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Revision to ASR and/or Exhibits/Attachments

Date: **April 26, 2007**

To: **Darlene J. Bloom, Clerk of the Board of Supervisors**

CC: **County Executive Office**

From: **Bryan Speegle, Director, RDMD**

RE: **Agenda Item(s) # 25 for the May 1, 2007 Board Meeting**

ASR Control #(s): 07-000676

Subject: County Road Program 35-Year Funding Plan

Explanation:

☒ Revised Recommended Action(s)

Revise the Recommended Actions to read:

1. Find the subject activity is not a project as defined by CEQA pursuant to Section 15378(b)(2) of the CEQA Guidelines.
2. Receive and file the attached report entitled "35-Year Plan (Road Obligations)."
3. Direct staff to work with County Counsel to formulate a program with recommendations for sharing the Proposition 42 funds with cities; and formulate a program for the use of Proposition 1B funds, and return staff findings to the Board for approval within 90 days.

☒ Make modifications to the:

☐ Subject ☒ Background Information ☐ Summary

Revise the Background Information to change the deadline for a report back to the Board regarding Recommendation Number 3 from 180 days to 90 days (the two revisions are underlined below):

BACKGROUND INFORMATION:

CIP Projects

Following OCTA's recent inquiry into County Road Program revenue projections over the next 35 years, RDMD analyzed future County road revenue and expenditures within this period. The attached report provides the Board with an overview of the long-range costs and revenues including ongoing revenue streams and recent voter-approved road funding as they relate to projected County highway capital costs.

In summary, capital costs exceed existing revenue sources including recently approved Propositions. Therefore, the County must continue to aggressively pursue federal, state and local grant funding and/or delay the construction of new highway projects.

The County Road Program funds capital improvement projects, pavement maintenance, and general operation and maintenance of streets and highways in the unincorporated area. These services are funded by Highway Users Tax Funds (Gas Tax), Measure M Turnback dollars, Proposition 42, and competitive funding sources (local, state and federal). In addition to existing sources of funding, Proposition 1B will provide a significant increase in funding as discussed below. Due to legislative restrictions on expenditure eligibility, this report analyzes revenues and expenditures for two distinct categories: 1) Capital Improvement Projects (CIP), and 2) Proposition 42 maintenance projects.

Resolution of the 1994 County bankruptcy resulted in an annual diversion of $23 million to the Orange County Transportation Authority (OCTA) to fund associated bankruptcy debt service until completed in 2013. This amount represents more than half of the County's yearly gas tax allocation. As a result, the County's ability to implement Master Plan of Arterial Highways (MPAH) improvements has been dramatically reduced. Our analysis projects a significant annual revenue shortfall of approximately $20 million to $30 million for remaining MPAH County CIP road obligations during the 35 year study period. The report finds that existing funding streams plus the return of the bankruptcy diversion (post 2013) will be required to finance the completion of the MPAH within unincorporated areas within 35 years. As noted above, the County will be required to aggressively pursue local, state and federal grants.

The average annual Measure M Turnback funding (see Exhibit A) to the cities for Fiscal Years 2007-2011 is projected to be $38,743,079 and to the County it is $2,272,070. The projected Renewal of Measure M Turnback funding (Exhibit A) to the cities is $47,739,222 and to the County $2,799,645. Exhibit A breaks-down the projections by city and supervisorial districts.

The annual Proposition 42 funding to the cities (Exhibit B) is $23,945,611 and to the County it is $19,361,304. Exhibit B breaks-down the funds by city and supervisorial district.

The total projected Proposition 1B funding (Exhibit C) to the cities is $94,497,308 and to the County it is $61,660,204. Exhibit C breaks-down the funds by city, supervisorial district and by fiscal year.

Assembly Bill 823

On February 22, 2007 Assemblyman Solorio introduced AB 823, titled Orange County: Road Funds. This Bill, as amended, would apply to the County of Orange only. It requires the County of Orange to annually report the County's revenues and expenditure of gas tax and Proposition 42 funds to the Governor, members of the Legislature, the California Transportation Commission, the Southern California Association of Governments, and the Orange County Transportation Authority (OCTA). The Bill also requires the County to identify any surplus of unspent funds from these sources, and encourages the sharing of these revenues with Orange County cities. The bill targets revenues the County relies on to provide for its maintenance and Capital Improvement Program responsibilities, and fails to recognize that annually, greater than half of the County's gas tax is diverted to OCTA to pay for bankruptcy debt payments.

