar on the chart you're referring to is a one-time federal allocation that the council acted on I think a couple of weeks ago to enable us to submit that grant application.

>> Mayor Reed: All right. So the yellow bar and the red bar part of that is what came through General Fund, if I'm reading it right.

>> Jim Ortbal: That's correct.

>> Mayor Reed: That's about \$12 million. What did we spend the other \$28 million on and do we have the capacity to make decisions about how we spend that other \$28 million or is it coming to us in ways that we're locked into spending?

>> Jim Ortbal: We are spending it on a variety of other maintenance and transportation activities. We maintain the roadway markings and the traffic sign systems. We do traffic signal and street light maintenance system with that funding, we pay for electricity for our traffic signals and for the street lights. Our PG&E bill, we do a limited

amount of landscape maintenance. We provide neighborhood traffic calming services, traffic signal timing and troubleshooting, park patrol, transportation planning. So all of the other things in the Department of Transportation, that's where that other funding goes.

>> Mayor Reed: How much of that is discretionary decision that we make in the budget process?

>> Jim Ortbal: I would suspect that some level of it is discretionary, as we've reduced investment in the transportation system over the years, we've cut back on traffic calming in the last year's budget, we have reduced traffic markings and sign and landscape maintenance over the years. I think the challenge that we're facing is that all of those services are at fairly low levels, and impact maintenance on other aspects of our transportation system. So they -- they're necessary investments I think to have a safe and reasonably well pa maintained transportation system beyond the pavement surfaces themselves.

>> Mayor Reed: Well, I don't disagree with that. I'm just trying to find out where we have any discretion in spending money that we could make different decisions if we needed to do that?

>> Jim Ortbal: There's probably some level of discretion in those areas.

>> Mayor Reed: Then back to page 11 and the paragraph on source and uses, prop 42, \$9 million. Is that this year? Last year? And when is the state going to take that money again from us? It's an annual battle over transportation funds and this year they did something completely different. I've already forgot what kind of a scheme it was. But you know it's something new every year. So historically, so \$9 million is a historic number. But is that -- the portion we got this year?

>> Hans Larsen: Mr. Mayor, the prop 42 numbers are what is represented on the yellow bars on this chart. So you can see that they have varied over time. But the variations are primarily related to different formulas in which the city gets money from prop 42. So at the current time it is expected to be a fairly stable source of money. This is -- but what happened as part of the state budget process last year is that the prop 42 revenues were folded into

an increase in the state gas tax which comes back to the city. So this is I think you know what you were referring to. But this allocation of funds we don't have discretion on how we can use it for other transportation purposes. It is dedicate towards pavement maintenance.

>> Mayor Reed: But we can't stop the state from taking it from time to time. Even if they don't take it, they borrow it from time to time.

>> Hans Larsen: That is unfortunately kind of realities that we're facing. It's often our biggest challenge is to avoid money getting taken away as opposed to trying to generate new moneys for pavement maintenance.

>> Mayor Reed: If proposition 22 passes, will it protect those transportation funds, the prop 42 funds?

>> Hans Larsen: Might check with Rick on that, but that's my understanding, is that would decorate better protections for us, that these kinds of sources wouldn't get taken away.

>> Mayor Reed: Well, let me say, is it intended to protect? Because it is the state of California that we're dealing with, and there's already a proposition 42 that's supposedly dedicated to transportation. So now we're going back with a constitutional amendment saying this time we really mean it. But it is, I believe, Rick, intended to protect the prop 42 funds?

>> City Attorney Doyle: It's the intent. But the legislature has done various things in the past.

>> Mayor Reed: They're creative, they certainly are. Then, the other question I had, looking back at your chart as we get to this point, if you look back, ten years this year going back, it looks like the red bar, the General Fund portion of that, over ten years, has gone from about \$9 million down to one or \$2 million. Can't tell precisely. And I just want to point out that during that time period, that what we are paying for pension costs has nearly tripled. And the average cost per employee has gone up by about 80% during that time period. So as our budget has been stressed with these huge cost increases, not only have we reduced staffing by over a thousand people,

we've cut back in other areas and pavement maintenance is one of those areas that got cut back. I know we did some polling on this, as part of our community services poll. While pavement maintenance is really important, it's really high, it's not quite as high as police officers, firefighters, libraries and community centers which we're also cutting back on. So I don't have a high degree of optimism that somehow, pavement maintenance is going to jump up on the priority list in the ordinary course of what we're doing, because it has been a place where cuts have been made over these years in General Fund dollars. And so it's very difficult even in the years where we had money. For those of you who were around here long enough, remember there were years we had money, and we started the ten-year plan in 1997, and I wasn't here then. But even in those years when revenues were going up rapidly, the city didn't fund that backlog and didn't fund enough to keep up. I'm trying to come one a scenario where we would have enough money out of our existing resources or General Fund dollars to cover this kind of a gap. It's pretty hard to imagine we can get in that spot without doing something special in order to capture these funds that we can use for paving. Any other questions before we move on? Okay. Next section.

>> Hans Larsen: Okay. For our next section, thank you Katy, we're going to bring to the panel Teresa Romel, she's with the MTC. She's the regional streets and roads manager. And she's going to help assist us with this as we move from the problem, to looking at the goal. And some of the questions we'd like for council to consider as we talk through both the goal and really the next piece, as well as the solution, are, what kind of street conditions are desired, expected or acceptable within the community? So what should we strive for? We are at a 64 PCI now. Are we satisfied with that? Do we want to maintain a status quo or do we want to improve to something better? Is the pavement poor enough to consider a local funding solution? Sort of gets that at what point do we create an environment where people are willing to say we really need to invest more in this? Right now, 18% of our streets are rated in poor condition. Without any additional investment over the next decade that could drop to 54%. Another question is, when would be the most opportune time to seek added investment. Clearly with the current economic conditions, going and asking for the public to make more investments in this is challenging. But we'd like to think about if there are some time frames that would be better to raise this with the community. Another question is, could the problem become so large that it becomes impossible to soft? Currently we have a \$250 million backlog and without any investment that could approach almost \$1 billion within the next ten years. Our staff's concern is if the problem gets so big, it becomes so difficult to find a funding solution for

this. And then the last question we have is, or issue is, any increased level investment does have benefit. And so if we can't solve the whole problem we should be aware that any amount of money does help slow the deterioration of the network and reduce future cost. If you look at kind of the numbers we presented, essentially a dollar spent today will avoid spending three or \$4 a decade from now. So certainly any investment we can come up with are helpful. Okay, I'm going turn it over to Kevin to talk about some of the funding scenarios that would go towards addressing the problem that we've identified. Kevin.

>> Kevin O'Connor: Thank you, Hans. So far we've talked about the conditions of our pavement network today and where we're headed in San José unless we identify new funding. Because of the situation we've clearly asked ourselves what can we -- what can change our current situation and prevent us from achieving the projections that we've made so far? To answer this we've done our most significant and extensive analysis of our pavement network to date using our pavement maintenance management program as well as expert consultants, assistance from them, to analyze the system and give us some advice on how we might fund and improve our network. This slide summarizes that work and begins to frame up what we think are some solutions and seven funding and condition level scenarios. Overall, it describes how different annual investments can impact the pavement network over a ten year investment period. Before we get into the data let me first draw your attention to the bottom row, the text in yellow that's a snapshot of today's condition. We've talked a lot about that, 64 PCI, \$250 million backlog, 18% of streets in poor condition. So let's take a brief look at some of the information. Row one and scenario 1 are current numbers. These look very familiar. We've talked about them. In ten years at current investment levels our PCI will drop to 45. We'll have a one-time backlog of \$860 million, and 54% of our streets will be in poor condition. Raising the funding level to \$20 million, as shown in scenario 2, increases our PCI slightly to 49, although still in overall poor condition, reduces the backlog to \$775 million with 47% of our streets in poor condition in ten years. Moving down to number 3, scenario 3 at \$40 million, we actually raise the overall condition of the network above the poor level into fair condition in 10 years with a \$600 million backlog and a third of our streets in poor condition. The important thing to realize about these first three scenarios is they all allow the backlog to grow significantly from where it is today. Even more importantly is that they would make it very difficult, if not impossible, for the city to recover from these conditions, in ten years or future years. And when I say difficult what I'm referring to is the ability and the willingness of our community to fund the work necessary to

overcome a backlog of that nature. Moving down to -- we're jumping down to scenario 5 at \$80 million. This is the first scenario we begin to see some improvements in the infrastructure condition. Our pavement PCI goes to 67 and we essentially maintain the current backlog with 57% of the streets in poor condition. You'll notice it isn't until scenario 6 where we're investing \$100 million a year for 10 years that we actually reach a PCI overall condition of good or better with \$170 million backlog it is now being reduced at 10% of our streets in poor condition. So let's take a closer look at two scenarios. The 60 million and \$80 million scenario. One of the key things to look at is the backlog at the end of the investment period actually reduces and how it might allow the city to recover at the end of that period. Both of these scenarios again reduce the backlog from our projected \$860 million to \$60 million scenario, bringing it down to \$400 million, it gives the city a chance, although very difficult, a chance to recover from the backlog. At \$60 million a year the city would perform annual prescribed maintenance on streets in fair or better condition, thus reducing the number of streets that hit that backlog. We would also be able to perform some levels of resurfacing, probably in the neighborhood of about 50 miles a year or so, depending on the amount of maintenance performed. This would not be enough maintenance to stop the backlog from growing, but it would reduce it substantially from today's projected \$860 million backlog. With a \$400 million backlog in ten years, bringing the network into good condition in subsequent years would be difficult but possible. We estimate that it would cost about \$1.6 billion over a ten-year period to fully recover from a backlog of \$400 million. At \$80 million per year, the city would perform annual preventive maintenance as prescribed. Also do a fairly large amount of surfacing, probably in the area of 80 to 100 miles a year, and that would be enough to halt the growth of the backlog. The backlog would essentially stay as it is today at about \$250 million. We would see a slight increase in the overall condition of the network, and I think in ten years it would allow us to be in a position to recover from the backlog at an estimated cost of about \$1 billion over ten years, essentially where we are today. So taking a closer look at the \$100 million per year for ten years scenario, a \$100 million annual investment would enable a full and systematic maintenance and rehabilitation program where most every street is programmed for maintenance over a ten-year period. This is the first scenario that actually begins to lower the backlog and prevents us from dealing with the same or worst problem in future years. It raises the overall condition of the network for 70 PCI which is the threshold for streets in good condition. In fact, at this level only 10% of our streets would be in poor or worse condition. More importantly is that it would cost the city less money in years 10-20 to sustain these conditions and prevent further growth in the backlog. It is the only scenario other

than investing higher levels of money that does not require a higher investment down the road to sustain current conditions. This scenario also recognizes the value and importance of streets in the community and our economy by providing streets in good condition across the city for people and businesses to use. It wouldn't put San José at the top of the list compared to other jurisdictions but it would move us to right direction and going a long way to taking care of an asset that is critical to our function and livability as a city. Last, as we describe in more detail later on in the presentation investing \$100 million to adequately take care of a street pavement network places it on par with other basically utilities and services that are essential to the city including things such as storm and sanitary sewer maintenance and garbage and recycling collection.

