



**DATE:** September 18, 2018

**TO:** Mayor and City Council

**FROM:** City Manager

**SUBJECT** Approval of a Resolution Opposing California Proposition 6, the Voter Approval for Future Gas and Vehicle Taxes and 2017 Tax Repeal Initiative (2018)

### **RECOMMENDATION**

That the City Council adopts a resolution opposing California Proposition 6 on the November 6, 2018 ballot entitled the Voter Approval for Future Gas and Vehicle Taxes and 2017 Tax Repeal Initiative.

### **SUMMARY**

California Proposition 6, entitled the Voter Approval for Future Gas and Vehicle Taxes and 2017 Tax Repeal Initiative, is on the November 6, 2018 ballot as a voter initiated constitutional amendment. If successful, this ballot initiative will repeal the gas and diesel tax increases and vehicle fees that were enacted in 2017, impacting a broad range of local, regional, and state level transportation infrastructure development and maintenance projects. Because of the significant negative impact this proposition will have on the region and the Hayward community, staff recommends that the Hayward City Council adopts a resolution opposing California Proposition 6.

### **BACKGROUND AND DISCUSSION**

The Road Repair and Accountability Act of 2017 (RAAA), also known as California Senate Bill No. 1 (SB 1), was enacted into law on April 28, 2017. The RRAA increased the gas tax by \$0.12 per gallon, increased the diesel fuel tax by \$0.20 per gallon, increased the sales tax on diesel fuels by an additional 4 percentage points, created an annual transportation fee, and created an annual zero-emission vehicle fee. The increased taxes went into effect on November 1, 2017, one fee went into effect in 2018, and the second fee will go into effect in 2020.

The RRAA was designed so that the revenue generated from this legislation would be dedicated to the development and maintenance of the state's transportation infrastructure. In addition, California voters approved Proposition 69 in June 2018 that created an additional constitutional mandate for the legislature to only spend SB 1 revenues on transportation-related purposes.

As proposed, Proposition 6 will repeal the gas and diesel tax increases and vehicle fees that were enacted in 2017.<sup>1</sup> If passed, this will impact a broad range of local, regional, and state level transportation infrastructure development and maintenance projects and will directly affect the Hayward community. In addition to repealing infrastructure revenues generated by the RRAA, Proposition 6 will also require voter approval (via ballot propositions) before the California legislature and the governor can impose, increase, or expand fuel taxes or vehicle fees in the future. Currently, increasing a tax in California requires a two-thirds vote of each state legislative chamber, and the governor's signature, but does not require the additional voter approval process contemplated in Proposition 6.

The City of Hayward supported SB 1, which was ultimately enacted as the RRAA, because it provides a comprehensive, state-wide, transportation plan with modest increases to previously existing revenue sources and creates a robust transportation infrastructure investment that pays for fixing roads, the repair of unsafe bridges, and for the reduction of traffic congestion. RRAA revenues will allow the City of Hayward to accelerate the delivery of transportation infrastructure projects that have been delayed due to the lack of funding in previous years and provides the opportunity for the City to catch-up on years of much needed, unfunded, street and road maintenance.

In addition to directly funding local street and road maintenance and repairs, RRAA revenues can be matched with County and regional transportation dollars (such as Alameda County BB and Regional Measure 3 funds) to deliver on local major transportation infrastructure projects. Two examples of large infrastructure projects that directly benefit people living in, as well as those commuting to and from, Hayward include the I-880 Interchange improvement projects located at Industrial Parkway and at Whipple Road. These funding sources also made it possible for the City of Hayward to recently complete the largest city-wide pavement rehabilitation project in the City's history, which improved the City's Pavement Condition Index (PCI)<sup>2</sup> rating from 66 to 70.

The San Francisco Bay region's average PCI score is at 60, which is the threshold at which deterioration accelerates rapidly, and the need for major rehabilitation becomes much more likely than the 75-point score that the Metropolitan Transportation Commission has established as a target for roadway quality. A PCI score of 80 to 100 is considered very good to excellent, so more resources are still needed to improve the City's, and the region's, roadways. Preventive maintenance will result in lower long-term pavement costs and will safeguard our community's investment in local streets and roads.

