



CITY OF COMMERCE AGENDA REPORT

TO: HONORABLE CITY COUNCIL **Item No.** _____

FROM: CITY ADMINISTRATOR

SUBJECT: APPROVE LIST OF STREET REHABILITATION PROJECTS FOR FY 18/19 UNDER THE ROAD REPAIR AND ACCOUNTABILITY ACT OF 2017 (SB1 BEALL)

MEETING DATE: July 17, 2018

RECOMMENDATION:

City Council is requested to approve list of street rehabilitation projects for FY 2018/19 under the Road Repair and Accountability Act of 2017 (SB1 Beall).

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 basic road maintenance, rehabilitation and critical safety needs on both the state highway and local streets and road system. SB1 increases per gallon fuel excise taxes; increases diesel fuel sales taxes and vehicle registration fees; and provides for inflationary adjustments to tax rates in future years.

Beginning November 1, 2017, the State Controller will deposit various portions of this new funding into the newly created Road Maintenance and Rehabilitation Account (RMRA). A percentage of this new RMRA funding will be apportioned by formula to eligible cities and counties pursuant to Streets and Highways Code (SHC) Section 2032 (h) for basic road maintenance, rehabilitation, and critical safety projects on the local streets and road systems.

Road Maintenance and Rehabilitation Account (RMRA), SB 1 Beall

The Road Repair and Accountability Act of 2017 (SB1 Beall) is a significant new investment in California's transportation systems of about \$5.2 billion per year. The Act increases per gallon fuel excise taxes, diesel fuel sales taxes and vehicle registration taxes, stabilizes the problematic price-based fuel tax rates and provides for inflationary adjustments to rates in future years. The Act will more than double local streets and

road funds allocated through the Highway Users Tax Account, allocating funds from new taxes through a new "Road Maintenance and Rehabilitation Account (RMRA). Pursuant to Streets and Highways Code Section 2030, RMRA local streets and roads 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, and drainage and storm-water capture projects in conjunction with any other allowable project."

Maintenance of Effort: RMRA

The Road Repair and Accountability Act contains a local agency maintenance of effort (MOE) requirement that applies to funds allocated through the RMRA. The Act states that the MOE requirement is to ensure that these new road funds do not supplant existing levels of city and county general revenue spending on streets and roads. 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 it up with additional expenditures in the following year. The Act provides that the State Controller may perform audits to ensure compliance with these MOE rules. 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. However, a city or county that fails to comply in a particular fiscal year may expend during that fiscal year and the following fiscal year a total amount that is sufficient to comply. Any funds withheld or returned as a result of a failure to comply will be reapportioned to the other counties and cities whose expenditures are in compliance.

Spending Plans and Reports: RMRA

The Road Repair and Accountability Act stipulates that, prior to receiving RMRA funds in a fiscal year, a city or county 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, useful life. [Streets and Highways Code Sec 2034(a)] The Road Repair and Accountability Act also requires that a city or county submit to the CTC an annual report of project completion in order to receive RMRA funds. The report must include descriptions of all projects for which RMRA funds were expended including: description, location, funds expended, completion date, estimated useful life of the project.

ANALYSIS:

The City of Commerce allocation for FY 2018/19 is estimated to be \$218,587 as shown on the table below:

Local Streets and Roads - Projected FY2018-19 Revenues										
Based on State Dept of Finance statewide revenue projections as of May 11, 2018										
Estimated May2018										
Highway Users Tax Acct (HUTA) ⁽¹⁾ Streets & Highways Code						new SB1 Loan Repayment ⁽⁶⁾	TOTAL HUTA	new SB1 Road Maintnc Rehab Acct ⁽⁷⁾	TOTAL	
	Sec2103 ⁽⁵⁾	Sec2105 ⁽³⁾	Sec2106 ⁽³⁾	Sec2107 ⁽³⁾	Sec2107.5 ⁽⁴⁾					
COMMERCE	49,996	76,442	49,120	94,893	3,000	14,852	288,303	218,587		506,890

Local Streets and Roads - Projected Revenues										
Estimated May2018										
2017-18					new SB1	new SB1	2018-19			
	Hwy Users Tax Account	Loan Repayment	Road Mntnc Rehab Acct	TOTAL			Hwy Users Tax Account	Loan Repayment	Road Mntnc Rehab Acct	TOTAL
LOS ANGELES COUNTY										
COMMERCE	276,169	14,852	76,283	367,304			273,451	14,852	218,587	506,890

The City is receiving a higher allocation this year. Last year's allocation was \$74,169.

The City's required local MOE amount for FY 2018/19 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 at the present time.

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	

City of Commerce use of SB1 funds and the required local match

The City of Commerce local match identified by the State is significantly higher. Staff had spoken with California League of Cities, which is providing advice and assistance regarding these issues, and such high contribution amounts for various Cities will be later discussed with the State for clarifications with the hope that the State will consider adjusting these amounts to reasonable levels. Staff had also contacted the California State Controller and sent a protest letter on the calculation. In the meantime, it is recommended that the City come up with a list of potential streets, and submit it to the State. If reasonable adjustments are made by the State in the future, City would then be able to use the funds, if such adjustments are within City's budget levels.

The following streets are identified as potential candidates for FY 18/19 SB1 Funding:

Street Name	Beg Location	End Location
GARFIELD AVE	TELEGRAPH RD	S CITY LIMIT
SLAUSON AVE	WEST OF GAGE AVE	TELEGRAPH RD
GAGE AVE	SLAUSON AVE	ZINDELL AVE

FISCAL IMPACT:

No Fiscal impacts at this time.

ALTERNATIVES:

1. Approve staff recommendation
2. Disapprove staff recommendation
3. Provide further direction to staff

Recommended by: Maryam Babaki, Director of Public Works & Development Services

Prepared by: Jasmin Elepano, Senior Management Analyst

Reviewed by: Vilko Domic, Finance Director

Approved as to form: Norma Copado, City Attorney

Respectfully submitted: Edgar P. Cisneros, City Administrator

ATTACHMENT:

1. Resolution