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Staff Report for a City of San Leandro City Council Resolution for the Approval of Fiscal Year 2020 Proposed Projects (Amended) Anticipated for Payment from the State's Road Maintenance and Rehabilitation Account to City's Gas Tax Fund (140-31-057) for Streets Maintenance

SUMMARY AND RECOMMENDATIONS

In order to receive funding from the State's Road Maintenance and Rehabilitation Account, the City must annually submit to the State (by May 1st) a list of streets maintenance projects anticipated for completion in the coming fiscal year. After online submittal of proposed Fiscal Year 2020 projects that the City Council approved on April 1, 2019, California Transportation Commission (CTC) staff identified minor deficiencies and has requested that the City Council consider and act on the amended list of projects. CTC staff has indicated that with submission of the amended information prior to June 1st, Senate Bill (SB) 1 revenues for the coming fiscal year should not be impacted.

BACKGROUND

Existing law provides various sources of funding for transportation purposes, including funding for the state highway system and the local streets and roads system. These funding sources include, among others, fuel excise taxes, commercial vehicle weight fees, local transactions and use taxes, and federal funds. Existing law imposes certain registration fees on vehicles, with revenues from these fees deposited in the Motor Vehicle Account to fund the Department of Motor Vehicles and the Department of the California Highway Patrol. Existing law provides for the monthly transfer of excess balances in the Motor Vehicle Account to the State Highway Account.

SB 1, signed by Governor Brown in April 2017, created the Road Maintenance and Rehabilitation Program (RMRP) to address deferred maintenance on the state highway system and the local street and road system. The bill requires that the CTC adopt performance criteria, consistent with a specified asset management plan, to ensure efficient use of certain funds available for the program.

SB 1 provides for the deposit of various funds for the program in the Road Maintenance and Rehabilitation Account (RMRA), which SB 1 created in the State Transportation Fund, including the following:

- Revenues attributable to a \$0.12 per gallon increase in the motor vehicle fuel (gasoline) tax imposed by the bill with an inflation adjustment;
- 50% of a \$0.20 per gallon increase in the diesel excise tax, with an inflation adjustment;
- A portion of a new transportation improvement fee imposed under the Vehicle License Fee Law with a varying fee between \$25 and \$175 based on vehicle value and with an inflation adjustment; and
- A new \$100 annual vehicle registration fee applicable only to zero-emission vehicles model year 2020 and later, with an inflation adjustment.

Under SB 1, the fuel excise tax increases took effect on November 1, 2017, the transportation improvement fee took effect on January 1, 2018, and the zero-emission vehicle registration fee takes effect on July 1, 2020.

Analysis

Similar to the Highway Users Tax Account (HUTA), the Road Maintenance and Rehabilitation Account (RMRA) is continuously appropriated and apportioned to local jurisdictions on a monthly basis. There is not a set monthly amount because it is use-based; it is not reimbursement based.

The following revenues will flow to local jurisdictions:

- New Gas Tax
- Transportation Improvement Fee
- Portion of Diesel Excise Tax

50% of the revenue goes to the state, and 50% to local jurisdictions, with the local share split evenly between cities and counties. City revenues are allocated per capita; County revenues are allocated 75% by registered vehicles, and 25% by road mileage.

Eligible projects “shall be prioritized for expenditure on basic road maintenance and road rehabilitation projects, and on critical safety projects.” (*Streets and Highways Code Section 2030(a).*) There is no use-it-or-lose-it requirement in SB 1, so multi-year projects are eligible.

Eligible projects include, but are not limited to:

- Road maintenance and rehabilitation
- Safety projects
- Railroad grade separations
- Complete streets components, including active transportation, bike/ped, transit facilities, and stormwater capture projects
- Traffic control devices
- Match for state/federal funds for eligible projects

Per implementation guidelines, basic maintenance and safety projects should be prioritized, and to the extent possible, include complete streets components and advanced technologies.

Prior to receiving funds, local agencies must annually submit a list of projects proposed to be funded with RMRA funds to the CTC. Although the CTC is not an ‘approving’ body, project lists will be reviewed to ensure that they include statutorily required information to establish eligibility for funding. Failure to submit a project list to the CTC and establish annual eligibility will result in forfeiture of monthly apportionments. Currently, there is no process to recoup lost apportionments, which would be distributed to eligible agencies.