>> Thank you. First let me just say to the city council and the staff San José that we appreciate being given the opportunity to come here today and speak to this issue. Obviously, with 10% of the region's street and road mileage, what happens to San José's conditions really are very important to the region. 20 years ago, MTC began development of its pavement management system. And we did that really for two reasons. With about 40,000 lane miles of streets and roads in the Bay Area we wanted to determine how much we needed to spend in the region in order to maintain that piece of our transportation infrastructure. And second of all, if we didn't have enough money to fix it all we needed to know what should we fix first? And the pavement management system that we developed is designed to do that. It looks at our roadways and what needs to be fixed and ranks those streets on a cost effectiveness ratio. So since we are the stewards of a lot of federal funding we require that every jurisdiction in the Bay Area utilize a pavement management system so that we have a good sense that the money that is available for pavement management is being used wisely. And MTC enforces this requirement to have the pavement management system. The fact that all 109 jurisdictions in the Bay Area currently use the MTC pavement management system makes it very easy for us to gauge conditions at the regional level and also determine what the maintenance shortfalls are in the region. Over the next 25 years, we have calculated that we will need about \$33 billion to maintain our region's local streets and roads. Unfortunately we know that we only have about \$15 billion in available revenue currently so that means we have in our region about an \$18 billion shortfall for maintenance of our local street and road network. After the adoption of our 2001 regional transportation plan, local jurisdictions formed the local streets and roads work group. And really they formed that because they wanted to increase acknowledgment of the fact that the conditions of our local street and road

network really are a regional concern. If you think about it, the local street and road network is the foundation of all other modes of travel. You can't go from your home to your work, or to your school or to your grocery store, without utilizing the local street and road network. And something that is probably not very well-known, only about 30% of the cost of constructing and maintaining the local street and road network is for the benefit of cars. 40% of the cost is for the use of buses and trucks to move goods and for transit services. One bus or one truck does as much damage to the roadway as about 7,000 cars. 30% of the cost of maintaining and constructing the road network is for the benefit of bicyclists and pedestrians. So you can see even as the region, since it is our goal to get more people out of their cars and on to other modes of travel, it is not going to diminish the need to maintain our street and road network. If anything, the opposite is true. As we are more successful in mode-shift we'll have to increase the investment on the local street and road network. Some of the activities of the local street and road working groups are -- can we go back -- some of the activities of the local street and road working group has been the development of a strategic plan called saving our streets, or SOS for short. And that strategic plan lays out the goals, objectives and actions dealing with ways to improve maintenance strategies, local street and road safety, system efficiencies, and investment levels for local street and road maintenance. The working group helps us to prepare our annual condition summary, as well as the maintenance shortfall assessment for the RTP, and it advocates for a fix-it-first strategy in our regional transit plan. And fix it first is just another way of saying, you know, in terms of priorities, it is maintenance of the existing system, then enhancement, and then expansion, in that order. Currently, the pavement condition index in the Bay Area is -- it's actually 66. I think they're giving us a little bit more credit than we deserve. It is about a 66. We currently have a backlog of about \$6 billion. That means the amount of money it would take to bring our roads up to an acceptable condition would cost about \$6 billion. If we continue to spend what we are currently spending in the region average, our pavement condition will fall to a PCI of 45 over the next 25 years. And the backlog will grow to about \$20 billion due to the cost of deferred maintenance. And that is in constant dollars, not including inflation. Just to maintain existing conditions at a pavement condition index of 66, we would have to double our existing expenditures on average, and to reach a pavement condition of 75, which would place us in the good range, we would need to increase our expenditures by almost 200%. Some of the goals that we've established in the region, we would like to see a pavement condition index of 75. That would make -- mean that most of our roadways only require preventative maintenance, which is much less expensive in the long run. And we would like to see the level of funding to be about \$23,000 a

year per lane mile. That's about what it would take to get our roads up to a pavement condition of 75. Just to bring all of our roadways, and I'm talking about pavement and nonpavement which means your sidewalks and your storm drains and your curbs and gutters, all of those add up to an acceptable standards, we would raise revenues equivalent to about a 35 cent gas tax. Funding does not need to be from a gas tax, and obviously, there's other options there, but that's the equivalent amount of revenue we would need. But other funding options to consider include vehicle registration fees, mileage taxes, transportation utility fees, parcel taxes, sales taxes and vehicle impact fees. Being a person who is kind of fiscally conservative myself, I have a hard time recommending the imposition of additional taxes unless I'm sure that the money that is currently available is being spent wisely and cost effectively. Versus having been in the pavement management area for the last ten years I can tell you firsthand that we've seen a definite shift in pavement management practices over the years. Where it used to be commonplace to fix the worst streets first and leave the good streets to deteriorate until you build yourself into this hole you just can't get out of, most jurisdictions now are paying a lot more attention to preventatively maintaining their streets, spending their money wisely, and unfortunately, that means having to leave some of those streets that are about to fall off the cliff, letting them go, just in order to maintain your good streets. At MTC, and with the help of local agencies, we've actually implemented performance measures into our funding criteria. So jurisdictions that are actively preventatively maintaining their roadways get credit, funding credit for doing so, and those jurisdictions that are still practicing the worst for strategies lose out on funding altogether. So with that I'd like to hand it over to Hans.

>> Hans Larsen: Okay, thank you, Teresa, very much appreciate your leadership at MTC in dealing with pavement maintenance around the Bay Area region a comprehensive level. I think overall, the Bay Area is struggling with this issue in terms of having adequate investment. And some of the goals up there, we wanted to highlight for the council what MTC is recommending as a goal of PCI of 75, so this is kind of the help sort of guide and inform the council of what others are thinking on this topic. And at that level, you generally have a very efficient maintenance program and you're taking good care of streets in a more preventative way. What that translates to in the amount of investment is something equivalent to about \$102 million annually for City of San José, given the kinds of streets we have. We're not recommending a particular target but just sort of put that out there as a place holder for council to consider. What I'd like to do, just a few more slides and then we'll open it up

to another question, as we look at setting a goal that's often interesting to know where everybody else is on this issue. And this chart based on data that comes from MTC's overall management for all jurisdictions in Santa Clara County, shows the unfortunate news is that we're at the bottom of this list. So some of the perspective here is that the issue of more investment for pavement maintenance is not an issue of concern to all jurisdictions. If you look at the 75 PCI goal, half of the jurisdictions in Santa Clara County are meeting or exceeding that. So if we think about you know regional solutions for this, we should be aware that not everybody has the problem that San José has or to the extent. The other thing to point out, if you just look at what's going on with the top jurisdictions, and it really points to some -- reinforces some of the issues of how San José got here, if you look at Los Altos, they're able to maintain streets in very good condition. Well, this is a community that has very high property values. And they receive property tax revenues that allow them to provide adequate funding for pavement maintenance. Number 2 on the list, City of Santa Clara. This is a jurisdiction that has three jobs for every resident in their community. And so they benefit from a very healthy job tax base that gives their General Fund sufficient revenues to take care of their streets. Number 3, Gilroy, Gilroy is a relatively newer city that they didn't grow like San José did in the '50s and '60s and they benefit from having a street infrastructure that's much newer than ours. And so this kind of reinforces some of the other themes that San José's issues are in terms of root causes are largely based on the age of the city, the time that it developed. And we're now at a point where we need a larger investment to deal with that aging. And then also the factors of land use which kind of underpin some of the city's economic conditions. Couple of other slides. If you look at the big cities within the Bay Area, just wanted to point out the cluster here towards the bottom of the list. That the three big cities in the Bay Area, San Francisco, San José and Oakland are all in a fairly similar position in terms of having age infrastructure, and a diversity of other needs that large cities have to deal with. And so we point this out as a potential opportunity of working with other large urban areas in the Bay Area or even across the state, in terms of advocacy for solutions to the pavement maintenance issue. And then one other slide that shows and reinforces the idea that you get what you pay for, is if you look at the jurisdictions here, just a small sampling is that the jurisdictions that are up near the top of the list in terms of their pavement conditions, are investing very close to the level that MTC recommends, the \$23,000 annually per lane mile. So you can see Los Altos, Santa Clara, Los Altos Hills are up at that level, and they have -- are among the more highly rated cities. Then you see Milpitas and San José invest significantly less than that, and there's a strong correlation there that that's part of why our pavement conditions are at a lower

level. So we're going to close there and take any questions or input from council on the issue of the goal. And again we're not looking for any particular direction. But just to get a sense of council's thoughts on this issue that allow us to kind of prepare sort of follow-up to this session. And so just as a requirement, on what you get for different investment levels. Current funding, at a \$60 million annual level, which is about more than three times what we spend now, generally sort of a hold-steady strategy, deeps PCI the same a little bit of decline in the backlog, number of streets in poor condition, and the 100 million level gives us improvement in terms of the overall condition and reduction of the backlog. Happy to take any questions that council has at this point.

>> Mayor Reed: Thank you. I want to go back to the money. Somehow, it always comes back to money. And back to your chart, lack of funding for pavement maintenance. The chart that you had up there.

>> Hans Larsen: Oh, from the earlier session?

>> Mayor Reed: Yes.

>> Hans Larsen: This one?

>> Mayor Reed: That one. In year 11-12 there's nothing in there for the state gas tax.

>> Hans Larsen: Well, Mr. Mayor, the state gas tax actually comes directly to the city and is deposited in our General Fund. The state gas tax revenues that we get are represented now by both the red and yellow bars.

>> Mayor Reed: So the state gas tax of 16 million and prop 42 money of 9 million, that's 25 million. We're obviously not putting that all into pavement maintenance, it's going into different areas, right?

>> Hans Larsen: That's correct. As was mentioned so the other things that we can use the gas tax revenue is for what we consider critical safety issues for operating the transportation system. Just as a reminder, we spend

more than \$5 million a year just to power our street lights and traffic signals. So we're using gas tax revenues to fund that just very basic energy cost activity.

>> Mayor Reed: And as long as we're mentioning it, how much money do we save each year on the fact that we were the first to convert our street lights to LEDs, first in the country, about 10 years ago? \$1 million a year. That's all, we're saving that much money every year, right?

>> Traffic signals.

>> Mayor Reed: Traffic signals, not our street lights, the traffic signals.

>> We're working the street lights --

>> Mayor Reed: Street lights are next.

>> That's correct, Mr. Mayor.

>> Mayor Reed: Okay, but on this chart there's nothing in the green category for the years '11-12 and '12-13. That would be all of the regional, state and federal grants. Is that because you can't predict the future, except we have green in years 13 and 14?

>> Hans Larsen: Yes, we have -- what we're showing on here in green from '10-11 beyond is what has traditionally been the amount of federal gas tax revenues that the City of San José receives, and the action the council took a couple of weeks ago to allocate \$8 million of the federal gas tax revenues represented a front-loading of three years of federal gas tax revenues into a single year. And so what we've reflected here is that front loading of \$8 million in 10-11 and then nothing in the subsequent two years, and then assuming you know we get an average level in years beyond that.

>> Mayor Reed: Okay, I think that explains it well enough for me to understand. At least for now. I'm sure it will fade over time as to how that happens, I'll probably have to ask it again. I just wanted to comment a couple of things about the money. The chart showing other cities in particular. If you were to put up a similar chart of those cities, with per capita General Fund revenues, you would find that we're at the bottom of that list, as well. And the interesting one on that chart I think is Gilroy. I can't remember if they're at the bottom of the chart or not, although they do have some pretty good sales tax generators down there. So I'm not saying it's totally consistent with per capita revenues but it is very close to sort of the per capita revenues. We've seen that number before in our budget process. I know that the numbers range from a couple of hundred dollars per person to well over a thousand dollars per person difference in per capita revenues, and the math is easy, because there's a million people in San José. A couple hundred dollars per person is \$200 million per year. So if these other cities have substantial resources that we don't have, that doesn't make it any better for us. But it does explain why some cities have a much better condition than we do. The other thing that's interesting to note is that if you add up the property tax, all of it and we only get a piece of the property taxes, somewhere around 11, 12, 13%, and you take all of our property taxes, all of our sales taxes, and again, we only get a piece of it, property tax, sale tax, utility tax and phone tax, so those are basically the taxes that people of the City of San José would see that they are paying. In this budget we just adopted, add all those together, and it's about \$430 million a year. Our public safety budget is more than \$450 million a year. So all those taxes combined don't cover our public safety budget. And so we have to squeeze dollars for pavement out of lots of other places. That's one of the reasons we have huge difficulty, plus the fact that the Public Safety budget has continued to grow. The average cost for a police officer and firefighter is up 100% over the last decade. And so we continue to put resources into public safety because that is our number one priority. And even though pavement is important, it doesn't quite compete very well with public safety. But we have certainly need more money. In order to improve our paving conditions. I think that's pretty clear, no matter how you analyze this we don't have enough money going into paving.

>> Councilmember Liccardo: Thanks, Mayor. Hans thank you for the excellent presentation. I think it's a appropriate time for us to be looking at this problem. Of course we know it's been ongoing. We are at a point now where obviously knee deep in potholes as we look forward there are long term investments and long term planning we need do but in the immediate future certainly between now and November 2nd there is one certain

step we can take which is passing measure B November 2nd. Which will make a significant step to address the chronic underinvestment in our street infrastructure, though I know it gets us nowhere near where we need to be ultimately. So I appreciate the fact that you know you're educating us at a time when we need to be seeing the significant amount of underinvestment we've had over the years here. The question I had about measure B is, under the rules, are we allowed to bond against that revenue that comes in, which we expect will be a little more than \$5 million a year, I guess, in terms of our share from the county. Can we bond against that to front-load the maintenance, or is that all restricted in some way?

>> Hans Larsen: We might -- we'll have John Risto from VTA on our panel coming up next, and maybe he can address that in his remarks that he is going to make to council. But our understanding is that there is a potential to be able to bond against those revenues.

>> Councilmember Liccardo: Okay.

>> Hans Larsen: I think there's some validation actions that need to be taken regarding it but we would I guess share the perspective that being able to bond or front-load as much revenue early is a good financial strategy to get ahead of the deterioration you get if you wait to maintain your streets at a later time.

>> Councilmember Liccardo: Okay, if you're about to address all those issues I'm happy to wait until that presentation. I really wanted to talk to you about various solutions so I'll wait until that point comes.

