



**Office of the Independent Budget Analyst**

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# **IBA Review of the Mayor's 5-Year Street Repair Program**

**Presentation to the City Council**

**April 21, 2015**

**Item 336**



# Mayor's 5-Year Street Repair Plan Goals and Funding

## Double the Miles of Streets Repaired

- To meet this goal, the Mayor used FY 2014 as the comparison year for FY 2016

| <b>Street Miles Repaired Fiscal Years 2011-2016</b> |                             |                          |                              |                    |
|---|-----------------------------|--------------------------|------------------------------|--------------------|
| <b>Fiscal Year</b>                                  | <b>Asphalt Paving Miles</b> | <b>Slurry Seal Miles</b> | <b>Concrete Repair Miles</b> | <b>Total Miles</b> |
| 2011  | 55                          | 129                      | 0                            | 184                |
| 2012  | 55                          | 129                      | 0                            | 184                |
| 2013  | 76                          | 95                       | 0                            | 171                |
| 2014  | 74                          | 74                       | 4                            | 152                |
| 2015  | 50                          | 125                      | 4                            | 179                |
| 2016  | 94                          | 210                      | 4                            | 308                |

Source: Street Pavement Repair Program Report No. 15-026



# Mayor's 5-Year Street Repair Plan

## Goals and Funding

- The number of miles repaired is important, but the *type* of repair is key.
  - Repaving is a long-lasting capital improvement, and has the greatest impact on the Overall Condition Index (OCI).
    - Repaving costs ~\$500,000 per mile.
  - Slurry Seal is considered a maintenance treatment, and has a lower impact on the OCI.
    - Slurry Seal costs ~\$100,000 per mile.



# Mayor's 5-Year Street Repair Plan Goals and Funding

## Repair 1,000 Miles of Streets over the Next 5 Years

- Funding in the plan is shown for FY 2016-2019.
- The *Miles* and *Type* of repair are only shown for FY 2016.

| Mayor's Streets Repair Plan  |                    |        |        |        |        |      |
|--|--------------------|--------|--------|--------|--------|------|
|  |                    | FY16   | FY17   | FY18   | FY19   | FY20 |
| <b>Proposed Funding* (in millions)</b>   |                    | \$73.6 | \$89.3 | \$84.8 | \$87.0 | TBD  |
| <b>Number of Miles</b>   | <b>Repaving</b>    | 94     | TBD    | TBD    | TBD    | TBD  |
|  | <b>Slurry Seal</b> | 210    | TBD    | TBD    | TBD    | TBD  |
|  | <b>Concrete</b>    | 4      | TBD    | TBD    | TBD    | TBD  |
| <b>Total Miles</b>   |                    | 308    | TBD    | TBD    | TBD    | TBD  |
| * Includes up to \$60 million of lease revenue bonds and cash from the Gas Tax, Prop 42, TransNet and General Funds. |                    |        |        |        |        |      |



# Mayor's 5-Year Street Repair Plan Goals and Funding

- Because different types of repair have different costs, we do not know how many miles are planned for repair in future years.
- Over the past five years, the City repaired 870 miles of streets, so it is feasible to repair 1,000 miles over the next five years.
- As 308 miles will be repaired in FY 2016, more than 1,500 miles could be repaired over five years, assuming the same ratio of repaving to slurry seal.



# Mayor's 5-Year Street Repair Plan Goals and Funding

## Achieve an OCI of 70 by 2025

- At the time of the last full Streets Assessment in 2011, the OCI of City Streets was 54.6.
- To achieve an OCI of 70 by 2025, significantly more funding will need to be added for repaving.
- As repaving costs five-times more than slurry seal, it will be necessary to determine the required mix of treatment methods necessary to achieve an OCI of 70.



# Mayor's 5-Year Street Repair Plan Goals and Funding

- Based on staff estimates, the current plan falls \$206.3 million and 950 repair miles short in the first five years.

| FY 2016-2020 Streets Repair Funding Needed for an OCI of 70 vs. Proposed   |         |         |         |         |         |         |
|--|---------|---------|---------|---------|---------|---------|
|  | FY16    | FY17    | FY18    | FY19    | FY20    | Total   |
| <b>OCI 70 Need (Millions)*</b>   | \$108.2 | \$108.2 | \$108.2 | \$108.2 | \$108.2 | \$541.0 |
| <b>Mayor's Plan (Millions)**</b>   | \$73.6  | \$89.3  | \$84.8  | \$87.0  | -       | \$334.7 |
| <b>Shortfall (Millions)</b>  | \$34.6  | \$18.9  | \$23.4  | \$21.2  | \$108.2 | \$206.3 |
| *Needs are based on 2011 streets assessment and may be less depending on results of updated assessment planned for completion in Fall 2015 |         |         |         |         |         |         |
| **Includes combination of cash for Gas Tax, Prop 42, Transnet, General Fund, as well as lease revenue bonds                                |         |         |         |         |         |         |

- This \$206.3 million shortfall is *in addition to* the \$1.7 billion gap identified in the Multi-Year Capital Plan.