Assemblyman Solorio asserts in the Bill that the County of Orange receives an inordinate amount of transportation monies, by calling attention to the State Controller's report that indicates the County had accumulated $103 million in Road Fund reserves in Fiscal Year 2004/2005. What is ignored in this analysis is information also found on the State Controller's Report that $97 million of these monies reflected obligations that include Emergency Road Reserves, programmed projects, and previously encumbered funds, with only about $6 million truly identified as a reserve (FBA). On March 20, 2007 your Board took action to oppose AB 823.

Proposition 1B

Proposition 1B represents a new State Grant program for local transportation improvement projects via the "Local Streets and Road Improvement, Congestion Relief, and Traffic Safety Account" category. The expected 10-year allocation to the County from this component of Proposition 1B is approximately $61.6 million that is likely to be front-loaded during the next several years. These funds have very few restrictions on their uses, similar to gas taxes, and therefore may be used for a variety of road related projects. If these funds are applied to the 35 year CIP, they would accelerate the delivery of projects and reduce the deficit in funding.

As an alternative use of these funds, the Board of Supervisors could establish a local street and highway assistance program under cooperative agreements with the cities. Such a program could assist cities with capital improvements or maintenance costs. Under such a program, Proposition 1B revenues could be allocated equally to each of the five Supervisorial Districts. The Board offices could then direct the funds to city as well as unincorporated area projects depending on the project priorities in consultation with the cities and County staff.

While specific program details need to be developed, this city assistance program could be implemented via a pre-determined distribution formula such as population, or via a program similar to OCTA's Measure M "Turnback" grant, or could be applied on a district-wide competitive basis. The program would be best administered by the County which provides your Board the flexibility and control in the distribution of the funds. At the Board's direction, RDMD proposes to craft the guidelines for a city assistance program and return to your Board the proposed components within **90** days.

If the Board of Supervisors establishes a local assistance program and all funding is allocated to city projects, the delivery of County CIP projects will not be accelerated by Proposition 1B and the 35 year deficit in County Road Program funding will not be reduced. If all the Proposition 1B funds were allocated to city projects, Road Program reserves could drop below desired levels in Fiscal Year 2008-2009 unless projects were delayed. By the end of Fiscal Year 2009-2010 all road reserves would be exhausted unless projects were delayed. Projects such as Alton Parkway, La Pata, Moulton Parkway, Katella Avenue, Edinger Avenue Bridges and Lincoln Avenue Bridge projects would likely be delayed unless replacement sources of funds can be secured.

Proposition 42 Program

The County maintains approximately 358 lane miles of roadway (arterial highways and local streets) and the majority of these facilities are currently classified as in "good" condition. The County uses Proposition 42 funds for routine roadway maintenance, for minor roadway widening (non-capacity enhancing) and for storm drain improvements. Proposition 42 annual revenues for the County are forecasted to be approximately $19 million. The County costs include at least $4 million in annual routine roadway maintenance and at least $5 million in annual storm drain projects. Approximately $7 million to $10 million annually may not be required by County for Proposition 42 eligible projects. Unused funds must be returned to the state for reallocation to other counties.

The Proposition 42 strict eligibility criteria, the limited time allowed (24 months) to spend the annual allocation, together with project approvals and permitting required for projects may delay project delivery and present a challenge to deliver these projects in accordance with program guidelines. Our analysis indicates the County is unable to spend all of the Proposition 42 funds within the restrictive time frame set by the program. To avoid returning the un-expended funds to the State, RDMD is working with the CEO and County Counsel to determine alternatives that would allow the sharing of Proposition 42 funds with cities in an effort to keep these funds in the County.

RDMD recommends that the Board of Supervisors direct staff to formulate recommendations and a program to assist cities with highway maintenance based upon sharing Proposition 42 funds that the County cannot use and return to the Board for approval within **90** days. RDMD suggests that this program could be accomplished starting in Fiscal Year 2008-2009 through a County-administered program.

While legislative and specific program details need to be developed, this program could also be implemented via a pre-determined distribution formula such as population, or via a program similar to OCTA's Measure M "Turnback" grant, or could be applied on a County-wide competitive basis. The program would also be best administered by the County which provides your Board the flexibility and control in the distribution of the funds.

Compliance with CEQA: The subject activity is not a project as defined by CEQA pursuant to Section 15378(b)(2) of the CEQA Guidelines.

☐ Revised Exhibits/Attachments (attached)

☐ Additional Information and/or Correspondence (attached)