SB 1 requires that the project list include four components:

- Project Description
- The location of each proposed project (“citywide” is not an option)
- Schedule for completion
- Estimated useful life of improvement

California Streets and Highways Code Section 2034(a)(1) stipulates that the list must be pursuant to an adopted budget (or budget amendment), approved at a public meeting, and that all projects proposed to receive funding shall be included in the city’s budget.

The list cannot limit flexible use of funds, provided that funds are only used for eligible projects, meaning that a city can fund projects in a given year *not* on the project list, or not fund projects that were on the project list. At the end of the fiscal year, the City will report back to the CTC on the locations of work performed. Per established guidelines, any listed projects not started/completed can be moved to the next year’s list. Changes to the list do not require going back to the CTC for an amendment.

In order to receive RMRA funding, a city or county must annually expend from its general fund for street, road, and highway purposes an amount not less than the annual average of its expenditures from its general fund during fiscal years 2009-2010, 2010-2011, and 2011-2012 (Streets and Highways Code Section 2036(b)). This is referred to as the ‘Maintenance of Effort’, or MOE. If a city or county fails to meet the MOE in a fiscal year, it can be made up in the following fiscal year. The CTC can audit to determine that the MOE was met, and non-compliant agencies may have to reimburse the state.

Included in the MOE are unrestricted, discretionary funds including vehicle in-lieu tax revenues and revenues from fines and forfeitures, expended for street, road, and highway purposes. One-time allocations expended for street and highway purposes, but which may not be available on an ongoing basis, including revenue provided under the Teeter Plan Bond Law of 1994, are *excluded*. Additionally, HUTA funds are not part of the MOE calculation.

The projects performed in-house generally follow the Maintenance Area Map (where the City is divided into quadrants with a different quadrant focus each year) and are coordinated with the Engineering & Transportation Department to ensure that any required ADA ramp work is scheduled. The information below lists proposed work for Fiscal Year 2020. City of San Leandro In-House Streets Maintenance - FY 2020

LOCATION
COMPLETION

EX./PROP. PCI

EST. LIFE SCHEDULE FOR

West Ave. 133rd (Residential): between Menlo St. 37/100 20 years
July 2019
And Doolittle Drive. Remove and replace asphalt surface (estimate of 321 tons)

West Ave. 134th (Residential): between Menlo St. 23/100 20 years
Aug 2019
to western terminus (dead end). Remove and replace asphalt surface (estimate 1,695 tons)

West Ave. 135th (Residential): between Doolittle Dr. 29/100 20 years
Sept 2019
to Aurora Dr. Remove and replace asphalt surface (estimate 847 tons)

West Ave. 136th (Residential): between Aurora Dr. 38/100 20 years Oct
2019
and Menlo Street. Remove and replace asphalt surface (estimate 1,288 tons)

Thornton Street (Residential): between Alvarado St. 9/100 20 years
Nov 2019
to dead end at guardrail. Remove and replace asphalt surface (estimate 132 tons)

Work continuing from FY 2019 to FY 2020 includes:

Sylvia Way: Crack sealing	85/100	4-5 years	November 2019
Andover Street: Crack sealing	95/100	4-5 years	April 2020
Duzmal Avenue: Crack sealing	85/100	4-5 years	May 2020
Foothill Blvd.: Crack sealing	86/100	4-5 years	June 2020

Also included in the FY20 work is rent-to-own of a cold milling machine (previously approved by Council via Resolution 2019-006), utilizing SB1 funds for payments to occur over Fiscal Years 2020 and 2021.

Budget Authority

The City's MOE, as established by the State Controller's Office (SCO) is \$3,127,163. As indicated previously, this amount is the average reported general fund expenditures for Fiscal Years 2010, 2011, and 2012. Based on conversations with both Finance and Engineering & Transportation Department staff, it is anticipated that the required MOE will be met. No budgetary actions are required.

ATTACHMENT(S)

None.

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