>> Mayor Reed: City Manager last a comment.

>> City Manager Figone: And one thing we may need to follow up on, councilmember, is the financial communities and the bonding instruments. Sometimes there's definitions around what's maintenance and what's not. So we would have to do that research also.

>> Mayor Reed: Councilmember Oliverio.

>> Councilmember Oliverio: Thanks, mayor, for the comments and putting the financial perspective on the rising costs of all the other things we're funding. And Hans, I think you said it pretty well in contrast to other cities. You know, we're dealing with the choice we've made in the past as a city and have the tax base that doesn't provide as other areas are. And I guess on this slide specifically the 4,186 total lane miles, I could only imagine how much worse it would be in the long term if the council trudged along and built out Coyote valley, which would have just expanded us in the wrong way to continue to do more suburban sprawl, versus doing appropriate infill development where it matters. That would just in the long term be a bad decision. So it's hard to find the cheerleaders for that now. Rick Doyle, we've heard in the presentation that garbage trucks and buses do damage to streets. And I asked the question that Hans Larsen prior, why isn't it that we cannot, you know if the garbage trucks are going to come and do pickup in the city and it's going to cause damage to the street how is that the garbage truck can't be assessed a fee for damage it's doing. Hans has told me it's not legal so I would like to know why.

>> City Attorney Doyle: Well, I think -- and part of it is, to the extent that you franchise, any -- we do that in the commercial waste context, to the extent you have any franchise agreements, that's the wear and tear on your system that's contemplated. Otherwise you're looking at a possibility of it just being deemed a tax, if it's something over and above that, and that isn't -- it's not that it's legally prohibited, it just requires voter approval in order to be enacted.

>> Councilmember Oliverio: Could you make it as part of the requirement, if you want to haul garbage in San José, that you have to be responsible for paying some road repair as part of your contract?

>> City Attorney Doyle: I don't know. There are also some federal issues and commerce clause issues and you have to take a look at you know if San José wants to impose special fees or special rules, as opposed to Campbell as opposed to Los Gatos. That's what the federal constitution, interstate commerce commission is supposed to prevent. Those are the types of issues that you have to look at. Just at the finance issue though, generally you're look at taxes and having to get voter approval.

>> Councilmember Oliverio: Got it. And Betsy Shotwell, since you're in the audience, you know, as we're trudging along here, if you could come down for a question. As we're coming along here to see what the options on local raising of taxes is limited, many times with property or sales tax, et cetera. But we know the main users of the roads are those who are buying gas. Is it right now the state legislature, for them to ever increase gas taxes, only to give it to local, is that pretty much a dead-in-the-water issue, nobody wants to touch that it is the holy grail?

>> Betsy Shotwell: Betsy Shotwell, Director of Intergovernmental Relations. I know we've had these discussions a lot internally. I would not count on anything in the near future, unless Hans has heard some great news lately, but we have been looking at this more as we're watching and waiting for the federal piece, and perhaps I'll go into that in more detail later, and congressional action nationwide, if there will be any, but haven't -- and nor do I hold out any hopes or prospects for anything in the future.

>> Councilmember Oliverio: So you would suspect more status quo, just the traditional handing out of grants to cities type of thing versus doing any solutions for the longer term.

>> Betsy Shotwell: I would.

>> Councilmember Oliverio: Thank you, Betsy.

>> Hans Larsen: Councilmember Oliverio, just to add, so the next panel that we have coming up is our solutions panel, and we have a team of experts that can provide -- answer questions of council or provide their insights in terms of state and federal advocacy or legislative changes. Just to alert you on that. We have that other piece coming up. We had designed this one to be kind of a discussion about the goal, what should we strive to be in terms of the conditions of San José streets, the PCI level or reduction of backlog stayed the same. But we'll take any questions or comments you have now. Just wanted to remind you of the resources we have in the next section would address some of the questions that were just raised.

>> Councilmember Oliverio: Okay and I'm hoping that maybe it will talk about maybe some of the -- so for example on road paving would we lower our cost at least some increment by having a civilian guiding cars versus a police officer. So maybe your next panel will discuss that, I'm not sure.

>> Hans Larsen: Well, we can take that one now.

>> Councilmember Oliverio: Okay.

>> Hans Larsen: If you want to try that. Could you repeat the question?

>> Councilmember Oliverio: Sure. In the delivery of road paving, it might be a minor cost but it would be some of the different cost instead of having the police officers as a paid job guiding traffic, instead do it by civilians in orange vests.

>> Hans Larsen: Yeah, that's actually a change that I think the city council approved a year or two ago that is that does not require that police officers be there to manage traffic. And so now we have the ability for contractors to have their own certified flaggers to be able to perform that work. So that's a change that results in reduced costs for their work that's already been implemented.

>> Councilmember Oliverio: However I see it just last week, I don't see that, again it's up to the contractor to choose whether or not they want to use that?

>> Hans Larsen: I think there might be certain instances where you're paving through a major intersection, where it actually is -- they prefer or it's advisable to have the police officers there. But I believe that they have a choice, Kevin may be able to add more to it, if you'd like.

>> Kevin O'Connor: Not much to add, but we do have discretion in terms of how we utilize traffic control. The contractor, or through police officers. So we do -- we do take advantage of that. And we'll continue to.

>> Councilmember Oliverio: Okay. And then I guess another solution, will your solution talk about how much like different cities charge for labor? We're a charter city, we have more flexibility when it comes to from road maintenance. Will that panel discuss that as well?

>> Hans Larsen: We could certainly provide more information on that topic. I think you're kind of referring to the wages for -- that are performed either by or by contractors and the City's policies in that regard.

>> Councilmember Oliverio: Correct.

>> Hans Larsen: Yeah, we can provide more information on that.

>> Councilmember Oliverio: And then I'll just head up finish it out as we get towards the point the ultimate proposal is going to come to the council on whether or not you want to raise revenue. And I think that's going to be -- it's going to be interesting to try to get there, for the need that's there plus the dollar amount needed to cover it. I think what I'll need before we get to that point from city management is something that says here are all the discretionary programs you currently fund that are not in the city charter. Because I'm going to -- it is going to be hard to validate increasing revenues if I discretionarily fund things that often, I don't think, are supported by all the residents in the city, and then to fund something that actually is in the city charter. So that's something as we get closer that's probably six, eight, nine months from now whenever that's going to be. And I also think you provide an incredible presentation and I think there would be great value if based on your workload and whatever it might be is that D.O.T. would come in and go out and do a road show into each council district at some point to kind of tell the story. Because we as councilmembers try convey information to our residents, but oftentimes we don't necessarily have all the technical knowledge of your decades of experience and can't convey it, and I think that would be a valuable thing, because residents would have a good grip of the problem we face. Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. Thank you, Hans and team there for this presentation. I just wanted to go back to the concept of buses and trucks versus cars. And MTC talked about 30% of the usage was by cars and 40% by buses and trucks. Would that apply to San José also? In terms of local perspective?

>> Well, that -- those figures came from the analysis of just a typical urban street. It wasn't -- it could vary definitely by city jurisdiction and even by street. But it is pretty common, because obviously, the thickness of the pavement has to be there to support the heavier vehicles, whereas if it was only for cars, it wouldn't need that much nor would there be a need for ongoing maintenance if there were no heavy vehicles on the roadways. But I think my point was only that you know we will never reduce the need to maintain the streets as long as we have any kind of vehicles on them.

>> Councilmember Herrera: I think it's very interesting as I don't think most folks at home or even some of us up here would think about the fact that that would be such a large percentage impact by buses and trucks. So I just want to take it down to San José level Hans and would this hold true and where would this hold true in terms of our pavement conditions?

>> Hans Larsen: Councilmember Herrera if -- we don't have any specific data I think it's pretty clear though that within San José, we probably have more bus and truck traffic than other communities certainly within Santa Clara County. I think we have more of the heavy industrial areas that carry more truck traffic. We are also the most urbanized part of Santa Clara County so we have the conditions that support more transit and bus traffic. So I think you know one of the factors in our conditions is the fact that there is more heavy loading on San José streets from trucks and buses than in other jurisdictions around us.

>> Councilmember Herrera: So light rail would require less impact on pavement, just thinking about that. Another issue there. So yeah, so the bus system really does have an impact on our roadway condition. Also I thought it was interesting you know one bus equals 7,000 cars. That's a pretty interesting statistic. So in terms of

looking at how to pay for these things, and we talked about local streets, we have local streets and neighborhoods, and then arterials. And it seems like the focus of our funding at least going forward is going to be more on the arterials and less on neighborhood streets or at least that's been my impression from what I'm hearing from the department. I would imagine that those local neighborhood streets would be less impacted by this formula we're looking at with buses. But I guess -- we would be looking at the major arterials would probably hold true with this 40% being impacted by business and trucks and not so much the neighborhood streets.

>> Hans Larsen: Yes, I believe that's correct.

>> Councilmember Herrera: I think any time -- if we're looking at how to pay for this I definitely think if there's that much impact being caused by trucks and buses on our arterials, I think we do need to look into how can we have a percentage of that being borne by the folks that are creating that and not just the average taxpayer out there. I think we need to look at who is utilizing these roads, and I think we need to look at generating revenue based on that. And I'll look forward to hearing some of the solutions ideas, thank you.

>> Mayor Reed: Councilmember Pyle.

>> Councilmember Pyle: Thank you. I need to do a few housekeeping duties here. First of all the city I was trying to think of is Fremont so that stretch of road is between Fremont and San Leandro. And the second thing addresses one of your concerns, mayor, and that was how is the state going to go after us next? They tried to go after the T.O.T, you know? The T.O.T. bill, that died early Friday morning. So I'm happy to tell that you. And third, just some getting things straight. Are we thinking in terms of a ten-year plan?

>> Hans Larsen: I think we've kind of framed this up looking at a ten-year horizon is what's the level of investment that we need. But I think obviously, the maintenance need for our street system will continue on, you know, for a long time after that. But I think as a strategy, if we can get a handle on the backlog and improving our conditions and looking at a ten-year plan for this, that that's the direction that we're suggesting.

>> Councilmember Pyle: Around we're looking at how many billions over those ten years?

>> Hans Larsen: Well, I think if you look at and you try to up on the slide, if we wanted to achieve the 70 PCI which puts our streets up into the good category and manages our backlog, that would be \$100 million annually and so over ten years that's about \$1 billion total investment.

>> Councilmember Pyle: That's exactly what I wrote down. Just checking to see if my math is right. In reference to the fee for haulers which I think is what Councilmember Oliverio was speaking about, there is one in place in Saratoga. I don't know how many other little cities. So I'm not sure what the difference is.

>> City Attorney Doyle: Well, I just got an e-mail from my staff. Because this question came up in the context of garbage, and also, construction. And there is a vehicle code section actually that preempts this and prohibits these types of fees and there are some small cities that have, and I'm not going to comment on the legality.

>> Councilmember Pyle: Maybe I shouldn't have said anything either. Okay so the next thing I wanted to mention is really more related to the next section with solutions. But I do want to point out, too, that Newby island does take, I just got a flash on my e-mail here that they do take the rubber tires. And they do recycle them. They are used for other purposes as well. So that's it for me, until the solutions section.

>> Mayor Reed: Vice Mayor Chirco.

>> Councilmember Chirco: Yeah, I had a question. The lady from the MTC said that if communities prioritize the failing roads, rather than the ones that are in good condition and maintain them, they are denied funds. Did I understand that correctly?

>> I wouldn't say they are denied funds but they don't get as many funds because they wouldn't pass our performance measures which calls for an appropriate level of preventative maintenance.

>> Councilmember Chirco: Which kind of led me to thinking, because I'm not -- transportation is not something that I'm very knowledgeable about, is that is there a possibility of looking at like when you do -- like when you do an RFP there's points given. And when you look at the PCI and you did indicate that most if not all of the communities are using the MTC PCI index. But if you look at, say, a Los Altos, I believe, has the really high PCI, and San José or Oakland or San Francisco have much lower ones, is there any additional credit given to those communities that have that very low PCI, overall?

>> Well, in a sense there is. We have an allocation formula for federal funds which includes equal shares of population, lane mileage, of shortfall which is directly correlated to your pavement condition, so you get a share of funding based on how large a shortfall or really, how low your PCI is and then the other quarter percent of the allocation formula is performance. So yes, there is additional consideration given to jurisdictions that have lower PCIs.

>> Councilmember Chirco: And if you combined that lower PCI and then another thing that caught my eye was talk about the VTA. I understand the discussion about garbage and recycling trucks. But VTA and as Hans was talking about the percentage of transportation, is it possible to look at -- I'm going to additional points, for your metropolitan areas that serve regional, is that part of the formula?

