Source: *Joint Venture, 1999 Index of Silicon Valley*

SECTION TEN

FUNDING STRATEGY

The Expressway Study *Implementation Plan* has laid out a comprehensive program for the improvement and maintenance of the expressways over the next 30 years. The plan identifies a total capital program approaching $2 billion as well as needs of $18 million annually for maintenance and operations.

Funding such a program requires both aggressively pursuing existing revenue sources and finding new revenue sources. It is also advisable to be realistic about how much of the plan may actually be achievable during the 30-year timeframe given the competing interests for transportation dollars. To address this, the various needs are broken out by capital and maintenance/operations and into categories by type of project. In addition, the biggest category of capital projects (roadway capacity/operational improvements) has been broken into tiers to help the prioritization process.

This section summarizes the funding needs as identified in the plan; explains the existing level of funding available to the expressways along with other competing needs for roadway funds; and explores potential new revenue sources. The section concludes with a specific list of funding strategies to pursue.

Expressway Capital and Maintenance/Operations Needs

Total capital needs for the expressway system range from $1.7 to 2.0 billion. Table 10-1 summarizes the capital program needs by element.

Table 10-2 provides local match requirements for each tier list and the entire capital program. The local match requirement is based on the 20% match policy included as part of Santa Clara Valley Transportation Authority's (VTA) Valley Transportation Plan (VTP) 2020 Plan. The match requirement currently applies to all grant funds from federal, state, and regional sources that are allocated by VTA.

Total maintenance/operations needs are $18 million annually, based mostly on existing facility requirements (pavement maintenance and signal operations) and to a lesser extent on build-out of the related portions of the capital program (i.e., Traffic Operations System (TOS) enhancements, landscaping). Table 10-3 summarizes the annual maintenance operations needs by category to provide the level of effort that matches the adjoining cities' current policies.

Table 10-1: Capital Program Needs

Element	Subtotal Cost (millions)	Total/Net Cost (millions)
Capacity/Operational Improvement Element (including HOV & signal/TOS projects) [(1)]		
Tier 1A Roadway Projects	$149-151	
Tier 1B Roadway Projects	$261-271	
Tier 1C Roadway Projects	$49-53	
Tier 2 Roadway Projects	$585-671	
Tier 3 Roadway Projects	$593-795	
Total		$1,637 – 1,941

Table 10-1: Capital Program Needs (continued)		
Element	Subtotal Cost (millions)	Total/Net Cost (millions)
Bicycle Element		
Total	$3.75	
Funded	($2.10)	
Tier 1A Roadway Projects (1)	($0.45)	
Tier 1B Roadway Projects (1)	($0.20)	
Net Needs		$1.00
Pedestrian Element		
Total	$23.20	
Tier 1A Roadway Projects (1)	($3.57)	
Tier 1B Roadway Projects (1)	($0.40)	
Tier 1C Roadway Projects (1)	($2.27)	
Tier 2 Roadway Projects (1)	($0.60)	
Net Needs		$16.36
Finishing Program Element: New and Higher Sound Walls (2)		
Total	$47.71	
Tier 1A Roadway Projects (1)	($9.96)	
Tier 2 Roadway Projects (1)	($0.69)	
Net Needs		$37.06
Finishing Program Element: Landscaping Installation (3)		
Net Needs		$19-23
Grand Total		$1,710-2,018

Notes:

1) The capacity/operational roadway project cost estimates include appropriate bicycle, pedestrian, and sound wall improvements within each project's limits. In order to avoid double counting these needs in the "Grand Total," the amount included in roadway projects is deducted from each element's total needs.

2) Infrastructure replacement of aging, noise-sufficient sound walls is included in the Maintenance/Operations cost summary.

3) The level of landscaping recommended in the plan is not included in the capacity/operational roadway projects' scope of work due to lack of ongoing maintenance funding. If landscape maintenance funds can be secured, then some portion of the $19-23 million in landscape installation costs may be funded within roadway project budgets. Environmental mitigation requirements also may require project replacement plantings, but lacking increased maintenance funding, agreements with local cities or private partnerships will be needed to ensure planting survival.

