



Legislation Text

File #: 17-636, **Version:** 1

Report Prepared by: Ken F. Elwin, PE, Director of Public Works

SUBJECT: Reallocate Measure V Funding, Reconciling Gas Tax Funding, to Fund 022 Street Maintenance/Lighting for the FY 2017/2018 Budget

REPORT IN BRIEF

Considers reallocating Measure V funding, reconciling Gas Tax funding to Fund 022 Street Maintenance/Lighting Fund for street maintenance and transportation related projects.

RECOMMENDATION

City Council - Adopt a motion approving the reallocation of Measure V Funds, reconciling the Gas Tax Funds, and authorizing the Interim Finance Officer to make the necessary budget adjustments.

ALTERNATIVES

1. Approve, as recommended by staff; or,
2. Approve, subject to modifications as conditioned by City Council; or,
3. Refer to staff for reconsideration of specific items; or,
4. Deny.

AUTHORITY

Article XI, Fiscal Administration of the Merced Municipal Code - At any meeting after the adoption of the budget the City Council may amend or supplement the budget by motion adopted by the affirmative votes of at least five members.

CITY COUNCIL PRIORITIES

Addresses City Council priority to utilize Measure V funding.

DISCUSSION

Road repair projects, including fixing potholes and repairing sidewalks, are administered through the Public Works Streets Department. The department is funded through a various revenue sources, including Gas Tax as a major component. Unfortunately, revenue from Gas Tax has been declining over the past few years, leaving the Streets Department with insufficient revenue to meet the City's street, lighting, and sidewalk maintenance needs.

With the passage of Measure V and Senate Bill 1 (SB1), two additional revenue sources are available to support road repair projects. Measure V, which voters approved in November 2016, created a ½ cent sales tax to provide funding for transportation projects. SB 1 approved in Spring of 2017 addresses basic road maintenance, rehabilitation, and safety projects and is known as the Road Repair and Accountability Act of 2017, of which funding is administered through the Road Maintenance and Rehabilitation Account (RMRA).

Based on the information available during preparation of the FY 2017/2018 budget, RMRA funding was included in revenue estimates for Fund 022 Street Maintenance/Lighting Fund aiding to bridge the shortfall in Gas Tax revenue. In the fall of 2017, the State adopted guidelines specific to the use of RMRA funding which requires eligible cities to approve a project list as part of their budget. The City's FY 17/18 Project List was adopted by Council in October 2017. Since the RMRA funds must be utilized for specific projects, a budget adjustment must be made in the FY 2017/2018 Fund 022 Street Maintenance/Lighting Fund. This action will create a funding gap of \$484,186.

Merced County Association of Governments (MCAG) has projected the City's share of Measure V funding to be approximately \$1,500,000 in the first year. Measure V requires that 80% of revenue be used for local transportation and 20% be used for alternative modes projects. During the adoption of the Fiscal Year 2017-18 budget one Fund was established for Measure V. It has now been determined that the best method of keeping the revenue separate is to create two funds. Fund 075 will be for alternative modes and Fund 078 will be for local transportation. Staff are requesting that 80% of the revenue and expense budget from Fund 075 be allocated to Fund 078 to accurately reflect the local transportation portion. In FY 16-17 the City received Measure V funding of \$405,785 that has not been budgeted, \$81,157 will be allocated to alternative modes and \$324,628 will be for local transportation.

Council previously approved the funding of a joint project through MCAG to complete a Pavement Management System. The Pavement Management System will evaluate current road conditions and recommend specific treatments needed to improve roads throughout the City. This information, along with stakeholder engagement, will be used to develop as list of recommended project for Council consideration as future funding is made available.

Staff now have a better understanding of how to utilize RMRA funding in the future to maximize support to the Streets Maintenance/Lighting Budget. However, staff recommends the following budget adjustments to reconcile Fund 022, Streets Maintenance/Lighting, and to allow for staff to engage in fixing potholes and repairing unsafe areas of sidewalk while the pavement management evaluation is completed for fiscal year 2017/18:

Action	Justification	Amount
Reduce Transfer to Fund 022	SB 1 Project Allocation	(\$484,186)
Reduce Transfer to Fund 022	Less Revenue Received Gas Tax - Fund 010	(\$41,339)
Increase Transfer to Fund 022	Additional Revenue Received Gas Tax - Fund 065	\$14,470
No Action	Prior Year Savings - Fund 022	\$8,032
	Estimated Shortfall	(\$503,023)
Increase Transfer to Fund 022	Measure V Alternative Modes - Fund 075	\$100,000
Increase Transfer to Fund 022	Measure V Local Transportation - Fund 078	\$403,023
	Recommended Revenue Increase	\$503,023
	Balance	\$0

In the Spring, the City Manager will present a mid-year budget. Any additional funding available from

Measure C could be used at that time to lessen the impact of the recommended Measure V funding allocated above.

IMPACT ON CITY RESOURCES

The City's Finance Department has verified there is sufficient funding available within Measure V Local Transportation Fund 078 to complete this request.