>> Yes, in fact we changed our allocation formula just a few years ago to give more consideration for the more urbanized areas. Used to be we distributed funds based solely on shortfall. And as you saw in the chart, there are other jurisdictions like Sonoma county which are very sparsely populated which have huge shortfalls and were getting a lot of the money. We changed the formula just a few years ago to incorporate those factors of population, lane mileage and more densely populated cities you have multiple-lane streets. And also, the shortfalls could be either way, but typically the larger urbanized jurisdictions have the largest shortfalls because they have been around the longest and they have the most wear and tear on their streets.

>> Councilmember Chirco: One last comment and it really has to do with legislative priorities and I guess legitimately it would be in the next category. But if we look at legislative priorities, there's a lot of push and

pull. But if you look at your very large areas, and I'm guessing maybe like Los Angeles and San Diego or maybe Sacramento are in the same boat as we are, where they have the lower PCIs, and just looking at the total condition of the infrastructure within the State of California, and the critical needs of good transportation systems, it seems to me that this should kind of float to the top as a priority, road conditions, in your metropolitan areas. So I realize that the smaller communities push back if there's any kind of prioritization given to your metropolitan areas. But if you look at dollars, business, and driving the economy, it just seems like that would be not an illogical thought process to engage in through the league of cities with your larger cities. Has that ever been something that's been discussed at the MTC?

>> Well, I think when we made the change in the funding allocation that was definitely a topic of conversation. Obviously you have three very large cities and then you have dozens of smaller and suburban and rural agencies in the Bay Area. There is that push and pull but I think everybody realized and rightfully so it was the funding should go to those jurisdictions that have the biggest responsibility for maintaining their pavements. I think that's how we geared, how we geared our distribution of funds. So I think that is definitely recognized certainly in our region and possibly in the state and federal levels as well.

>> Councilmember Chirco: That's exactly where I was headed, to look not only at the state but at the federal levels. Has there been significant enough recognition to make an impact? Or is it just a token nod that, oh yes, you have worst conditions, yes you have more traffic, yes you are a hub. But has there been any movement and maybe I want to ask Hans that question because I don't think it's a fair question to give to you.

>> Hans Larsen: Yeah, Vice Mayor Chirco, I think it's a very good point and it's something that we think more focus should be given on. And I think one of the -- and maybe Randy Renschler from MTC might comment on this. One of the things that we're working on, part of the State of California and the Bay Area, is the sustainable community strategy. And that is looking at identifying how the state is going to grow or where we're going to grow within the Bay Area, and look at allocating revenues, to support infrastructure in the development of those areas. So I think what you're onto is a theme that, one, San José should advocate more in terms of how future funds are allocated. So there's policy work being done at MTC on a sustainable community strategy that lines up

with that. I think there's also opportunities at the federal level with new federal transportation bill which is now overdue and some point they'll pick that up. But the theme of investing in our urban areas as a priority I think is a strong one and one that we could get behind on and partner with other big urban areas around the state. So we'll hear a little bit from San Francisco in terms of partnership opportunities. But cities that you pointed out, Los Angeles, San Diego, Sacramento. And using advocacy groups like the league of California cities may be a forum in order to kind of continue to push that agenda.

>> Councilmember Chirco: I would even suggest partnering with the Silicon Valley Leadership Group, because they have a very active advocacy in D.C. as well as Sacramento. Thank you very much for your report. I look forward to the next section.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Thank you, mayor. Going back to the chart that says funding and condition level scenarios, and has scenarios 1 through 7. A little matrix that you have there. One of the questions that I would have, that one right there, that I think would help give context because we are talking about a long-range plan and not only long-range in the amount of time it's going to take us to fund the plan but long-range in who it means in the post-years after that. If we were to ask the question, for an additional column on the right-hand side of this chart that said, if we were to adopt scenario 1, 2, 3, 4, 5, 6 or 7, what would it take from that point forward to stay at that status quo? In other words, if we say, we make a commitment as a council that we want to be at a PCI 70, and it's \$100 million annual investment, to address this, and at the end we're going to have a backlog still remaining. What is it going to take in years 11 through 20 to stay at that 70 PCI, versus if we decided, 61 is the PCI that we think people can live with, not that I'm advocating for that. But if we were to pick that line 4, what would it then take to maintain that for the next decade or so? And the reason I ask is, the penny wise, pound foolish, and we can compare this chart to the 1997 plan and see what our inability to fund X amount of dollars is costing us, Y amount of dollars, in the next ten years. And I think it would gives good context. I know you probably don't have that answer now, but is that a number we would be able to get?

>> Yeah, very good question. We've done some level of that analysis. It is a difficult scenario to run when you're talking about a very large pavement network, ten to 20 years out. But what we did look at is at different levels, the \$100 million scenario, scenario number 6, to sustain the condition at a PCI past year 10 after the ten year investment period would be slightly less than \$100 million a year. Probably in the area of 80 to \$90 million per year to maintain that level. What we do know is as we increase PCI and we have a street network that's overall in good condition at a higher level it becomes much easier to maintain. We are doing more preventive maintenance, at a lower cost, so the ongoing cost burden becomes significantly less as the condition of the network increases. At a 75% PCI it may be \$50 million a year to sustain that condition. We didn't run any scenarios in the 61 PCI range or what would it take to remain at 45 PCI, so I can't answer that directly. But what I can state is that in ten years when we get to these backlog numbers, we're looking at a multiplier of four to five times to recover from that and get our system back into good condition. So that \$860 million backlog in ten years becomes \$3.5 billion in years 10 to 20 to turn that around and get it in good condition.

>> Councilmember Constant: That's exactly what I was trying to get at, is if we make a commitment of \$100 million a year, it really could mean \$100 million a year forever. But if we choose to make a commitment of only \$20 million a year it could mean that a future council has to make a commitment of \$250 million a year forever. And it's kind of, I liken it to the discussions we had with the GASB 43, 45 retiree health care obligations. There comes a point where the inaction is far more expensive than the action. And what we're seeing now, compared to what was planned in '97 and defunded five years later, is nothing compared to what we're going to see in the next period forward. And I think it's the same thing with the GASB. And having a plan, I know we're going to get to solutions in a minute. But having a plan is only good when you execute the plan. And we're seeing that right now. And coming up with a new plan is going to take a not only big commitment of this council but a commitment for generations of councils to carry it out. And keeping in mind as we start talking about solutions if we go back to that original chart, the pie graph that we got, it's only 50% of the infrastructure problem we got, we still have 50% of everything else. So as we look at each of these silos, we had retiree health care, now we're talking about pensions on one part, the long term sustainability and the increasing contributions there, we're talking about this. We still have those other conversations to have. And that's why if you go back a couple of budget cycles, I kept asking, so with the infrastructure, what if we look at all, if we look at the water pollution

control plant, it's not just what it needs today but what it's going to take over the next ten years. And what I'm worried about is that we're going to continue to look at only ten-year increments at max, when we really have to be looking at this in 30- to 50-year increments. Because we can't simply say that we just got to get by for our tax paying generation, and not worry about the next or the following tax paying generation. Because we can't leave behind a city that simply falls apart for our children or grandchildren. And the other thing I wanted to-d there's two things that came from some of the other questions that I wanted to address. One was the question about buses and trucks. And correct me if I'm wrong but isn't there already a funding mechanism through the state based on commercial vehicles being -- licensing fees based on weight and specifically for the impact that they give to roadways?

>> Hans Larsen: Rick, if you have an answer to that. But I think that there -- I mean there are weight fees and they're only imposed by the state and that the California vehicle code specifically prevents anyone other than the state to charge vehicle weight fees.

>> City Attorney Doyle: I don't know how those state fees are shared if they're shared at all.

>> Councilmember Constant: I think that's something that we should look at because a lot of times we talk about where the funding comes from and Rick had mentioned part of the reason we get a franchise fee for our garbage pickup is that it's meant to deal with all those other costs. But I bet you if we went back retrospectively we've never taken out that percentage of those franchise fees and made sure they went to pavement maintenance. Which is the same thing we complain about the State when they get the gas taxes or other taxes and they don't pass them on to us so we can do the things that we need to do. So I think it's just something that we need to keep conscious as we're going forward and looking for solutions. If part of that franchise agreement truly is for these types of wear and tear on our roadways then we should be creating a mechanism where those funds are dedicated to that going forward. We can't do anything about the years behind us but we can as we're trying to piecemeal a solution, together. And I think that's it at this point. I'm sure I'll have more when we talk about solutions.

>> Mayor Reed: Councilmember Chu.

>> Councilmember Chu: Thank you, mayor. My question is on this MTC perspective, from their slide. I just wanted to clarify some of the taxes and the fees I've probably been paying for years but not quite understand what it is. You mentioned about the bottom bullet there, consider range of the funding options, the mileage tax, is that a gasoline tax or is it something new?

>> Hans Larsen: I think, Councilmember Chu, what is indicated or intended by that last bullet is, these are ideas on how to generate new revenues to deal with pavement maintenance funding. That it isn't necessarily as mentioned in the bullet above there, doesn't necessarily have to be a 35 cent gas tax increase to solve the problem. There are a variety of other mechanisms that could be explored. So these are potential future revenue sources, not necessarily ones that are here today.

>> Councilmember Chu: Good, I understand that. But could you elaborate, what is the mileage tax, what do you have in mind when they are talking about a mileage tax? How do you assess a mileage tax, how is the rate assessed?

>> Hans Larsen: Well, this is a new concept that doesn't exist right now. I think it's under development in Oregon.

>> Councilmember Chu: Good I'm glad to hear something new.

>> Hans Larsen: But the idea -- I'll just take a minute here. One of the concerns that's been mentioned is the gas tax source which has been a traditional source of funding transportation infrastructure and maintenance is a declining revenue source particularly as we go to more fuel efficient vehicles and more electric vehicles. And so the 80 is rather -- say an electric vehicle is still going to use the road and so this idea is looking at, how can we assess a user fee that's based on the actual amount of use as opposed to the amount of gas consumed. This is a new idea, one way to look at it is there -- the concepts with this is that you would use some kind of technology

which basically would record how many miles that you've driven, and if you go to an electrical vehicle charging station or something else would be able to capture a tax based on the number of miles you drove.

>> Councilmember Chu: Okay, thank you. How about the vehicle impact fee, is it new or old, or are we paying that now, or what do you have in mind with that?

>> Hans Larsen: Well, I think that falls under things like the garbage truck fee where you have heavier vehicles creating more of an impact on the road, there's a way to charge for the impacts that those vehicles have.

>> Councilmember Chu: And one more, transportation utility fee?

>> Hans Larsen: Yeah. This is also, this is something that is not allowed within California but other states have this where they essentially treat the transportation system like a utility. So much like you have water service or cable service or gas, electricity, that there are utility fees to provide for taking care of the transportation infrastructure. And just an example, the state of Oregon has the ability that any city can assess, okay, what do we need this year for pavement maintain? We get so much of federal money, so much state money. We've got a gap and that City Council in Oregon request say all right, we're going to impose a transportation utility fee of X ax, the city council then has the ability to decide what it's going to be depending what mayor goals are for the community. So that's kind of a legislative strategy, it is not a tool that we have here in California but it's how other parts of the country are dealing with taking care of their transportation system.

>> Councilmember Chu: Great, thank you for the clarification.

>> Mayor Reed: I have another question about MTC. I've got a four-page document here, which I don't think is the same as the slides that were shown. And so I'm just going to ask a question bit and there may or may not be a slide. I'm not really sure. So I'm looking at what is called the transportation mode split and funding allocation for the Bay Area transportation 2035. Which shows \$111 dollars in billions, \$111 billion for operation maintenance of

transit and \$66 billion operation and maintenance for roads and bridges. So who decides that, and how much of that is discretionary, if you know?

>> I think that would probably be a question best left for Randy Renschler who is coming up next.

>> Mayor Reed: I'll be happy to wait on that. And a question that's related to that, which is how do we follow the money? Because I think a lot of people believe that they're paying enormous amounts of money already for transportation. They pay a gas tax when they fill up their car. There is an excise tax when they fill up the car. There is a tax on the tires, this tax that tax license tax, you name it, the trucks pay a wait tax, there is all these revenues that go somewhere and it's very difficult to know what comes back, how much the state spends on other things, how much the federal government spends on other things. I think that's a handicap for us in local government trying to convince our people that we should do something differently. So put that one on a list of things to be sorted out as we move forward. Because I think we have to be able to explain where the money that people pay today goes and how it's being spent. It would certainly be easier for us to convince people to do something differently, whatever that may be, if we can follow the money. Which right now it's really hard. I think that's all the questions on this section. We'll move to the next one. Which is potential pavement maintenance funding strategies, I think.