Table 10-2: Capital Program Local Match Requirements [1]		
Description	Total Match (millions)	Annualized Cost (millions)
Tier 1A Roadway Projects	$29.8-30.1	$1.0
Tier 1B Roadway Projects	$52.2-54.2	$1.7-1.8
Tier 1C Roadway Projects	$9.8-10.6	$0.3-0.4
Tier 2 Roadway Projects	$117.0-134.2	$3.9-4.5
Tier 3 Roadway Projects	$118.6-159.0	$4.0-5.3
Bicycle, Pedestrian, Sound Wall, and Landscaping	$14.7-15.5	$0.5
Total Capital Program	$342.1-403.6	$11.4-13.5

Note:

1) Calculated based on the VTA VTP 2020's 20% local match requirement for receiving federal and state capital program funds. Annualized cost assumes a 30-year capital program implementation period.

Table 10-3: Maintenance and Operations Needs	
Category	Annual Cost (millions)
Signal Operations/TOS	$1.5
Sweeping	$0.6
Landscaping Maintenance	$4.0
Pavement Maintenance	$3.8
Infrastructure Replacement (all types)	$6.6
All Other	$1.5
Total	$18.0

Existing and Potential Funding Sources

Existing funding sources for the expressway system are monies already allocated to the expressways. This includes designated capital improvement dollars and maintenance/operations revenue.

There are also established funding sources for which the expressways may be eligible, but would have to compete with other roadways for the funds. These are called "potential" funding sources because it is unknown how much of this money will be available for the expressways. Described below are the existing and potential funding sources for the capital program, local match, and maintenance/operations needs.

Capital Program – Existing Funding Sources

Measure B -- The most significant source of current funding for capital improvements on the expressways is the Measure B Sales Tax Program. Measure B, the general fund 1/2-cent sales tax passed by County voters in 1996, will raise approximately $1.3 billion in revenue over the nine-year life of the tax. The Board of Supervisors has authorized the sales tax monies for many categories of transportation improvements including major highway and transit projects. All Measure B revenue has been allocated.

Measure B expressway capital projects have included $11.2 million for level of service (LOS) intersection improvements (e.g., at San Tomas Expressway/Campbell Avenue) and $24.5 million to upgrade to the Traffic Operations Center and to install fiber optic cable and closed-circuit TV cameras to improve the efficiency of the signals system. The Measure B expressway capital projects have been listed as funded in the Expressway Study *Implementation Plan*.

VTP 2020 -- VTA's VTP 2020 Plan was adopted in 2000. VTP 2020 estimates that approximately $2 billion in flexible revenue from the State Transportation Improvement Program (STIP) and federal Surface Transportation Program/Congestion Mitigation Air Quality (STP/CMAQ) programs will be available for Santa Clara County through the year 2036. VTP 2020 also allocates this money to various transportation projects and programs. Listed below are VTP 2020 funds specifically allocated to expressway projects:

- *Expressway Program* – $80 million in 2006-2036 STIP funds for specific capital projects on Montague and Central ($40 million each). When VTP 2020 was developed, there was no comprehensive list of expressway projects and needs; therefore, only projects that had been identified in other plans and studies were incorporated. The Expressway Study *Implementation Plan* has now developed a list of projects with priorities. In addition, the Central Expressway project identified in VTP 2020 has been re-scoped (e.g., replacing the proposed Central HOV lane through Sunnyvale with a safety improvement project in the same right-of-way) changing cost estimates. The *Implementation Plan* assumes the $80 million will be available to the Tier 1A list of roadway projects.

- *Freeway Program* – $35 million in 2006-2036 STIP funds for two freeway/expressway interchange areas: Montague Expressway/San Tomas Expressway/US 101/Mission College Boulevard ($10 million) and Lawrence Expressway/I-280 ($25 million). The Montague/San Tomas/101 project is a Tier 1B roadway project. The Caltrans Project Study Report (PSR) for the Lawrence/280 project is a Tier 1A project and construction of the project is in Tier 1C. VTP 2020 also cites a Trimble Road/De la Cruz/Central Expressway/US 101 ($25 million) project; however, this project is not included in the *Implementation Plan* since it only indirectly relates to Central Expressway.

