411 West Ocean Boulevard
Long Beach, CA 90802

Legislation Text

File #: 18-0783, **Version:** 1

Recommendation to request City Attorney to prepare a resolution to oppose Proposition 6, the Voter Approval for Future Gas and Vehicle Taxes and 2017 Tax Repeal Initiative, which will be considered by voters statewide on the November 6, 2018 ballot. (Citywide)

In 2017, the State Legislature enacted Senate Bill (SB) 1 to increase annual State funding for state and local transportation projects through various fuel and vehicle taxes. Specifically, SB 1 increased the base gasoline excise tax by 12 cents per gallon, and the diesel sales tax by 4 percent. It also set fixed rates on a second gasoline excise tax and diesel excise tax, both of which previously could fluctuate annually based on fuel prices. Further, SB 1 created the transportation improvement fee, which ranges from $25 to $175 per year, and a fee specifically for zero-emission vehicles, set at $100 per year for model years 2020 and later. The bill also provides for inflation adjustments in the future. In Fiscal Year 2019 (FY 19), the California Department of Finance (DOF) expects SB 1 revenues will reach $4.4 billion statewide.

By 2020, when all SB 1 taxes and fees are in effect and the inflation adjustments have begun, the DOF expects SB 1 to generate $5.1 billion for transportation projects statewide. Of this amount, the City of Long Beach (City), expects $11 million per year, which is more than double existing State funds available for local streets and road projects. In context, the Highway Users Tax Account (HUTA), traditionally the primary source of State funding for local streets and roads, provides $10 million per year to the City. HUTA has been slowly declining in recent years because of gradual decreases in gasoline and diesel fuel consumption as drivers switch to more fuel-efficient vehicles and alternative modes of transportation.

The need for a sustainable and appropriately funded revenue stream to maintain local streets and roads is high. The City has a Capital Improvement Program (CIP) that ranges between $50-$100 million annually and includes street paving projects. Almost all the funding for these projects come from restricted sources that are distributed by Federal and State agencies, and it is widely known the transportation funds the City receives are insufficient to support our street pavement needs. As a result, the City’s 800 miles of pavement network has suffered. SB 1 provides a critically needed source of funding to support the City’s street maintenance backlog.

To strategically plan for improving local streets and roads, the City has developed a Pavement Management Program (PMP). The PMP involves a three-step planning process to ensure that the City’s streets and roads are improved in a strategic and cost-effective manner. The first step involves conducting an inventory and assigning a Pavement Condition Index (PCI) to the structural integrity of every street segment ranging from 100 (new) to 0 (fail). Second, the City inputs this data into pavement management software that schedules street paving projects based on efficiency and effectiveness. Then, the City publishes the PMP report every three years, and this document is used to develop the City's CIP and to effectively manage roadway assets and improve pavement conditions.

The City's PMP provides recommended funding levels to meet three target metrics: (1) maintain the City's PCI above current levels; (2) not allow the City's street and road maintenance backlog to grow; and, (3) maintain a minimum of 15 percent of streets and roads as rated excellent in the City. For major roadways, the PMP recommends investing $28.5 million annually; for minor roadways, the PMP recommends investing $70 million annually; and, for alley roadways, the PMP recommends investing $6 million annually. These recommended amounts represent the minimum investment needed to maintain the City's streets and roads as they currently are today.

While SB 1 was enacted in 2017, the legislation provides for a gradual increase in funding levels due to a phased approach to implementing SB 1 revenue mechanisms. In FY 18, the City received $2.3 million in SB 1 revenues; by FY 19, this amount is expected to grow to $8 million, by FY 20, the City expects $12 million, and by FY 21, the City expects $13 million. These allocations are in addition to traditional HUTA revenues, but unlike HUTA revenues, which have been declining in recent years, SB 1 revenues are expected to increase year over year, as SB 1 adjusts to reflect the consumer price index.

The City is expecting $8 million in SB 1 funds for 11 repaving/resurfacing projects in FY 19. In anticipation of these revenues, on May 22, 2018, the City Council adopted a Resolution approving the use of SB 1 funds specifically for: 15th Street between Lewis Avenue and Alamitos Avenue; 15th Street between Orange Avenue and Obispo Avenue; Anaheim Street between Pacific Avenue and Atlantic Avenue; Temple Avenue between 4th Street and 7th Street; Ximeno Avenue between Broadway Avenue and 4th Street; Anaheim Street between Gardenia Avenue and Temple Avenue; Carson Street between Clark Avenue and Bellflower Boulevard; Anaheim Street between Alamitos Avenue and Gardenia Avenue; Long Beach Boulevard between 31st Street and Wardlow Road; Del Amo Boulevard between Atlantic Avenue and Orange Avenue; and, Artesia Boulevard between Cherry Avenue and Paramount Boulevard. These streets and roads were identified using a Pavement Management System that ensures revenues are being used on the most high-priority and cost-effective projects that also meet the communities' priorities for transportation investment.

Proposition 6 threatens the 11 repaving/resurfacing projects described above, and would hinder the City's ability to implement the PMP. Proposition 6 intends to repeal SB 1 by eliminating all SB 1 transportation revenue mechanisms imposed after January 1, 2017; and further proposes to amend the California State Constitution to require the State Legislature to secure voter approval for all new or increased taxes on the sale, storage, use, or consumption of gasoline or diesel fuel, as well as for taxes paid to operate a vehicle on public highways. Therefore, if voters approve Proposition 6 on November 6, 2018, the dedicated source of funding for the 11 projects described above will be lost, and projects will be delayed until a new source of funding can be identified. Additionally, all future State funding for local street and road projects will be reduced by half.

This matter was reviewed by City Attorney Charles Parkin on August 27, 2018 and by Budget Analysis Officer Julissa José-Murray on August 23, 2018.

City Council action is requested on September 4, 2018.

There is no fiscal or local impact associated with this recommendation.

Approve recommendation.

PATRICK H. WEST
CITY MANAGER