


Memo

TO: Board of Supervisors
DATE: January 7, 2009
FROM:  Julia R. Bueren, Director
SUBJECT: BOND FUNDING FROZEN BY THE STATE

On December 18, 2008, the State Department of Finance released a budget letter to other State departments instructing them to immediately suspend expenditures from general obligation revenue bond programs. On December 19, 2008, we received notice from the State that all invoices, commitments, and expenditures from Propositions 12, 13, 40, 50 and 84 are put on hold effective immediately. It is unknown at this time how long this freeze will take place. In addition, we have heard that Proposition 1B funding may also be frozen.

This action by the State has the following impacts on projects in the Public Works Department.

1. Transportation –

- Proposition 1B: The State has informed us that we will not receive any additional Proposition 1B (Prop 1B) funds until the State budget problems are resolved. We were ready to process a request for an additional \$1.5 million, but the disbursements were frozen. Even after the budget is passed, we question if the State will have the bonding capacity to continue to obtain Prop 1B bonds on the same schedule and if the disbursement timing will be significantly lengthened.

To date we have received \$11.8 million in Prop 1B funding. This is less than half of the \$24.5 million we are to receive over the life of the 5 year program. Nineteen projects were identified to be fully or partially funded by these Prop 1B funds. Of those 19 projects, 4 projects have been constructed or are in construction at this time, accounting for \$5.1 million of the \$11.8 million received. The balance of \$6.7 million has been allocated towards the development and construction of the remaining 15 projects. Without the next Prop 1B disbursements the combined funding shortfall for construction of these

projects will be \$12.7 million. This shortfall will impact the project schedules for all the projects listed below. In addition to the impacted schedules, staffing levels will be impacted due to the lack of funding. Staff could be reassigned to other projects as we have some flexibility in our department between programs, but that flexibility could be impacted if the State raids our other funding sources, which could ultimately result in layoffs (see below). Finally, if the funding is delayed to the point that project costs have increased with time, then there won't be enough funding to construct all of the remaining 15 projects and some will drop off the list and not be built with Prop 1B funds.

These projects include:

Project Name	Construction Year
Camino Tassajara Shoulders	Summer 2010
Byron Highway Shoulder Widening	Summer 2010
Alhambra Valley Road Shoulder Widening- East of Castro Ranch Road	Summer 2011
Marsh Creek Road Shoulder Widening -Round Valley Park to Lydia Lane	Summer 2011
Deer Valley Road Shoulder Widening - Marsh Creek Road to Briones Valley Road	Summer 2011
Vasco Road Camino Diablo Intersection Improvements	Summer 2011
Willow Pass Road Improvements	Summer 2011
Vasco Road Safety Improvement Project (Vasco Road Median Barrier)	Summer 2011
Marsh Creek Road Safety Improvements Russelmann Park Road	Summer 2012
Marsh Creek Road safety Improvements 2 miles west of Deer Valley Road	Summer 2012
Deer valley Road Safety Improvements South of Chadbourne Road	Summer 2012
Highland Road Improvements	TBD
Kirker Pass Road SB Truck Climbing Lane	TBD
Kirker Pass Road NB Truck Climbing Lane	TBD
San Pablo Dam Road Downtown	TBD

- Gas Tax: We currently receive approximately \$16 million per year for our road system from the State gas tax. This money is specifically for use within the road rights of way. The State Legislature has proposed to eliminate the tax and replace the tax with a fee. Increasing a fee would only be subject to a simple majority vote, rather than a super majority vote for a tax increase. If the total revenue from the current gas tax is not received, the Public Works Department would have to delay or eliminate projects and most probably face layoffs.
- Proposition 42: We are anticipating \$7 million from the State for sales tax on gas (Prop 42). In prior years this money has been diverted by the State to cover budget shortfalls. In 2006 California voters passed Proposition 1A to prevent State lawmakers from raiding Prop 42 funds, although the State is allowed to borrow the funds but would then be subject to strict rules to repay the monies. If the sales tax on gas is diverted, once again projects and maintenance work will have to be delayed or eliminated, with possible layoffs of staff to make up for the budget shortfall.

2. Flood Control/Natural Resources

- Marina Program: The "Keep the Delta Clean Program" has been stopped. Unfortunately, an invoice for work performed prior to the freeze was received by the State on December 18, 2008, and will not be paid until the freeze is lifted. That invoice is for \$230,000. A team of five people work on this program, which encompasses other Delta counties and improves Delta water quality by providing boaters with: a place to recycle boat oil and marina batteries, maps, education kits and much, much more.
- Levee Certification for Wildcat and San Pablo Creeks: The Flood Control District applied for a grant to analyze the levees along Wildcat/San Pablo Creeks for certification pursuant to FEMA standards. This grant is on hold. Without this funding and analysis, FEMA may modify the floodplain maps requiring properties in the disadvantaged community of North Richmond to purchase flood insurance.
- Pinole Creek Restoration Project: The \$2.6 million Rivers Parkway grant to construct the restoration of Pinole Creek near San Pablo Bay is on hold. The design for this project is almost complete and expected to be built in summer of 2009. An extended freeze would delay construction for a year.

3. Parks Projects

- Creekside Park: Construction of a trail in Creekside Park along Grayson Creek in Pacheco is on hold. The trail is a long awaited project for the Pacheco community.
- Big Oak Tree Park: Construction of a new park in Clyde is on hold. This park is currently under construction and \$102,000 of Prop 12 funds are frozen. We are faced with stopping construction mid way through the contract, which will increase project costs.

Hopefully the budget impasse will be resolved and the flow of bond funds resumed in the near future so that we are able to avoid or at least minimize the impacts.

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