VTP 2020's funding allocations were based on long-range estimates of state and federal fund programs. Therefore, they must be revisited regularly to reflect changing conditions. VTP 2020 will be updated every three years with the next update called VTP 2030, starting by the end of 2003. The first step in the update will be to revise the 30-year projections. Due to reduced revenues at all government levels, it is anticipated that the dollars originally earmarked in VTP 2020 may not be available in the same timeframe as originally anticipated. Once VTA has revised the fund estimates, it will proceed to reallocate the funds among the nine roadway transportation programs (e.g., freeways, expressways, local streets & county roads).

County Bicycle/Pedestrian Funds -- The County receives a bicycle/pedestrian project allocation of $60,000 per year from Transportation Development Act (TDA) Article 3 funds administered by the Metropolitan Transportation Commission (MTC). These TDA funds are divided between unincorporated roads and expressways. The projects funded are based on priorities recommended by the County Bicycle and Pedestrian Advisory Committee (BPAC) and the County Roads Commission.

Capital Program – Potential Funding Sources

VTP 2020 and VTP 2030 -- VTP 2020 allocates STIP and STP/CMAQ revenue among nine transportation programs. Seven of the programs can potentially help fund expressway capital improvements. These seven programs are summarized below and described in Table 10-4:

- ❖ The Expressway Program earmarks money for expressway capacity/operational roadway improvements.
- ❖ Expressways are technically ineligible for the Freeway Program; however, there is potential benefit when freeway funds are allocated to freeway/expressway interchanges.
- ❖ Expressways are eligible to compete for the Transportation Systems Operations/Management (TSOM), Pedestrian/Livable Community, and Bicycle Programs.
- ❖ For expressways to be eligible for the Sound Walls and Landscape Restoration/ Graffiti Removal Programs, VTA would have to use a fund source not restricted to freeways.

The remaining two VTP 2020 programs include Local Streets & County Roads ($410 million), where expressways are ineligible, and Pavement Management ($450 million), which is discussed as part of maintenance/operations funding sources.

As part of VTP 2030, funding may be reallocated among the various programs. With the completion of the Expressway Study *Implementation Plan,* a list of expressway project priorities is now available for funding consideration in the VTP update. Therefore, a key potential funding source is to increase the Expressway Program allocation from the current $80 million to $150 million to fully fund the Tier 1A roadway projects. With the constrained revenue projections, increasing the expressways' allocation will require moving funds from other VTP programs, such as Freeways, Local Streets & County Roads, or other programs listed in Table 10-4.

Table 10-4: VTP 2020 Capital Funding Programs

These are programs with expressway allocations or for which expressways may be able to compete.

VTP 2020 Capital Improvement Programs	Category Eligibility	STIP 2006-2036 (millions)	Federal STP/CMAQ (millions)
Expressway	Montague and Central have been specifically earmarked	$80	
Freeway	The freeway program is allocated a total of $820 million. Two freeway/expressway interchange projects are included for $35 million.	$820	
Transportation Systems Operations and Management (TSOM)	VTA has a short-term list of projects that will use $50 million and the remaining $20 million will likely go to projects in the mid-term list. The lists include some expressway projects, but new projects would need to be added to the list to receive funding.		$70
Livable Community and Pedestrian Projects	Currently unallocated - any eligible city or county sponsored project could compete for these funds once VTA establishes the criteria.		$25
Bicycle	VTA has developed a tiered list of bicycle projects to receive these funds. It includes some expressway bicycle projects, but new projects would need to compete to be added.		$40 + additional funds from TFCA & TDA (1)
Sound Walls	Currently unallocated – current funding source makes only freeway projects eligible although the funds are intended for both freeways and expressways.	$30	
Landscape Restoration and Graffiti Removal	Currently VTP 2020 allocates the full amount to augment Caltrans' efforts on the freeways while simultaneously acknowledging needs on the expressway system.	$30	

Notes:

1) TFCA = Transportation Fund for Clean Air

TDA = Transportation Development Act

Developer Contributions -- Generally, developer contributions have been and can continue to be a good source of improvements to the expressway system. Cities collect traffic impact fees or require direct improvements as a condition of the development permits. To the extent County Roads is brought into the process, the department coordinates with the individual city jurisdiction to suggest and support appropriate traffic impact mitigations. Major projects previously funded by developer fees/conditions include the HOV lanes on Capitol Expressway and widening of portions of Montague Expressway through Milpitas, San Jose, and Santa Clara. The larger scale projects are rare, however. Usually the county expressways receive small-scale improvements such as sidewalks, landscaping, sound walls, or an intersection improvement. A developer project to add median landscaping and sound walls on Capitol Expressway is a recent example of this type of project.

