



Agenda Date: 3/18/2008
Agenda Placement: 10B

NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

TO: Board of Supervisors
FROM: Peterson, Robert - Director
Public Works
REPORT BY: Robert Peterson, Director of Public Works - 253-4351
SUBJECT: Proposition 1 B Recommendations and Mid-Year Status Report for the Road Fund

RECOMMENDATION

Director of Public Works requests:

1. Adoption of a resolution approving specific projects to be constructed utilizing the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) revenue; and
2. Discussion regarding update of the financial condition of the Road Fund and the programs it supports.

EXECUTIVE SUMMARY

The purpose of this presentation is to request the adoption of a resolution approving specific projects to be constructed utilizing the Highway Safety, Traffic Reduction, Air Quality, and Port Security Bond Act of 2006 (Proposition 1B) revenue; and provide an update of the financial condition of the Road Fund and the programs it supports.

During the Fiscal Year (FY) 2007-08 budget hearings it was acknowledged that the Roads budget was under funded. The Public Works Department provided a presentation in August 2007 to provide additional information regarding:

- | Programs supported by the Roads budget;
- | Revenue sources available to the Roads budget;
- | Benchmarking data with Metropolitan Transportation Commission (MTC) counties and other rural counties that attract tourism; and
- | Programmatic and financing alternatives.

Subsequent to this presentation, the Board established a General Fund designation in the amount of \$1.9 million for Roads purposes. In February 2008, Public Works provided an update as to the status of permanent repairs related to the 2005/06 flood events. Today's presentation will provide:

- | Proposition 1 B Revenue Recommendation;
- | Forecast of End of FY 2007-08 Cash Balance; and
- | Revised Forecast as to Long Term Sustainability of the Roads Budget.

Procedural requirements:

1. Chair announces the agenda item.
2. Staff reports on the item.
3. Questions by the Board.
4. Chair invites public comments.
5. Member makes a motion.
6. Different member seconds the motion.
7. Board discussion and debate on the motion.
8. Chair calls for the vote.
9. If roll call vote requested by member, Clerk calls the roll.
10. Chair announces the result of the vote.

FISCAL IMPACT

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	Proposition 1 B Revenue
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The Proposition 1B revenue source was approved by the voters to be used for the type of improvements included within the resolution. The Board could choose to make improvements to different roads instead of the ones listed in the resolution. Without approval of a resolution identifying specific projects, the County cannot access the funds allocated to it under the terms of Proposition 1B.
Is the general fund affected?	No
Future fiscal impact:	The County of Napa's share of the State Proposition 1B is approximately \$4.8 million to be received over several years. Approximately \$2 million is presently available. The County needs to submit a resolution and templates to the Department of Finance delineating the projects in order to receive this revenue. The State Controller will release the funding to the County upon receiving these documents. It is anticipated that the Proposition 1B revenue will be received in FY 2008-09, in advance of when the projects will be completed. It is also anticipated the projects will be completed in FY 2008-09, although the County has three years to spend the funds on approved projects after receiving the funding.
Consequences if not approved:	County will delay Surface Treatment projects necessary to preserve the integrity of the pavement structure.

Additional Information:

ENVIRONMENTAL IMPACT

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

BACKGROUND AND DISCUSSION**PROPOSITION 1B REVENUE RECOMMENDATION**

The County of Napa's share of the State Proposition 1B is approximately \$4.8 million to be received over several years. Approximately \$2 million is presently available. The County needs to submit a resolution and templates to the Department of Finance delineating the projects in order to receive this revenue. The State Controller will release the funding to the County upon receiving these documents. The County has three years to spend the funds on approved projects after receiving the funds. The approved project list can be modified by substituting projects and/or adding additional projects in future years if a project is delayed or comes in under budget.

Due to the Governor's proposal to defer revenue from gasoline taxes until FY 2008-09, there is present consideration by the Department of Finance(DOF) to permit Proposition 1B revenue to be used for cash flow purposes to ensure that ongoing maintenance services do not need to be suspended during the period that the gas tax revenues are deferred. This would have the negative effect of delaying surface treatment project delivery at a time when investing in the state's infrastructure is critical. California State Association of Counties (CSAC) is seeking further clarification to ensure that, for those counties that need operating revenues during this suspension period, they can rely on Proposition 1B revenues without any long term consequence.

Regardless of the outcome of the DOF proposal, Public Works recommends using Proposition 1B revenue for infrastructure improvements, since this was the stated purpose communicated to the electorate when Proposition 1B was approved, and because we anticipate that there will be a minimal, yet positive cash balance at the end of FY 2007-08 of \$0.5 million even with the gas tax deferral factored in. Also Proposition 1B revenue is received in advance from the State Controller, before project expenditures are made, and therefore will not have a negative impact on the fund's cash balance.

Public Works has evaluated the following factors in recommending Proposition 1B projects:

- | condition of the pavement
- | traffic volumes
- | future funding opportunities
- | number of residents benefitting from improvement

Roads with pavement condition indexes between 40 and 65 have been targeted because funds spent on these roadways will greatly extend their life and reduce more costly reconstruction in future years. The Pavement Condition Index (PCI) is classified in a numeric rating index scale between zero (0) and one hundred (100) with 0 representing a failed road and 100 representing a new road. Different pavement treatments are selected depending on the type of vehicles, speed of traffic, and volume of traffic using the road. Attachment One provides a definition of these treatments.

