



COUNTY OF SAN MATEO
Inter-Departmental Correspondence

Department of Public Works

DATE: September 2, 2009
BOARD MEETING DATE: September 22, 2009
SPECIAL NOTICE/HEARING: None
VOTE REQUIRED: Majority

TO: Honorable Board of Supervisors
FROM: James Porter, Director of Public Works
SUBJECT: Temporary Transfer of County-Wide Road Improvement Funds to the County Road Fund

RECOMMENDATION:

Adopt a resolution authorizing the Controller to transfer funds in an aggregate amount not to exceed \$2,904,721 from the County-Wide Road Improvement Fund, to the County Road Fund, as needed, in order to ensure adequate short term funding for maintenance and operations.

BACKGROUND:

Government Code section 25252 says that the Board of Supervisors shall establish or abolish, those funds as are necessary for the proper transaction of the business of the county, and may transfer money from one fund to another, as the public interest requires, and that the board, by resolution, authorize the auditor (Controller) to transfer money from one fund to another if the Board of Supervisors has authority over each fund. The Board of Supervisors does have authority over the County-Wide Road Improvement Fund (Mitigation Fee Fund) and the County Road Fund (State Gas Tax Fund).

Countywide mitigation fees were established by Ordinance No. 3277 in December 1990. Subsequent resolutions accepted reports on the status of the collected funds, increased the rates used to calculate the fees, and expanded their allowed use from capital improvement projects to include specific drainage improvement projects in the mid-coast community.



DISCUSSION:

The State of California is currently deferring the majority of Highway User Tax Account (HUTA) and Proposition 42 disbursements to local agencies due to cash flow problems at the State level. Normally, HUTA disbursements are made on a monthly basis and Proposition 42 payments are made on a quarterly basis. These two revenue sources, which amount to approximately \$16,000,000 annually, support maintenance and operations within the Department of Public Works' Engineering and Road Maintenance Divisions. In most cases, alternative funds are inflexible, as they may only be used for capital improvements.

The consequences of the deferrals could significantly impact the County's ability to finance and perform essential maintenance of its public streets. Absent regular street maintenance, local roads are destined to deteriorate at accelerated rates, significantly impairing public safety and accessibility.

The State's commitment to resume Proposition 42 and HUTA payments in January and March of 2010, respectively, will return the State Gas Tax Fund to appropriate funding levels. The State's commitment of a lump sum HUTA payment in April 2010 will allow for payback, including any necessary interest, of a Mitigation Fee Fund loan.

Staff believes that a loan of Mitigation Fee Funds, to the extent deemed necessary in order to support road maintenance operations during the deferral periods, is critical to the County's short-term ability to maintain streets in adequate condition. As of July 21, 2009, there was a balance of \$2,904,721 in the various Mitigation Fee Funds. We anticipate that the amount of funds transferred from the Mitigation Fee Fund to the State Gas Tax Fund will be transferred back to the Mitigation Fee Fund once the Proposition 42 and HUTA moneys are received from the State, before the end of Fiscal Year 2009-2010.

County Counsel has reviewed and approved the Resolution as to form.

Your Board's authorization to the Controller to transfer funds from the Mitigation Fee Fund to the State Gas Tax Fund contributes to the Shared Vision 2025 outcome of a Livable Community by ensuring that the County's streets are properly maintained and usable by the traveling public.

FISCAL IMPACT:

The proposed loan would provide spending flexibility consistent with identified road maintenance needs.

There is no impact to the General Fund.