The developer conditions have limitations as a dependable funding source. First, they are unpredictable. They are generally a matter of opportunity and working closely with the cities who have the legal authority to make developer exactions. Second, they usually require nexus where the funds must be used on a project that has a relationship to the impacts of the development. In other words, they cannot be automatically applied to the highest expressway priorities. Finally, some developer fees have sunset or expiration dates that make them problematic for matching federal grant projects that involve long development timelines.

Local Match Funding Sources

The County remains financially challenged to provide a significant local match for expressway projects. The County's existing roadway revenue sources must be used to provide maintenance and operations and are not adequate for providing matching funds for capital projects.

The most significant existing and potential source of local match funds are developer traffic impact fees. The County cannot directly collect developer traffic impact fees in the incorporated city areas through which the expressways run. As discussed above, the developer contributions are determined and collected by the cities, and the contributions must have nexus to the actual project funded. It is unlikely that even an aggressive impact fee program pursued by all cities would raise enough funds for the full 20% local match for every project given the magnitude of the needs and the nexus requirement.

It has been suggested that VTA treat expressway projects differently on the match requirement. This issue has yet to be resolved and is expected to be addressed as part of the VTP 2030 process.

Maintenance/Operations – Existing Funding Sources

Table 10-5 lists the various sources of maintenance/operations revenue, both existing and potential. The existing sources of expressway maintenance/operations revenue include:

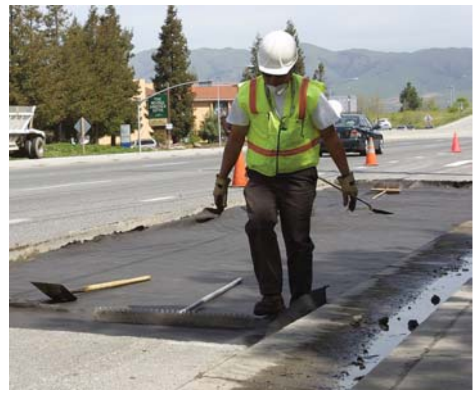
Gas Tax -- A portion of the state sales tax on gasoline and diesel fuel goes directly back to the cities and counties for streets and roads maintenance. These funds are allocated based on formulas set by the state legislature. There are no special funds received by the County for operating the expressway system. Santa Clara County is the only county in the state with a high-capacity expressway network operating through incorporated cities. The state gas tax formula does not recognize the funding needs of such a unique system.

The fiscal year 2002 Roads Department allocation from the gas tax was $26 million. The County must split these revenues between unincorporated roads and expressways. There are 635 centerline miles of non-expressway County roads including 248 miles of mountain roads and 36 miles of County roads east of Mt. Hamilton. In addition, there are 168 bridges to maintain on these roads. The mountain and rural roads place a special burden on the County as they are particularly susceptible to extensive storm damage. The County has a legal responsibility to maintain all unincorporated roads at a minimum standard regardless of traffic volumes.

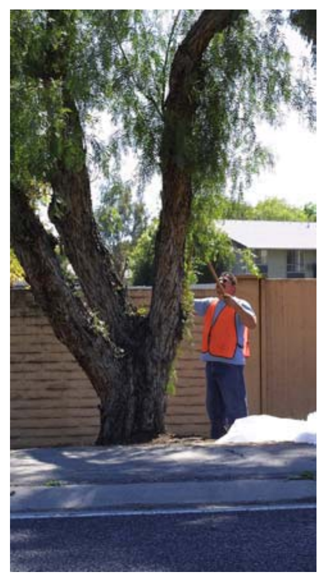
The expressways account for approximately 9% of the total County road centerline miles and 20% of the total lane miles. The County's gas tax revenue split is 80% ($20.8 million) to unincorporated roads and 20% ($5.2 million) to expressways, equivalent to the percentage of lane miles between the expressways and unincorporated roads.