>> Hans Larsen: So Mr. Mayor, the next sections, we're calling it the solutions panel, and invite up John Risto, who is director of the Congestion Management Agency for the VTA, and he oversees transportation planning and programming for the Santa Clara County area. To my left is Randy Renschler who is the director of legislation and public affairs for MTC. And on my right is Adam Vanderwater, with the -- he's assistant director of capital planning program for the City and County of San Francisco. And the particular reason we asked San Francisco to join us is, they are facing a fairly similar situation. I think along the lines of we're not in it alone, or misery loves company. It would be nice to hear San Francisco's perspective. So thank three gentlemen for joining me here on this part. I'm going to make a couple of comments in terms of San José's perspective. If we look just kind of theoretically, or trying to achieve \$100 million of funding for San José, one thing to recognize is that there are limits in terms of moneys that we can get for certain parts of our transportation system. About one-third of the

roadway miles in San José are major streets. These are the arterials and collector streets that move most of the traffic. The need for that is about a third of our inventory or using the \$100 million number we would need about \$35 million a year to have that system be in good shape. We currently get about \$5 million based on the current funding level which we have which is roughly about \$10 million. The federal moneys that we get have to be used on this system. And so there are some limits. And then the other side of the coin is our local street network and these are the streets within our neighborhoods and our business districts. And that makes up about two-thirds of our roadway network and we would need about \$65 million a year to maintain these streets in good condition. We're not going to get a federal solution that helps us on our local streets. State money, sometimes it's targeted towards major streets. Sometimes we have flexibility on allocating it between major or local streets. Generally, the dollars that we have now is base funding from state gas tax and some federal sources. We have roughly about \$5 million in each of these buckets. And so as we look at solutions, the idea is to try fill up each of these buckets, both to take care of our more regional system, our major streets as well as the local streets. In terms of what San José already is doing on this issue, I think we have in place as part of the city council's legislative guiding principles a number of actions that already recognize an awareness of trying to get more money for this. We have three key items that are in there today and perhaps our biggest challenge certainly in the recent past is how to avoid having money taken away from us. And so we have principles that seek to protect our existing funding sources. With the new federal transportation bill we recognize that the concept of fix it first, and we are promoting that maintenance be an increasingly larger part of the federal transportation pie, and getting transportation dollars that come to us to maintain what we have as opposed to expanding new facilities. One of the big constraints that we have at a state level that restrict us from being able to generate more revenues for transportation is the two-thirds requirement. And so one of the city council's guiding principles is to seek legislation to try to lower the two-thirds requirement specifically for transportation measures. So theories some things that we already have in play and that we advocate for. It's been mentioned that there's an item on the ballot, item B, John Risto may speak to this a little bit more, the city council has adopted a support position for that and have approved by the voters would bring in \$5.3 million annually for the City of San José. Certainly that is -- that would be a big benefit, it would almost add 50% more than what we have today for pavement maintenance. The other thing that was touched on briefly in my response to Vice Mayor Chirco's comments was our role as being a city in California, we work with the league of California cities, and Councilmember Herrera sits

on that, Councilmember Chu participates in that. And as part of the work that the league does is that they have produced a report this last year that looks at local streets and the need for increased investment. So this is certainly a topic on the attention of all the cities in California, and part of the goal in coming months and years is to try to address the issue of need for increased investment. So that's a little bit of what we already are doing as a city in terms of policy advocacy. I will now turn it over to VTA, MTC and San Francisco to share with you some of their perspectives. John.

>> John Risto: Thanks a lot, Hans, and good afternoon. Again, I'm John Risto with VTA. I want to thank you for having me today, and also, I really do want to commend the council and the mayor for bringing some focus on this issue, because it is one that has been on one of our lists to actually look into. And it's really good to actually start to get into the details of that. My role today is really to just kind of give you an overview or perspective of the VTA as a countywide transportation agency with regard to this situation. And one of my jobs is actually every day to actually go and advocate for our fair sheriff funding both at the federal, state and regional levels and as a matter of fact I have sooner this issue coming at us for sometime now. I've been with VTA for 12 years and I've been seeing the degrading of the system over those 12 years increase at an ever increasing rate. From the state highway system I've been watching that. Right now CalTrans trying to maintain, just to keep the freeway system at its current levels, are about \$1 billion short for their major maintenance effort. So they have about a billion and a half a year, they're a billion short, so that tells you how bad it's getting right there, so from the state level. Kind of a canary in a coal mine, what I've been watching is the state of the local system with regard to the county system, rural roads particular. That rural roads system has really been degrading significantly over the years, without a lot of effort or without a lot of resource to actually keep that up. So we've been watching that as well. And then more recently as you've been hearing all day today, the current states of the cities in the counties, in terms of how the degrading of the system has been. City of San José with a very particular one, but actually every one of the cities is actually undergoing stress with regard to trying to meet their maintenance responsibilities on locality system. I'm going to talk a little bit about that, you see one year snapshot of there up on the slide but I'm going to talk about what we've been tracking on a more long-range basis. So I didn't see earlier in the presentation, so I thought I'd give a little bit of background context of what we do have for funding. And the federal gas tax right now is 18.4 cents, and that was last raised in 1993. The value of that 18.4 cents is about 10 cents with the inflation that's

eaten away of that. The state gas tax is a bit more complicated because prop 42 did add to that by about another 17. Then there was last year's budget fix that actually did a gas tax swap, and I'm going to spare you the details of that. But in essence there was -- the voters did approve some additional funding but not enough to keep up on what we're needing on the state level as well. In 1998, there was an interesting dynamic that occurred which was that 18 cents of gas tax. The inflation eating away at that, basically the last time they increased it was 1994, after the vote in 1990. The vehicle miles traveled was increasing like this and the inflation eating away at the gas tax was taking it this way. So we had a diverging in 1998 with regard to what we were really being able to put towards resources to the transportation system. So at that point, we kind of left it with we were no longer really paying for our road system in my opinion as that diversion occurred. We're actually probably now putting that burden on our grandchildren. Because at about that time is when inflation adjustments for that existing gas tax really started to head down southward. In reaction to that a number of local counties actually put sales tax measures and the VTA and County of Santa Clara were one of those. Back in 1984 we put a measure on that included local funds for roadways, and again in 1996, the measure B tax. That included \$90 million over those nine years. So about \$10 million a year was put towards the actual pavement. The cities and the county came to the VTA and said we can't wait ten years -- excuse me nine years, we need it all in the first two years. So they asked us to accelerate payments to them during those first two years. So back in 2000, 2001 and 2000 is when we accelerated all of that \$90 million into a two-year period. Right then I got the clue right then that there was a pretty bad discrepancy in terms of what funding was available for local roads and that was an augmentation to existing funding. So you will see, if you would look at that chart that showed all the other cities in Santa Clara County in their pavement condition although it is relative every one of those has actually had difficulty meeting where they need to be. There was a bump back in early 2000 that everybody experienced some increased revenue that we gave them that \$90 million but that has steadily been going downward. Another bump occurred when we had the ARRA funds come in, but that trend is downward for all of those cities, even though they are at a relatively higher rate, every one of them is headed downward in their PCI. We were supposed to talk about some solutions today, and there is -- that's pretty big yoke to put on our neck for that one. But I'm sure my colleagues on the panel will come up with some of those. So some of the things I just wanted to talk about. You've heard that this really is probably a revenue problem, not an efficiency problem. You can't get any more efficient that be delivering at the local level as pointed out busy previous speakers. It points out to a revenue problem not an efficiency problem how the money

is spent. One of the solutions is whether or not we can raise the state and or federal gas tax to make up the difference here. That is the simplest way to do it. It is not the easiest, as we all know, that's a difficult lift, that's both a federal and state level. But it's the easiest or the simplest way to actually implement that revenue increase. It's already in place, people know it, they're used to it, there is a system for that already. Another solution that I'm sure Randy going to talk about a little later, is MTC does have the ability to actually put a regional gas tax on just for the nine Bay Area counties. It would require a vote, two-thirds vote at that, another heavy lift. Randy may talk a little bit about that and whether or not that's a doable proposition or not. Also and then there was a number of speakers that mentioned the current measure B, that is on the ballot that VTA board of directors put on the ballot this fall. It is not a lot of money. But it is a very good substantial locally controlled and locally prioritized funding that would raise \$14 million a year. All those funds would all go back to the local roadway system. The board of directors has directed that all back to the local roadway system. Some of it directly sabined back to the cities, some of it will come as a competitive countywide program. That's a \$10 annual vehicle registration fee, that would again raise \$14 million, roughly \$5 million or so would come directly to the City of San José. Those local funds actually are worth their weight in gold. You don't have to go through a lot of hassle to get them, you come to us and we distribute them back to the city. Having those local funds, local discretion is a very, very good think to have in these times. So even though it doesn't solve those big numbers it is still a significantly good thing to actually somewhere in place that the cities could then utilize. You heard a little bit about the idea of this utility idea and that was something that where actually there had been some discussion of that at a state level, as well as since the other utilities, Pacific Gas and Electric and phone companies just go to CPUC and get their rates raised when they have cost increases. One idea is floating around is whether or not that same sort of thing should occur with gas tax with the California Transportation Commission that they would be able to raise those gaps and it would take it out of the political arena and based on what the indexing of the needs of cost on a statewide basis would be. That's another idea that's out there. Don't know if it's going to get any legs with a new governor or not. So I'm going to leave with you a few principles of what we want to think about from our perspective, user trying to make this be a user fee thing to the best extent practical, make it broad based so everybody shares in that both the fees and the benefits, allow local control to maximize that deliverability of those funds because it's very importantly in the last piece it's very important for the electorate and the users to actually

see that visibility that they're going to know and get what they paid for. The best place to do that is usually at the local level. So I'll stop with that and ready for any questions. Thank you.

>> Mayor Reed: Next.

>> Mr. Mayor, members of the city council, thanks for having me today. My name is Randy Renschler, I do legislation and public affairs for the Metropolitan Transportation Commission. I think the biggest thing I can do is thank you for your interest in this subject. Your political leadership and interest is worth more than the dozens of reports that agencies like mine do put out every year. And why we can provide you that information, it's really leaders like yourselves that will make a difference on making a problem like this get solved. I think the scale of the problem is, intimidating. And the problem here of course is infrastructure. In this community, streets and roads is about half it. I think it's intimidating because it is. It's a big problem. It's also a generational problem. It's a representation of a shift of a culture of growth such as congestion, and capacity-building, to a culture of maintaining what we have, so that the folks who come after us will be able to live in a lifestyle that we have enjoyed. And this is a big, big challenge that we're all going to face. The commission that I work for is doing a part of this. The federal stimulus moneys that came as a result of action in Washington, part of them a large amount came to my agency, and my agency used about 80% of that to maintain the system we have including a great deal of funds for local streets and roads. We also do it with other federal funds that we have available to us. So I suspect in my few minutes here it's getting late and I wish to leave more time for conversation than just me speaking. Let me just focus on where the target could be that we could actually address this and the kinds of things that you as elected officials can do to try to find where that target is with your colleagues. Let's start far away in Washington, D.C. As federal transportation policy drifted away from a focus of building the Interstate system, there was a small amount of money that came to local government to maintain your local streets and roads and to do other things that we do here in the Bay Area. You've heard of programs such as the transportation for livable communities, that MTC manages with partners such as VTA. But the fact of the matter is that the new federal transportation policy will likely focus on federal transportation policies. Things like the freight system that we know we need in this country. Other goods movements such as ports and airports. I think the one place where there's some consistency is this issue of maintaining what we have. The federal government is

essentially where you are in this huge backlog of maintenance needs. So whether or not the federal government is interested in your local streets and roads, is questionable, I believe. I think that there's going to be an opportunity to at least stay where we are but there is no doubt that there's a strong interest in maintaining the system. At the state level is probably the most natural partner albeit a dysfunctional one. Cities across and communities across this whole state are suffering this same problem that you are. It's also uniquely bipartisan. Representatives from rural areas are watching their streets that were ones paved turned into dirt. The state of California, through CalTrans, is seeing its once great highway system deteriorate markedly. There was a question regarding where the weight fees go. The weight fees go to CalTrans so that they can maintain the state highways, although I'm sure you understand single-axle heavy vehicles such as garbage trucks and beverage delivery vehicles in the cities cause a great deal of damage, as do things such as fruit and tomato trucks do in the valley. But those moneys stay with the state. I think there is a real possibility of getting the state to focus on maintenance. The last real big issue that came up, or I should say opportunity for funding that came up through the state of California was a \$20 billion proposition, prop 1B that happened a few years back. It was the rule and the Republican members that focused their efforts to garner \$2 billion of that, 10% of it for local streets and roads maintenance. It was the Republican caucus that insisted that those moneys be allocated first in the budget process, not the transit money, not the freight money, not the highway money, but the local street and road money to be allocated as a priority. So in your work through the many organizations that I know you work through such as the league of cities and conferences that you go through I think there's going to be some colleagues and friends on the other side of the aisle, people who live in different places other than here who are going to be open to be persuaded about the importance of maintaining local streets and roads. So I think that the state is a natural partner and has been since the gas tax was split equally between the state and locals starting in 1923. I think a regional focus then for an agency like me, that means the nine counties Bay Areas, as John mentioned we do have the ability to put on the ballot up to a 10 cent regional gas tax but it requires a two-thirds vote. Of course that two-thirds vote was imposed by people who don't live in the Bay Area on us, irony not lost on us. The two-thirds vote is something that we are confident we cannot meet right now. The voting threshold, our polling data doesn't show we can. I think the political challenge for leaders such as you is to see that we're going through a unique situation where climate change, our dependence on energy, I think a feeling throughout Bay Area of more focused on transit, which this community has expressed, as well is coming face to face with this incredible need to

