



Monterey County

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Board Report

Legistar File Number: 17-1220

January 23, 2018

Introduced: 11/30/2017

Current Status: Agenda Ready

Version: 1

Matter Type: General Agenda Item

Receive a report on the Road Fund revenue sources, including an update on the FY 2017-18 forecast incorporating actual expenditures and revenues received through October 2017, as well as the recently released FY 2017-18 Countywide Cost Allocation Plan (COWCAP) allocations.

RECOMMENDATION:

It is recommended that the Board of Supervisors receive a report on the revenue sources in the Road Fund, Fund 002, including a discussion on forecasted revenues and expenditures for FY 2017-18 based on actuals through October 2017, as well as the recently released FY 2017-18 Countywide Cost Allocation Plan (COWCAP) allocations.

SUMMARY:

On October 10, 2017, the Board of Supervisor's received the First Quarter Update to the FY 2017-18 Adopted Budget from the County Administrative Office (CAO). That report identified pressing community unfunded needs totaling \$1,836,879 including: a temporary homeless shelter; safe parking program; enhancements to general assistance grants; and an additional three (3) Full Time Equivalents (FTEs) to complete Office of Employment Training (OET) reorganization.

Funding options presented to the Board for consideration included decreasing the Transient Occupancy Tax (TOT) allocation to the Road Fund from \$5.5 million to \$4.1 million, citing that \$4.1 million meets the minimum required Maintenance of Effort (MOE), as calculated for the newly passed tax initiatives for Measure X and Senate Bill 1 (SB1). The option also highlighted the passing of two new tax initiatives, which were perceived to offer sizeable new road fund revenue streams, and an opportunity to revisit the TOT formula, especially in a constrained environment. While this option did not receive a majority vote by the Board, the Resource Management Agency (RMA) was asked to return to the Board to present an overview of the revenue sources within the Road Fund and identify what impact a reduction to the TOT allocation would have on the Road Fund in FY 2017-18.

The FY 2017-18 Road Fund budget includes \$5.5 million in TOT funding. \$2 million is allocated for the annual chip seal program, which is already spent/encumbered and the remaining \$3.5 million sustains field maintenance operations and capital project engineering. RMA received a 1-time Board authorization to use these funds for salary and benefit costs for twenty-two (22) road positions that would have otherwise been laid off. Laying off approximately 20 filled positions would severely impact RMA's ability to maintain local roads and bridges and complete projects. Over the past few years, the number of Road Fund positions has been reduced from 122 (FY 2012-13) to 86 (FY 2017-18).

Also, the RMA Director reached out to the Transportation Agency for Monterey County (TAMC) Executive Director to obtain clarification on how TAMC interprets the MOE for Measure X and SB1 and to ascertain whether a change in the County's current Financial Policies regarding the percentage of TOT allocation to the Road Fund could jeopardize future funding allocations. According to TAMC, the spirit of both Measure X and SB1 is that the County maintains its prior commitment to roads, which would be 24% of TOT revenues in FY 2017-18 and 25% of TOT revenues thereafter. TAMC urges the County to maintain this prior commitment of the TOT to road funding to keep the promise to voters.

DISCUSSION:

Please refer to Attachment A - Report on Road Fund Revenue & FY 2017-18 Forecast. Increased costs (e.g. COWCAP) and/or reduced revenue (TOT) will require revision of the Transportation Priority List that was previously adopted by the Board (Attachment B). RMA will also be presenting a separate report that updates the infrastructure repair efforts in response to the 2017 Winter Storms, including use of funds allocated from the Strategic Reserve.

OTHER AGENCY INVOLVEMENT:

RMA sought clarification from the Transportation Agency for Monterey County for clarification of the County's funding commitment as it related to Measure X and SB1.

FINANCING:

Since the October 10th Board report was presented, FY 2017-18 Countywide Cost Allocation Plan (COWCAP) were released. Allocations indicate that the Road Fund will be charged an additional \$5.5 million to the \$1.2 million estimated. That is a charge of about \$6.7 million total, which is almost one-third of the total program revenue estimated for FY 2017-18, even with taking into account the addition of Measure X and SB1. There are about 86 FTE positions in the Road Fund that equate to about \$6 million. The current projected ending Road Fund balance for the FY 2017-18 Modified Budget is a deficit of \$2,290,962 due to about \$2 million of incurred costs related to the 2017 Winter Storms, which was not budgeted or address by other means and about \$300,000 of unanticipated costs relative to Lapis Road maintenance.

BOARD OF SUPERVISORS STRATEGIC INITIATIVES:

The condition of County roads and bridges has a direct impact on the citizens, visitors and commerce of this County; keeping well maintained roads improves the infrastructure, value, and overall economic vitality of the County.

- Economic Development
- Administration
- Health & Human Services
- X Infrastructure
- X Public Safety

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Approved by: Carl P. Holm, AICP, RMA Director

Attachments:

Attachment A - Report on Road Fund Revenue Sources & FY 2017-18 Forecast

Attachment B - Transportation Priority List

(Attachments on file with the Clerk of the Board)