Proposition 42 -- The recent passage of State Proposition 42 (March 2002) will benefit transportation once it takes effect in 2009. This proposition clarifies that the sales tax on the gas tax needs to be utilized for transportation purposes only. The proposition also clarified a formula for the distribution of those funds. The annual positive impact to the County Roads

Department budget is estimated to be $12 million. With the 80/20 unincorporated roadway/expressway split, expressways will receive $2.4 million more per year.



Pavement Maintenance Program -- The Measure B sales tax program allocated $27 million in one-time revenues to help with expressway pavement maintenance. These funds will be fully expended by the end of 2003. While the 62-mile expressway system received $27 million for pavement maintenance, the 635-mile unincorporated road system received $13.7 million in one-time federal funds for storm damage repair and long-deferred maintenance. Despite applying two-thirds of the available pavement maintenance funds to the expressways, not all of the immediate needs will be met due to the seriously deteriorated condition of the pavement resulting from inadequate maintenance funds and years of increasing traffic.



Landscape Maintenance Agreements -- These agreements can be with individual cities or private developers. Through these agreements, the parties generally perform the maintenance themselves. There are agreements in place with Los Altos for landscape maintenance on Foothill Expressway, Palo Alto for Oregon/Page Mill, Mountain View for Central Expressway, and San Jose for a small portion of Capitol Expressway. A developer agreement funds landscape maintenance on a portion of Montague in San Jose. In addition, the expressways realize a landscaping benefit where commercial landowners maintain their frontages by providing a landscaped buffer between their property and the expressway outside the expressway right-of-way.

Table 10-5: Expressway Maintenance and Operating Revenue		
Source	Expressway Annual Revenue (millions in 2002 $)	Comments
State Gas Tax	$5.2	20% of County Roads' gas tax allocations; remaining 80% goes to the 635-mile unincorporated road system.
SB 541 (*if enacted*)	$1.1	Based on the 4-cent immediate gas tax increase and the 80/20 County roads/expressway split.
Proposition 42 funds	$2.4	Will be available starting in 2009 and assumes 80/20 County roads/expressway split.
Measure B pavement maintenance funds	$0	A total of $27 million was allocated to expressways, which will be fully expended by the end of 2003.
VTP 2020 Pavement Maintenance Program (PMP)	Unknown	$15 million is planned to be allocated annually among the County and cities starting in 2006. No formula has been set yet. The County's allocation will be split between unincorporated roads and expressways.
Federal Gas Tax Indexing (*if enacted*)	Unknown	Could increase VTP 2020 allocations of STP/CMAQ funds to cities and County by approximately $1million annually.
Transportation Fund for Clean Air (TFCA)	$0	This is a one-time grant source rather than an annual revenue stream. $2.4 million will be allocated among city and County grant applicants in 2003. Types of projects funded are specialized and limited.
Landscape Maintenance Agreements	Unknown	As opposed to being a revenue source, these agreements relieve the County of financial responsibility to maintain the landscaping.

Maintenance/Operations - Potential Funding Sources

SB 541 -- SB 541 (Torlakson) is a bill that would tie the state gas tax rate to the consumer price index so as inflation goes up, the gas tax would automatically adjust upward to compensate. If this bill were enacted, the initial result would be a 4-cent increase in the state gas tax rate from 18 cents to 22 cents. This could potentially provide another $1.1 million annually for expressway maintenance. Also of significance would be the automatic increases in the state gas tax indexed to inflation helping this primary maintenance/ operating revenue source maintain its purchasing power over time.

VTP 2020 Pavement Maintenance Program -- VTP 2020 allocates $450 million in federal STP/CMAQ money to pavement maintenance countywide. This equates to $15 million annually that must be divided between the County expressways, County unincorporated roads, and the cities. No formula has been set for dividing the funds; therefore, it is unknown how much the expressways will receive.