# Mayor's 5-Year Street Repair Plan

## Goals and Funding

- Current cost estimates are based on 2011's OCI of 54.6. An updated OCI will be available at the conclusion of the currently ongoing Streets Assessment.
- Any improvement in the OCI would reduce future funding needs.
- Needs for additional funding to meet the OCI of 70 goal may impact funding for other City assets.
- Short of adding funds in FY 2016-2020, the only way to make up the shortfall is to increase funding and miles repaired in FY 2021-2025.





# Mayor's 5-Year Street Repair Plan

## Goals and Funding

### Funding

- The majority of funding for FY 2016-2020 will come from issuing lease-revenue bonds. The remainder will come from available cash.

| <b>Projected Fiscal Year 2016-2020 Streets Funding (in millions)</b> |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | <b>FY 16</b>      | <b>FY17</b>       | <b>FY18</b>       | <b>FY19</b>       | <b>FY20</b>       |
|  | <b>Projection</b> | <b>Projection</b> | <b>Projection</b> | <b>Projection</b> | <b>Projection</b> |
| Cash - New   | \$15.8            | \$6.2             | \$24.8            | \$27.0            | TBD               |
| Cash - FY15 Continuing Appropriations                                | \$13.4            | \$18.1            | TBD               | TBD               | TBD               |
| Debt – New*  | -                 | up to \$60.0      | up to \$60.0      | up to \$60.0      | TBD               |
| Debt - FY15 Continuing Appropriations                                | \$44.4            | \$5.0             | -                 | -                 | TBD               |
| <b>Total</b>   | <b>73.6</b>       | <b>TBD</b>        | <b>TBD</b>        | <b>TBD</b>        | <b>TBD</b>        |
| *Funds from \$90M lease revenue bond issuances                       |                   |                   |                   |                   |                   |
| Source: Street Pavement Repair Program Report No. 15-026             |                   |                   |                   |                   |                   |



# Mayor's 5-Year Street Repair Plan

## Goals and Funding

- Bond issuances for FY 2017 and 2018 are planned to be increased from \$84 million per year to \$90 million per year.
- An additional \$90 million issuance is planned for FY 2019.
- Up to \$60 million of each issuance will be dedicated to street repairs.
- This increases lease-revenue bond financing by \$102.4 million over the FY 2016-2020 Five Year Outlook, and is consistent with Enhanced Option B, though now issuances will be spread over seven years instead of five.



# Mayor's 5-Year Street Repair Plan

## Goals and Funding

- The Mayor's Plan also relies on new and re-appropriated cash from Gas Tax, Prop 42, Transnet, and General Funds.
- These amounts range from \$24 million to \$29 million annually through FY 2019.
- Proposed cash management improvements are expected to generate additional funds.
- \$60 million in un-programmed Transnet funding is also available.



# Mayor's 5-Year Street Repair Plan Conclusion

- This plan is an important step to addressing critical street infrastructure needs.
- Street repair remains a top concern for City residents.
- The plan identifies funding sources through FY 2019, and sets an aggressive goal of an OCI of 70 by 2025.
- The plan reinstates the level of lease-revenue bond issuances that Council approved in March 2012 with its Enhanced Option B Plan.



# Mayor's 5-Year Street Repair Plan Conclusion

While this plan is an important step, until there is a more specific plan that identifies the type of repairs planned over the next five years, it is difficult to determine if the City can achieve the goal of repairing 1,000 miles of streets by 2020 while simultaneously making progress necessary to achieve an OCI of 70 by 2025.



# Mayor's 5-Year Street Repair Plan Recommendations

The following recommendations are proposed for Council consideration:

1. Following the completion of new street condition assessments in the Fall, request staff to facilitate a comprehensive discussion at the Infrastructure Committee on the costs, benefits, and best practices related to repaving and slurry seal methods; and based on the new OCI, determine the ratio of repaving to slurry seal needed, and the annual funding required, for FY 2017-2025.



# Mayor's 5-Year Street Repair Plan Recommendations

2. Following this discussion, the Committee could request staff to update the 5-year plan to incorporate the recommended number of repair miles, and the method of treatment, for FY 2017-2020 and identify additional funding needed to achieve goals for that time period.