maintain the system we have which aren't these things. Polling data shows that if we can meet both of those objectives, a gas tax increase that helps maintain the streets by itself does not garner the support. A gas tax that solves more than one problem or addresses more than one of the public's concerns does through polling data show that it does have a better chance. I think this is one of the big challenges for policy makers is to find what's doable and it's going to take a bit of creativity. I think the last part is that historically local streets and roads were dealt with, with General Fund annoyance from cities. I know that's been squeezed. David Brooks in the New York times has an excellent column on it in fact that was printed today. I think that that's the one part that it's really kind of all you. It's a priority that you all have to face and decide what the priorities of this community are. I do think there are opportunities in Washington. I think there are. I think they're limited. I think the big game is in Sacramento, as dysfunctional as it is, that's their opportunity to pass a significant and large fuel tax to help both the state highway system, this city and rural areas. I think there is something that we can do in the Bay Area and a staunch effort by us to essentially try to get more authority here and to stop having the Susanvilles of the world telling us what we can't do is important, as well. With that, I'll just wait for any questions if you have them.

>> Mayor Reed, councilmembers, Adam Vanderwater from the San Francisco City Administrator's Office. Thank you for having me, and thank you for your attention to this matter. This is something that the San Francisco community has been grappling with for some time, and I appreciate your focus and staff's comprehensive look at this issue. We actually just concluded in June of this year a four month, 13-session multi-departmental work group on street resurfacing financing, recognize that the problem is a substantial one, there are no easy solutions, I'm sorry to tell you. But if solutions aren't addressed in a creative way now this problem balloons to one that's four to five times by our estimates, the cost without that preventative maintenance you've heard so much about today. We're a smaller jurisdiction now. We recognize we're the second largest city in the Bay Area now, with about half the lane miles as San José. Our overall PCI rating we're near the bottom of the charts you've been seeing all afternoon. Just almost half of our streets now require resurfacing or reconstruction. We look at our streets as needing three types of service. One is a preventative maintenance, a sort of oil seal which is by our estimates about \$9,000 per block. The second, after a period of time, is a resurfacing, which is the asphalt layer at the surface which extends the life for about a 25-year term and the avoidable cost that we are trying to prevent by doing this preventative maintenance is full reconstruction of that block which is the four-times the expense

cost. This is not only the surface layer asphalt but the concrete base below that if it's not protected and sealed from above begins to crack and degrade. Our engineers estimate to get to our goal and I appreciate seeing the MTC's goal of raising the Bay Area PCI score to a value of 75. We're a little bit more modest in San Francisco and are aiming to be at the bottom end of the good category at PCI 70. To get from where we are today, a PCI 63 to a future PCI 70 is an investment of \$751 million over the next ten years. We look at this as kind of a two-pronged problem. One is making up for decades of underinvestment in our infrastructure. In 1988, we had a PCI of 78. And well into the good category and it's been declining every since. We would like to find a revenue stream potentially bond against it as Councilmember Liccardo had suggested, to make up for that historic underinvestment and then find a dedicated revenue source going forward. We do agree this is a revenue problem, not necessarily efficiency problem. Most of our contracts are competitively bid at lowest cost. It's really a cost of materials, and that historic underinvestment. We looked at 17 different funding options. Many of which you've heard in piece today. From the regional and state and federal levels to very specific local sources. Some of them run into legal difficulties for prop 218 and our ability to raise new revenue. Others have political difficulties or are otherwise unattainable. So we focused on a couple of different sources. One, registration fees. We also have a \$10 vehicle registration fee on our November ballot which would bring San Francisco about \$5 million per year. Our transportation authority has split that revenue half to street resurfacing and half to other transportation related needs. So we'd be looking at about \$2.5 million a year for streets. We've looked at a parcel tax, potentially based on trip generation. As director Larsen had mentioned the states of Oregon, Minnesota, Colorado and I believe some places in Texas have done fees based on use. So you can take a land use category, single family, multifamily, commercial, industrial, mixed use, and make an estimate of the vehicle miles of travel generated by that parcel. And charge a fee accordingly for the uses those streets. Of course that is not currently permitted under the California vehicle code. But is a very good approximation of user pays for the public service. You could do something similar on a parcel tax which would be legally very defensible. The difficulty would come into as Mr. Renschler pointed out the two-thirds voter requirement to establish this. We've done public opinion research and focus groups in the San Francisco community and found that one of the first things out of the mouths of our constituents of what needs to be fixed in San Francisco is in fact streets. When it comes to payment for those streets, specific bond measures or proposals to increase new revenue sources to pay for those streets, support tends to run from the low '50s to the mid 60% range, of course below the two-thirds voter requirement to establish

a new fee. We've looked at some creative solutions, some things that have not been tried statewide. Have not been -- have not passed all of the detailed muster of the state court system but I think have some potential. One of which could include a conditional general tax. By conditional general tax I mean you put a general tax on the ballot which requires a 50% approval threshold that would accrue to the City's General Fund coffers, would not be dedicated to transportation or street resurfacing, but could be done in such a way that it's contingent upon the City's investment in the street network in the prior year and could only be collected if that investment was made in the prior year. So that could be either to maintain a PCI score or to invest in a certain dollar amount per year. Something that we're interested in developing further. We're very interested in your -- the council's attention to this matter and focus. There are a number of partnership opportunities, state opportunities that are not easy solutions, but would make a significant investment in this as a problem. Those could include the vehicle license fee, the vehicle registration fee. We've mentioned there's a bill SB 10 by Mark Leno that's been pending in the state legislature for a number of years. That I think there's some promise to resurrect in future years. Which would raise the vehicle license fee back to where it was prior to the Schwarzenegger administration which was a significant source of funds. Of course we've mentioned the state sales tax on gasoline and the voter threshold for transportation general bonds, general obligation bonds. We in San Francisco as a regional destination have been investigating the concept of congestion pricing potentially as a source for this, and we're getting more sophisticated with our public opinion research. We've talked to voters both in person and in telephone surveys about their support for these measures, but typically we've done so in terms of would you support a general obligation bonds for street resurfacing and we're crafty with our language and make sure we include accountability measures, multimodal language, et cetera. But San Francisco, I don't know how San José compares but San Francisco is a mix ever traditional drivers of the street network and users of the bus network, bicycles, pedestrians, there are those who want to repave the current network as-is, and there are those who see our current network as a 1950s model of transportation delivery and want to remodel our streets in multimodal ways, with bus rapid transit, dedicate bike lanes and more pedestrian safety. They're not necessarily incompatible. Though when you talk about redesigning the right-of-way, and not just repaving it of course your costs increase. As your costs increase so does the scope and scale of your problem. So we're looking at doing some more discussions, town hall meetings, telephone surveys, with our neighborhood groups and trying to find a solution that we think 67% of San Franciscans would support because we do feel strongly this is an ongoing

revenue problem. So with that I'd be happy to take any questions. I believe in your packet is a copy of the report that we presented in June. And it outlines and goes into much more detail on the specific funding sources and why we chose to pursue or reject them. Thank you.

>> Hans Larsen: Thank you, Adam, Randy and John. We've got a couple more slides on the kinds of back to San José perspective. We have done quite a bit of research in terms of local funding options. This is based on work that we've done over the past year with the transportation and environment committee. You can see did list of alternatives 92 we've looked at, very similar, the kinds of things that San Francisco has explored. Kind of running through them, you can see many of them we are not recommending primarily because of real challenges that we have in terms of restrictions. So property based user fee run into problems with prop 218. We've talked about garbage truck fees. There is a California vehicle code restriction that limits us as a city from charging those kinds of fees. We've looked at benefit assessment districts that it's been estimated to set these up, we would, in order to meet nexus requirements we probably would have to create something in the order of 100 districts around the city to be able to align what a certain area needs, with the benefit they receive and the fee for the service. Community facilities districts have limits regarding same as the special tax with two-thirds. We looked at developer fees. It's difficult to achieve a next with us that and also runs counter to our goals of making San José a friendly place to develop. What we're kind of left with is bond financing. If we can find a new revenue as was mentioned before, and which was confirmed by San Francisco, that if we have additional revenues, it would make sense to bonds and to advance that work in order to put the improvements in place as quickly as possible. The option that we think potentially we think has the most merit is look at something like a parcel tax which is something that San Francisco has considered but this does require a two-thirds voter approval. I'll be happy to kind of explore any comments from council on that. Looking at this just another way, if our staff report indicates that if we were to address kind of a \$65 million need for our local streets, these are more of our neighborhood streets, if we had created a parcel tax, across the city, where there was an even charge for every parcel, what would it take to generated about \$65 million annually? That would look at roughly about \$300 per parcel. And clearly, we think it makes sense that whether you're a Home Depot or a single family residence, that certainly the parcel tax could be adjusted based on the use and the size of the parcel. But just looking at an average perspective, just something to take into account, looking at the value of our transportation system and the kinds of

charges that residents of San José pay now, for other infrastructure services, it is less than what's paid today for sanitary sewer and storm fees which run about \$460 a parcel, the amount that's paid per resident, or per property, for garbage fees are in that range. And if you look at something as simple as basic cable service, the basic, a minimum amount without all the extra sports channels and stuff, runs people \$480 a year. It's been pointed out that there is a cost to the community today of having streets that are in rough conditions, through accelerated wear and tear on the vehicle, needs for realignments, replacing shocks, fixing tires, that has been estimated to cost in the order of \$700 a year. So put it in the perspective of this is what people are paying now because of rough road conditions, there's a case to be made that an investment of something half that amount would give us smooth streets, the quality that we'd want in the community, and avoid some of these future expects. And with that, myself and the rest of the panel members will be happy to take any questions from the council on the topic of strategies and solutions.

>> Councilmember Chirco: Councilmember Pyle.

>> Councilmember Pyle: Thank you, Vice Mayor. I would like to thank Randy and excuse me one second -- and Adam for being here today. It's wonderful that you took the time to come down. I was in your fair city last night look with along with assembly member -- my colleague Kansen Chu for the fleet week which was -- is quite a big thing this week. I wanted to ask your opinion of something that Obama called for yesterday, he called for it on Monday but actually it's been in the process for about a month. And that would be the \$50 billion infrastructure initiative. I just kinds of like to get your opinion. What would the \$50 billion National look like on our front? And I'm assuming that was not what you were talking about a little bit ago.

>> That's correct. But you know the federal government spends in round numbers about \$50 billion annually for its transportation program each and every year. So the Obama administration was essentially proposing to do one free year --

>> Councilmember Pyle: What they always do.

>> -- is the way to think about it. So while the numbers are big and intimidating we live in a big and intimidating country as well, so it wouldn't do a whole lot.

>> Councilmember Pyle: Thank you. I was so hopeful for a while there.

>> We'll take every nickel we can get.

>> Councilmember Pyle: No matter what we do it is not going to be a one simple bullet. It is going to be a multi-phased, multitiered answer to our predicament, I would imagine. So I'm hoping that we do spend some time, even though it is more expensive, looking into the latest technology, and it would seem that the rubber pellets are part of it. They're great for filling potholes and that kind of thing, that type of thing. And even though it is a little more expensive now, the fact that it may last ten years, rather than what has traditionally been the case, makes sense to me. I think quality products do help in the long run. So I hope that we do take some heed in doing that. And I would like to say too, I thought a lot of the ideas I heard from our San Francisco colleagues were excellent. And I do hope that we spend a lot of time looking into that. That's not to say that our local VTA personnel that's here as well, John, also didn't come up with some great ideas. Thank you for those.

>> Councilmember Chirco: Councilmember Liccardo.