Federal Gas Tax Indexing -- Similar to SB 541 for the state gas tax, there are discussions occurring to index the federal gas tax to inflation. The current proposal is for an immediate 5-cent increase to restore the purchasing power of the federal gas tax back to 1992 levels. This would potentially result an immediate increase of $7.8 million per year to Santa Clara County and an annual increase of $1.0 million thereafter. It is unknown how much of this money could flow to the expressways since the federal gas tax is used to fund the STP/CMAQ and other federal grants programs. VTP 2020 currently allocates 55% of the current STP/CMAQ funds to the VTP 2020 Pavement Management Program. Assuming this allocation split continues, the Pavement Management Program could see an increase in funding levels for city and County use.

Transportation Fund for Clean Air (TFCA) -- These funds are generated by the $4 surcharge on vehicle registration. The funds are used to implement projects and programs to reduce air pollution from motor vehicles. Approximately $2.7 million from the recent cycle is available to distribute within Santa Clara County using an application process administered by VTA. Program criteria generally excludes most road improvements other than signal system improvements under very limited conditions. Some cities have been successful in qualifying trail improvements and maintenance vehicles for the grant funds.

Maintenance/Operations Shortfall

The Expressway Study *Implementation Plan* estimates that $18.0 million in today's dollars would be required to provide the level of effort for maintenance/operations desired by the cities and community. As the revenue projections indicate, the *predictable sustainable* revenue available ranges from $5.2 million in 2003 to $7.9 million in 2009 when Proposition 42 funds begin plus some VTP 2020 PMP funds beginning in 2006.

A critical problem is that the predictable revenue sources are based on the gas tax, and the gas tax is not indexed to inflation. Gas tax is based solely on revenue off of gasoline sold, and it has experienced relatively flat revenue growth due to more fuel-efficient cars and, recently, the poor economy. In addition, gas tax revenue growth usually does not keep pace with additional wear and tear on the expressways as traffic demand increases. Therefore, the increase in maintenance/operations costs often outpaces the growth in gas tax revenue. SB 541, if enacted, could help substantially with this problem. Without SB 541 or another type of gas tax increase, most of the Proposition 42 funds will need to be used to simply continue the current level of maintenance/operations rather than expand efforts.

The lack of adequate sustainable revenue for maintenance/operations affects both the quality of the expressways and the ability to make improvements. For example, the County will not install nor allow others to install new landscaping unless funds are available for maintaining it. Other capital improvements that create increased maintenance/operating costs (e.g., new signal technologies, more roadway pavement) could increase the maintenance/operations shortfall. For example, the $24.5 million in Measure B funds for TOS improvements just paid for equipment and installation and does not cover the additional $0.5 million needed annually to maintain and operate the system.

Summary of Capital and Maintenance/Operations Revenue Sources

Table 10-6 summarizes all revenue sources described above, matching the specific funding pots to each expressway element. As can been seen, the opportunities for funding different types of projects vary depending on the funding source. This is one of the reasons the plan does not try to prioritize between the elements. For example, although some cities have stated improved landscaping is a higher priority than either sound walls or pedestrian improvements, there are currently more funding opportunities for sound walls and pedestrian improvements than for landscaping. It is also difficult to prioritize sound wall or pedestrian improvements, since the most likely funding sources are developer improvements and implementation will be based more on opportunity than on priorities.

Table 10-6: Summary of Expressway Program Funding Sources

Expressway Element	Cost (millions)	Existing Funds		Potential Funds	
		Source	$ (millions)	Source	$ (millions)
CAPITAL PROGRAM					
Capacity/ Operational Improvements (including HOV, Signals/TOS)	$150 (Tier 1A) $1,636-1,940 (Total)	VTP 2020 Expressway VTP 2020 Freeway (expressway interchanges)	$80 $35	VTP 2030 Expressway VTP 2020 TSOM Developer fees from cities	Additional $70 for a total of $150 Portion of $70? Unknown
Bicycle	$1.65	TDA County Bike/Ped Allocation	Portion of annual $0.06	Tier 1A Roadway Project (1) VTP 2020 Bicycle Developer conditions	$0.45 Portion of $40? Unknown
Pedestrian	$23.14	TDA County Bike/Ped Allocation	Portion of annual $0.06	Tier 1A Roadway Project (1) VTP 2020 Pedestrian Developer conditions	$3.57 Portion of $25? Unknown
Sound Walls	$47.71			Tier 1A Roadway Project (1) VTP 2020 Sound Wall Developer conditions	$9.96 Portion of $30? Unknown
Landscaping	$19-23			VTP 2020 Landscape Developer conditions	Portion of $30? Unknown
LOCAL MATCH FOR CAPITAL PROGRAM					
Total Tier 1A Non-Roadway	$342-404 $30 $15			Developer fees from cities	Unknown
MAINTENANCE & OPERATIONS					
Annually	$18.0	Gas Tax Prop 42 (start in 2009) Landscape maintenance agreements	$5.2 annually $2.4 annually Unknown	SB 541 (if enacted) VTP 2020 Pavement Maintenance More landscape maintenance agreements TFCA	$1.1 annually Portion of $15 annually Unknown Small one-time grants

