

MEMORANDUM – ISSUE REVIEW SESSION



TO: Mayor and Council

THROUGH: Tom Duensing, Chief Deputy City Manager (480) 350-8505
Keith Burke, Deputy City Manager, (480) 350-5819

FROM: Shelly Seyler, Interim Engineering and Transportation Director, (480) 350-8854
Isaac Chavira, Interim Deputy Engineering and Transportation Director,
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DATE: 9/28/2023

SUBJECT: Pavement Quality Index Acceleration Program

AGENDA ITEM: 3C

PURPOSE:

To provide the Council with an overview and update regarding the current average Pavement Quality Index (PQI) score for the City's street network, and a four-year acceleration model with funding needed for implementation.

RECOMMENDATION OR GUIDANCE REQUESTED:

Staff is seeking direction on whether to increase the funding request, directly impacting the City's Pavement Quality Index score, in the upcoming Capital Improvement Program (CIP) funded with General Obligation (GO) Bonds.

CITY COUNCIL STRATEGIC PRIORITY AND RELATED PERFORMANCE MEASURE:

1.22 – Pavement Quality Index: Achieve adopted standards for Pavement Quality Index equal to a citywide average rating of 70 or higher across all demographic categories.

BACKGROUND INFORMATION:

The City of Tempe's roadways are an important means of transportation for residents, the workforce, students, and visitors. The City of Tempe recognizes the importance of having roadways that are in good condition. To determine the order and priorities of which streets will receive a pavement treatment, a Pavement Quality Index (PQI) score is developed for each street segment, which is measured 0-100 (Poor to Excellent). This measure is used by the City to plan for maintenance and repairs, and to allocate resources in the most efficient way possible.

In recent surveys sent to the businesses and communities of Tempe, the condition of the pavement of the street network continues to rank highest amongst areas where constituents would like to see increased investments. In July 2023, Council asked staff to make recommendations for an update to the Pavement Quality Index Acceleration Program with the objective of making needed improvements to every street that has not received a pavement preservation treatment within the last two years. The PQI Acceleration Program is currently outlined as a four (4) year program which is outlined below.

The presentation provides a summary of the current condition of the pavement network, the recommended pavement treatments and funding needed, through the issuance of voter approved General Obligation (GO) bonds, to meet the Council's request. Also included is the necessary funding and maintenance needed for subsequent years following the four-year period to keep the pavement network in good condition.

FISCAL IMPACT or IMPACT TO CURRENT RESOURCES:

If Council directs staff to move forward with the acceleration program, the cost and additional funding required each fiscal year to complete the request is estimated in the table below. These estimates include costs for pavement project design and construction services, and construction management. Currently, there is approximately \$53.9 million of identified funding in the FY2024/25 adopted five-year Capital Improvements Program (CIP). Based on the total cost of the accelerated program at \$188.5 million, additional funding totaling \$134.6 million is required over a period of four years for the accelerated program.

Program Rehabilitation Cost by Year			
YEAR	COST OF ACCELERATED PROGRAM	CURRENT CIP	ADDITIONAL FUNDING REQUIRED
FY 2024/2025	\$ 47,300,000	\$ 13,242,500	\$ 34,057,500
FY 2025/2026	47,200,000	13,350,000	33,850,000
FY2026/2027	46,800,000	14,500,000	32,300,000
FY2027/2028	47,200,000	12,850,000	34,350,000
TOTAL	\$ 188,500,000	\$ 53,942,500	\$ 134,557,500