>> Councilmember Liccardo: Thank you, Vice Mayor. Randy, thank you very much for your presentation. I appreciate the approach the MTC has taken in the last year and a half to fix it first. I know that's been a strong commitment on their long term funding and I certainly appreciate that. And Randy, I want to express my appreciation for this great work piece from San Francisco, that was really helpful for me in terms of understanding some of the issues around one of the various options. One of the options I didn't hear discuss and I'm assuming it was one that wasn't considered and obstacles that were too great to overcome, given the fact that there's no appetite for taxes today or at least in the near future, looking more closely at user fees, and I know typically that comes in the form of a gas tax. But we now have an infrastructure that's growing around the technology of the FasTrak device, and certainly we're finding with the congestion on 680 now, it's coming to the intersection of 880,

237, early next year is that right John and we're look to expand that throughout the county 101 and 85. Question is have we looked at the idea of charging drivers for their daily usage, by simply installing this technology throughout the city, at virtually every major intersection and simply mandating a FasTrak device of some kind, so that if forecast driving once a day or perhaps you do it on a daily basis, you pay a penny a day or a couple of pennies, and that way we know the users are actually paying for the pavement that they're using. Has that been explored?

>> I'm sure there's going to be some other folks weighing in but that's actually the idea of the vehicle mile, the vehicle miles traveled fee that you actually have technology to actually track how many miles a vehicle travels and there would be a charge based on that, and that could be through a GPS device or there's other devices that are actually being thought of that attach to the actual electronics of the engine itself. And when you pull into a gas station it actually downloads that sort of thing. There's a number of technologies that are being considered for that none of them yet really operational nor do we get past some of the privacy issues. But it is being considered all over the place with a number of different opportunities. In Europe they're probably ahead of us on that in Holland and in Germany. But yeah, the same idea of the FasTrak is what's being talked about today, a technology based tracking of vehicle miles traveled and assign a charge to that.

>> Councilmember Liccardo: And, John, I appreciate that. That was actually a bit more sophisticated than what I had in mind, which was something that would simply registering whether or not someone is using a vehicle on a particular road, regardless of the amount of miles, because a lot of those miles could be driven far away from San José.

>> Right.

>> Councilmember Liccardo: But simply the fact that they're using a car on a road in San José.

>> We haven't thought about doing that yet because we're trying to implement a smaller version of that just on a select series of freeways, that's what you mentioned earlier both the 680, VTA is going to be implementing 237

and then also 85 and 101 under current statute. That's going to be limited application. But there's nothing stopping the technology being applied to every road in the city. There's a cost to being able to set up the tracking mechanisms for that because it is based on that direct vehicle passing under right now an electronic transponder vehicle registration thing. So it's not something that is probably cost effective right now. That's why the GPS based system was a little bit more cost effective.

>> Councilmember Liccardo: Because of the cost of the infrastructure.

>> Yes.

>> Hans Larsen: I would quickly add to that is that it would require state legislation to allow some kind of mechanism like that to go in place. Currently the California vehicle code restricts charging for the right to use the road based the way it's currently structured.

>> Councilmember Liccardo: But we got modifications in the law so we could go forward with express lanes already.

>> That's correct.

>> Councilmember Liccardo: My understanding is our plan is to modify that further so we can expand those express lanes to 85 and 101.

>> That's already within VTA's authority.

>> Councilmember Liccardo: Okay.

>> To expand it is certainly the goal of Bay Area. We support MTC's vision of a larger network of that but the current statute is only limited to what I mentioned.

>> Councilmember Liccardo: Okay, that seems like a slightly lower barrier to overcome than some of the others ones.

>> Perhaps.

>> Councilmember Liccardo: Yeah, and particularly when we talk about things like parcel taxes. I am concerned whether or not we would ever get to two-thirds even if the economy were in great shape. I know that's on everyone's mind and certainly we know what the polling data came out to. I think that's a very heavy lift and particularly when you look at those polls and you know having gone through this experience several times on tax and bond measures, numbers get really tight whenever you get to election day whenever they involve taxes and we have to be really more creative, not that everyone hasn't been incredibly creative, I'm just saying I'm not sure a two-thirds parcel tax is going to get us there, as much as I understand that we would like to, I simply don't sense there's an appetite for it. I'm sorry --

>> If I could add to that for just a second. Our estimate of using a user fee within the limits of prop 218 is the parcel tax, based on trip generation. Our back of the envelope calculation is based on lands use categories within San Francisco is we could meet our funding needs to get to PCI 70 with a parcel tax still having the two-thirds voter threshold challenge you mentioned of less than \$100 per residential parcel. It would be more of course for retail, you know, not to single out any brand, but some place with a surface park lot and a large retail environment would generate more vehicle miles of travel would pay more of an annual fee than a residential or any neighborhood commercial. But we think that less than \$100 in the 60 to \$80 per range -- per parcel category would allow us to meet that. Of course you run through the difficulty both of the two-thirds voter requirement but also explaining to the public that this is a parcel tax with that evil word T for tax, but that is based on trip generation. What is trip generation, what do I pay? It gets confusing to the average voter in a hurry but it does approximate user fee, it does get to that split between vehicles, trucks, buses, all the different uses of the road because you're getting to all the various sources from retail to commuter patterns as well.

>> Councilmember Liccardo: Thank you. I appreciate all of that and I understand it gives us great flexibility.

>> It's not easy.

>> Councilmember Liccardo: I'm challenged figuring out exactly how we can get the folks to approve it unless Barack Obama recreates his original quest for the presidency, if you get that kind of voter turnout to get us two-thirds is really a heavy lift. I would be interested in exploring more around the options that there mind around the benefit assessments districts. I know there were citywide challenges. I know Rick just stepped out so I'll ask him when he comes back. I know there are legal challenges in Santa Clara and Tiburon, I got that from the San Francisco assessment. And I wanted if rather than going the citywide approach if you were to empower local neighborhoods with essentially tool kits that would enable them to be able to gather the local residents in a significant way, to form districts that would essentially impose these benefit assessment district fees upon themselves knowing that the fees would be utilized within their own neighborhoods, what would that do to the likelihood of someone wanting to support it, knowing exactly where the money's going, knowing that they can see the result? It seems to me we at least avoid some of the legal challenges with the citywide and I would imagine there would be significantly greater support. I understand it requires a lot of administrative effort in coordinating all that but the question is how could we leverage our neighborhood leaders, our community activists out there who want to see their communities improved, knowing it is going to improve the value of their home as well? How can we leverage their willingness to get out there to start to at least create parts of the city where some of these costs can really start to be addressed?

>> Yeah, I can take a stab at it. I'm happy to see the City Attorney returning because I'd be interested to see his opinion on this as a nonlawyer. But my understanding is with an assessment district, you have to differentiate between general and the special benefit. The general benefit is something that could accrue to me as a nonresident of San José passing through your fair city. And the specific benefit is that which would be above and beyond that general benefit. Differentiating by neighborhood helps you make that case. In our opinion, it ends up kind of Vulcanizing the neighborhood in terms of the haves and have nots among those who don't pay, you can argue they are paying and or not paying for that service.

>> Councilmember Liccardo: Given the polling data it is probably the people in the more affluent neighborhoods who are less likely to vote for something like this. So if anything, you're going to have better road conditions I would think in poorer neighborhoods based on what I've seen in the polling.

>> Right. You'd still have the issue of maintaining the general benefit. So if we're currently at a PCI of 63 or 64 you end up kind of base lining a city service and providing an additional special benefit above and beyond that service. As I think you've been presented with today at current funding levels that PCI score drops from 63 to I believe 45. And so one of the legal questions would be what happens to the collection of an assessment district when you're in a declining funding environment and that general benefit is declining as well. So there are a number of legal questions to consider here. Another consideration is the administrative time and cost of assessment and collection for the assessor recorder's office. If you're talk very small localized streets probably residential not arterial and collector, are you talking about a small enough geography such as the administrative cost of creating that assessment district sort of outweighs the benefit received. But I appreciate your thought about this, and this was a topic of conversation in our working group is if we were to pursue this given the fact that it was unsuccessful in other Bay Area communities, would it be preferable to do it citywide or by neighborhood.

>> Councilmember Liccardo: I guess what I'm thinking, is this would be sort of a long term play. You may only get four or five neighborhoods to do it initially but over time people see where the benefit goes in other neighborhoods and they recognize, maybe this would be something that will be worth while having in our neighborhood too, I understand that takes a while to get online. You know, I think we need to move on something fairly long term strategies because I think we recognize how big the problem is. I guess the last thing I would just ask, and really, this is I guess for Rick, and I don't know how closely your office has really looked at what happened in the experience of Santa Clara and Tiburon with the citywide benefit improvement district. But if you were to actually exclude arterials in main streets and do a citywide benefit assessment district, so then you would only have the 50% hurdle but at least in terms of the general benefit specific benefit argument you could clearly make the case that you're only addressing neighborhood streets being almost entirely used by neighborhood

residents, or folks serving neighborhood residents, does that help you get around the Santa Clara Tiburon problem?

>> City Attorney Doyle: You know, I think the post-prop 218 worlds it is increasingly difficult. There was a time when you could do citywide, for example, this isn't the streets but the landscape and lighting district citywide. When my prior city, city of Concord, about the size of Sunnyvale, we were able to do that immediately before prop 218 was enacted with success. But the reality, given the nexus requirements and the general versus the special benefits around requirements is increasingly difficult. We have worked very closely with staff on this. I think we see probably more obstacles than not. It's something to look at but you know, that is something I just think it's an uphill battle. I think the California courts, post-prop 218 I can't tell you of a post-prop-218 case that's been savable for local governments, whether it's a special tax, general tax issue or an assessment issue, you take a look at the open space authority, take a look at the Water District, they've been shot down on some of their --

>> Councilmember Liccardo: But Oakland is still doing a citywide PAD now.

>> City Attorney Doyle: Yeah, I'm not familiar with that I know -- those are things we can look at. I think it's a real tough nut to crack and I think -- but there are a lot of people trying to be creative and working with -- whether it's engineering firms or law firms trying to work on the issue and we can continue to study it. But I don't want to get any hopes up.

>> If I could just quickly add to that. One of the other challenges with this is when creating a special benefit certainly the city can't close and repave and reconstruct every street at the time without disrupting the flow of traffic and allowing people to go where they needed to go. So if you design a benefit assessment district, whether city wide or neighborhood wide, the challenges often come from a street that's not getting repaved this year but is getting assessed the fee. And they maybe on a ten- or 15- or 25-year repavement schedule. Do they pay the pavement assessment for a special benefit received 20 years from today or do they pave it today. And I think that was part of the case against the Tiburon fee for service. Is that typically theories used for here's a new park, are

you adjacent to the park, are you a quarter mile from the park are you a half mile from the park and we'll calculate the specific benefit to your parcel. When you're talking about a street network that you're repaving based on a series of calculation of what is its PCI score is it arterial is it collector is it a bicycle or bus network? Then you're not doing every one at a given time and you're not increasing a specific benefit to that parcel as a proportionate way to the adjoining parcel or the next block parcel.

>> Councilmember Liccardo: Thank you.

>> Mayor Reed: Councilmember Herrera.

>> Councilmember Herrera: Thank you, mayor. I was sort of thinking at benefit assessment districts, too, but I very much appreciate the last comments by Adam, because it does get at the heart of why it might not be workable. I do think though that the idea of having more than one benefit from the assessment, and I can't remember who brought that up, whether it was MTC or local folks, you were talking about that having more than one benefit from that revenue. So not just streets but some other things. What I was thinking about when I was thinking about benefit assessment was in the neighborhoods at leaves that I'm familiar with, people are concerned about potholes, road conditions, graffiti, a number of things. Is there something way to ROM up a few different benefits because I think if you could, it might be more appealing to somebody who would be voting on a tax increase. If they could see some things addressed that would be more than just road condition.

>> I think I'm guilty of that comment or at least I was reminded I was. In the poll data that we've seen and have been instructed by it's this notion that many, not all folks will vote for a particular thing. But we can't get to a two-thirds. So let's say 40% only will vote for a gas tax for streets and roads because the other 20% are looking for change. On the other hand, there's only 20% for change so you can't -- it's just like you can't get it. So the idea would be able to package something together. I think an idea that we could do in the Bay Area for example is to talk about maintaining what we have while seeking to provide alternatives to driving alone or seeking to provide a way to address climate is a way to look at it. I think the big challenge for this generation is to understand that we probably taken a couple of generations off from maintaining, you know, it's, you know, we had a long house party

and maybe fixed a few things that got chipped but we ignored the roof and the foundation and you know really we're at that place. But not only are we at that place but the house itself doesn't really function for what we need in the future too so we have to remodel it. And I think the great challenge that we're facing is to understand that complexity and to try to reach the voters or in your case I think your leadership is what is required to speak to the voters, that look, we've taken a few years off. But we need to get serious and I think that that's the place to start. I think the point I was trying to get across.

