



CITY OF COMMERCE AGENDA REPORT

TO: Honorable City Council

FROM: City Manager

SUBJECT FY 2026/27 Street Rehabilitation Project List Under the Road Repair and Accountability Act of 2017 (SB1 Beall)

MEETING DATE: June 23, 2026

RECOMMENDATION:

The City Council will consider adopting a resolution approving the FY 2026/27 Street Rehabilitation Project List funded by SB1: The Road Repair and Accountability Act of 2017.

BACKGROUND:

On April 28, 2017, the Governor signed Senate Bill (SB)1 (Beall, Chapter 5, Statute 2017), which is known as the Road Repair and Accountability Act of 2017 to address road maintenance, rehabilitation, and critical safety needs on both the state highway and local streets. SB1 increases per gallon fuel sales taxes, vehicle registration fees; and provides for inflationary adjustments to tax rates in future years.

Since November 1, 2017, the State Controller deposits the revenue generated by SB1 into the newly created Road Maintenance and Rehabilitation Account (RMRA). A percentage of this RMRA funding is apportioned by formula to eligible cities and counties pursuant to Streets and Highways Code (SHC) Section 2032 (h) for road maintenance, rehabilitation, and critical safety projects on the local streets. RMRA local allocations must be used for projects "that include, but are not limited to," the following:

- Road maintenance and rehabilitation.
- Safety projects.
- Railroad grade separations.
- Traffic control devices.
- Complete street components, "including active transportation purposes, pedestrian and bicycle safety projects, transit facilities, drainage and stormwater capture projects in conjunction with any other allowable project."

Maintenance of Effort: RMRA

The RMRA contains a local agency Maintenance of Effort (MOE) requirement. The MOE for the receipt of RMRA funds state that “a city or county must maintain general fund spending for street, road, and highway purposes at no less than the average of three years. In making this calculation an agency may exclude one-time funds”. A city or county that fails to comply in a particular year may make up with additional expenditures in the following year. The State Controller may perform audits to ensure compliance with the MOE requirements. If the State Controller determines that a city or county has not met its MOE, the agency will be required to reimburse the state for the funds it received during that fiscal year. Any funds withheld or returned because of failure to comply will be reapportioned to the other counties and cities whose expenditures are in compliance.

Spending Plans and Reports: RMRA

Prior to receiving RMRA funds in a fiscal year, the City must submit to the California Transportation Commission (CTC) a project list pursuant to an adopted budget. The list must include for each project: description, location, schedule, and useful life. RMRA also requires that the City submit to the CTC an annual report of project completion to receive RMRA funds.

ANALYSIS:

The City of Commerce allocation for FY 2026/27 is estimated to be \$347,224 as shown on the table below:

Local Streets and Roads - Projected FY2026-27 Revenues								
<i>Adopted on State Dept of Finance statewide revenue projections</i>								
<i>Estimated January 2026</i>	Highway Users Tax Acct (HUTA) ⁽¹⁾ Streets & Highways Code					TOTAL HUTA	Road Mntnc Rehab Acct	TOTAL
	Sec2103 ⁽³⁾	Sec2105 ⁽³⁾	Sec2106 ⁽³⁾	Sec2107 ⁽³⁾	Sec2107.5 ⁽⁴⁾			
COMMERCE	120,984	80,900	50,253	108,181	3,000	363,318	347,224	710,542

The City’s required local MOE amount to be applied to the project under SB1 is estimated to be \$2,136,745 as shown on the table below. This is the same amount as last year’s estimate. There has been no update in the formula for the MOE. The required MOE is met through the City’s allocated Measure AA funds for the pavement rehabilitation projects.

Maintenance of Effort - General Fund for Streets & Roads - Estimated Unofficial						
<i>Road Maintenance and Rehabilitation Account per Streets & Hwys Code Sec 2036¹</i>						
<i>revised est: 08/07/2017</i>						
Streets and Roads Annual Report - Reported General Fund for Street Purposes						
	FY2009-10	FY2010-11	FY2011-12	Average	Adjustment	RMRA M.O.E.
COMMERCE	3,190,948	1,592,024	1,627,264	2,136,745		2,136,745

As a part of FY2026/27 Pavement Rehabilitation Projects, the City’s RMRA funds will be used for reconstruction, mill & overlay, and slurry seals of the City streets. (locations in attached resolution).

Staff recommend approval of the attached resolution required by the State of California.

ALTERNATIVES:

1. Approve staff recommendation.
2. Do not approve staff recommendation.
3. Provide further direction to staff.

FISCAL IMPACT:

There is no fiscal impact to the City's General Fund. However, the City will be at risk of losing \$347,224 in SB1 funds by not adopting the attached resolution.

RELATIONSHIP TO STRATEGIC GOALS:

This agenda item relates to the 2016 Strategic Plan:

Fiscal Sustainability

Guiding Principle #5: Create and pursue opportunities for collaboration and regional partnerships to maximize resources and address regional issues.

Recommended by: Shahid Abbas, Director of Public Works
Fiscal Impact reviewed: Alvaro Castellon, Director of Finance
Approved as to form by: Noel Tapia, City Attorney
Respectfully submitted by: Ernie Hernandez, City Manager

ATTACHMENT:

1. Resolution