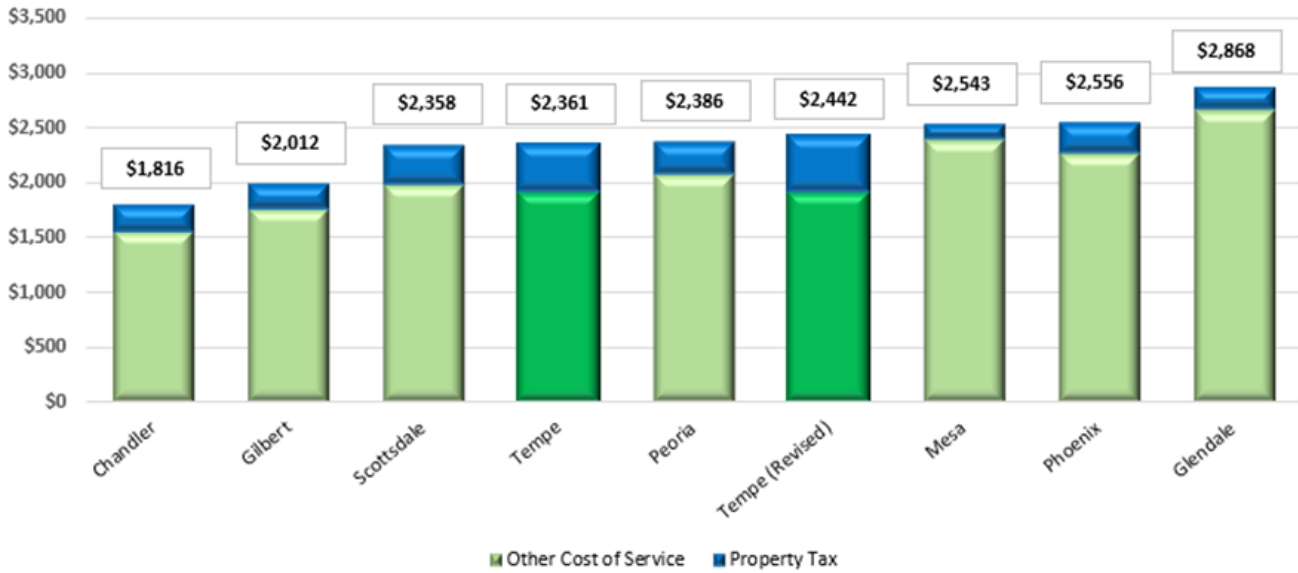
Subject to voter approval in the already planned November 2024 GO Bond Authorization Election, GO Bonds has been identified as the funding source of the accelerated program. As the issuance of additional GO bonds must be approved in the November 2024 election, which is approximately half-way through FY 24/2025, timing of the amounts spent may be delayed.

Property Tax Impact

Each year, the City typically issues GO Bonds which are repaid over 20 years through secondary property taxes paid by Tempe property owners. Based on an initial estimate of issuing an additional \$134.6 million in GO bonds over a period of approximately four years, the annual impact on a median single-family home would be \$81 per year to finance the program. This impact would vary based on the value of each home/property. Property valuations are established by the Maricopa County Assessor’s Office.

The Municipal Budget Office prepares an annual Comparative Cost of Services Report. This is an analysis of the estimated annual amounts paid by the typical residential Tempe household for city services and taxes, which includes property taxes. In the most recent report, the average annual household cost for property tax, sales tax, water, wastewater, and solid waste services totaled \$2,361. For a simple comparative analysis using the 2023 report data as a basis, the impact of an additional \$81 per year to finance the accelerated program would increase the annual typical residential total cost to \$2,442. It is important to note that data for this report changes each year, but this provides a general idea of the impact of annual amounts paid by the typical Tempe resident.

Estimated Additional Total Cost of Service Due to PQI Acceleration



GO Bonds

Currently, the issuance of GO Bonds are limited by a) State Constitutional debt provisions and b) locally by Tempe residents through a Bond Authorization Election. Working with the City’s investment banker, RBC Capital Markets, staff has determined that issuance of an additional \$134.6 million in GO bonds falls within the City’s constitutional limitations on debt issuance.

The next Bond Authorization Election is scheduled for November 2024. As GO Bonds have been identified as the funding source for this PQI Acceleration Program, Tempe voters could be asked to approve the issuance of the additional \$134.6 million in bonds at this scheduled election. Staff is not seeking direction regarding election information that will be provided and the form of the ballot question; however, a decision will have to be made whether the PQI Acceleration Program is included in the standard “Street Improvements/Storm Drains” ballot question or a separate ballot question on the ballot specifically for the PQI Acceleration Program.

ATTACHMENTS:

1. 9.28.2023 PQI UPDATE POWERPOINT FINAL.PDF
2. 9.28.2023 PQI 2023 COMPARATIVE COST OF SERVICE REPORT.PDF