>> Councilmember Herrera: Thank you for that. Yeah, I think education was brought up by my colleagues earlier, that we need to educate folks in terms of the price we're paying, the price we've paid, the price we will pay, just even damage that's done to cars is described in here, so that's certainly education, a lot of it. In terms of our local situation do you Hans maybe somebody locally can address this, would there be some opportunity do you think to address some of the other concerns around if we're talking about neighborhoods graffiti, et cetera? Streets, I know there's lighting streets, there's several things sort of I think of when I think of the street what goes along with that. Is there some way that can be bundled that would be more appealing, or would it make any sense?

>> Hans Larsen: Yes, Councilmember Herrera, we think that there might be potential to that. I think we suggest in the staff report the option of looking at a concept of a sustainable streets program, where you look at not just pavement, but also tree care, conversion of our streets to a more efficient street light system, you can add trails and bike ways to that. So there -- I think part of it is kind of look ahead to next steps is maybe exploring you know how well, how supportive is the public of just dealing with pavement or is there a greater interest or greater support for new revenues if it's bundled with new things and I think there's kind of a whole range of things that could be looked at along those lines.

>> Councilmember Herrera: Well I just want to thank you again for the presentation. It's been very good in depth and provoked a lot of questions and I'll look forward to our next steps. I think idea of having a task force in the future is probably a good one and look forward to some progress on this.

>> Mayor Reed: Before we run out of time I'd still like to get some public testimony. People here that want to speak. I know you've got some slides left. There's probably more council conversation. Can you wrap it up or should I take the public testimony and let you come back? Few people want to speak.

>> Hans Larsen: I think Mr. Mayor yeah this would be a good time for public testimony. I just have one wrapup slide with suggestions from council on action and direction. Might just kind of run through these, and then take public comment. So as we look at this, what do we did with all this information? I think some suggestions or thoughts are to look at, you know, what is our goal, set a condition or funding goal. Potentially form a group to look at this further. I think the idea of more education in terms of the community is one that I think is a theme that's come up here. Their suggestion to look at doing some additional surveying to understand from the community their level of interest in the topic and willingness to support different potential revenue options, that could be an effort to look at a package of improvements that might be more successful, and then come back to council and look at a time frame for this. So these are sort of the last things we wanted to leave you with. I think, Mr. Mayor, probably a good time to take public comment about.

>> Mayor Reed: All right, we'll do that now. Please come down when I call your name. Kurt Niffin, I think, that might not be the right pronunciation, but you'll correct me when you come down here if I've got it wrong, followed by Paul Siancirollo, can't necessarily read the handwriting, that's my best guess. Paul, if you're here. And then Jerry Mungai, who I think is gone. Mark Trout, that I think is gone.

>> Close enough. Good afternoon. My name is Kurt Niffin, and I work for Granite Construction Company. We are a nationwide contractor heavily into the asphalt paving business. Especially in the West and especially in California. We'd like to actually thank the city for taking on such a problematic issue of our infrastructure. You know, it's continuing to deteriorate. We see a lot of the cities and counties that we do business with, with the same situation that you all are facing today. Unfortunately, many of them are hiding and not facing the issue like you are. So we do appreciate that. But with 2400 miles of pavement with an average of PCI 64, something drastic needs to be done. We look at the cost of pavement maintenance like the maintenance of your car. Spends a little bit of money on your oil changes and whatnot or if you defer that you'll spend a lot of money later on. And that's

kind of where we're with many of the infrastructure in California. It appears that funding a strategy funding from the state is not going to come in. I think it's a bleak situation, and we're definitely supporting a local funding issue to be supported and we'd be happy to support that. We think it's critical. We think it's a foundation of this endeavor, you're embarking upon. And I'm here to say that I believe our industry can help on that. You saw the slide where the spike in the price per ton in the city, well, that was really -- corresponded with the price of your gasoline spike. And it's all about the price of the barrel of oil. It went up substantially, it tapered off but it's still steady. It's still three times what it was five years ago, okay? And we don't see that letting up, so what's our option? I'm here to say maybe there's some options that could spread your dollars out a little further and provide more.

>> Mayor Reed: I'm sorry, I need to ask you to cut it off. We're only allowed two minutes for speakers.

>> Sorry. We'd like to adopt RAP, and their use, which is recycled asphalt. Saves oil and reduce your cost.

>> Mayor Reed: We're not done. Send it in writing, and we'll circulate anything else you wanted to add, because we'll be at this for a while before we make decisions. Paul Ciancirullo, Jerry Mungai, Mark Trout, Joe Serone.

>> Hi, good afternoon, Joe Sterin. I work for a company called Paramount Petroleum. We supply asphalt oil. When you think about black top, about 95% of that black top is made up of rock, the other 5% is made up of asphalt oil. A couple of times I've heard people talking about recycled tire rubber as a part of asphalt pavement and pavement maintenance. We manufacture a product called terminal blend modified binder with recycled tire rubber. That has -- it's anyone -- it's applied like you would any other asphalt oil. And just want you to be aware and I will follow up this discussion, presentation, but there's grant money available for that. It is a higher performing product than regular standard asphalt. You are correct, it cost more money than standard asphalt but the grant money that's available from the Cal recycle board offsets the cost and ultimately you get longer life and better performing product. Thank you very much.

>> Mayor Reed: That concludes the public testimony. We still have some time left for further council discussion and we're not here to make a decision today. But we do need to talk about what to do next and where to go. San Francisco's already identified 17 ways you could solve this problem. I haven't read them to see how many of them are feasible or not. But I think everything we've heard is you got to get to two-thirds. There is no other way to do this besides you get the two-thirds vote of the people. I'd really like to know what would it take to do two-thirds. We did polling January of last year or the year before, I forget when we could do it. I think on transportation funding we could do 58% or something of that. I think political strategy is a key part of that. What would it be necessary for us to do to convince our voters to approve another tax. And I don't necessarily know there is a route to get there or whether or not that would be the best way to go but we could spend a lot of time identifying 17 ways to do it. But if you can't get to two-thirds it doesn't matter. So I think we need to do some additional work, and that, that is one of the recommendations from the staff. But building community support helps if you know where you're trying to go and what you're trying to do and you can target that. So I think that would be a place to start looking at the previous polls that we've done, trying to figure out is there some way to present there that would get us there. And then, you also have to consider what else might be on the ballot. I think in 2012, we'll have an extension of our library tax, which passed last time with about 100 votes to spare on a two-thirds vote and that was extension of an existing tax. Don't necessarily think it would be a great idea to have two taxes on the ballot at the same time. And I think all of those considerations will drive a calendar and drive the decision-making. So I think we got to get some of that thinking done up front rather than focused on identifying 17 ways to do it. There probably are 17 I wouldn't be surprised. Councilmember Herrera.

>> Councilmember Herrera: Thank you. I just -- I think also that we should look at what kind of things can be bundled together. And that might -- if we did that then we might be able to use benefit assessment districts too, because that wouldn't just be the roads. That would be something that would be shown as a nexus and something occurring frequently and there might be something around that if the parcel tax isn't the way we want to go. The other question I had was about jobs. If we were able to put together this infrastructure program we are talking about in some fashion how many jobs would we create? Because we're still suffering from, what is our current unemployment rate in San José? I know it's over 11%. 11.1. We were at 13 at one point. Are we still at 13? So jobs would be great if we could generate some jobs. I'm sure there's people that would like to go back to work to

work on paving roads and abating graffiti and fixing trees, et cetera. If we could do some kind of a citywide infrastructure program I think we're more likely to get it done than waiting for it to roll down from Washington. Can anybody comment on jobs?

>> I can't speak for San José but we have spent a fair amount of time working on this in San Francisco both to make ourselves more competitive for federal funding applications and to understand exactly the nature of your question. We have some sophisticated economic models through our office of economic analysis. I won't get into the details of those, but I can skip to the conclusion, which is for every million dollars spent on capital it generates 7.2 direct and indirect jobs in San Francisco specifically. So that's both those who are doing the physical work and those who are supplying the materials to them to do that work, as well as some indirect benefits such as you know if they go out to get a taco at lunch, that is included as well.

>> Mayor Reed: Councilmember Constant.

>> Councilmember Constant: Just a couple quick comments. One, on the task force, I just want to reiterate that I think that anything that we do we have to be look at all of our infrastructure in context, not just this. Because this, again, is very, very important, and I know I complain about this a lot. The roadway infrastructure, but it's still only 50% of the picture. So we need to make sure that we're balancing as we go forward a plan that will address all of our infrastructure needs, so that we don't build one area, or partially commit to fixing one area, while exasperating another area of our infrastructure. So I think we need a very balanced approach. And then in responding to your question, Mr. Mayor, what we can do to get to two-thirds, I think one of the things that we need to do is to, number one, continue to do the work that we're doing in the pension reform and did other issues where we're showing the voters that we're truly tackling these large issues in front of us at the city. But we also need to make sure that as we move forward our spending priorities and our budgets reflect responsible actions. And really taking a hard look at those things that we've discussed over and over like the Hayes mansion and the golf courses and the other area of spending in the city, that divert moneys from these areas, where we really need to be spending. And I think Pierluigi mentioned it in his comments, is really getting to taking responsibility and fully funding those things that we're supposed to do before we get to the would like to dos and I think that's critically important. Because

there's a lot of taxpayers that are going to be asking, how many times at how many different levels am I paying for these things? And whether it's true or not, whether the actual thing they remember is going into paving their local roads, they're going to remember measure this, measure that, vehicle license fee there, that gas tax and it's all just cumulative on top of each other and they're going to say well I've been paying I've been paying I've been paying but the city is still subsidizing golf and a conference center and on and on. I think that is something we need to be committed as a council to tackling all those issues in showing that we're doing everything we can to address those primary responsibilities of local government first and then the other issues.

>> Mayor Reed: Councilmember Liccardo.

>> Councilmember Liccardo: I agree with a lot that's been said. You know my own personal preference is to I can sense this is a staff recommendation is to pursue the \$100 million goal. I think that's an appropriate one. I think that would make us the generation that fixes the problem and not the one that imposes the burden on the next generation. So I think it's important for us to take that mantle and move with it. I do like the task force's notion in terms of how it can bring in a lot of community partners in the building trades and business and so forth that can partner with us and explore politically in addition to how technically we can get this ball over the goal line. I think it's going to be very important to build those partnerships. I think to build on Councilmember Herrera's point about special benefits, benefit assessment districts I do think there are options less than two-thirds. I would like to pursue, at least explore further. And by tying pavement into everything from tree maintenance to graffiti, street lights, et cetera, do we create enough of an ongoing maintenance for every property owner to be able to benefit for us to be able to avoid those legal problems? I think that would be really helpful to know. And I think that's what Councilmember Herrera was really alluding to. I hope I haven't misconstrued that. And then finally, you know the technological fixes, John and I certainly talked about one, this idea of user fees. We're the capital of Silicon Valley. If it's going to start somewhere it really ought to be here. And if we're going to be really get ahead of this problem I think it has to be through user fees because taxes just won't go. So let's start to talk to folks out there who are exploring this technology and see what does that up front infrastructure really cost? How can we capitalize that and really make an attempt to be able to ensure that folks who are using this infrastructure are paying for it.

>> Mayor Reed: Further comments? I'd just like to finish up with echoing what Councilmember Constant said, that the better job we do of spending the tax dollars we have, the more likely it is that taxpayers will be willing to give us something. So how we balance our budgets and how we deal with the difficult problems in front of us like pension reform and others are critical to building a political will among the people to do that. And you know, having people in favor it and fuzz can reach that two-thirds in the polling, still you got to run a campaign, you got to educated people. There's a tremendous amount of work that has to be done. And we're a long ways from having that level of community support, I think. So there's work that we need to do. But our job, as the guardians of the public taxes and the dollars and stuff are really important because they'll look to us and judge future spending by current spending and just say no if they don't think we're doing a good job. So that's why it's critical for us to continue to struggle with the budget, as if we had a choice. Think we're going to be in a budget struggle for a while. Any other comments from the council? I think that just about wraps it up. Hans, did you have anything to close with?

>> Hans Larsen: Just a couple of acknowledgments Mr. Mayor if I'd like. First I'd like to point out recognize some of the key staff that worked in putting together the forecast the staff, Amanda Lay, Renee C Jim Ortbal, I'd like to thank our panel members a who came here to provide to the council their expertise and insights on the issue and most of all thank you the council for spending a full half day on this I think important topic. Got a lot of hopefully, raised your awareness and education level on the issue, very much appreciate the comments, I think Department of Transportation will be working with the City Manager and her office in terms of how to absorb all of this and come back to you with some suggested next steps. So again, thank you for giving us this time here this afternoon.

>> Mayor Reed: Okay, thank you. Remember everybody, there is no council meeting tonight. I'm sure you might have come back in. But don't come back. Go to your other meetings. That's right. We're adjourned.