Note:

(1) Only improvements included in Tier 1A Capacity/Operational roadway projects are listed as potentially fundable since no source of capital funds has been identified for the lower tier roadway projects.

New Revenue Sources

Regardless of the outcome of the VTP 2030 process, the amount of funds available will fall significantly short of needs in capital, local match, and annual maintenance/operations. Therefore, implementation of a significant portion of the plan will require new revenue sources. The Expressway Study considered a variety of new funding sources in terms of revenue potential, implementation process, and community acceptability.

During the study, a telephone survey conducted in late January 2003 concentrated on a modest 3 or 5-cent gas tax for the expressway system. Although those surveyed use the expressway system frequently (61% use it weekly and an additional 18% use it monthly) and 92% feel the expressway system is "an important part of the transportation system in Santa Clara County," there was not strong support for paying for the improvements at the pump. Of course, some of the pessimism can be traced to the downtown in the economy and the spike in gas prices, but there is also a feeling that the gas tax is a sensitive subject for many motorists.

Based on these findings, the overall list of new revenue sources was pared down and can be found in Table 10-7. As the table shows, the fund sources have the potential to raise significant transportation dollars. Many of these funding sources are also being looked at by VTA to solve their current transit operations fiscal crisis. The sources that may have the capacity to support a transportation package for both transit and expressway needs are marked. Most of the new sources will require a vote of the public and will need an organized campaign to explain the benefits of the various projects to the voting public.

Federal earmarks are another possible new source for expressway revenue; however, opportunities are likely to be limited to a few million dollars. The current reauthorization program is known as the Safe and Flexible Transportation Efficiency Act of 2003, or SAFETEA. It calls for authorizing a relatively flat federal surface transportation program for the next six years. The County will pursue as much funding from federal sources as possible.

Table 10-7: New Funding Sources To Consider			
Potential Source	Potential $ from Source	Decision Process/ Controlling Body	Approval Process and Comments
Local Sales Tax 1/4 cent [1]	$65 million per year	County or VTA	2/3 vote if special district; simple majority if A plus B approach
Local Sales Tax 1/2 cent [1]	$130 million per year	County or VTA	2/3 vote if special district; simple majority if A plus B approach
STIP Portion of Prop 42	$22-29 million per year after '09	VTA	Passed by statewide vote in March 2002. Allocation not yet voted as a policy at VTA Board; however, in current VTA funding plan, 100% is earmarked for transit
Regional Fuel Tax/ "car user fee"	3 – 5 cents/gallon would raise $25 - 45 million per year for distribution within Santa Clara County	MTC to allocate calculation based on population split, likely to also include money set aside for region-wide priorities	MTC is authorized up to 10 cents; approval requires majority vote of the residents in 9 Bay Area Counties
Countywide Fuel Tax	1 cent equals $7 million per year	County Board of Supervisors and the Cities	Majority vote of the Board of Supervisors and the majority of the cities representing the majority of the population in the county and 2/3 vote of Santa Clara County voters
Payroll Tax [1]	1/4% equals $150 million per year	County Board of Supervisors	Would need to develop service area and determine fee and nexus to % of wages within service area
Parcel Tax/Benefit Assessment District [1]	Unknown. Depends on tax amount and scope.	County Board of Supervisors and Property Owners	Property within certain distance of the expressways could be subject to an assessment; 2/3 majority of property owners would need to vote approval

Note:

(1) Fund source being considered by VTA also. Could be a VTA/Expressway package.

