



## Legislation Text

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### Consideration of Gas Tax Expenditures in Fiscal Year 2019 for New Paving-Related Equipment Purchase

SB 1, which became effective in November of 2017, dedicates approximately \$1.5 billion per year in new formula revenues apportioned by the State Controller to California cities and counties for basic road maintenance, rehabilitation, and critical safety projects on the local streets and roads system.

As part of the reporting process for SB1 (gas tax) revenues received by the City, the California Transportation Commission (CTC) requires that cities submit a list of proposed projects by May 1<sup>st</sup> each year, and that the list be 'adopted' through a formal City Council action. The CTC does not require City Council action for modifications made to the submitted projects list.

With the recent defeat of Proposition 6, which would have repealed SB1, the Public Works Department is looking at options for equipment purchasing in order to facilitate the increased amount of road maintenance work that can be performed in-house by staff. With SB1 funding received this current fiscal year, the Public Works Department rented a cold milling machine (grinder) for four months at a cost of approximately \$30,000/month. The grinder greatly increased the amount of road maintenance work that was previously able to be performed in-house, with the added benefit of upgrading local roads that otherwise would have had to wait years to be improved.

There are three pieces of equipment that the Public Works Department is looking to purchase in order to expand paving operations as follows:

Cold Milling Machine (Grinder)	\$698,500 (rent-to-own); or \$635,000 (purchase)
Trailer for Grinder	\$118,000
<u>Tractor Truck for Trailer</u>	<u>\$185,764</u>
Total	\$1,002,264; or \$938,764

It is noted that the prices indicated are estimates and actual prices will vary based on bid results received as part of the purchasing process. [Unless provided direction to the contrary](#), The Public Works Department intends to start the bid process now, [since](#) long manufacturer delivery times necessitate bidding/purchases at this time in order to have equipment delivery near (or soon after) the start of the next paving season. Under the rent-to-own option, 90 percent of the monthly rental rate goes towards the purchase price. With a monthly rental rate of just under \$30,000, it would take approximately 24 months of rental payments to achieve the purchase price.

The current balance of SB1 funds is approximately \$791,000. Of that total, \$517,246 was received in Fiscal Year 2018, which was only a partial year due to the fact that revenues did not start accruing until after November 2017. Additionally, the funding is provided 1-2 months in arrears, and the total does not reflect the full five months of the current fiscal year. Monthly revenues vary, based upon the amount of gas purchased by consumers, with a high of approximately \$110,000 posted for the month

of August. The State Department of Finance has estimated that approximately \$1.477M of SB1 funding will be received by the City for Fiscal Year 2019. It is noted that the SB1 funding is in addition to the other gas tax source funding received by the City (HUTA, Measure BB, etc.). The Public Work Department's Fiscal Year 2019 operating paving budget is \$2.695M, which does not include SB1 funds received.