Asphalt overlays are proposed on two arterial roads including a segment of Silverado Trail and Petrified Forest Road. Slurry seals are proposed in the County pocket areas of the West Pueblo Subdivision because this low cost treatment will seal these roads and add many years of life to this residential area. Chip/Cape seals are proposed

in residential streets needing more extensive repairs in the Circle Oaks Subdivision because these treatments will seal larger cracks providing better structural repair and greatly extend pavement life of these low speed and low traffic streets.

Public Works is proposing to spend some Proposition 1B funding on residential areas because these lower cost treatments will stretch the funding farther and will provide roadway improvements to areas where other traditional funding sources such as Federal Highways Administration (FHWA) revenue cannot be used.

Public Works is also proposing to use Proposition 1B revenue for the County's matching dollars for two bike lane projects and an overlay project on Deer Park Road as these projects are already being designed and would otherwise require more discretionary Road Fund matching funds. These projects are also funded with \$1,258,896 in FHWA revenue, \$200,000 in Transportation Fund for Clean Air grants, and \$48,896 from the Road Fund.

The recommended Proposition 1B projects can be completed in a timely manner, stretch the funding the farthest, and make improvements to streets that would otherwise not see funding for many years to come. The roads chosen are at the optimum condition to spend rehabilitation dollars as limited funding will greatly extend their useful life and prevent extensive and more costly repairs in the near future.

Attachment Two provides a listing of the proposed Proposition 1B projects.

FORECAST OF END OF FY2007-08 CASH BALANCE

Public Works has analyzed the first six months of the FY 2007-08 revenue and expenditure data. It also analyzed the impact of the Governor's proposal to defer approximately \$0.7 million in revenue from gasoline taxes until FY 2008-09. Public Works has also premised its forecast on the assumption that it will not be required to repay the loan to the General Fund this year of approximately \$0.4 million as anticipated in the budget. This repayment will be deferred to at least until FY 2008-09.

Public Works estimates that it will have a Cash Balance of approximately \$0.5 million at the end of FY 2007-08. This is in contrast to an approximate \$1.3 million Cash Balance at the beginning of FY 2007-08.

REVISED FORECAST AS TO LONG TERM SUSTAINABILITY OF THE ROADS BUDGET

As previously reported to the Board, there is a structural imbalance between operating revenues and expenditures for Maintenance activities that, if not addressed, will eventually require reductions for a program that is already operated at a minimum level of service. This will also prevent additional revenue from being invested in a Surface Treatment Program that is inadequate because of insufficient revenue coming from FHWA and only onetime Proposition 1B revenue being available from the State.

It is estimated that operating expenditures will outpace revenue by approximately \$600,000 in FY 2011-12. This differential becomes greater in future fiscal years given the historical pattern of expenditures (such as, the cost of asphalt) increasing at a higher percentage rate than revenues (primarily related to gasoline tax distributions).

It was also previously communicated to the Board that it is not a question of if the Road Fund, with its existing revenue sources, would extinguish its Fund Balance, but only a question of when this would occur. The primary variable to this equation is the uncertainty of FEMA and State Office of Emergency Services (OES) reimbursements related to the 2005/06 declared emergency caused by flood events.

Consistent with the presentation to the Board on February 6, 2008, the Department is providing projections of when the Roads budget will extinguish its Fund Balance based on the four scenarios described below. All scenarios project different assumptions for the recovery of \$1.7 million in completed permanent repairs for the Redwood

Road and Circle Oaks that are under second appeals. All scenarios, with the exception of the worst case mitigated, assume that the County will move forward and construct all nine remaining repair projects in the next two fiscal years with different levels of financial recovery from FEMA and OES. The worst case mitigated scenario differs in that it assumes that the County will not provide the permanent repairs for the nine remaining projects, and will forfeit the ability to recoup present expenditures made for the surveying, geotechnical, environmental, and design services previously authorized by the Board.

- | Worst Case (Recover only \$1.4 million as presently eligible by FEMA for future repairs estimated at \$6.6 million) - Roads budget will extinguish its Fund Balance in FY 2008-09 with a projected negative cash position of \$3.3 million.
- | Worst Case Mitigated (Will not recover FY 2007-08 expenditures of \$1.0 million in surveying, geotechnical, environmental, and design services for nine remaining projects) - Roads Budget will extinguish its Fund Balance by FY 2011-12.
- | Middle Case (Recover \$1.3 million from OES for Redwood Road and Circle Oaks, \$1.4 million as presently eligible by FEMA for future repairs and \$3.9 million from OES, representing 75% of what FEMA rejects) - Roads Budget will extinguish its Fund Balance by FY 2012-13.
- | Best Case (Recover \$1.7 million from FEMA/OES for Redwood Road and Circle Oaks, and 100% of the remaining expenditures for declared emergency permanent repairs incurred after FY 2007-08) - Roads Budget will extinguish its Fund Balance by FY 2014-15.

Attachment 4 provides a summary chart of the Road Fund's cash position based upon these four scenarios.

SUMMARY

As a result of the repairs required by the 2005/06 declared emergency, one fundamental finding is clear. The Road Fund does not have a sufficient revenue base to respond to such declared emergency events without severely impacting a present Maintenance program that is already operating at a minimum level of service, and a Surface Treatment Program which presently does not have a sustainable dedicated revenue source to maintain the investment the County has in its road infrastructure. It is recommended that consideration be given to allocating funds from reserves into another account to pay for any such future declared emergencies.

SUPPORTING DOCUMENTS

- A . Surface Treatment Definitions
- B . Attachment Two - Proposition 1 B Projects
- C . Resolution
- D . Attachment Four - Summary of Scenarios

CEO Recommendation: Approve

Reviewed By: Helene Franchi