Implementation Plan Funding Strategy

Taking into consideration all the existing, potential, and possible new funding sources, a funding strategy has been developed addressing each major area of need.

Capacity/Operational Improvements – Tier 1A

Tier 1A projects have highest priority for VTP Expressway Program funding allocations. The Tier 1A funding strategy involves the following steps:

- As part of the VTP 2030 process, VTA will be requested to increase the VTP 2020 Expressway Program allocation from $80 million to at least $150 million to allow full implementation of the Tier 1A projects.
- If inadequate funds are allocated in VTP 2030, the Study's Technical Working Group (TWG) and Policy Advisory Board (PAB) will reconvene to set criteria to prioritize the Tier 1A projects to meet the available revenues.
- City participation in Tier 1A project match requirements is not mandatory, but in the absence of other sources available to the County to provide expressway program revenue, participation by the cities may be necessary to allow projects to proceed.

Capacity/Operational Improvements – Tier 1B

The Tier 1B projects, totaling $261-271 million, also address existing LOS F intersections. There may be opportunities for the cities to provide all or a portion of the funding for a Tier 1B project through developer fees. The points listed below outline the process for advancing Tier 1B projects early and for prioritizing the Tier 1B projects:

- If Tier 1A is fully funded through VTP 2030 and any city wants to advance a lower tier project for VTP 2030 funding prior to completion of all viable Tier 1A projects, the city will need to identify Tier 1A project(s) in that city, or through agreement with other cities, which can be deferred to provide sufficient funding and allow the lower tier project to proceed.
- Tier 1B project priority shall be based on evaluation of cost effectiveness defined as the relationship of project vehicle hours traveled (VHT) savings to estimated project cost as developed by the Expressway Study.

- To allow Tier 1B flexibility and recognize the significant contributions of local cities and/or land developments within that city, city and/or developer contributions will be deducted from the project estimate so the cost-effectiveness evaluation reflects only the project requirements for grant or expressway program revenue.
- Cities may choose to fully fund Tier 1B projects and distribute credit for that work as local contribution to other Tier 1B projects in that city.

All Capital Improvements

The following actions will help produce funding for all types of capital improvements:

- Work with the cities to collect expressway traffic mitigation fees and expressway pedestrian, sound wall, landscaping, and intersection improvements through the land development approval process.
- Pursue funding from the various VTP competitive programs for expressway improvements.
- Pursue grants and partnerships for non-roadway capacity projects, such as pedestrian, bicycle, sound wall, and Intelligent Transportation Systems (ITS) projects.
- Pursue funding from other programs/agencies that benefit from a proposed project. For example, off-expressway improvements needed to connect pedestrians and bicyclists to the trails should be funded by the trails program and/or local jurisdiction. Projects involving grade separating rail tracks from the expressway should have funding participation from the rail operator.

Maintenance/Operations and Local Match

The following actions address the maintenance/operations annual shortfall and the lack of local matching funds:

- Jointly with VTA, pursue additional revenue for meeting both the transit operating needs and the expressway maintenance/operations needs, including capital program local match requirements.
- Resolve the expressway local match issue during VTA's VTP 2030 process, especially if a new funding source cannot be secured. There should be an understanding that the expressways are an essential part of the regional

transportation network, with many of them serving residents and employees from multiple cities. Improvements should not be limited to those areas with major new development potential where cities can raise significant money. Strategies include continuing to work with the cities to secure developer impact fees where appropriate, exchanging federal/state funds for local funds with no match requirements, and using other non-county sources as match.

- Support all state efforts to index gas tax to inflation and to increase the gas tax to help fund the maintenance and operations of the expressway system.
- Continue with the County's current landscaping policy that states: "New landscape improvements shall not be installed unless full recovery of capital and maintenance costs can occur."
- Include maintenance and lifecycle costs when approving capital projects. The intent of this recommendation is to ensure that any "significant new burden" to the maintenance and/or operations of the expressway system should be fully considered in the context of the decision to allocate the capital dollars to the project.