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<sup>1</sup> A full review of California Proposition No. 6, including the proposed text that would be added as Section 3.5 to Article XIII A of the California Constitution, can be accessed here: [https://ballotpedia.org/California\\_Proposition\\_6\\_Voter\\_Approval\\_for\\_Future\\_Gas\\_and\\_Vehicle\\_Taxes\\_and\\_2017\\_Tax\\_Repeal\\_Initiative\\_\(2018\)](https://ballotpedia.org/California_Proposition_6_Voter_Approval_for_Future_Gas_and_Vehicle_Taxes_and_2017_Tax_Repeal_Initiative_(2018)).

<sup>2</sup> The Pavement Condition Index (PCI) is a 0-100 industry standardized ranking system that is based on the physical and structural condition of a street. Many factors affect the city's pavement condition index score, including: pavement age, climate and precipitation, traffic loads and available maintenance funding. For more information about the PCI and what the score rankings mean, go to: <https://mtc.ca.gov/our-work/fund-invest/investment-strategies-commitments/fix-it-first/local-streets-roads/pci-scores>

## **ECONOMIC AND FISCAL IMPACT**

According to the state Senate Appropriations Committee, SB 1 is expected to generate an estimated \$5.2 billion per year or \$52.4 billion between 2017 and 2027. When Governor Brown signed the bill into law, he stated that the funding generated will not only ensure that California's roads are safe and smooth, it also puts thousands of people to work and strengthens California's economy.

RRAA funding for all of Alameda County in FY 2019 is approximately \$2.3 million according to the Alameda County Transportation Commission (ACTC). The 10-year estimate is \$485 million. The ACTC estimated that the City of Hayward will receive \$2.7 million in SB1 Funds in FY 2019, and \$31 million over 10 years. If Proposition 6 is approved by the voters, these funds will not be realized and will not be available for City street repairs. The effect will be that many transportation related projects in the City, the region, and the state, will have to be delayed and/or abandoned, which could have a significant negative economic impact on the community.

## **STRATEGIC INITIATIVES**

This consent item supports the City's Complete Streets Strategic Initiative. The purpose of this Initiative is to build streets that are safe, comfortable, and convenient for travel for everyone, regardless of age or ability, including motorists, pedestrians, bicyclists, and public transportation riders. This item supports the following specific goals and objectives of this Initiative:

- Goal 1: Prioritize safety for all modes of travel.
  - Objective 1: Reduce number of fatal and non-fatal traffic accidents in the City through engineering evaluation of major intersections and corridors.
  - Objective 2: Reduce speeding and aggressive driving behavior through 4 E's (i.e., Education, Enforcement, Empowerment and Engineering).
  - Objective 3: Ensure that roadway construction and retrofit programs and projects include complete streets elements
- Goal 2: Provide Complete Streets that balance the diverse needs of users of the public right-of-way.
  - Objective 1: Increase walking, biking, transit usage, carpooling and other sustainable modes of transportation by designing and retrofitting streets to accommodate all modes.
- Goal 3: Maintain sufficient funding to provide for existing and future transportation facility and service needs, including the operation and maintenance of the transportation system.

Objective 1: Establish a sustainable funding mechanism and dedicated funding source to build complete streets network.

Objective 2: Establish a maintenance plan for complete streets projects.

### **SUSTAINABILITY FEATURES**

The maintenance and repair of local, regional, and state-wide streets and roadways improve vehicular operations and minimize the use of gas and diesel fuels. The revenue generated from the Road Repair and Accountability Act of 2017 not only provides the resources required to conduct the needed maintenance and repair of the City's transportation infrastructure, it also creates the resources needed for the City to provide safe complete streets that balance the diverse needs of users of the public right-of-way including bicycling, walking, and public transit use.

### **PUBLIC CONTACT**

The agenda for this item was posted in compliance with the California Brown Act and does not require additional public notice.

### **NEXT STEPS**

If Council approves the attached resolution, staff will distribute the signed resolution to the appropriate bodies and organizations, as well as post a copy of the resolution on the Legislative Program website, in an effort to defeat Proposition 6 on the November 6, 2018 ballot.

*Prepared by:* David Korth, Assistant to the City Manager

*Recommended by:* Maria A. Hurtado, Assistant City Manager

Approved by:



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Kelly McAdoo, City Manager